



2016 Yearbook

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Introduction



2016 proved to be another strong year for the home entertainment film industry, with more than AUD\$1 billion in sales.

The Yearbook data reveals that Australians remain some of the largest purchasers of DVDs and Blu-ray Discs in the world, with over \$800 million in sales throughout 2016.

While the physical disc DVD market did decline by 11% in 2016 - led by decreases in catalogue films – pleasingly, new release disc sales increased in 2016 by 4%, with Blu-ray disc new release films up by 14% and Blu-ray disc TV series sales up by 17%.

The physical disc market is incredibly resilient in Australia, and with the amazing theatrical slate in 2016 continuing into 2017, I expect new release DVD and Blu-ray disc sales to grow again in 2017.

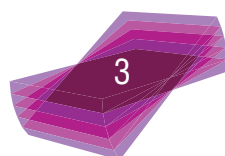
Reaching another milestone in 2016, Australians digitally purchased or rented over \$200 million in films or TV shows which is a 10 per cent increase on 2015. The combined home entertainment film and TV industry in Australia therefore remains a \$1 billion sector coexisting alongside new technology and services like Netflix and Stan.

One of the most exciting developments from an AHEDA perspective and of the industry more broadly is the significant inroads we have made in combating film piracy with 2017 being the year of action!

Last year we had the site blocking legislation through the Parliament and the test cases introduced and “won”. Now we have asked the court to order ISPs to block 42 piracy websites which should happen around the middle of this year. This will allow us to test against a large sample the effectiveness of these blocks on both traffic to these websites from Australia as well as a positive effect on legitimate consumption.

Early data from the first blocks on Piratebay.org show very promising results with the vast majority not bothering with technological solutions to get around the block. The naysayers suggested it would not work and we look forward to proving them wrong.

The Association goes from strength to strength and we remain committed to continue to work with others in the creative sector to ensure the government doesn’t erode laws that are vital for our sector. We have been fighting hard against proposed legislation to expand safe harbour laws to include search and social media



Introduction

sites as well as continued attempts to weaken copyright and introduce fair use laws (for example the Productivity Commission report into IP). It is never dull!

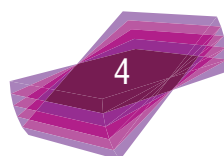
Through the Creative Content Australia group, we will also be producing a major consumer facing advertising campaign that will have massive audience reach and will coincide with the website blocks referenced earlier. The campaign will highlight the perils of accessing pirating sites and we are confident it will get major cut-through and awareness.

We also are looking to be more engaged in the ecosystem of our sector and ensure that retailers, partners and media stakeholders understand two inherent truths that go to the resilience and value of home entertainment, which is:

- 1) that you can only watch latest release films in the home on disc or by electronic transaction, and
- 2) that not only is new release theatrical growing so too are new release to home entertainment conversions also up year-on-year.

I hope you enjoy the 2016 Yearbook and it continues to provide a valuable source of reliable and reputable industry information and insight that has currency over the next 12 months.

Simon Bush
CEO, AHEDA



“

We have another really strong year ahead. We have a stack of blockbusters and ongoing franchises and we see a huge diversity of genres which provides something for everyone, from art house to Australian films.

”

2016 Top 20 DVD + Blu-ray combined
Ranked by volume
1

2 DISC BLU-RAY™ + DIGITAL HD
DIGITAL COPY PLUS

STAR WARS THE FORCE AWAKENS

M
Science fiction
themes and
violence

2016 Top 20 DVD + Blu-ray combined
Ranked by volume
2

DEADPOOL

MA 15+
RESTRICTED
Strong bloody
violence and
sex scene

ACADEMY AWARD WINNER
KATE WINSLET
ACADEMY AWARD NOMINEE
JUDY DAVIS
LIAM HEMSWORTH AND HUGO WEAVING

THE DRESSMAKER

2016 Top 20 DVD + Blu-ray combined
Ranked by volume
3

WINNER
5 AACTA AWARDS INCLUDING
PEOPLE'S CHOICE AWARD FOR
FAVOURITE AUSTRALIAN FILM

"FUNNY, POIGNANT
AND FULL OF HEART...
DESTINED TO BE AN
AUSSIE CLASSIC"
—THE AUSTRALIAN WOMEN'S WEEKLY

M

Mature themes,
violence, coarse
language and
sexual references

DVD
VIDEO

UNIVERSAL

Managing Director's Insight

'New is the new black': Riding the blockbuster wave into homes

About two years ago we remarked on the emergence of a golden age in television. It seemed that production values, and acting and writing talent once more common in cinema was being diverted to television for mass audiences.

This creative mistral filled the sails of the home entertainment industry boosting demand for products and giving emerging online platforms like Subscription Video on Demand (SVOD) the chance to exist alongside it in new niches.

Of course, this has created challenges with audiences dividing their attention across multiple platforms and the constant temptation of illegal online sources.

However, it seems that the momentum that worked in favour of TV series a couple of years ago has swung back to film giving consumer demand for newer content greater vigour.

Consider, *Star Wars VII: The Force Awakens*, the long-awaited new addition to the Star Wars franchise. It was easy to foresee the interest in the film but few would have been brave enough to bet on its ability to fill the boots of its six predecessors (in 2015, it took nearly \$63 million at the box office in Australia and \$US2 billion worldwide). Similarly, who could have predicted the creative vision and success of Marvel's R-rated comedy *Deadpool*?

These are just two examples of why Australia's home

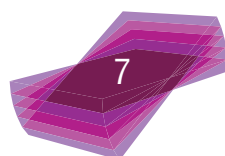
entertainment industry has remained remarkably resilient to disruptive online forces. With physical disc sales forecast to reach A\$800 million in 2016 and digital transactional sales on track to surpass A\$200 million for the first time, it remains a billion-dollar industry.

Overall, sales of physical theatrical new release titles grew 4 per cent in 2016 compared to the previous year and Blu-ray sales were particularly strong in that category growing 14 per cent over the same period. (At the same time, consumer appetite to own high quality TV quality series is growing. Blu-ray grew 17 per cent in this category in 2016).

As one senior industry executive observed: *"What we've seen this year is that our new release conversions (from cinema to home entertainment) have increased by about 6 per cent year-on-year. I think that indicates that new is as relevant as ever,"* one senior industry executive observed. *"Subscription services are about old content, especially in film - it's anywhere between 12 and 18 months old. The only place that you can consume new content out of the cinema is in the home entertainment window whether that's disc or electronic transactional".*

"New release movies, obviously coming off the back of what has been a strong box office period over the last three years has been good, and has kept our retailers very focused and very committed,". Another senior executive noted:

This was particularly true for 2016. The home entertainment release windows for *Star Wars VII: The Force Awakens*, *Deadpool*, *Suicide Squad*, and the next instalments of both the Jason Bourne and James Bond



Managing Director's Insight

franchises all fell within the year. There were also few surprises with the likes of Australian comedy drama *The Dressmaker* coming in as the third largest selling DVD title in the physical retail market.

Clearly, it's not just the value that consumers continue to place on having a better in-home viewing experience that is compelling them to own films; it's also the calibre of titles that the industry is producing.

This momentum has a strong chance of continuing into 2017. Last year the Australian cinema industry surpassed its 2015 record gross box office take of A\$1.226 billion and grew 2.7 per cent to reach A\$1,259 billion.

Many of the titles that helped push the Australian box office to this record high including *Rogue One: A Star Wars Story* (which took \$36.4 million in ticket sales in the last two weeks of 2016), *Captain America: Civil War*, *Finding Dory* and *Bridget Jones's Baby* have either just entered the home entertainment release window or are expected to early this year. It augurs well for the year ahead.

Release Windows: Playing with the rule book

Release windows – the time intervals between which TV and movies are typically made available in various formats – was once a less complicated affair in the entertainment industry.

It's an oversimplification but typically a title would be released in the cinema and about five months later you could buy or rent it in a physical format. If you waited a few more months you could watch it on Pay TV

(assuming you could afford it) and if you waited another two years you could watch it on free-to-air television. TV series were typically the domain of free-to-air licensees and the most popular of these shows were eventually made available through retail or rental channels in a physical form.

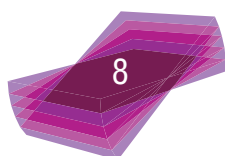
However, the inception of the internet switched the dynamics of the debate around once sacred release windows into a new gear. Online piracy and the new medium's ability to prove a viable, low-cost alternative to Pay TV for delivering entertainment forced studios to acknowledge that their industry was becoming consumer-led.

Arguably, popular TV series were the most vulnerable to piracy and their SVOD and Pay TV release windows contracted the most rapidly to the point where they're currently largely synchronised globally.

However, in recent years, the industry has started to turn its attention to experimenting with one of its most sacred windows; that between cinema release, and other downstream channels.

As one senior executive explained, it one of the most contentious topics with which the industry must grapple due to a phenomenon it creates that he described as a "dark zone".

"It's the period of time that a consumer cannot buy a movie and, therefore, that stimulates things like piracy. But it also stimulates consumer disenfranchisement. We know the benefits of reducing that window are there and important but we have to straddle a delicate relationship with our exhibitors," the executive



Managing Director's Insight

explained

The first experiments around release windows targeted early Electronic Sell Through or EST. For example, negotiations between studios and distributors led to experiments in which a handful of titles were made available for digital transactional consumption ahead of physical channels to test the market's response. Eventually, they conducted similar experiments with physical channels for a handful of cinema titles and found that there was no excessive impact on ticket sales but marked improvements in downstream sales.

Based on those results, last year Australian distributors were permitted to move the earliest opportunity that they could start moving inventory through physical and digital channels from 120 day to 90 days after cinema release for the first time. However, senior industry executives say that in practice it was more about creating flexibility than a new immutable rule.

As one distributor pointed out *“if you look across the market, the studios have all got different policies on different titles but it's never earlier than 90 days (in Australia)”*.

In other words, it's still about cherry picking titles to maximise income streams at each layer of distribution.

Nevertheless, industry executives say, that overall, the new the new flexibility appears to be working well for the industry.

For instance, Bridget Jones's Baby wouldn't have been in a physical form until January and after the Christmas season in Australia, if the home entertainment window

release had been rigidly kept at 120 days.

“Windows should remain flexible to consumer behaviour and needs,” said one senior industry executive. “A 90-day window may allow a title to release in-home in a key seasonal period and that's where we see the greatest benefit”.

The Digital Opportunity

As we noted earlier, home entertainment digital transactional sales passed a major milestone in 2016. For the first time, income from the segment will exceed \$200 million.

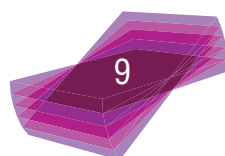
That's creating a lot of optimism for the segment. However, some in the home entertainment industry believe it's time to capitalise on its organic growth and use more aggressive market tactics to push the sector to its full potential.

Overseas markets have been experimenting with more flexible windows around the EST value proposition which presents as one opportunity for the local market; importantly the overseas data shows it has no impact on cinema sales and in fact in some cases there is a cross promotion. Being forward thinking, flexible and working with theatrical exhibitors to ensure they understand the motives and metrics will ensure that everyone wins including the consumer.

If similar advances are possible in the Australian market, then evolution of the local digital transaction space promises to be an exciting area to watch.

Piracy

When Netflix, Stan and other SVOD services began



Managing Director's Insight

launching locally early in 2015, it raised hopes for millions of Australians. It appeared that, finally, the yawning gap in availability of internet-delivered entertainment services between here and overseas markets like the US and Europe would close.

However, they also carried the hopes of thousands of Australians employed in the entertainment industry that the depressingly copious streams of data carrying illegal downloads of films and TV into the country might finally abate.

To some extent these hopes were answered. In October 2015, Australia's peak anti-piracy lobby, then known as the Intellectual Property Awareness Foundation (IPAF) reported that SVOD subscriptions were growing healthily and its surveys revealed that piracy rates had fallen from 29 per cent to 25 per cent overall (from a combination of cheaper prices, increases legal access and the widespread media around the increased threat of getting caught). However, it also reported that 40 per cent of the most stubborn pirates were downloading more illegal content than ever.

Moreover, as recently as October 2016, Village Roadshow co-chief executive Graham Burke warned that piracy rates had doubled among 12 to 17-year-olds with YouTube a prime source.

It was a disappointing outcome for the industry (and copyright advocates generally). It has spent years patiently lobbying the federal government for support and taken the internet industry to the country's highest court in its plight.

These years of advocacy and fighting led to a crucial

and watershed victory. In June 2015, the federal government passed laws allowing copyright holders to apply for federal court injunctions requiring ISPs to block web sites established "primarily" for promoting piracy.

The home entertainment industry's response to the site blocking laws has been positive but maintains the position that the laws, while expected to be effective, need to be part of a larger strategy to combat piracy.

For one senior industry executive, the new laws certainly weren't a poorer cousin to the failed so-called three strikes regime.

"I do think the site-blocking law is a bigger win. Making it harder for people to access content illegally is more productive than sending notices" the executive said.

However, another observed that they weren't enough on their own, saying: *"It's an important step but on its own it's definitely not enough. We think that education is important and I think the industry is looking at a consumer campaign to reinforce the importance of not taking the piracy path. We're also focusing on getting content out in line with other territories as best we can"*.

Nevertheless, last year the industry got its first chance to test the new site-blocking laws in a landmark case expected to set the parameters for how the regime will operate.

In December 2016, Foxtel and Village Roadshow successfully applied to the court for injunctions requiring

Managing Director's Insight

Telstra, Optus, TPG and M2 to block five peer-to-peer torrent file sharing sites - Pirate Bay, Torrentz, TorrentHound, IsoHunt, and SolarMovie.ph.

Universal Music, alongside music licensing body APRA AMCOS, has also applied for injunctions against a group of torrent sites operating under the banner KickassTorrents. It's widely expected to succeed in line with the Village and Roadshow applications.

And in February 2017 a further 40 piracy sites will be put to the courts to be blocked. We know from UK research that after this first tranche of site blocks it will result in a measurable and significant drop in piracy and, hopefully, an uptick in legitimate consumption.

As one executive said: *"early data from the first two*

site blocks has shown most people don't circumvent the block as we expected and that traffic to the sites out of Australia dropped by a very large number."

The true effectiveness of site-blocking in Australia will be known later this year when carriers take steps to blacklist a larger number of sites. At that point, we will be able to measure the amount internet traffic running to online piracy sites and compare it that before the blocks were put in place.

Andrew Colley

Acknowledgements

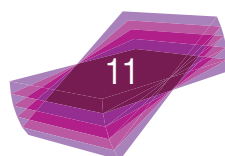
The Australian Home Entertainment Distribution Association gratefully acknowledges the following executives for contributing their time, wisdom and experience to the preparation of this report:

Jo Bladen - Managing Director,
The Walt Disney Company Australia

Jim Batchelor - Managing Director,
Universal Sony Pictures Home Entertainment Australia

Chris Chard - Managing Director,
Roadshow Entertainment

Flavio Paoli - Managing Director,
Twentieth Century Fox Home Entertainment Australia



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Australian digital video
market forecast to pass
A\$2.0billion for the first
time in 2020

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Market Overview

The AHEDA Yearbook has in-depth and specific chapters on digital and retail physical home entertainment sales. This overview provides an easily digestible snapshot of this data and the headline figures

Digital Business

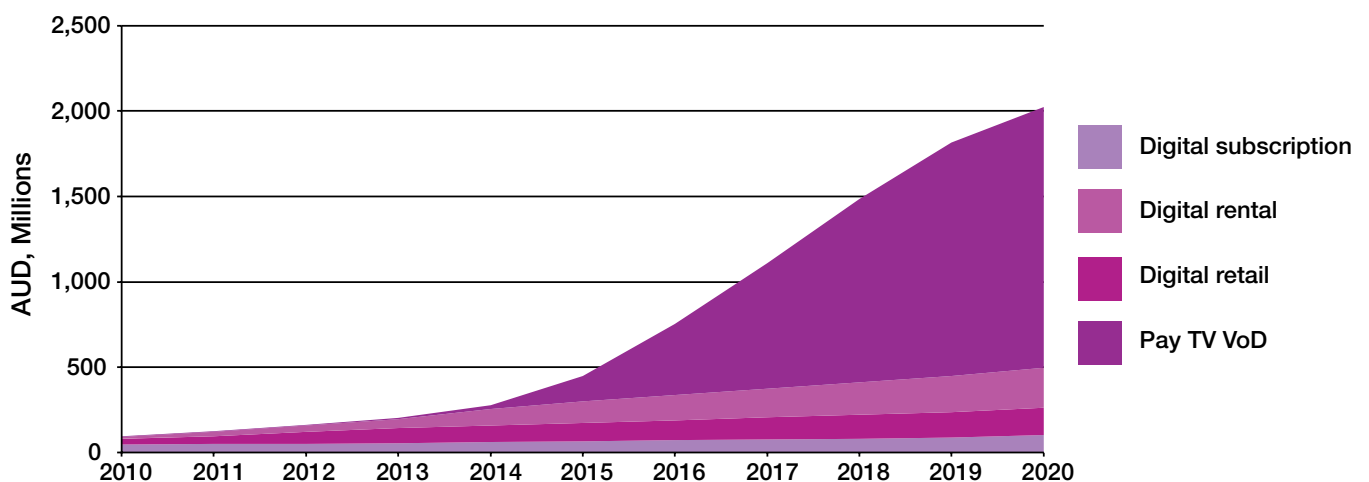
Australian consumer spending on digital video, whether via Pay TV VoD, digital retail, digital rental or digital subscription, experienced rapid growth in 2016 driven by expansion of international and local digital video services. Australian consumer spending on digital video increased 69% to nearly A\$755 million compared with the previous year. IHS Markit expects the strong growth to continue over the forecast period with the value of the Australian digital video market forecast to pass A\$2.0 billion for the first time in 2020.

The Australian pay TV VoD services are proving resilient and showing little effect of cord cutting after consumer-level spending experienced solid growth of 8.4% to A\$72.4 million in 2016.

Meanwhile, digital retail and rental transactional consumer spending grew 8.8% and 18.7% respectively in 2016. The combined digital transactional movie and TV market increased 14.1% to A\$263 million - across the retail and rental business models. This reflects IHS Markit analysis of AHEDA member data, including Goods and Services Tax (GST) and grossed up to reflect the total market.

Australia: Digital Video Spending 2010-2020

Source IHS © 2017 IHS



The strong growth in the Digital Transactional Video Market was particularly impressive given an increase in competition from SVoD services such as Netflix, Stan and Foxtel Play as well as multiple free-to-view TV catch-up and TV everywhere services offered by public and pay TV operators alike – both of which occupy consumer's time with a range of fresh and varied content. Although transactional digital offerings generally feature more recently-released

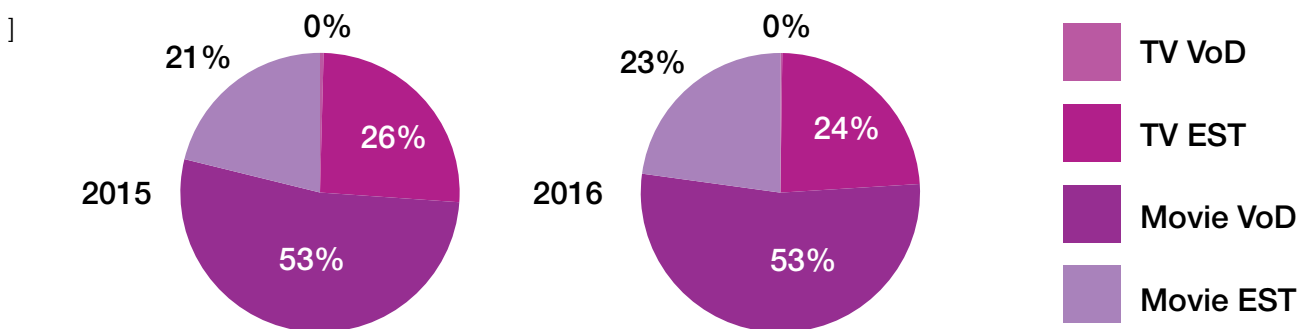
Market Overview

content than online SVoD services, the latter have been especially adept at making their content easily accessible on a range of devices—most importantly the TV set—and also have begun to finance original and often home-grown movie and TV content.

Digital transactional video volume also recorded solid growth increasing 3.5% to 29.9 million in 2016 compared with a year earlier. Digital video transactions are paid-for transactional non-physical retail and rental purchases of Movie and TV content.

Australia: Consumer Transactions by digital service 2015 + 2016

Source IHS © 2017 IHS



Digital transactional spending is still very much focused on movies in Australia. The digital retail and rental of movies generated A\$155 million or 76% of total transactional online video spend in 2016. The majority of value is generated by movie rentals: A\$109 million in 2016. There is very little TV content consumed on a rental basis (TV VoD), which is primarily a reflection of availability. TV consumed via digital retail (TV EST) generated A\$48.6 million in 2016, up 2.9% to reverse the decline experienced in 2015. The smaller amount of overall transactional consumption of TV content is largely due to consumers preferring to watch TV content in subscription environments. TV content in itself is designed for subscription or free-to-view environments, which are fundamentally non-transactional. Consumption of content on SVoD platforms, to a certain degree, can be characterised by the same casual (passive) and repetitive viewing habits, which are often associated with traditional TV viewing.

In terms of volume, Movies also dominate Digital Transactions in Australia. In particular, Movie VoD transactions, which increased its share by one percentage point to account for 70% of digital transactions in 2016 compared with the previous year. Movie EST saw its importance increase by the same, up to an 11% share. The increase in Movie transactions came at the expense of the TV EST segment, which saw its importance decline two-percentage points to 18% over the same period.

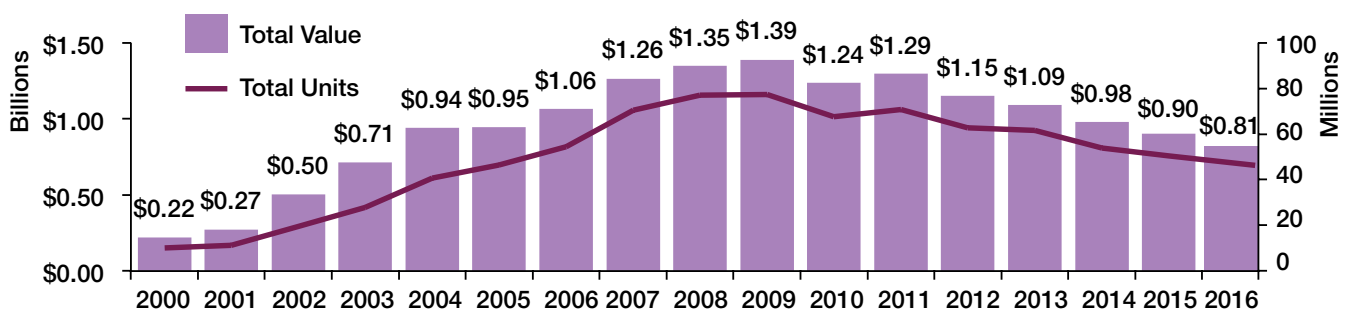
Market Overview

Physical Business

The physical DVD and Blu-ray retail channel sold 44 million discs in 2016, for a total value of \$806 million. Though the overall physical disc market was in decline, it is still one of the largest individual categories in Australia, generating more value than categories such as tablets or wearables.

GfK Retail Tracking: Physical Retail Market size

Source IHS © 2017 IHS



Blu-ray's 2016 share increase was buoyed by improving shares in the new release movies and TV series release types, both of which have higher average prices than the overall market. Over a quarter of all new release movies are now purchased on Blu-ray.

2016 saw the debut of 4K Ultra HD Blu-ray. 65,000 4K Ultra HD titles were sold in 2016 for a value of \$2M, or 2% of Blu-ray volume and 3% in value. The higher value share is due to a fairly substantial price differential between a standard Blu-ray title and a 4K title – the 4K Ultra HD average price is \$31, compared to just \$22 for standard Blu-ray. 4K Ultra HD is still in its infancy in the video entertainment market. There were 68 different 4K titles released in 2016, with action movies generating twice the share of the next biggest genre; Sci-Fi.

One of the current barriers to 4K Ultra HD sales is a relative lack of compatible hardware. There are plenty of 4K TVs available, over 600,000 have been sold in Australia, but there are relatively few 4K players that have launched in Australia. This is partially being addressed by the latest wave of games consoles, especially the Xbox One S, which has 4K player functionality.

The highest growing area in physical discs for 2016 was New Release movies. A combination of lower priced physical discs, higher shares of Blu-ray, and a growing box office have all contributed to this growth. The prices for New Release movies have dropped at a fairly steady rate since 2012, with particularly heavy activity in the sub \$15 price band in 2015 creating an anomaly in the longer-term pricing trends. In 2016, 71% of New Release sales were for titles priced at less than \$20 (compared to 67% in 2015).

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The strong growth in the
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impressive

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Australian Digital Video Market in 2016

This chapter on the Australian digital video market was written for AHEDA by IHS by using AHEDA data and IHS's own research. Australian consumer spending on digital video, whether via Pay TV VoD, digital retail, digital rental or digital subscription, experienced rapid growth in 2016 driven by expansion of international and local digital video services. Australian consumer spending on digital video increased 69% to nearly A\$755 million compared with the previous year. IHS Markit expects the strong growth to continue over the forecast period with the value of the Australian digital video market forecast to pass A\$2.0 billion for the first time in 2020.

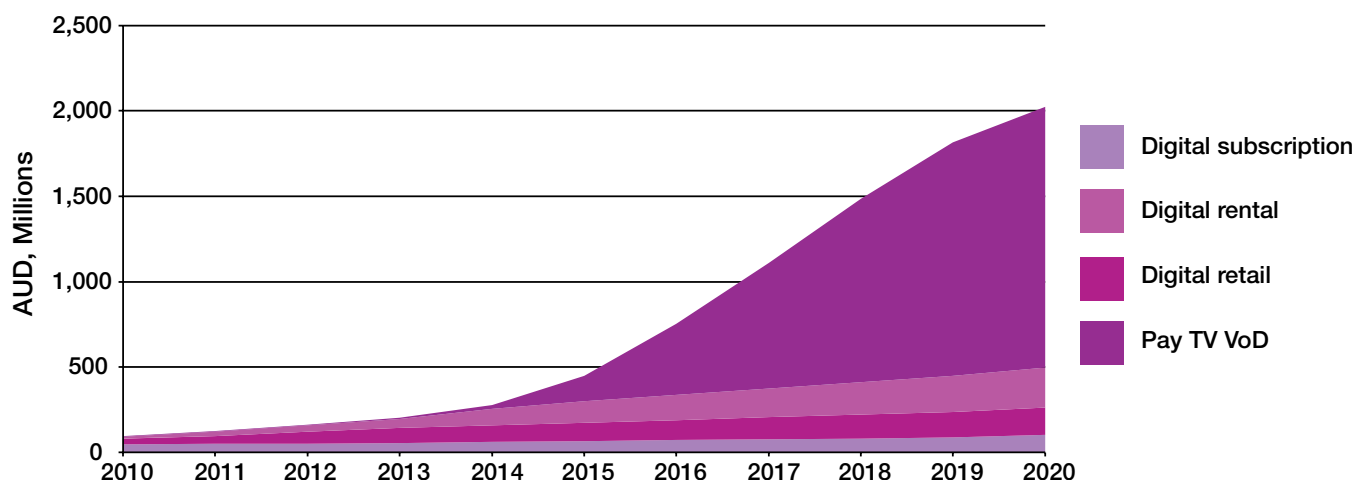
Digital subscription commonly referred to as Subscription Video-on-Demand (SVoD) saw the greatest expansion in 2016. IHS Markit research indicates, the SVoD market grew from A\$149 million in 2015 to A\$419 million in 2016 – up 180% after Netflix and the home grown Stan SVoD services gained traction over the period. Digital subscription accounted for more than half of total online and TV-based VoD spending in Australia for the first time in 2016. SVoD represented nearly 55% of total spending on digital video in 2016 followed by digital rental (19%), digital retail (16%), and Pay TV VoD (10%).

The Australian pay TV VoD services are proving resilient and showing little effect of cord cutting after consumer-level spending experienced solid growth of 8.4% to A\$72.4 million in 2016.

Meanwhile, digital retail and rental transactional consumer spending grew 8.8% and 18.7% respectively in 2016. The combined digital transactional movie and TV market increased 14.1% to A\$263 million - across the retail and rental business models. This reflects IHS Markit analysis of AHEDA member data, including Goods and Services Tax (GST) and grossed up to reflect the total market.

Australia: Digital Video Spending 2010-2020

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Macroeconomic and Infrastructure Trends

Macroeconomic factors

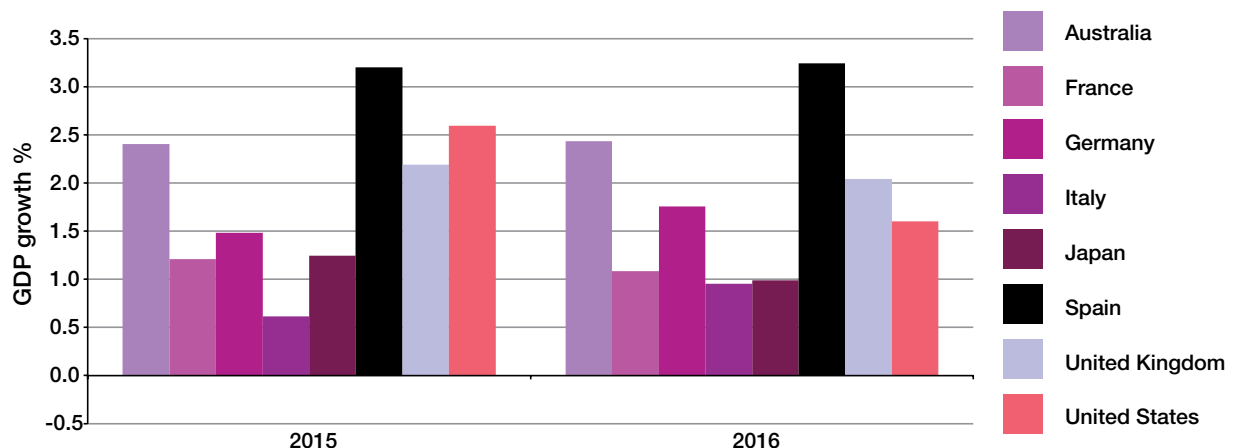
The Australian economy grew in real terms by 2.4% to nearly US\$1.3 trillion in 2016. Australia's growth outlook is favourable compared with other advanced economies such as Japan (1.0%), Italy (1.0%), France (1.1%), the US (1.6%), Germany (1.8%), and the UK (2.0%), owing to proximity and trade ties with emerging Asian economies. Australia's real GDP growth in 2016 trailed only Spain, which grew 3.2% after strong employment growth stoked up a firmer recovery in household incomes.

Australia continues to encourage foreign investment, although foreign ownership of domestic assets was politically sensitive in 2016. Unions and environmental groups staged occasional strikes and protests, affecting public services, mining, and construction but caused limited disruption to business districts because of effective policing. Annual average retail sales grew 2.3% in 2016 with consumer demand supported by low oil prices, low inflation, low interest rates, and an active housing market.

The Liberal-National coalition returned to government following the July 2016 election, but the government's slim majority raises policy instability risks over the next three years. Short-term growth remains constrained by weak business investment, but real GDP growth of 2.5% is expected for Australia in 2017, with growth receiving support from a levelling off of the slowdown in mining sector investment and improving non-mining business investment. Household consumption will remain under pressure from weak employment and wage growth in 2016, driving continued consumer frugality in 2017. Consumption spending will likely focus on interest rate-sensitive purchases, especially as commercial lenders have been raising rates on fixed-rate products, and there will be some signalling by the Reserve Bank of Australia (RBA) on monetary policy tightening from the third quarter of 2017 onward.

Real GDP growth across countries (%)

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

The government's spending initiatives in the pre-election budget were mostly built upon previously outlined plans, with aims to reprioritise and rationalise spending to finance the modest planned increases in expenditures. The Government threw its weight behind a 10-year enterprise tax plan, which promises progressive reductions in the corporate tax rate during the next several years. IHS Markit expects the government to stay on a course of spending reprioritisation/rationalisation to allow for much-desired corporate tax cuts. However, with the risks to growth from the global political environment, it may need to start contemplating more significant fiscal consolidation measures, and that is a downside risk to the growth outlook.

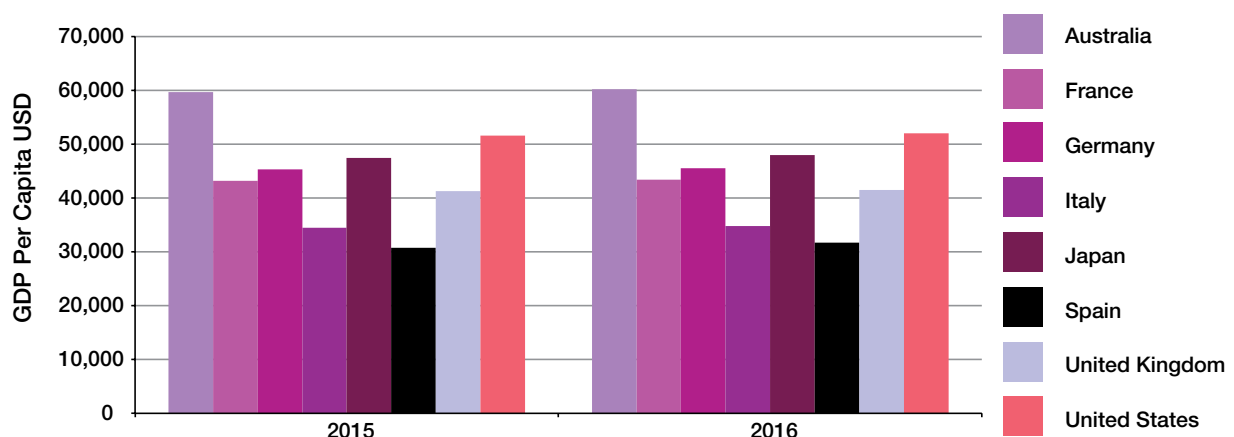
While exports account for only 20% of Australian GDP, they have been one of the more dynamic segments of the economy following the heavy mining investment of the past decade; therefore, risks to global trade and export demand must be monitored closely. Household and business confidence and spending plans could similarly be undermined by global risks, with rising interest rates and inflation to make matters worse. Having said this, Australia's trend growth is among the strongest in the Organisation for Economic Co-operation and Development (OECD). Supporting the growth outlook are Australia's active pursuit of bilateral trade agreements and involvement in global and regional trade agreements, which will continue to serve to reduce tariff barriers and boost integration into global supply chains.

Australia is a dynamic, well-diversified, and open economy. Real GDP per capita is one of the highest in the world at US\$60,200 in 2016 and continues to be a healthy sign for take up of digital video services in the country. By comparison, the average income per person and subsequent ability to spend on content reached US\$52,000 in the US, US\$48,000 in Japan, US\$41,500 in the UK and US\$31,800 in Spain.

Australia's population grew 1.4% to 24.3 million people in 2016, who live in just under 9.3 million households.

Real GDP per capita across countries USD

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Broadband Infrastructure

Broadband household penetration continues to increase in Australia reaching 67% by the end of 2016, up from 65% in 2015 according to IHS Markit. Improvements in infrastructure will facilitate further growth in broadband penetration, particularly the ongoing rollout of the Australian Government-owned National Broadband Network (nbn). The Australian Government took the plunge in November 2016 and pitched in to provide an A\$19.5 billion loan that will allow the nbn company to meet the projected peak final funding cost of A\$49 billion. The final tranche of funding had been expected to come from private sources but the Government quickly moved to quash speculation that this indicated reticence from private finance, but rather that the Government's analysis based on rating agency appraisals, indicated this to be the most cost effective approach.

The nbn will be the nation's first national wholesale-only, open-access broadband network with a commitment to deliver access to at least 25 megabits per second (Mbps) downstream to all premises and at least 50 Mbps downstream to 90% of fixed line premises. The nbn had passed 4.2 million premises and connected nearly 1.9 million homes by the end of February 2017. nbn aims to connect eight million homes and businesses by 2020 via a mixture of technologies: fibre-to-the-premises (FTTP), fibre-to-the-node (FTTN), fibre-to-the-distribution-point (FTTDP), fibre-to-the-building (FTTB), HFC (hybrid fibre coaxial), satellite and fixed wireless.

The dominant provider of fixed-line services in Australia is Telstra. Telstra also has the majority of mobile phone subscribers, where it primarily faces competition from Optus Mobile (a subsidiary of SingTel) and Vodafone. Traditional telecommunication services including land-based and mobile telephones are mature. Smartphone penetration in Australia is high in the context of regional standards for the Asia Pacific, at 86% by the end of 2016, according to IHS Markit.

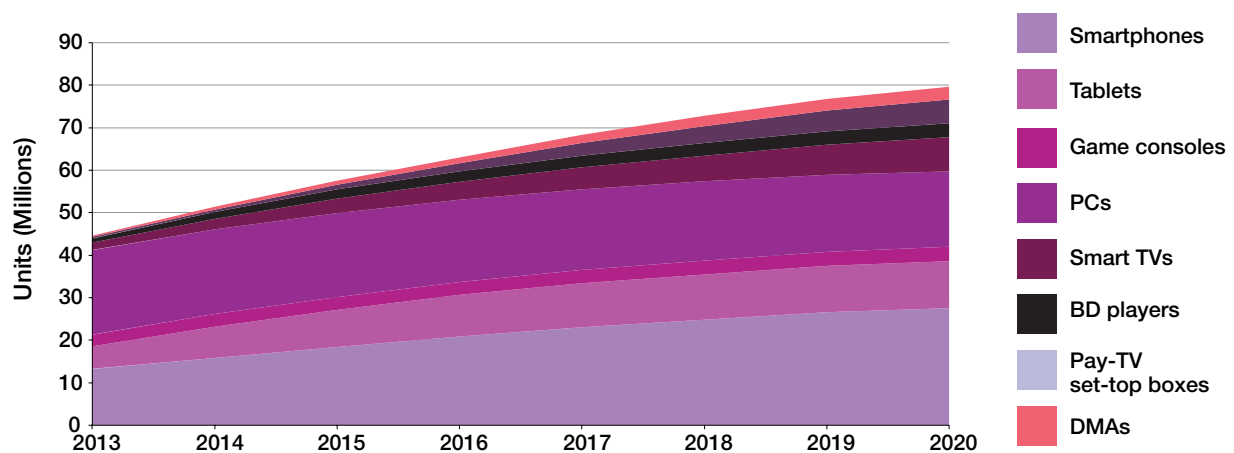
The number of connected devices available in Australia continues to expand rapidly increasing from almost 58 million in 2015 to just over 63 million in 2016 – up 9.4%. Personal computers (PCs) still comprise a large share of the device landscape but now have less influence on the landscape's growth and future composition. The number of connected PCs in Australia declined by 1.6% in 2016 compared with the previous year. There is really only one device that both commands tremendous volume in the market and singlehandedly drives the device landscape's yearly growth – the Smartphone. The Smartphone is the single-largest device type installed, accounting for 33% of total connected devices in Australia by the end of 2016. By comparison, PCs accounted for a 31% share followed by Tablets (16%), Smart TVs (6.7%) and Game Consoles (4.8%). Australia's installed base of connected smartphones increased 13% to nearly 21 million in 2016 compared with just over 19 million connected PCs. The rapid rise of smartphone ownership is forecast to continue rising to almost 28 million by the end of 2020.

Australian Digital Video Market in 2016

Although fixed devices have ceded considerable ground to portable hardware - in terms of raw market scale - it is short sighted and erroneous to discount the continued relevance of fixed devices. In particular, be it a console, digital media adapter (DMA), connected set-top box, or directly-connected Smart TV, fixed devices continue to serve as the gateway to the primary, high-value media consumption device in the home: the large TV screen. While the connected console base has largely stabilised (+1.7% in 2016), growth among Smart TVs (+24%) and pay TV set-top boxes (+69%) is strong.

Australia : Connected Device Install Base

Source IHS © 2017 IHS



Australian Digital Services

Digital Services: Transactional movies and TV

COMPANY	SERVICE	BUSINESS MODEL	RENTAL LAUNCH DATE	RETAIL LAUNCH DATE
Telstra	BigPond Movies	Rental	Q1 06	
Apple	iTunes Store (ITS)	Rental, retail	Q3 08	Q4 10
Kanopy	Kanopy	Rental	Q4 08	
Foxtel	Foxtel Store (formerly Foxtel Download)	Rental	Q4 09	
Microsoft	Microsoft Movies & TV (formerly Xbox Video)	Rental, retail	Q4 09	
Sony Interactive Entertainment	PlayStation Store	Rental, retail	Q2 10	Q2 10
FetchTV	FetchTV	Rental	Q2 10	
iiNet	iiNet TV with Fetch	Rental	Q2 10	
Beamafilm	Beamafilm	Rental	Q1 11	
Optus	Optus TV with Fetch	Rental	Q4 11	

Australian Digital Video Market in 2016

COMPANY	SERVICE	BUSINESS MODEL	RENTAL LAUNCH DATE	RETAIL LAUNCH DATE
Quickflix	Quickflix	Rental	Q1 12	
Google	Google Play Movies	Rental, retail	Q2 12	Q4 12
Vimeo	Vimeo On Demand	Rental, retail	Q2 13	Q2 13
Dendy Cinemas	Dendy Direct	Rental, retail	Q3 14	Q3 14

Digital Services: Subscription Video Services

COMPANY	SERVICE	BUSINESS MODEL	LAUNCH DATE
Telstra	Mobile Foxtel	Bundled telco product	Q4 06
Vivendi, Orange	Dailymotion	Standalone	Q4 08
MUBI	MUBI	Standalone	Q1 09
Bigstar TV	Big Star Movies	Standalone	Q4 09
Indieflix	Indieflix	Standalone	Q4 09
FetchTV	FetchTV	Standalone/PayTV	Q2 10
iiNet	iiNet TV with Fetch	Bundled telco product	Q2 10
Beamafilm	Beamafilm	Standalone	Q1 11
Quickflix	Quickflix	Standalone/Bundled with DVD rentals	Q4 11/Q2 13
Optus	Optus TV with Fetch	Bundled telco product	Q4 11
Foxtel	Foxtel Go	Device based	Q4 12
Foxtel	Foxtel Play	Standalone/PayTV	Q3 13
StreamCo (Nine Entertainment and Fairfax Media)	Stan	Standalone	Q1 15
Netflix	Netflix	Standalone	Q1 15

Pay TV Services: Transactional movies and TV

COMPANY	PLATFORM	TECHNOLOGY	BUSINESS MODEL	LAUNCH DATES
Foxtel	Cable	nVoD	Rental	1999
Optus TV	Cable	nVoD	Rental	1999
Foxtel	Satellite	nVoD	Rental	1999
Optus TV with Foxtel	Cable	nVoD	Rental	2002
Foxtel On Demand	Satellite	Push-VoD	Rental	2007
Foxtel Anytime	Satellite	IP-VoD	Rental	2008
FetchTV	IPTV/OTT	IP-VoD/OTT	Rental	2010

Australian Digital Video Market in 2016

Definitions and examples

Digital Video	Refers to retail and rental transactional and subscription movies and TV content purchases via both the open internet (online) and closed pay TV networks (Pay-TV on-demand).
Digital Retail	A method of selling digital content that gives the customer ownership over the files they have downloaded, allowing the customer to use the content as many times as they like - the digitally distributed equivalent of conventional retail channels. Digital retail is also known as 'download-to-own' (DTO), 'electronic sell-thru' (EST) and 'digital sell through'. Excludes free, subscription, and adult content.
Digital Rental	A method of renting digital content whereby customers commonly choose content on an a la carte basis and pay to watch it for a limited period. Digital rental is also known as Video-on-Demand (VoD) and Pay Per View (PPV). PPV content can be downloaded or streamed. Excludes free, subscription, events and adult content. For example, a movie rental through iTunes.
Pay TV On-Demand (Pay TV VoD)	The practice of paying for a rental on an a la carte basis over a closed pay TV network. Formally speaking it applies to a temporary right of use that is purchased by a one off payment. It can be either movies or TV shows. For example, a movie rental through Foxtel's satellite TV platform.
Digital Subscription	Digital subscription commonly referred to as Subscription Video-on-Demand (SVoD). This metric refers to standalone digital subscribers. For example, Netflix, Presto, Quickflix and Stan. Does not include users of bundled packages (e.g. Foxtel Go access available free to Foxtel pay TV subscribers in Australia).

Australian Digital Video Market in 2016

Methodology

Data

- The data is an aggregate of participating AHEDA members, and not a market total unless placed in an international context for comparative purposes.
- The data reported to IHS is units and either consumer or trade (distributor) revenue. This data is analysed to produce totals for both consumer and trade revenues; which is to say we do not simply sum the provided consumer data to produce the consumer total and provided trade data to provide the trade total. Instead, we mark up and mark down the provided data as appropriate to provide a fuller assessment of the market. For example, TV EST revenue provided by Studio A at a consumer level is marked down to estimate Studio A's trade revenue; while Studio B, providing trade revenue, is marked up to reach the consumer total.
- To estimate these mark-up factors we use a mixture of i.) Participant feedback, ii.) Our knowledge of international digital home entertainment practices, iii.) The data provided by the participants as a benchmark for average per-transaction price.
- TV series sales are reported as one transaction and not by the volume of episodes sold; e.g., a purchase of Season 1 of a TV series is reported as one transactions and not 22 episodes.
- Zero price transactions are excluded from reporting. Only items where a standard wholesale price is paid to the studio are included. Bundled promotions where there is a flat up-front fee paid to the studio are excluded.

Revenue & GST

- Revenue is reported at consumer level and is reported exclusive of Goods & Services Tax (GST).

Spending & GST

- Spending is reported inclusive of Goods & Services Tax (GST).

Average Selling Price (ASP)

- Consumer average selling price (ASP) is inclusive of GST as this allows participants to calculate the total consumer spend by multiplying the consumer ASP against the number of units.

Exchange Rates: US Dollar

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
		\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=
Australia	AUD	0.97	1.04	1.11	1.33	1.35	1.35	1.35	1.35	1.35	1.35
France	EUR	0.78	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Germany	EUR	0.78	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Italy	EUR	0.78	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Spain	EUR	0.78	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90
UK	GBP	0.63	0.64	0.61	0.65	0.74	0.74	0.74	0.74	0.74	0.74
US	USD	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Australian Digital Video Market in 2016

Australian Digital Video Market

Australian Digital Transactional Video Market

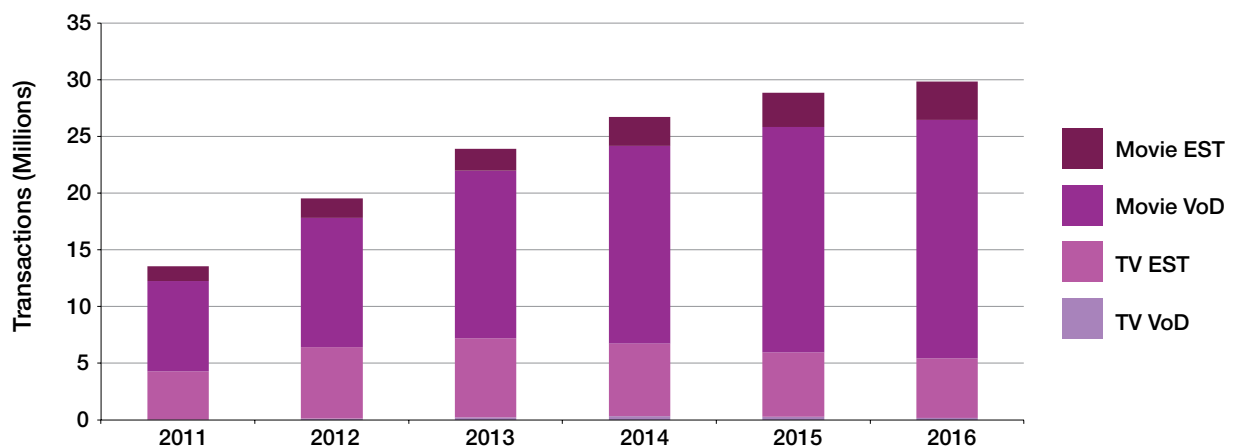
Australia consumers spent a combined A\$204 million (consumer spending minus Goods and Services Tax) on digital transactional video in 2016, up a healthy 11.2% compared with the previous year according to IHS Markit analysis of member data from the Australian Home Entertainment Distributors Association (AHEDA). IHS Markit defines digital transactional video as digital retail and digital rental movie and TV content that is delivered over-the-top (OTT) or via the open internet and on a strictly transactional basis. Content is accessed on connected devices, such as PCs, tablets, game consoles, and smart TVs. The data includes transactional OTT content accessed through apps on TV set-top boxes, but completely excludes TV-based video-on-demand (VoD) offerings. Digital retail, also known as 'electronic sell-thru' (EST), 'download-to-own' (DTO), and 'digital sell through', increased 10.6% to A\$95.2 million in 2016 compared with the previous year. Digital rental, also known as 'Video-on-Demand (VoD) and 'Pay-Per-View (PPV)', rose 11.6% to A\$109 million over the same period.

The strong growth in the Digital Transactional Video Market was particularly impressive given an increase in competition from SVoD services such as Netflix, Stan and Foxtel Play as well as multiple free-to-view TV catch-up and TV everywhere services offered by public and pay TV operators alike – both of which occupy consumer's time with a range of fresh and varied content. Although transactional digital offerings generally feature more recently-released content than online SVoD services, the latter have been especially adept at making their content easily accessible on a range of devices—most importantly the TV set—and also have begun to finance original and often home-grown movie and TV content.

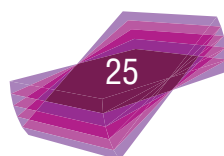
Digital transactional video volume also recorded solid growth increasing 3.5% to 29.9 million in 2016 compared with a year earlier. Digital video transactions are paid-for transactional non-physical retail and rental purchases of Movie and TV content.

Australia: Consumer Transactions 2011-2016

Source IHS © 2017 IHS



AUSTRALIAN HOME ENTERTAINMENT DISTRIBUTORS ASSOCIATION Yearbook 2016

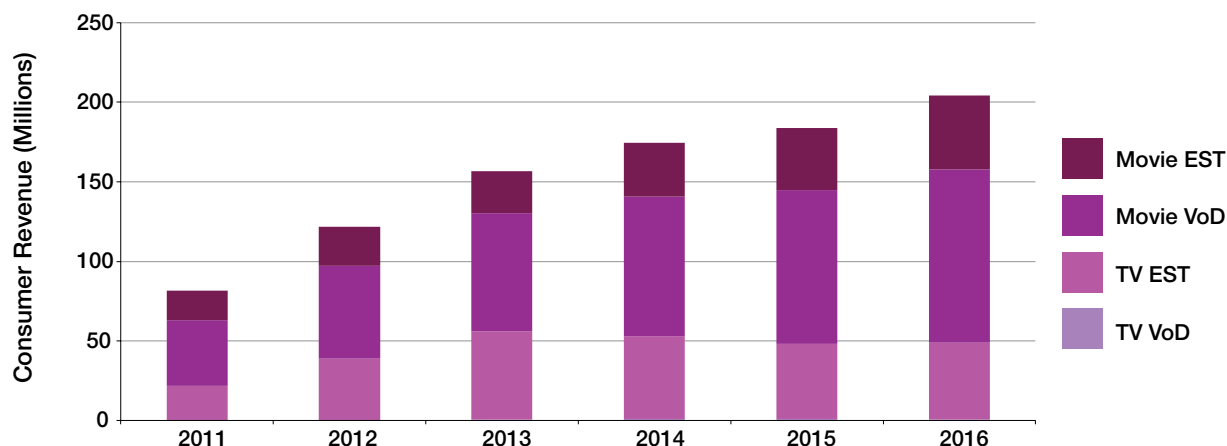


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Australian Digital Video Market in 2016

Australia: Consumer Revenue, 2011 - 2016

Source IHS © 2017 IHS

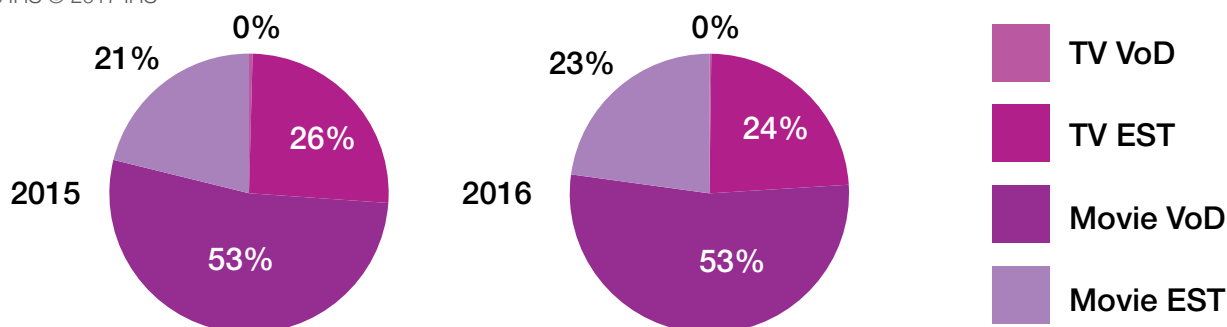


Digital transactional spending is still very much focused on movies in Australia. The digital retail and rental of movies generated A\$155 million or 76% of total transactional online video spend in 2016. The majority of value is generated by movie rentals: A\$109 million in 2016. There is very little TV content consumed on a rental basis (TV VoD), which is primarily a reflection of availability. TV consumed via digital retail (TV EST) generated A\$48.6 million in 2016, up 2.9% to reverse the decline experienced in 2015. The smaller amount of overall transactional consumption of TV content is largely due to consumers preferring to watch TV content in subscription environments. TV content in itself is designed for subscription or free-to-view environments, which are fundamentally non-transactional. Consumption of content on SVoD platforms, to a certain degree, can be characterised by the same casual (passive) and repetitive viewing habits, which are often associated with traditional TV viewing.

In terms of volume, Movies also dominate Digital Transactions in Australia. In particular, Movie VoD transactions, which increased its share by one percentage point to account for 70% of digital transactions in 2016 compared with the previous year. Movie EST saw its importance increase by the same, up to an 11% share. The increase in Movie transactions came at the expense of the TV EST segment, which saw its importance decline two-percentage points to 18% over the same period.

Australia: Consumer Transactions by digital service 2015 + 2016

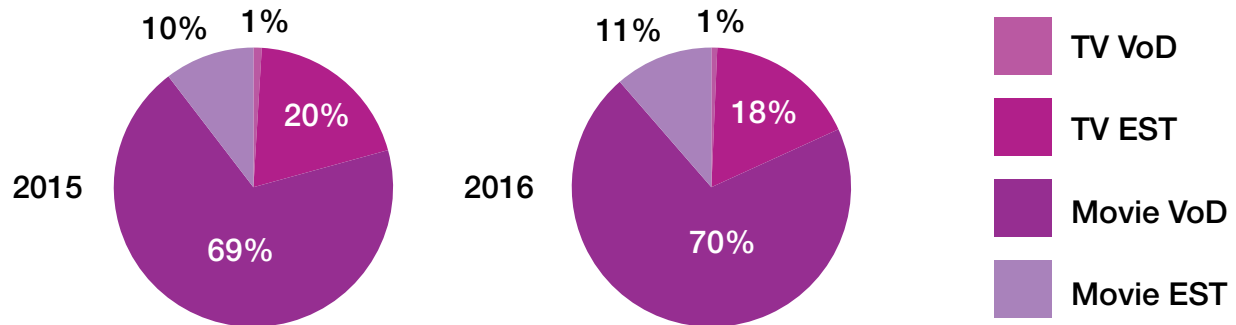
Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Australia: Consumer Revenue by digital service 2015 + 2016

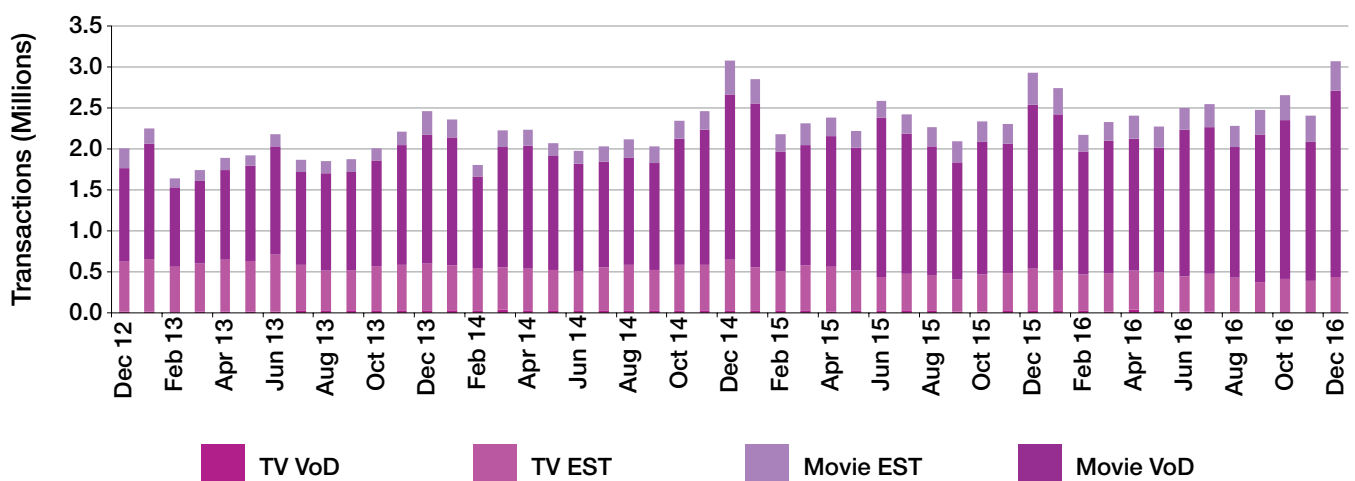
Source IHS © 2017 IHS



Australia continues to exhibit a seasonal trend in monthly digital sales. December and January have been peak transactional periods of each year since 2012 accounting for just under 20% of annual revenue in 2016. Driving these standout returns are consumers gifting hardware and vouchers for Christmas. Consumers receive their gift in December and subsequently test out their new hardware by purchasing digital content shortly thereafter. This trend continues in January when consumers also buy new hardware and titles with their gift vouchers. Despite this trend, an individual month is highly susceptible to the movie and TV release slate for the period, which results in fluctuations month-to-month.

Australia: Monthly Consumer Transactions 2012-2016

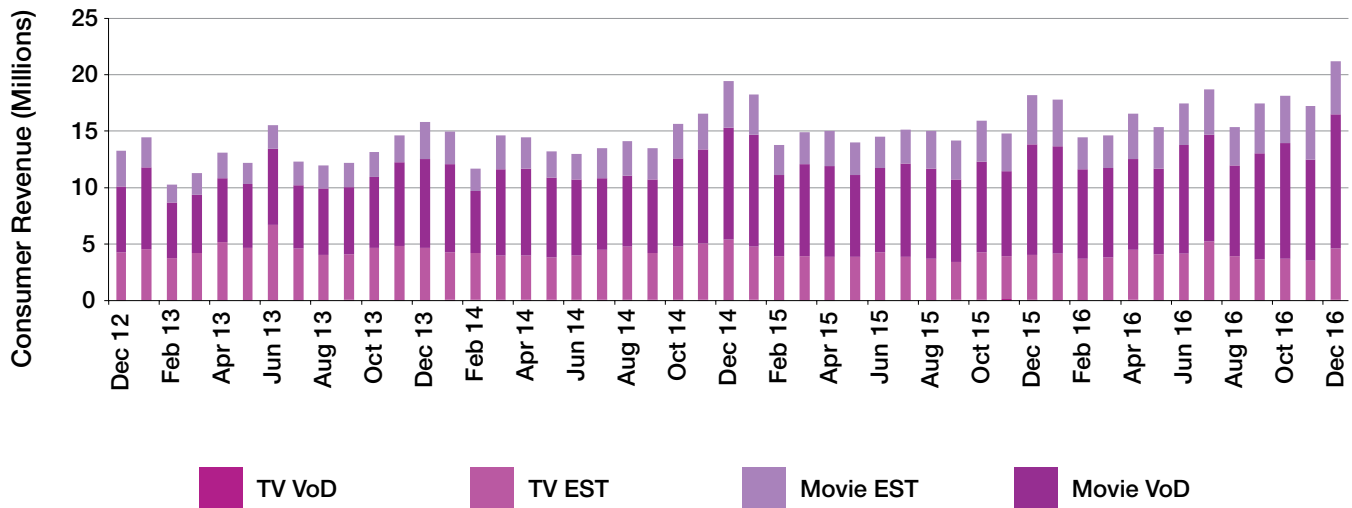
Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Australia: Monthly Consumer Revenue 2012-2016

Source IHS © 2017 IHS



Average monthly pricing for a digital title also fluctuates during the year due to price promotions. The average price in December tends to decline, largely due to seasonal promotional activity as well as from consumers trying out lower priced catalogue titles after being gifted with new devices during the Holiday season.

Australian consumers paid an average of A\$14.26 including a 10% Goods and Services Tax (GST) to buy a digital movie title in December 2016. This was a 13% discount to the A\$16.39 paid by consumers one month earlier in November 2016. The average opening price for a TV EST title in 2016 was A\$9.36 which closed the year at a 20% premium or A\$11.68.

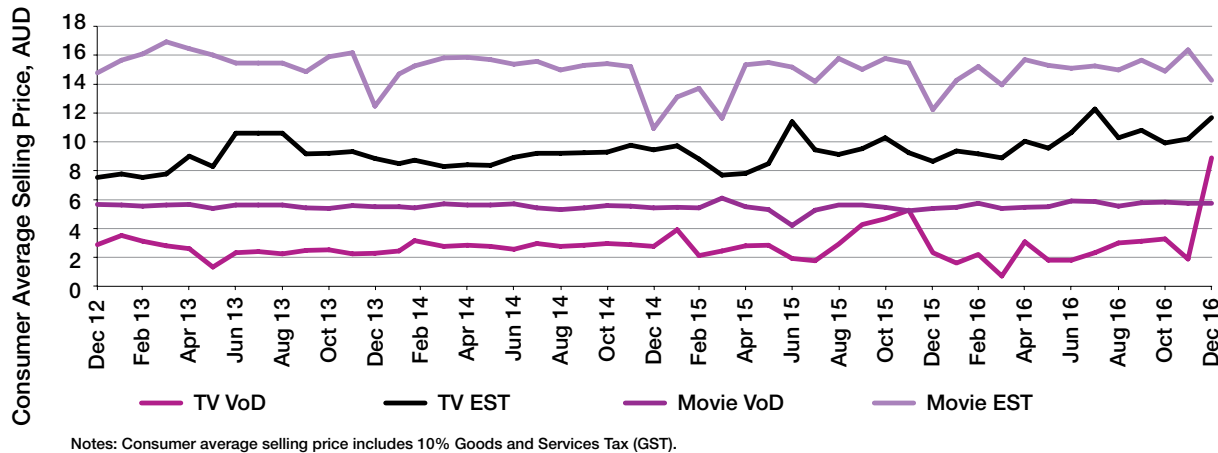
The average price to rent a digital movie title increased 4.7% over the course of 2016, when consumers paid an opening price of A\$5.49 in January 2016, compared with A\$5.75 in December 2016. There was a spike in the consumer price to rent out a TV title in December 2016 but it should be noted TV VoD prices are highly volatile due to the small number of transactions which may fluctuate significantly each month.

A price check at the time of publication shows J.K. Rowling's new release action and adventure title *Fantastic Beasts and Where to Find Them*, available on the Apple iTunes store to buy for A\$24.99 in high-definition (HD) format and A\$19.99 in standard-definition (SD). The sequel *Jack Reacher: Never Go Back* retails for the same price but consumers may also rent the title for A\$6.99 in HD or A\$5.99 in SD format. Meanwhile, the true story drama *Queen of Katwe* retails for a lower priced A\$19.99 in HD and A\$16.99 in SD but is equally priced to rent at A\$6.99 in HD or A\$5.99 in SD format. The HD version of the catalogue movie *Jack Reacher* costs A\$13.99 to buy and A\$4.99 to rent whilst the SD version to buy and rent is priced at A\$10.99 and A\$3.99 respectively. To own an Season 6 episode of the TV hit show *Homeland* consumers will pay A\$3.49 (HD) or A\$2.99 (SD).

Australian Digital Video Market in 2016

Australia: Monthly Consumer average selling price AUD

Source IHS © 2017 IHS



Australian Digital Subscription Market

Digital subscription commonly referred to as Subscription Video-on-Demand (SVoD), subscribers outnumbered pay TV subscriptions in Australia by the end of 2016. The Australian SVoD subscriber base grew 60 percent to just under 4.0 million in 2016 compared with the previous year according to IHS Markit. By comparison, pay TV subscriptions increased 13 per cent to nearly 3.7 million over the same period.

The first company to offer subscription-based streaming in Australia was local rent-by-mail operator Quickflix that launched its service in 2011 followed by EzyFlix in August 2013 and Presto, a Foxtel-Seven West Media joint venture in March 2014. By end 2014, SVoD services had signed up just 100,000 of Australia's 5.8 million broadband households. Within three months, however, two more services had launched (Netflix and Stan) while Presto TV had relaunched at a much lower price.

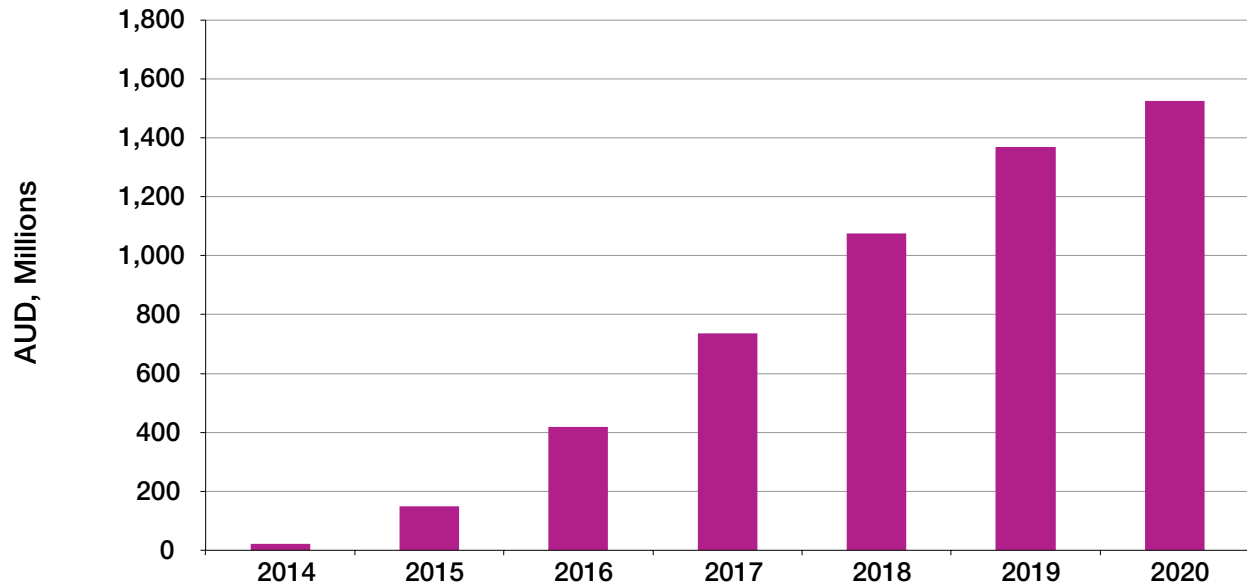
Increased mainstream advertising, promotional free subscription trials, and heightened media interest around the new services helped boost consumer awareness and demand for SVoD services in Australia in 2015.

A key driver in SVoD gaining traction across the country is the Netflix service. Netflix grew its Australian subscriber base 86 percent in 2016 to 1.86 million. By 2020, Netflix will edge the 5.0 million-subscriber mark or just over half of the country's SVoD subscribers. The online video giant's strong financial position and high-quality original foreign content ensures Netflix will remain a major player in the Australian SVoD market. Australian consumer spending on digital subscription services soared up from A\$149 million in 2015 to A\$419 million in 2016. IHS Markit forecast Australian consumer spending on digital subscription to reach A\$1.5 billion in 2020.

Australian Digital Video Market in 2016

Australia: Digital Subscription Consumer spending, AUD Millions

Source IHS © 2017 IHS



The Australian Digital subscription market has already seen some local players fall prey to Netflix. EzyFlix closed its business in August 2015 and the publicly listed Quickflix went into voluntary administration in April 2016. US-based Karma Media Holdings announced in October 2016 that it would pay A\$1.3 million to take over Quickflix. Quickflix emerged from administration in November 2016 and the company will now focus on delivering Hollywood blockbuster movies to consumers rather than television series. Quickflix Access is a pay-as-you-go service while Quickflix Red Carpet gives users four movies in a month plus bonus content.

Whatever form the inevitable market consolidation takes, Netflix will continue to face formidable competition from homegrown OTT players in Australia, including Stan and a new look Foxtel Play service. Players in the traditional TV space back both VoD services. Stan by Nine Entertainment/Fairfax Media and Foxtel Play by Foxtel, Australia's pay TV leader.

Stan, despite strong competition from Netflix, grew its subscriber base 66 percent to 620,000 paying subscribers by the end of 2016, increasing to just over 1.5 million by 2020. Stan has launched a platform upon which it can build and differentiate the service to fit the specifics of the Australian market.

Despite its smaller budget, Stan is already investing in exclusive, original local content including comedy television series *No Activity* and the TV adaptation of Australian film production *Wolf Creek*. In addition, Stan is signing up content to effectively block Netflix from showing several movies and TV series that it shows in the US. For example, Stan signed a long-term, exclusive licensing agreement with Showtime in January 2016 for Australian rights to *Billions*, *Californication*, *Dexter*, *House of Lies*, *Penny Dreadful*, *Ray Donovan*, *The Affair*, and *Weeds*.

Australian Digital Video Market in 2016

Stan also gains access to content from Showtime's parent company CBS as part of the deal, including *Madam Secretary*, *Scorpion*, *Beauty and the Beast* and every episode of the Star Trek TV series. This will drive new subscriber numbers.

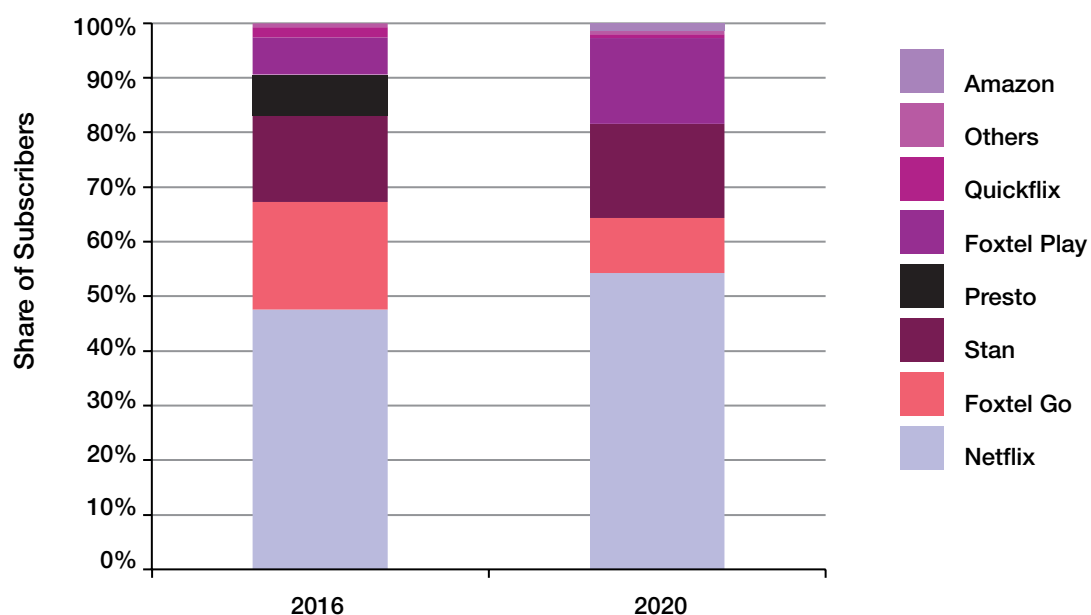
The rapid rise of SVoD has prompted pay TV leader Foxtel to flex its offering. Foxtel revealed in September 2016, a new pay TV lite OTT offering for its Foxtel Play service. Lower prices and more flexible packages provide consumers greater choice and ease of access to Foxtel's content in a similar offering to that of HBO Now in the US and Now TV by Sky in the UK. Foxtel Play combined with the company's value-add bundled proposition Foxtel Go served just under 1.1 million subscribers by the end of 2016.

Foxtel confirmed in October 2016 that the new look Foxtel Play service would roll out from December 2016. This announcement came the same day as Foxtel revealed it would acquire Seven West Media's shares in their Presto TV joint venture. Presto had struggled for subscribers against Netflix and Stan. Foxtel invited Presto's 290,000 customers to transfer to the new Foxtel Play product from 1 December 2016 prior to the closure of Presto on 31 January 2017.

SVoD is fast becoming a popular way for Australians to watch video content. However, the scale of its success will hinge on how providers promote and program their service locally. It will also be important for SVoD providers to beef-up their local content library, to create original programming for its Australian audience and find the right content proposition and competitive pricing to stand out in Australia's crowded SVoD landscape.

Australia: SVoD Landscape 2016 + 2020

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Australian Pay TV VoD Market

Pay TV landscape

Consumers have embraced the availability of internet-connected devices to consume more programming online and on demand. Nevertheless, linear TV companies are also ramping up their investments in content to stand out in a multi-platform world. Australia's leading pay TV operator Foxtel and commercial free-to-air broadcaster Network Ten announced in November 2016 to jointly commission a new Australian production for 2017. The topical news show Common Sense will air first on Foxtel's Lifestyle channel and then broadcast free-to-air on Network Ten. Common Sense has also been commissioned by BBC Two in the UK and by NBC in the US.

Foxtel, available via cable and satellite, grew its subscriber base by 2.5% to nearly 2.9 million in 2016 compared with a year earlier. A focus on promoting extensive sports content and an expanded local production slate throughout 2016 drove take-up over the period. Sport is Foxtel's key differentiator in the market offering exclusive, live, and ad-free high-definition content to attract Australian viewers across major sports including basketball, cricket, cycling, football, netball, racing, surfing, and tennis. In 2016, Foxtel added six new sports channels. Foxtel and beIN Media Group announced a new partnership in March 2016 to launch three beIN sports channels on the Foxtel platform. Foxtel also added three dedicated 24/7 English Football Club channels from Chelsea FC (Chelsea TV), Liverpool FC (LFCTV) and Manchester United (MUTV).

In 2017, Foxtel will continue to add a new selection of programming for residential customers as well as its pay TV lite OTT offering Foxtel Play. In addition, Foxtel residential and Foxtel Play customers will continue to have access to Foxtel Go, Foxtel's mobile streaming application, at no extra charge. Foxtel Go enables subscribers to stream TV, live and On Demand, to selected smartphones and tablets.

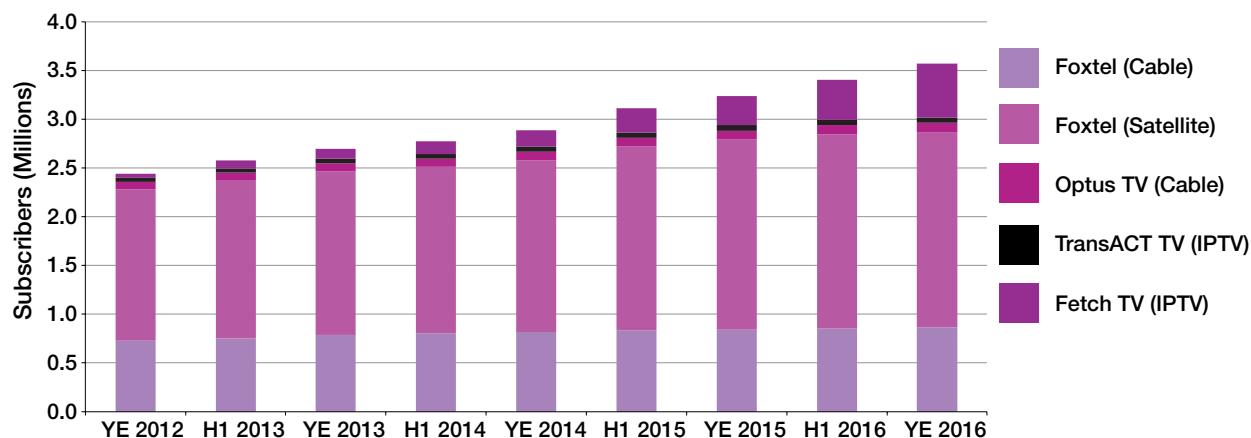
Australia's incumbent telco Telstra and News Corporation jointly own Foxtel, and will need to finance new investment in programming and subscriber retention in 2017 in response to an increase in competition from free-to-air (FTA) digital terrestrial television (DTT) broadcasters, OTT TV providers, and rival pay TV operators. Pay IPTV provider Fetch TV, backed by Malaysian operator Astro All Asia Networks, offers linear IPTV channels, and rental movies on demand. Fetch continues to record strong subscriber growth. In 2016, IHS research estimates subscribers to the Fetch TV service grew 46% to 553,000 compared with the previous year. Driving growth was an improvement in its hardware offering, the Fetch Mighty, and a new lite-version of its Mighty set-top box called the Fetch Mini. Furthermore, Fetch provides immediate access to free-to-air TV catch up applications and local streaming services Netflix and Stan. Fetch will also continue to improve its content offering in 2017 including a complete revamp of its content packages into new and more affordable 'skinny' packs, which cost A\$6 a month.

Australian Digital Video Market in 2016

The majority of pay TV homes in Australia use a satellite connection to receive their signal. Satellite homes represent 56% of total pay TV homes in the country. The platform remains dominant but in recent years has lost share to IPTV. IPTV's share of total Australian Pay TV homes increased from 11% in 2015 to 17% in 2016. IPTV take up is also having an impact on cable's share of the market, which fell from 29% to 27% over the same period.

Australia: Pay-TV subscribers by operator 2012-2016

Source IHS © 2017 IHS

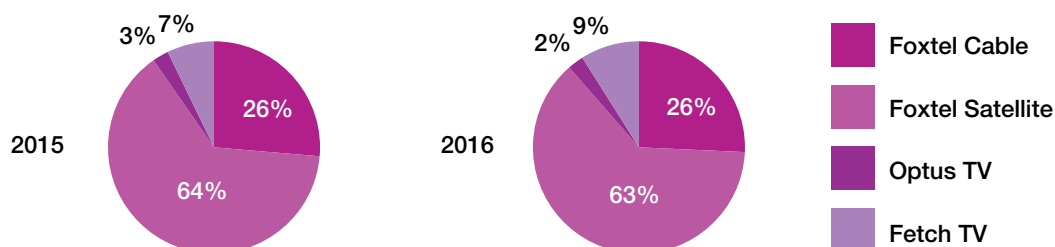


Australian Pay TV VoD Market

Australian pay TV leader Foxtel continues to dominate the Pay TV VoD market in Australia. Foxtel accounted for 89% of Movie and TV transactions by Pay TV operators in 2016; slightly less than a year earlier after rival IPTV operator Fetch TV improved its share of total transactions from 7% to 9% over the period. Optus TV also saw a decline in its share of total movie and TV transactions by pay TV operators from 3% to 2% over the same period.

Australia: Movie and TV transactions by Pay TV operator 2015 + 2016

Source IHS © 2017 IHS

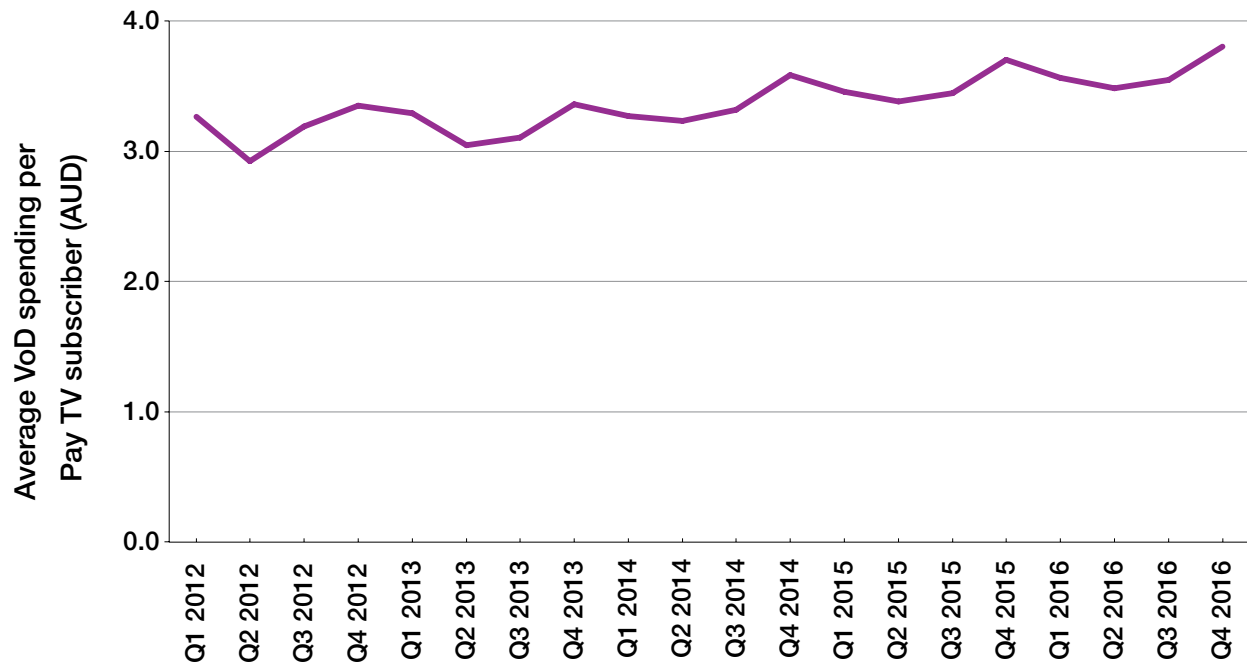


Australian pay TV subscribers spent an average of A\$3.80 each to stream a movie in December 2016, up from A\$3.70 a year earlier. The average spend has increased slightly each of the past five consecutive years from A\$3.35 in December 2012.

Australian Digital Video Market in 2016

Australia: New release movie VOD spending per Pay-TV subscriber

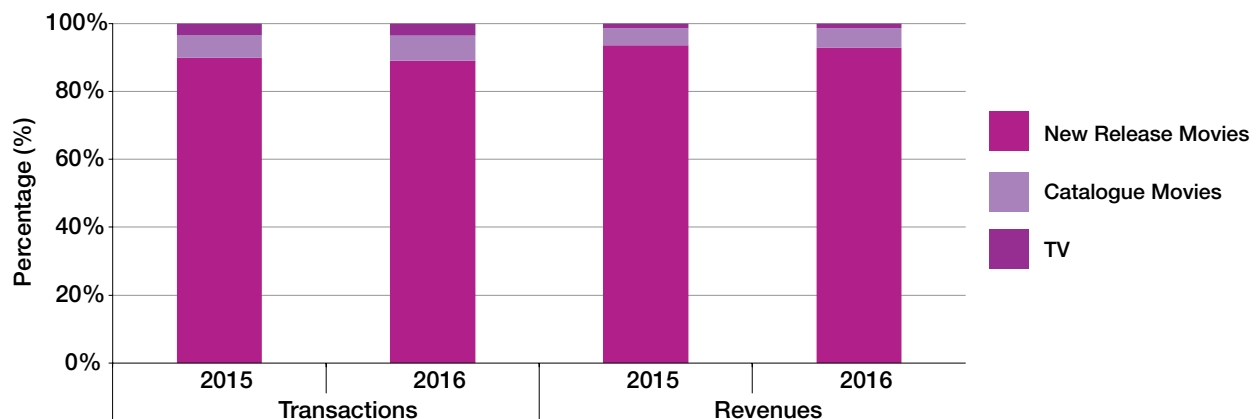
Source IHS © 2017 IHS



New Release Movies continue to drive the Pay TV VoD business in Australia accounting for 90% and 93% of consumer transactions and revenue in 2015 respectively. Catalogue Movies saw its importance increase slightly after its share of transactions rose from 6.1% in 2014 to 7.1% in 2015 whilst revenues climbed from 4.6% to 5.3%. TV shows remain a small part of the total Pay TV VoD business accounting for just 1.4% of revenue and 3.3% of transactions in 2015.

Australia: Pay-TV VOD consumer transactions and revenue by genre

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

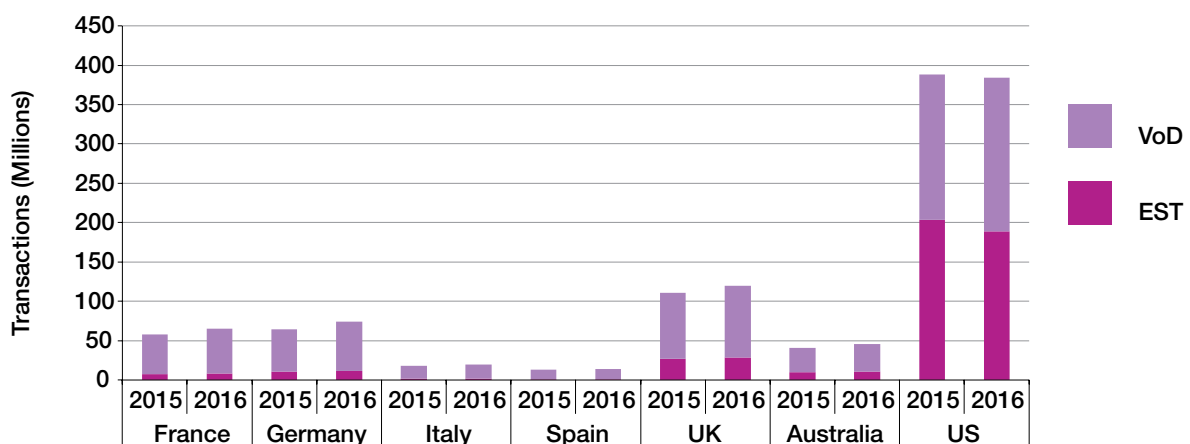
The Australian Digital Market in context

The Australian digital video market grew 12.3% to 45.5 million in combined digital retail, digital rental, and Pay TV VoD transactions in 2016 compared with the previous year. On the world stage, this was a strong result among other major territories. Germany recorded the highest rate of growth in combined EST and VoD transactions over the same period, up 15.1% to 74.1 million followed by France (13.8%) and Italy (9.0%). The overall result in the US was flat after a 6% rise in VoD transactions offset a 7.2% in EST transactions. The number of EST and VoD transactions in the US is almost equal, unlike Australia and the Big 5 European territories where VoD takes a more dominant position. Just over three-quarters of Australian digital video transactions in 2016 were VoD transactions. This proportion is similar to the split in the UK but below the 85-90% splits recorded in France, Germany, Italy and Spain.

US digital transactions dwarf those recorded in the rest of the world. US consumers made just over 384 million digital transactions in 2016, more than three-times the number made in the UK and over eight-times the number in Australia over the same period. The UK witnessed nearly three times as many EST/VoD transactions in 2016 than Australia, driven by the UK's larger population, and higher broadband penetration. The number of transactions by Australian consumers in 2016 (45.5 million) ranks the country between Italy (20.0 million) and France (65.6 million). Piracy continues to affect the size of the Italian and Spanish digital markets.

VoD and EST Transactions (Millions)

Source IHS © 2017 IHS

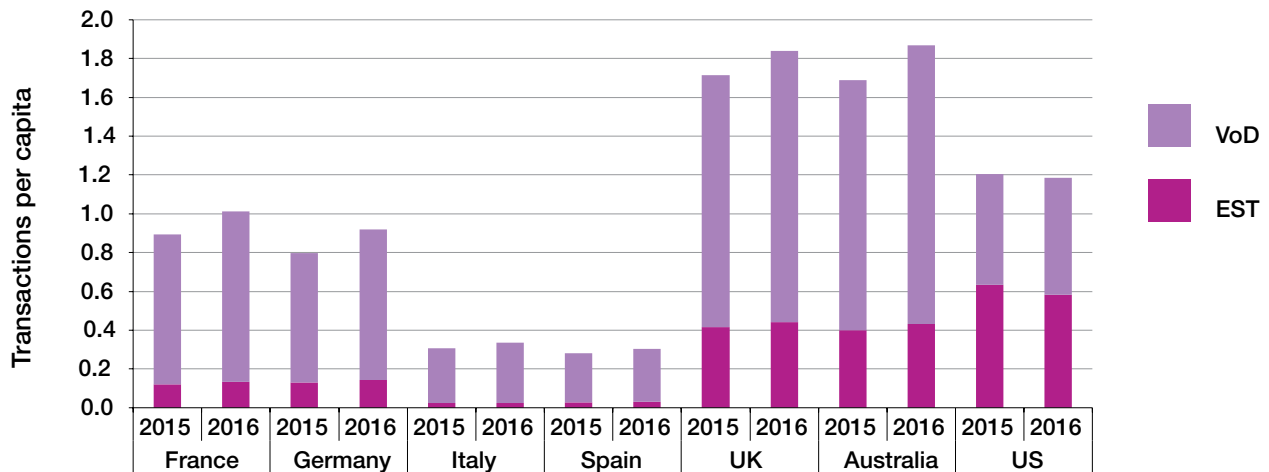


In per capita terms, Australian digital transactions are on par with the UK and above those in the US and other major European territories. Australians each made an average of 1.9 digital transactions in 2016, up from 1.7 a year earlier. US digital transactions average nearly 1.2 transactions per person in 2016, which was slightly down on the average recorded in 2015.

Australian Digital Video Market in 2016

Australia: VoD and EST Transactions per capita

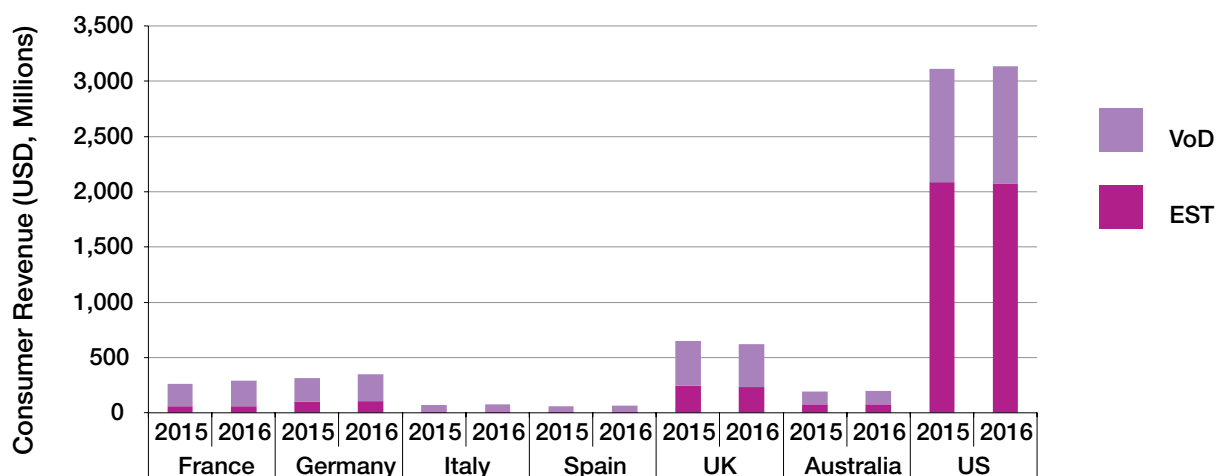
Source IHS © 2017 IHS



Australian consumer spending on the combined digital and rental transactional sectors increased 4.3% in local currency terms to A\$263 million in 2016. By comparison, the increase in US dollar terms was 3.1% to US\$196 million. Similar declines or reduced rates of growth also occurred in all other non-US markets in 2016 due to fluctuations in local to US dollar exchange rates. Therefore, while this analysis remains an accurate picture of the actual value of the markets in USD within the wider economic environment, it is less indicative of the trend experienced in the non-US markets. Notably, combined VoD and EST consumer revenue in the UK grew 8.5% in local currency terms but recorded a 4.2% decline in US dollar terms due to the significant weakening of the British Pound against the US dollar following the Brexit vote in 2016.

Australia: VoD and EST Consumer Revenue (USD, Millions)

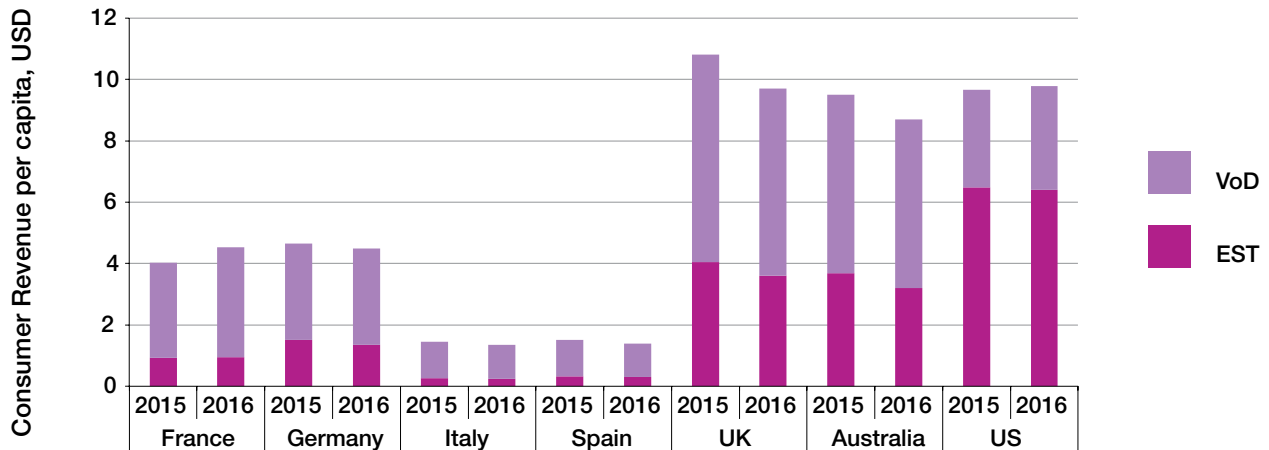
Source IHS © 2017 IHS



Australian Digital Video Market in 2016

VoD and EST Consumer Revenue per capita, USD

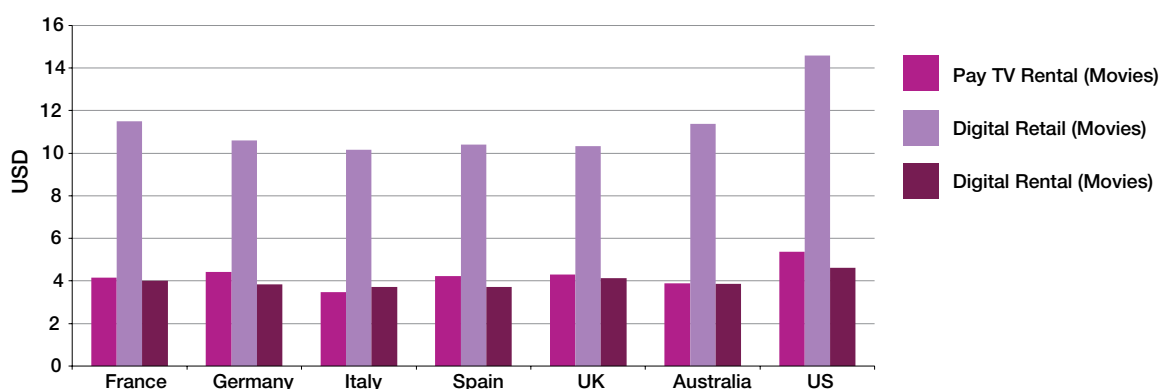
Source IHS © 2017 IHS



Australian digital video service pricing remained on par with average prices in the big five European markets in 2016. Digital movies cost an average of US\$11.37 to purchase in Australia compared to a US\$10.60 average across the big five in Europe. US digital pricing to buy or rent a movie is more expensive than in Australia. US Pay TV VoD services were charging an average of US\$5.36 to rent a movie in 2016. By comparison, digital movies cost an average of US\$14.58 to buy and US\$4.62 to rent over the same period.

2016: Average Transactional Movie Price, USD

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

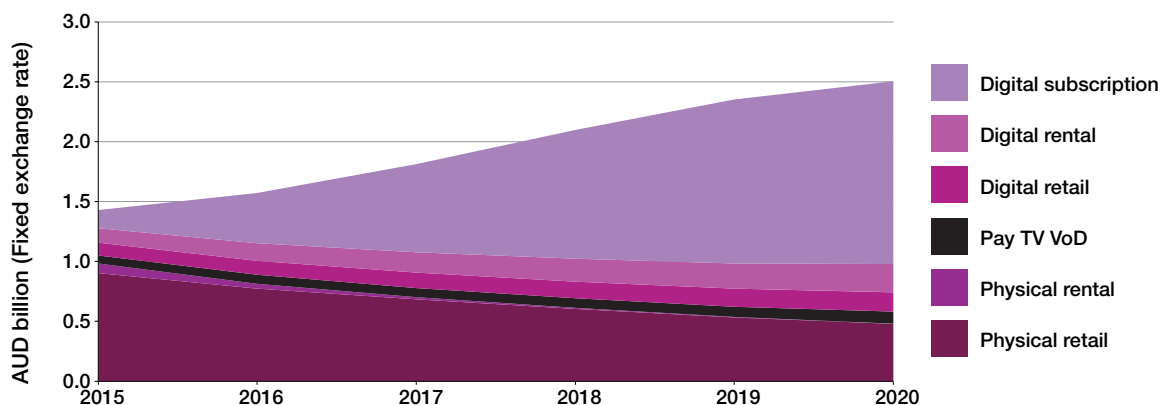
Digital in the wider video sector

Physical video spend (Blu-ray Discs, DVD, retail and rental) continues to contract in Australia but still accounted for the lion's share of total consumer spending on video in 2016, accounting for 52% of total consumer spend on packaged and digital video. Consumer spending on physical video declined 17% to A\$820 million as alternate video platforms increasingly offer consumers the ability to watch what they want, when they want for a lower cost per view for content. Spending on DVD purchasing fell by 15% to A\$657 million, while BD purchases declined to A\$118 million, down 11%. Spending on BD now accounts for 15% of combined DVD and BD purchases in Australia. IHS forecast physical disc purchases will continue to decline to A\$480 million in 2020. Disc rental slumped 49% to A\$40.4 million in 2016 compared with a year earlier and is forecast to total just A\$1.2 million in 2020.

However, the rapid rise of digital video in the Australian market grew enough to offset the decline in physical video in 2016. IHS Markit indicates total video market (digital and physical) consumer spending in Australia increased 9.9% to A\$1.6 billion in 2016 compared with a year earlier. Digital video (retail and rental) accounted for 48% of Australian spending on video in 2016, up from a 31% share in 2015.

Australia: Total Video Spending, AUD Billion (Fixed exchange rate)

Source IHS © 2017 IHS



Digital video (whether via pay TV VoD services or delivery over the open internet) grew as a whole by 69% to total nearly A\$756 million in 2016. The largest generator of digital video spending is SVoD, worth A\$419 million, up 180% compared to the previous year). In 2016, SVoD accounted for 56% of total consumer spending on digital video in Australia. The main component of growth for SVoD has been Netflix, which launched in Australia on 24 March 2015. Digital rental is the second largest generator at A\$146 million, up 19% in 2016, followed by digital retail, up 8.8% to A\$117 million and pay TV VoD, which increased 8.4% to A\$72.4 million over the same period.

Australian Digital Video Market in 2016

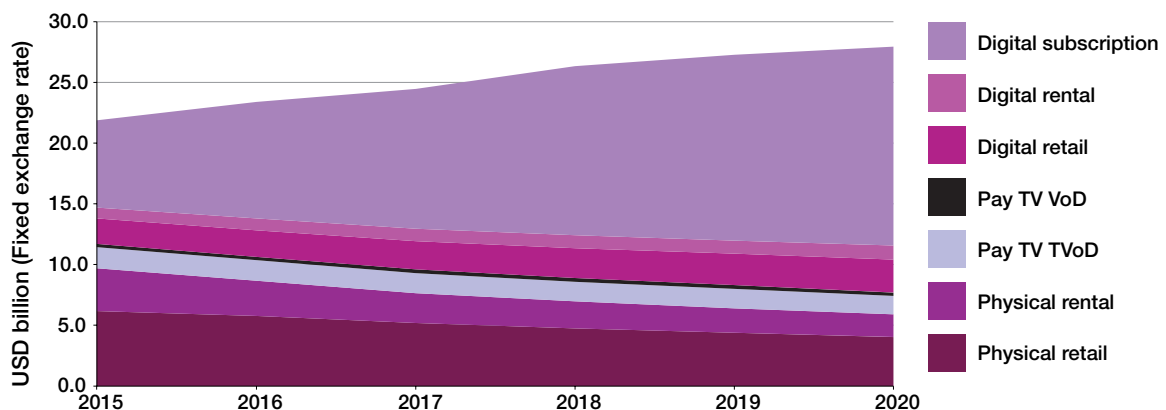
The USA continues to be the world's largest digital video market. US consumer spending on digital video grew 21% to US\$14.7 billion in 2016; driven by a 34% rise in spending on SVoD services. Digital video again improved its importance in the US total video market, generating a significantly greater proportion of total video spending in 2016 (63% share) than in 2015 (56%).

As in Australia, consumers in the US spent less money buying and renting physical video discs in 2016 than in the previous year. Streaming video services have undeniably hurt the physical video business in the US over the last 7 years with a large volume of web literate homes transitioning to these services. US domestic DVD and BD combined spending fell 10.4% to US\$8.7 billion in 2016. This reflects declines in both retail (down 7.1% to US\$5.8 billion) and rental (down 16.4% to US\$2.9 billion). Driving declines in the US physical video market are two key factors: the slow but inevitable change in US consumer video consumption habits and in terms of rental, the removal of video rental kiosks. However, the market niche for physical video rental is still active in the US, and will continue to be over the forecast period as streaming content is not yet a viable option for many in rural zones where internet provision is frequently lacklustre.

Altogether, growth in digital video and Pay TV VoD spending compensates for the decline in physical video consumption. Total video spending in the US grew 7.0% to US\$23.4 billion in 2016.

USA: Total Video Spending, AUD Billion (Fixed exchange rate)

Source IHS © 2017 IHS



Australian Filmed Entertainment Industry Trends

Consumer spending on filmed entertainment in Australia - physical, digital, Pay TV and theatrical – grew 2.9% to A\$5.5 billion in 2016 compared with a year earlier. Nearly half of total consumer spending on filmed entertainment or A\$2.7 billion was accounted for by Cable and Satellite subscriptions. IHS Markit forecast the proportion of total filmed entertainment accounted for by Cable and Satellite subscriptions to remain stable over the forecast period.

Australian Digital Video Market in 2016

Nearly A\$3.7 billion will be spent on Cable and Satellite subscriptions in Australia in 2020 as consumers appetite for predominantly sports content continues. Cinema visits in Australia alone accounted for a 22% share of the total consumer spending on filmed entertainment in 2016. Growth in box office or consumer spending on theatrical is driven by the consistent increase in the average price of a cinema ticket. In addition, the development of new digitised modern cinema screens is also driving the availability of more content and an enhanced cinema experience—as is the case with 3D. Both then affect positively on average price, which lifts box office while simultaneously driving new consumption. IHS Markit forecast box office spend to increase from A\$1.2 billion in 2016 to A\$1.4 billion in 2020. As a result, theatrical's share of total spend on filmed entertainment will decline slightly to 19% over the forecast period largely due to the rise in importance of digital subscription services.

The combined spending on Pay TV VoD (delivered via 'walled garden' services) and digital video (retail, rental and subscription) represented nearly 14% of total spending on filmed entertainment in 2016. IHS Markit forecast this share will double to just under 27% by 2020. Driving this increase will be digital subscription or SVoD services, which will see its importance increase from an 8% share to 20% in 2020 as Australian consumers continue to adopt these 'pay TV lite' services from the likes of Netflix, Stan and Foxtel Play. The shares of digital retail, digital rental, and Pay TV VoD will remain broadly level over the forecast period.

Meanwhile, Physical video will see its importance decrease from a 15% share in 2016 to 6% in 2020. The downturn in physical is a result of the combined declines in spending on disc rentals (-49%) to A\$40 million and disc purchases (-14.2%) to A\$776 million.

Despite the overall growth in consumer spending on filmed entertainment in Australia, the industry is not without its challenges. Piracy continues to present problems for Australia's content creating industries. Illegal streaming and file sharing impacts the viability of the entire content industry as the undermining of revenue opportunities threatens the affordability of content production. However, an effort to reduce online piracy in the form of site blocking is happening in Australia. The country's Federal Court ruled to block five of the largest online piracy sites in December 2016 using legislation passed by the Government in 2015.

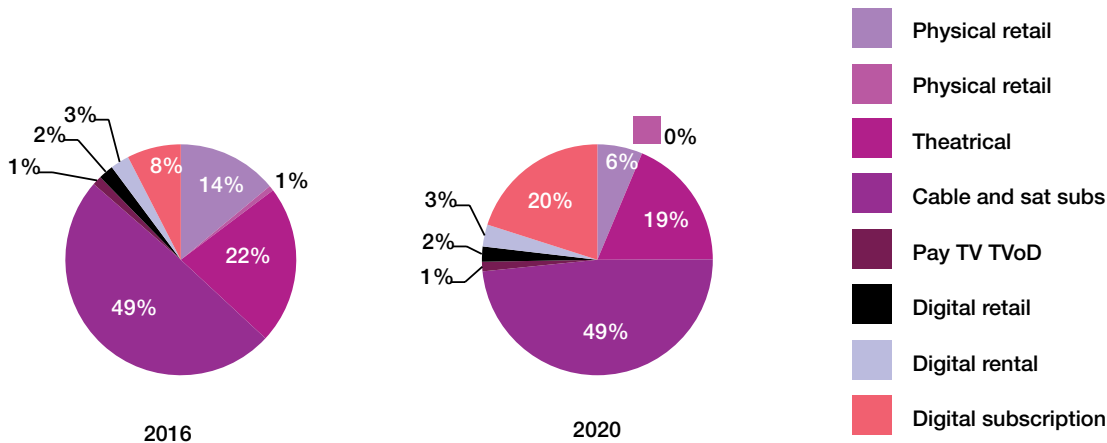
The country's Copyright Act now gives copyright owners and exclusive licensees the ability to seek injunctions against ISPs ordering them to block access to overseas-based sites that infringe or facilitate copyright infringement. In addition, an industry shift to make content available in a timely manner, at different price points and on multiple devices, now provides Australian consumers with an easier and more cost-effective means to access content in a legitimate manner. Nevertheless, the battle to curb piracy is far from won.

Australian Digital Video Market in 2016

Major US TV series are often freely available online within one hour of premiere broadcast whilst an illegal Facebook stream of a highly anticipated boxing match via Foxtel's Main Event channel occurred at the time of publication.

Australia: Total filmed entertainment industry consumer spending split by segments, 2016 + 2020 (Fixed exchange rate)

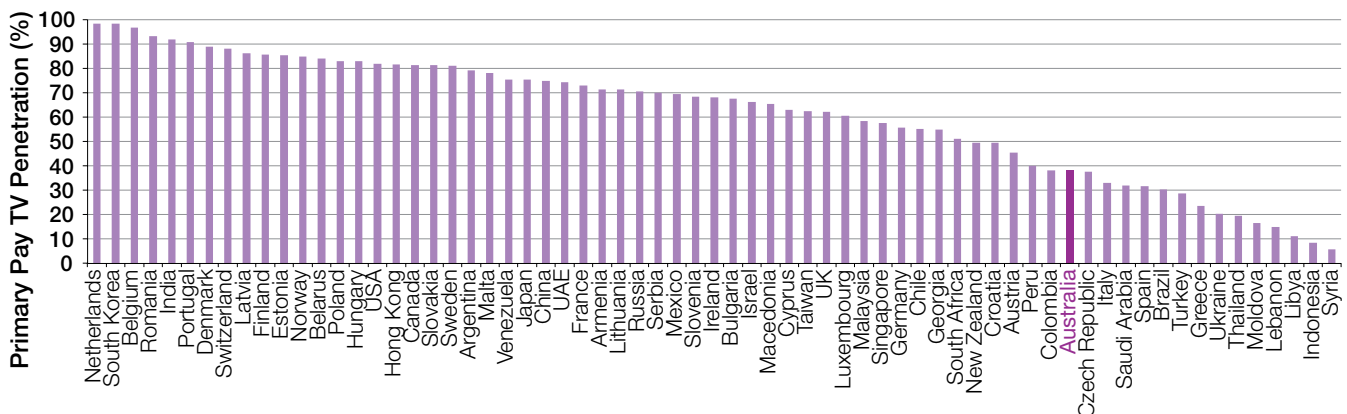
Source IHS © 2017 IHS



Australian pay TV penetration increased from 35% to 38% in the year to end December 2016, according to IHS Markit. Despite the growth, Australia's pay TV penetration remains well below the global average of 58% in 2016. As such, there is a high prospect for growth if Australian pay TV operators can entice new subscribers with the right mix of price, programming and promotion. The Netherlands Primary Pay TV penetration rate of 98.5% topped the world by the end of 2016, closely followed by South Korea (98.4%) and Belgium (96.8%). IHS Markit measure Primary Pay TV penetration rates to remove the double counting of homes with more than one service or platform so that relevant totals never exceed 100% of TV households. Where Primary homes are equal to Total homes, it indicates an assumption of 100 per cent primary set usage for that platform.

Australia: Total filmed entertainment industry consumer spending split by segments, 2015 + 2019 (Fixed exchange rate)

Source IHS © 2017 IHS



Australian Digital Video Market in 2016

Conclusion

Australians appetite for digital video, whether via Pay TV VoD, digital retail, digital rental or digital subscription, was strong in 2016, up 69% to nearly A\$755 million compared with a year earlier. Driving growth was the expansion of international and local digital video services offering increased availability of affordable services with adequately sized content libraries and regular exclusive and new release content. IHS Markit expects this strong growth to continue over the forecast period with the value of the Australian digital video market forecast to reach A\$2.0 billion in 2020. Australian's high disposable income, favourable economic growth outlook, strong consumer willingness to pay for video content, an increasing number of different connected devices as well as an improvement in broadband infrastructure will stimulate the market to further growth.

Digital subscription has been the main growth driver of the Australian digital video market in 2016, accounting for more than half of total consumer spending on digital video. The importance of this segment is expected to grow even greater reaching a 75% share of total digital video spend in 2020. IHS Markit anticipate leading SVoD service providers Netflix, Foxtel Play and Stan will increase local production and deals with local suppliers to better localise their services. Amazon Prime Video's entry into the Australian digital video market is also likely to adopt such a strategy to drive uptake, whereby their service proposition includes a significant number of local and localised titles.

The outlook for the digital video segment in Australia is positive and IHS Markit expect this growth to offset the inevitable decline in buying and renting DVDs and Blu-ray Discs over the forecast period. Physical video spend (Blu-ray Discs, DVD, retail and rental) continues to contract in Australia. IHS forecast physical disc purchases will decline from A\$776 million in 2016 to A\$480 million in 2020. Disc rental slumped 49% to A\$40.4 million in 2016 compared with a year earlier and is forecast to total just A\$1.2 million in 2020.

IHS Markit forecast total video market (digital and physical) consumer spending in Australia will increase almost 60% from nearly A\$1.6 billion in 2016 to A\$2.5 billion in 2020. Digital video (retail, rental and subscription) will drive growth and in doing so increase its share of total consumer spending on video from nearly 46% in 2016 to 80% in 2020.

“

Consumer spending on video in Australia will increase almost 60% from A\$1.6 billion in 2016 to A\$2.5 billion in 2020

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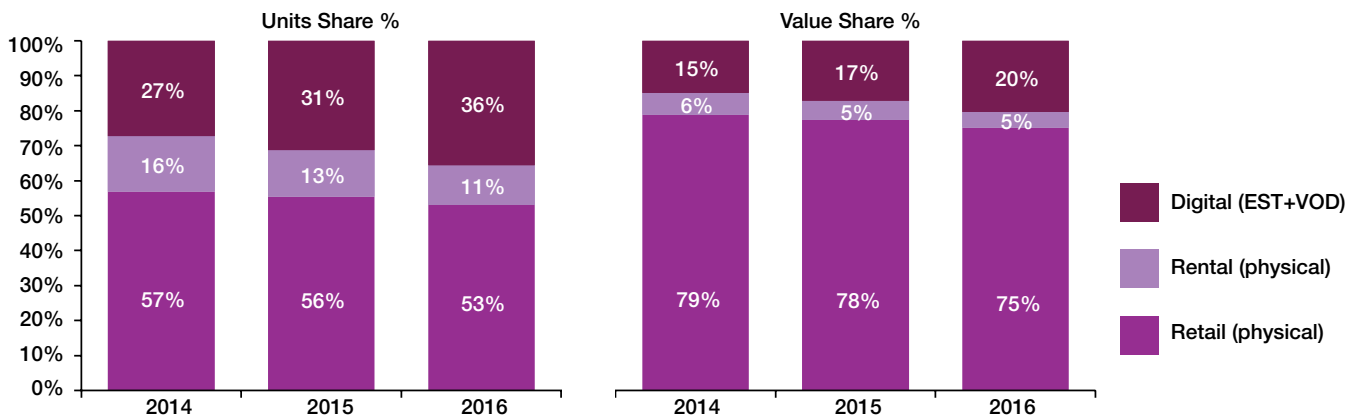
Video Entertainment Australia: Physical Retail Market

Physical vs. Digital

Data and analysis in this chapter comes from GfK retail tracking and ConsumerScope research provided by GfK to AHEDA. The video entertainment market remained as popular as ever, with rising value at the box office, expanding digital services and a bullish physical market.

In 2016, 83 million units were rented or purchased either physically or digitally, for a total value of \$1.1 billion. This excludes the extra value added into the market from streaming services such as Stan and Netflix. The digital channel now accounts for 36% of all volume (excluding piracy), though physical purchases still generated 53% of the value in 2016.

GfK Retail Tracking: Video Entertainment Market by Type



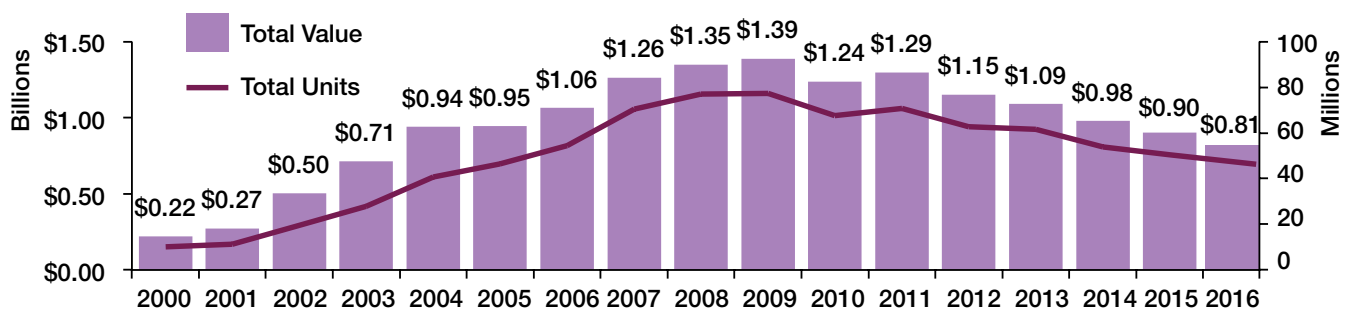
Note: Data factored to 100%, Digital sales MAT Oct-16

For more information on piracy and the growth of the digital streaming services please read the GfK chapter on consumer digital trends.

Historical Trends

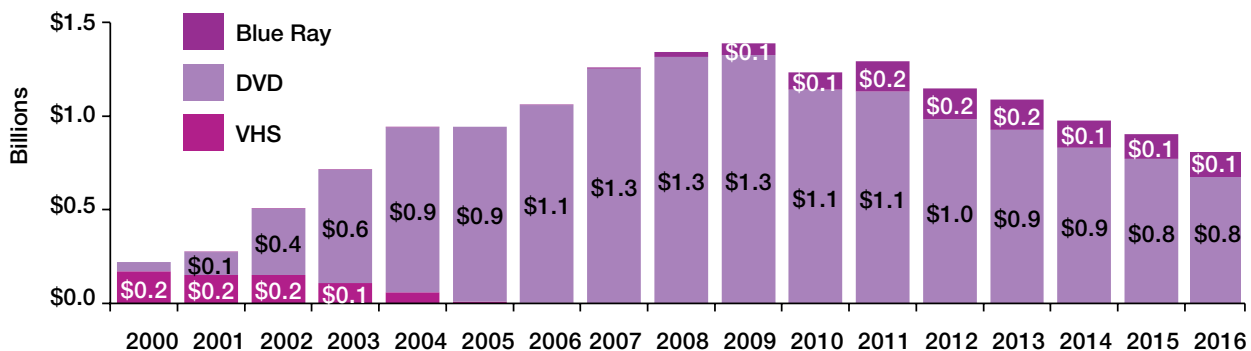
The physical disc retail market remains the largest sector within home video entertainment, generating \$806 million in 2016. The market has declined since its peak in 2009 as consumers have diversified the way they watch their video entertainment content.

GfK Retail Tracking: Physical Retail Market size



Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Physical Retail Market Value by Format



Current Trends

The physical DVD and Blu-ray retail channel sold 44 million discs in 2016, for a total value of \$806 million. Though the overall physical disc market was in decline, it is still one of the largest individual categories in Australia, generating more value than categories such as tablets or wearables.

2016 marked the release of *Star Wars Episode VII: The Force Awakens*, the first Star Wars movie released in 11 years. Other big movie releases in 2016 included the box office hit *Deadpool* and local Australian drama, *The Dressmaker*.

GfK Retail Tracking: Top selling titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
2	Deadpool	20th Century Fox	Action
3	The Dressmaker	Universal	Drama
4	Game of Thrones Season 5	Roadshow	TV Drama
5	Zootopia	Walt Disney Studios	Animated
6	James Bond Spectre	20th Century Fox	Action
7	Batman V Superman Dawn of Justice	Roadshow	Action
8	The Martian	20th Century Fox	Sci-Fi
9	Hunger Games Mockingjay Part 2	Roadshow	Action
10	The Secret Life of Pets	Universal	Animated

It wasn't just big movies that sold. 2016 was the first time 2 new *Game of Thrones* series were released in the same year. Both Game of Thrones Seasons 5 and 6 were among the top 10 selling titles in the market when ranked by value.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Top selling titles, Full Year 2016, ranked by value

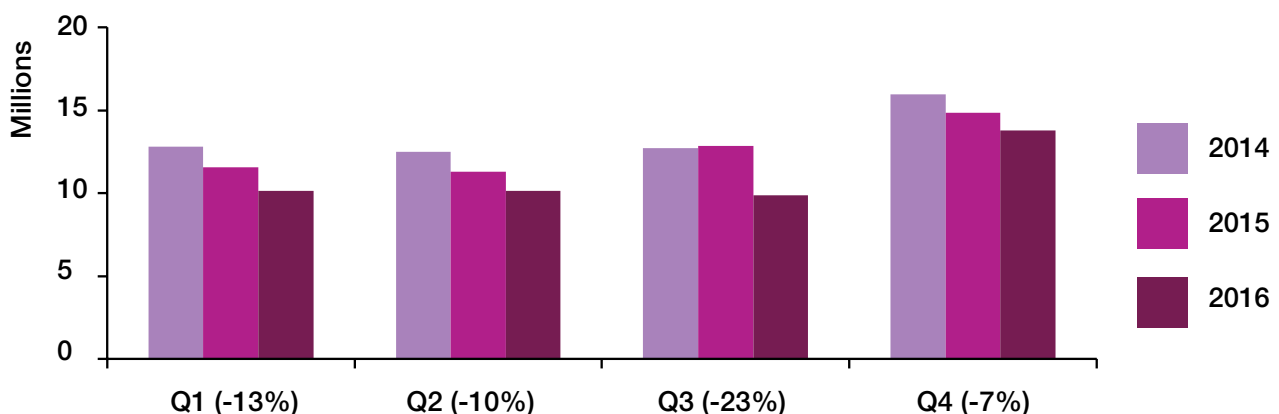
RANK	TITLE	DISTRIBUTOR	GENRE
1	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
2	Game of Thrones Season 5	Roadshow	TV Drama
3	Deadpool	20th Century Fox	Action
4	Game Of Thrones Season 6	Roadshow	TV Drama
5	Captain America Civil War	Walt Disney Studios	Adventure
6	Zootopia	Walt Disney Studios	Animated
7	The Dressmaker	Universal	Drama
8	Batman V Superman Dawn of Justice	Roadshow	Action
9	James Bond Spectre	20th Century Fox	Action
10	The Martian	20th Century Fox	Sci-Fi

Seasonality

There was a year-on-year decline of 13% in volume in 2016, with quarter 3, 2016 registering the largest rate of decline at 23%. The equivalent quarter in 2015 had two of the biggest releases of the year in *Avengers: Age of Ultron* and *Fast & Furious 7*.

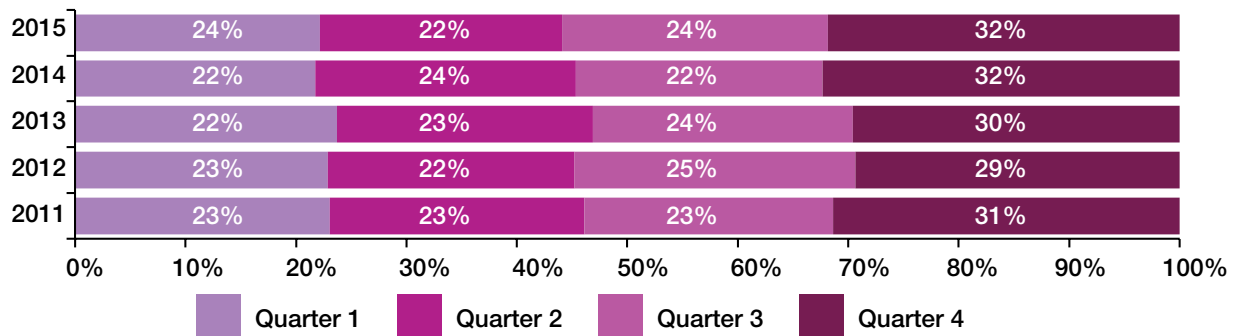
Quarter 4 saw the rate of decline slow to just 7% compared to 2015, and accounted for nearly a third of the market volume and value for the year.

GfK Retail Tracking: Market Volume by Quarter

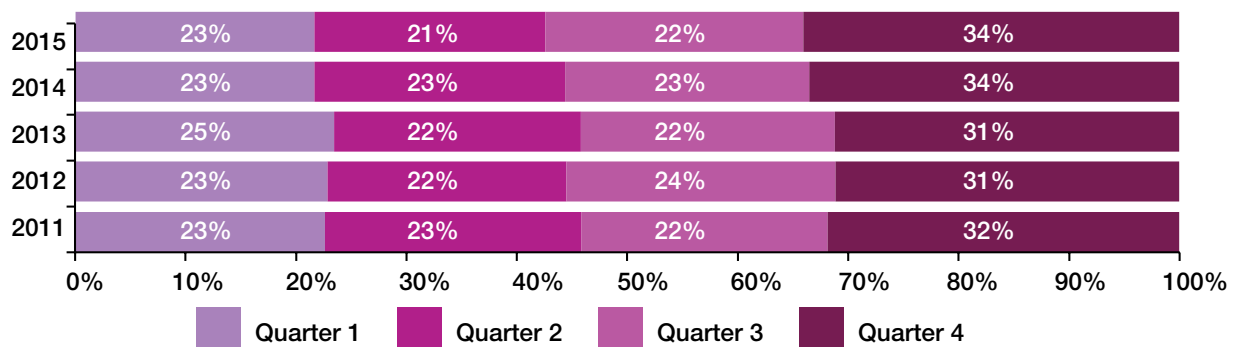


Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Market Seasonality by Quarter - Volume Shares

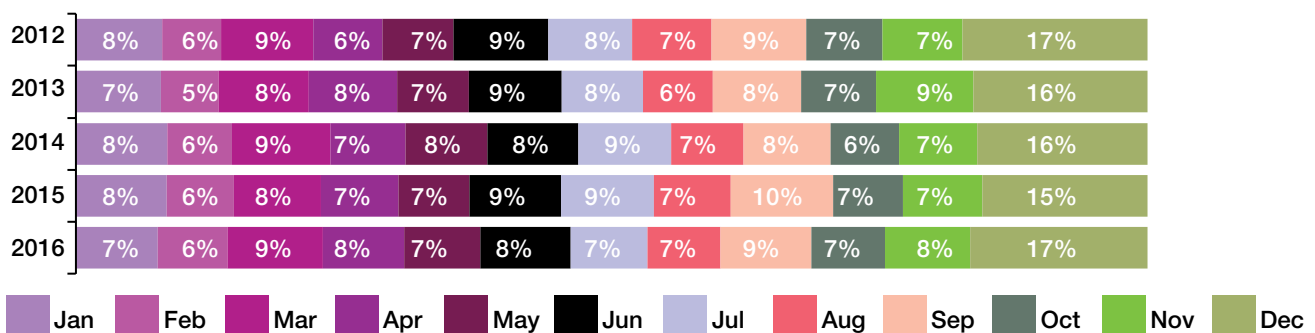


GfK Retail Tracking: Market Seasonality by Quarter - Value Shares



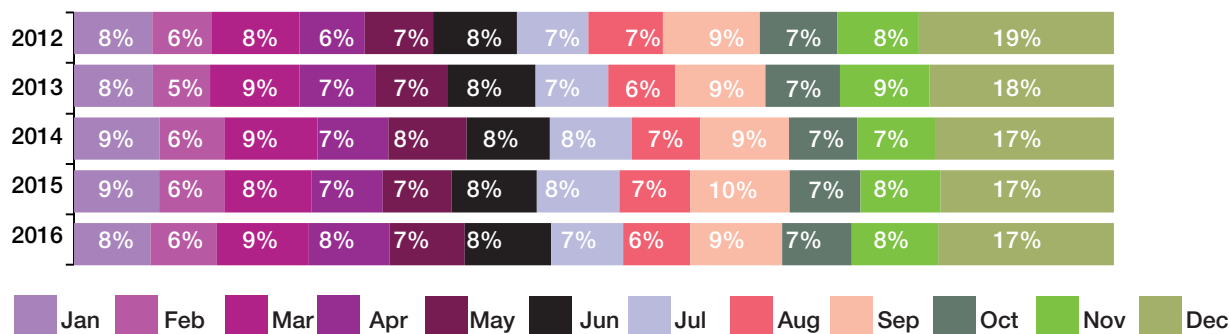
Looking at monthly trends, November and December continued to dominate share of sales in 2016, fuelled by the launch of *Game of Thrones Season 6*. In combination, the final two months of the year accounted for 25% of total market volume. The aforementioned decline in quarter 3 was particularly marked in July and September. Those 2 months declined by 28% and 23% respectively.

GfK Retail Tracking: Market Seasonality by Month - Volume Shares



Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Market Seasonality by Month - Value Shares

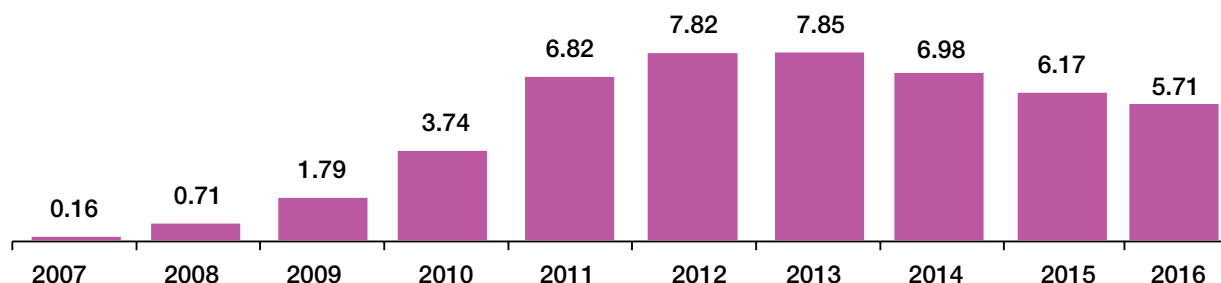


Format Trends

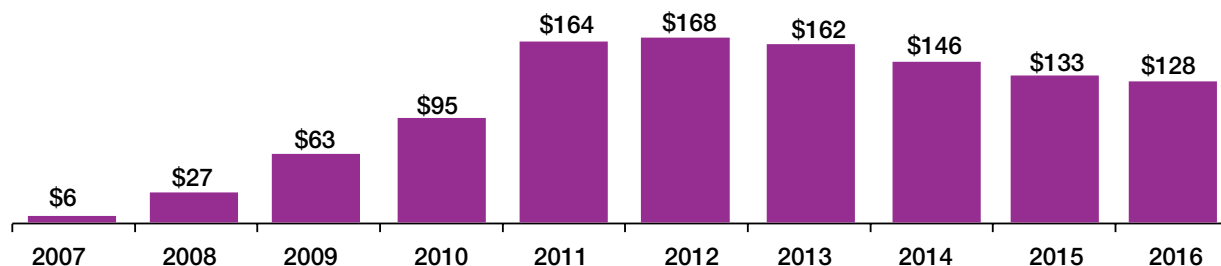
The Blu-ray market was a comparative bright spot in 2016, taking its largest ever share of the market, and dropping by just 4% in value on the prior year.

In 2016, Blu-ray generated \$128M in value, with just under 6 million discs sold, accounting for 16% of the total market value and 13% of market volume.

GfK Retail Tracking: Blu-ray Volume Sales (Millions)

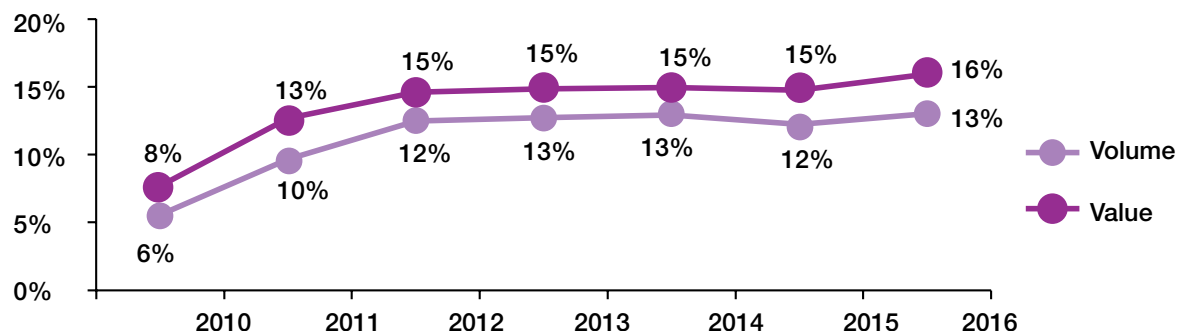


GfK Retail Tracking: Blu-ray Value Sales (Millions)



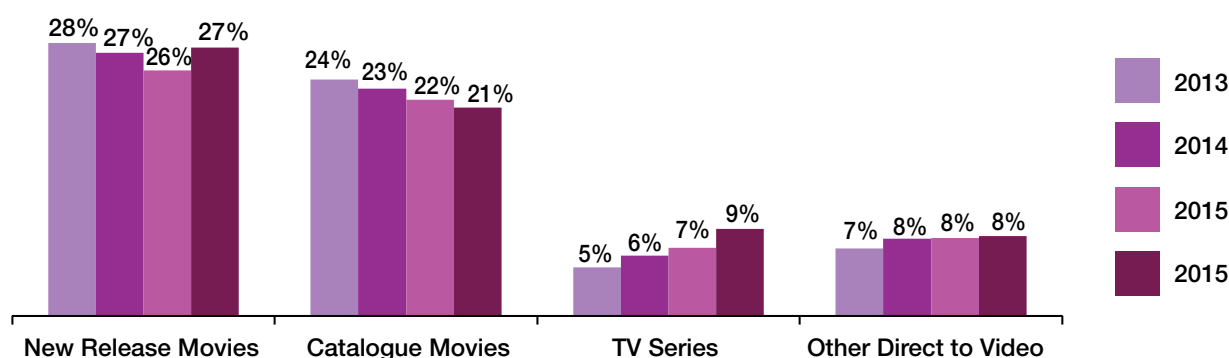
Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Blu-ray percentage of market



Blu-ray's 2016 share increase was buoyed by improving shares in the new release movies and TV series release types, both of which have higher average prices than the overall market. Over a quarter of all new release movies are now purchased on Blu-ray.

GfK Retail Tracking: Blu-ray Value Share % of each Release Type



GfK Retail Tracking: Top selling DVD titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
2	The Dressmaker	Universal	Drama
3	Zootopia	Walt Disney Studios	Animated
4	Game of Thrones Season 5	Roadshow	TV Drama
5	Deadpool	20th Century Fox	Action
6	The Secret Life of Pets	Universal	Animated
7	Finding Dory	Walt Disney Studios	Animated
8	James Bond Spectre	20th Century Fox	Action
9	Hunger Games Mockingjay Part 2	Roadshow	Action
10	The Martian	20th Century Fox	Sci-Fi

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Top selling Blu-ray titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
2	Deadpool	20th Century Fox	Action
3	Batman V Superman Dawn of Justice	Roadshow	Action
4	Captain America Civil War	Walt Disney Studios A	dventure
5	James Bond Spectre	20th Century Fox	Action
6	Suicide Squad	Roadshow	Action
7	Game Of Thrones Season 5	Roadshow	TV Drama
8	The Martian	20th Century Fox	Sci-Fi
9	Hunger Games Mockingjay Part 2	Roadshow	Action
10	The Hateful Eight	Roadshow	Thriller

4K Ultra UHD Blu-ray launches in Australia

2016 saw the debut of 4K Ultra HD Blu-ray. 65,000 4K Ultra HD titles were sold in 2016 for a value of \$2M, or 2% of Blu-ray volume and 3% in value. The higher value share is due to a fairly substantial price differential between a standard Blu-ray title and a 4K title – the 4K Ultra HD average price is \$31, compared to just \$22 for standard Blu-ray.

4K Ultra HD is still in its infancy in the video entertainment market. There were 68 different 4K titles released in 2016, with action movies generating twice the share of the next biggest genre; Sci-Fi.

One of the current barriers to 4K Ultra HD sales is a relative lack of compatible hardware. There are plenty of 4K TVs available, over 600,000 have been sold in Australia, but there are relatively few 4K players that have launched in Australia. This is partially being addressed by the latest wave of games consoles, especially the Xbox One S, which has 4K player functionality. For more information on 4K hardware, please refer to the GfK chapter on devices.

Retail Tracking: Top selling 4K Blu-ray titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Batman V Superman Dawn of Justice	Roadshow	Action
2	Deadpool	20th Century Fox	Action
3	Mad Max Fury Road	Roadshow	Action
4	Suicide Squad	Roadshow	Action
5	The Revenant (2015)	20th Century Fox	Drama
6	Star Trek Beyond	Paramount	Sci-Fi
7	Man of Steel	Roadshow	Action
8	The Martian	20th Century Fox	Sci-Fi
9	Jason Bourne	Universal	Action
10	Warcraft the Beginning	Universal	Sci-Fi

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Top selling 3D Blu-ray titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Mad Max Fury Road	Roadshow	Action
2	The Martian	20th Century Fox	Sci-Fi
3	Captain America Civil War	Walt Disney Studios	Adventure
4	Batman V Superman Dawn of Justice	Roadshow	Action
5	San Andreas	Roadshow	Action
6	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
7	Hunger Games Mockingjay Part 2	Roadshow	Action
8	Jupiter Ascending	Roadshow	Action
9	Star Trek Beyond	Paramount	Sci-Fi
10	Suicide Squad	Roadshow	Action

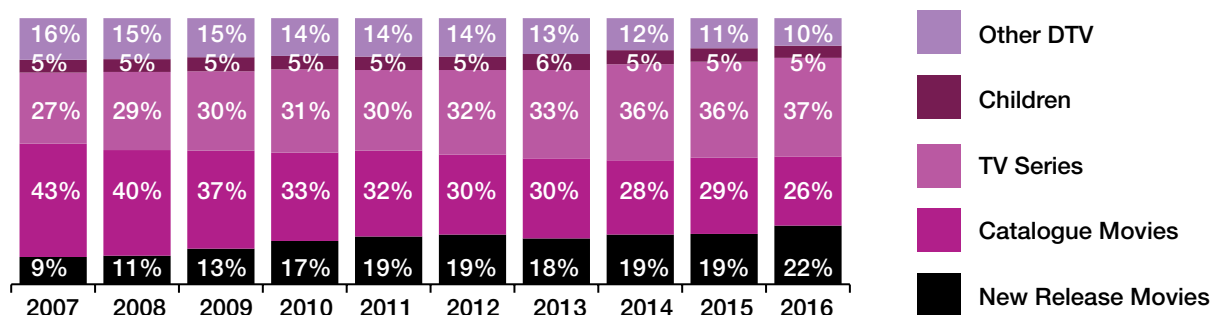
Release Types

The physical video entertainment market is commonly segmented by 'release types'. The New Release segment, which refers to theatrical movies in their first 3 months of sales, has seen solid value growth on 2015. 22% of the market value in 2016 was derived from New Release movies.

The TV Series segment also increased its share of market in 2016, sitting at 37% of all value. The share increase for TV Series is a trend we have seen over the last 10 years, with TV Series now being the largest of all the release types.

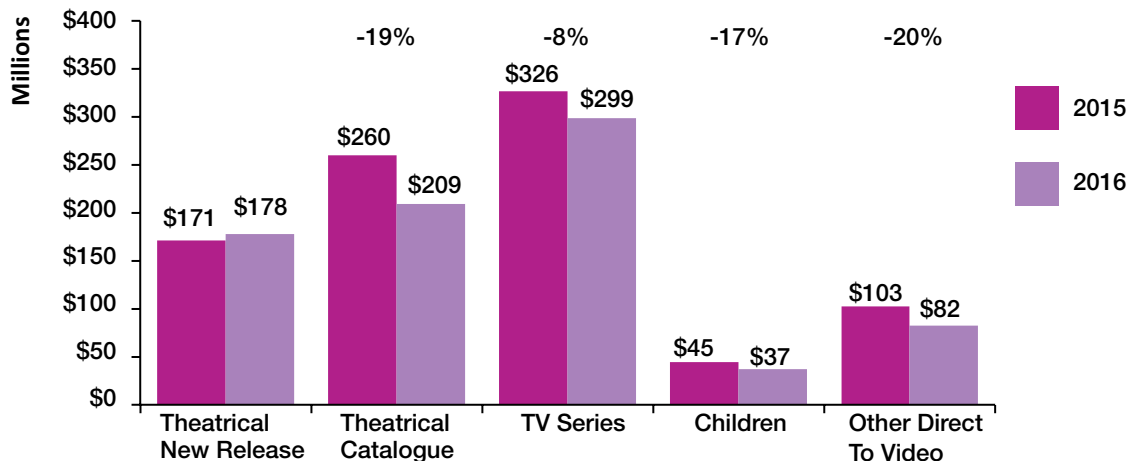
Conversely, Catalogue movies have declined in share and overall value. This release type includes sales for older theatrical movies and re-releases. While there are some bright spots within the Catalogue segment, it is thought that overall sales may be impacted by aging titles and the growing share of digital services, such as Netflix, which offer a large array of Catalogue movies.

GfK Retail Tracking: Release Type Value % by Year



Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Release Type Value by Year

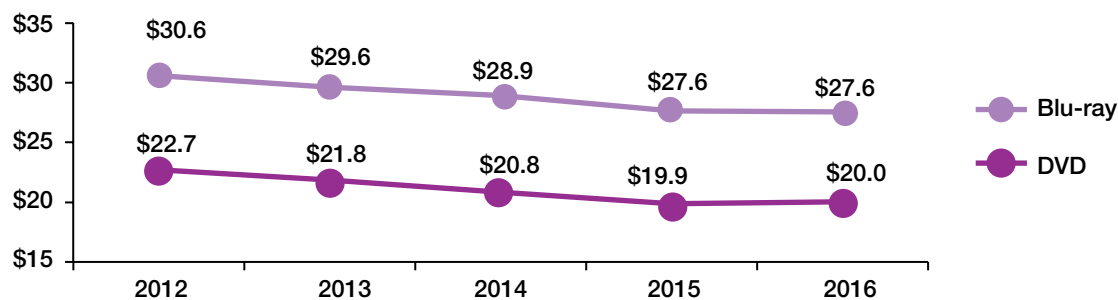


New Release Movies

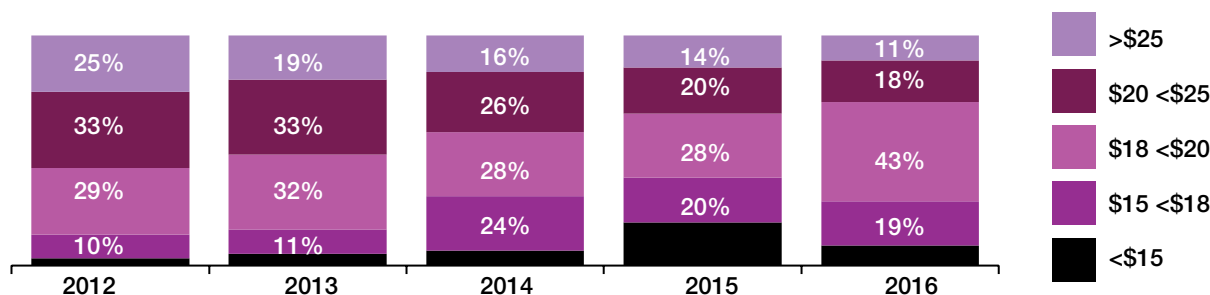
The highest growing area in physical discs for 2016 was New Release movies. A combination of lower priced physical discs, higher shares of Blu-ray, and a growing box office have all contributed to this growth.

The prices for New Release movies have dropped at a fairly steady rate since 2012, with particularly heavy activity in the sub \$15 price band in 2015 creating an anomaly in the longer-term pricing trends. In 2016, 71% of New Release sales were for titles priced at less than \$20 (compared to 67% in 2015).

GfK Retail Tracking: New Release Avg Format Price by Year

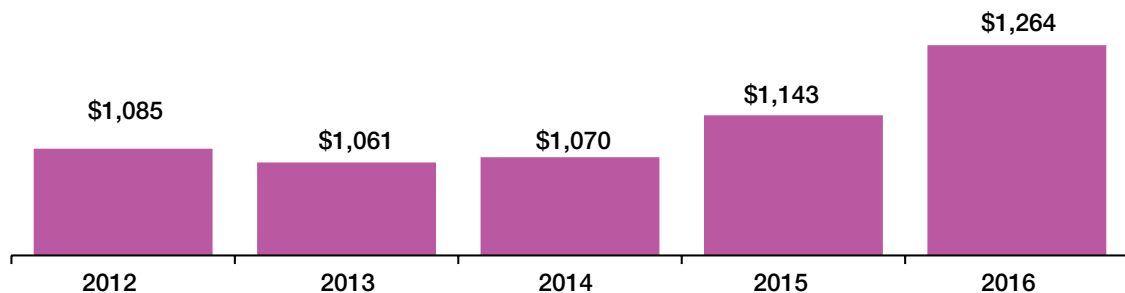


GfK Retail Tracking: New Release DVD Priceband Unit % by Year



Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Box Office by Release Year (Billions)

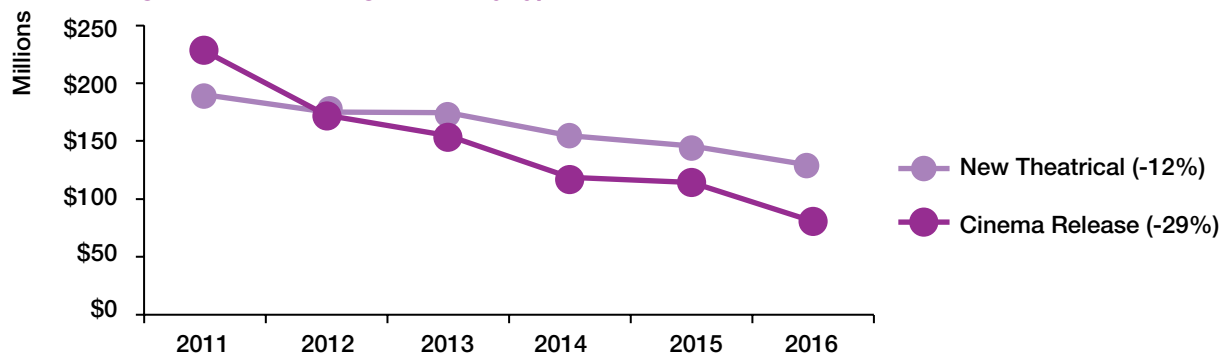


Catalogue Movies

After a stellar 2015 performance, Catalogue movies was one of the areas showing the greatest decline in 2016, dropping by 19% on 2015.

To further analyse the Catalogue segment, we can further split the sales into titles that were released within a year of their theatrical release (new theatrical) and titles that were released after that one-year window (cinema release). Cinema Release titles are often re-releases, or titles with new packaging.

GfK Retail Tracking: Theatrical Catalogue Value by Type



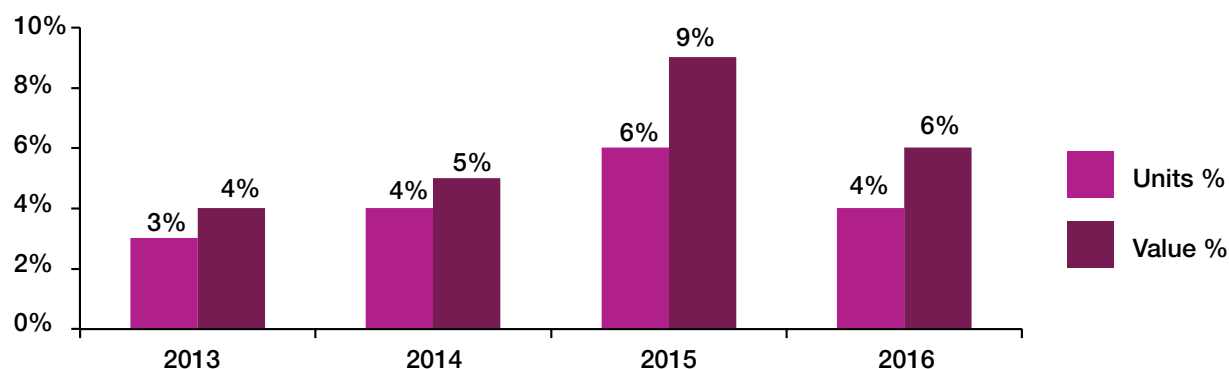
In 2016, it was the performance of Cinema Release titles that suffered the most. One reason for this was the drafting of big theatrical franchises such as *Star Wars* and *Jurassic Park* in 2015.

Drafting is the uplift in disc sales for older franchise movies when a new movie in that franchise is released at the cinema. An example of this was in 2015 when *Star Wars Episode VII: The Force Awakens* was released at the cinema. During that time, we saw a big lift in disc sales for the older *Star Wars* movies.

In 2015, 9% of all Catalogue movie sales were for titles experiencing that drafting lift. That percentage dropped to just 6% in 2016. With a raft of big studio sequels to be released in 2017, it is likely that we will again see a rise in the impact of drafting.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Drafting % of Catalogue Movies



During 2016, the top drafting licenses included the *Star Wars* series, *Bourne* and *Ghostbusters*, all of which saw a big lift in sales during their drafting period.

GfK Retail Tracking: Top 5 selling Drafting licenses, 2016, ranked by volume

RRANK	TITLE	DISTRIBUTOR
1	STAR WARS	20th Century Fox
2	BOURNE	UNIVERSAL
3	GHOSTBUSTERS	SONY PICTURES
4	X-MEN	20th Century Fox
5	ICE AGE	20th Century Fox

Another factor in the performance of Catalogue movies is the rising share of digital streaming services. With an abundance of Catalogue movie titles available on services such as Netflix, this is thought to negatively impact on sales.

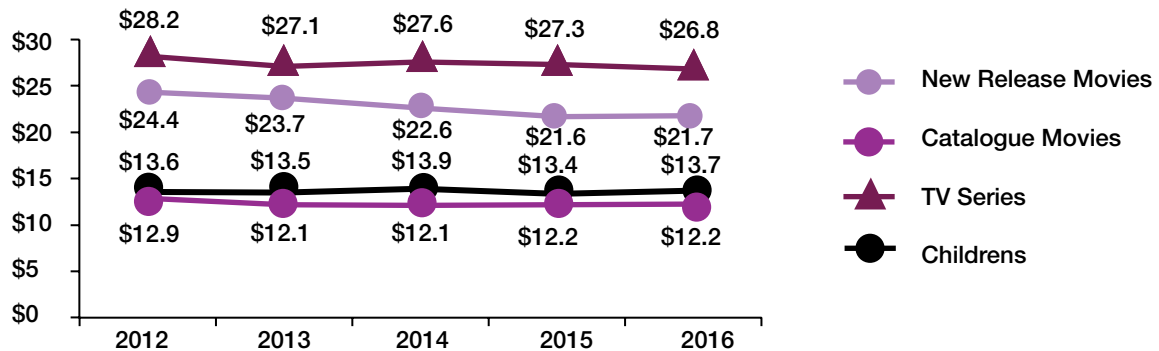
TV Series

TV Series was the largest individual release type in 2016, accounting for 37% of total market value. This area has continually grown in share over the last 10 years and is comfortably the largest value segment within the video entertainment market.

On average, TV Series titles cost more than other release types, contributing to their high share in value. Though the price has dropped for TV Series in 2016, it is still \$5 more expensive than the next highest priced release type (New Release). This is a reflection of the greater number of boxset sales within TV Series.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Average Price by Release Type



One reason for the continuing strength of TV Series is Roadshow's HBO license, *Game of Thrones*, which was again the biggest license in 2016, selling 5 times more than the next biggest license. 2016 was the first year that two new *Game of Thrones* seasons were released on disc in the same year. This led to overall growth for the license through New Release sales and created greater drafting opportunities throughout the year.

GfK Retail Tracking: Top 10 selling licenses, TV Series, 2016, ranked by volume

LICENSE	DISTRIBUTOR
Game of Thrones	Roadshow
Downton Abbey	Universal
Vikings TV Series	20th Century Fox
Outlander TV Series	Sony Pictures
Walking Dead	20th Century Fox
Dr Who	Roadshow
Supernatural	Roadshow
Big Bang Theory Roadshow Suits	Universal
A Place To Call Home	Universal

GfK Retail Tracking: Top 10 selling titles, TV Series, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Game of Thrones Season 5	Roadshow	Drama
2	Game of Thrones Season 6	Roadshow	Drama
3	Game of Thrones Season 4	Roadshow	Drama
4	Downton Abbey Season 6	Universal	Drama
5	A Place to Call Home Season 3	Universal	Drama
6	Game of Thrones Season 3	Roadshow	Drama
7	Game of Thrones Season 1	Roadshow	Drama
8	Game of Thrones Season 2	Roadshow	Drama
9	Big Bang Theory Season 9	Roadshow	Comedy
10	Vikings Season 3	20th Century Fox	Drama

Video Entertainment Australia: Physical Retail Market

About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's 80 years of data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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Consumer Behaviour

The data for this chapter is taken primarily from the GfK ConsumerScope survey, an online syndicated survey into video entertainment. The survey is conducted continuously throughout the year amongst approximately 3,000 Australians aged 14 to 65 years per quarter.

Home entertainment consumption trends

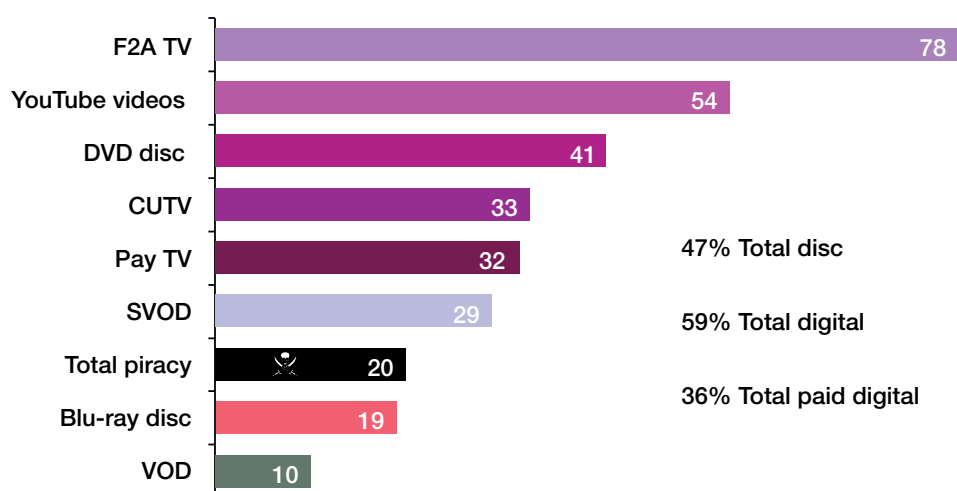
In 2016 we saw continuation of some trends reported in 2015. Most notably, the continued rise of SVOD (Subscription Video on Demand) and the increased use of connected devices, in particular connected TVs (e.g. Chromecast, Apple TV and Smart TVs). Engagement with (hours watched) SVOD and YouTube videos is increasing while F2A, Pay TV and physical discs show declines.

Despite sales declines, physical discs remain a very important format in the home entertainment market. Physical discs still have a high penetration in the Australian population, with just under half (47%) of the population aged 14-65 years having watched a DVD or Blu-ray disc in the past month.

Digital content (EST¹, VOD², SVOD, piracy, catch-up TV) is gaining traction in the home entertainment market. Over half (59%) of Australians have consumed digital home entertainment in the past month and 36% have watched paid digital (EST, VOD or SVOD) in the past month.

Consumers now have more choice than ever before, in regards to: what to watch, where to watch it, when to watch it, where to obtain it and what device to use to watch it.

GfK ConsumerScope: Last month consumption incidence in YEQ4 2016 (%)



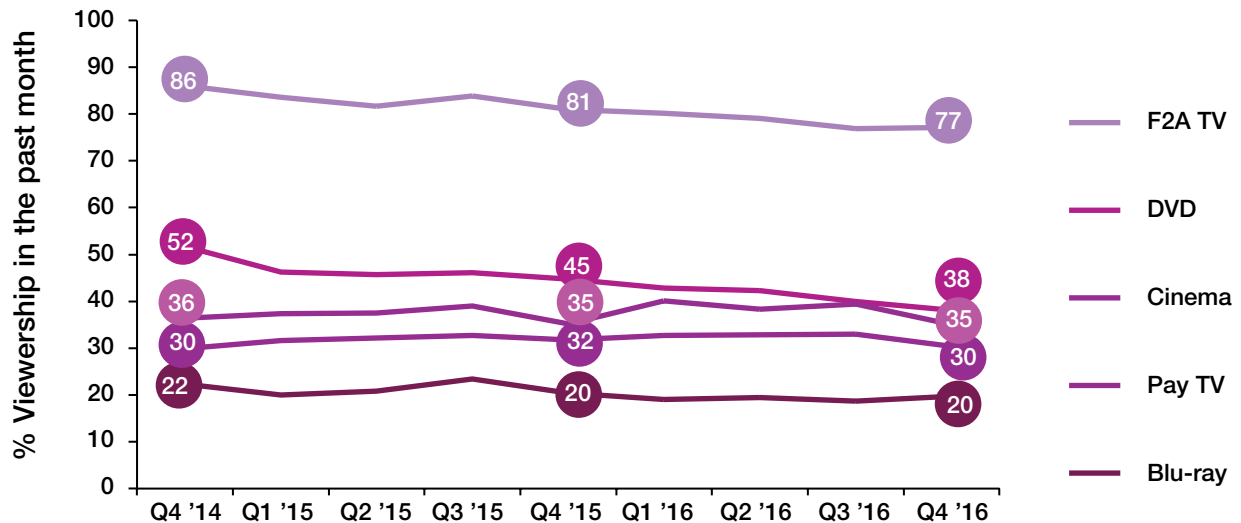
Source: GfK ConsumerScope (YEQ4'2016) Which of the following have you watched in the last month?
Base: Total sample aged 14-65 years (n=12,702)

Consumer Behaviour

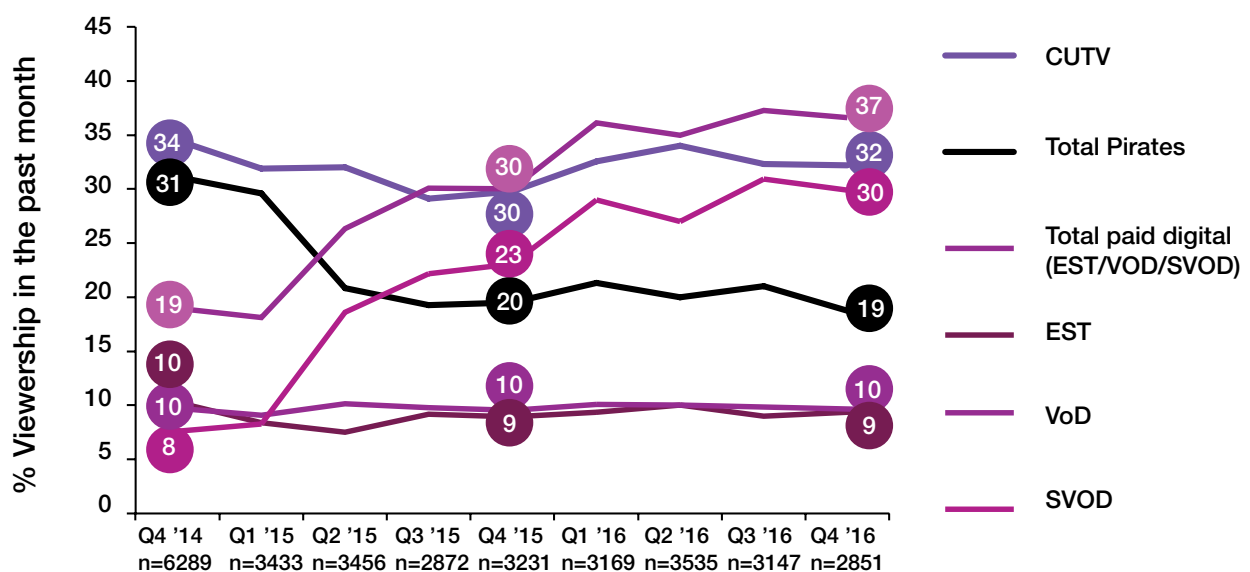
The viewing of paid digital content has increased significantly during 2016 (up from 30% in Q4 2015 to 37% in Q4 2016). Much of this rise is due to the growth of SVOD in Australia: last month consumption of SVOD increased from 23% at the end of 2015 to 30% at the end of 2016. In two years, SVOD has significantly increased the paid digital category, introducing an additional 18% of the population to the category.

With the rise of SVOD there has been an accompanying decline in other formats: a drop in last month consumption of DVDs (from 45% to 38% in the past year) and F2A TV (from 81% to 77%). The decline seen in piracy in 2015 has stabilised in 2016. Last month consumption of Blu-ray, EST and VOD were stable across the year.

GfK ConsumerScope: Last month consumption over time (%) - Non-Digital



GfK ConsumerScope: Last month consumption over time (%) - Digital

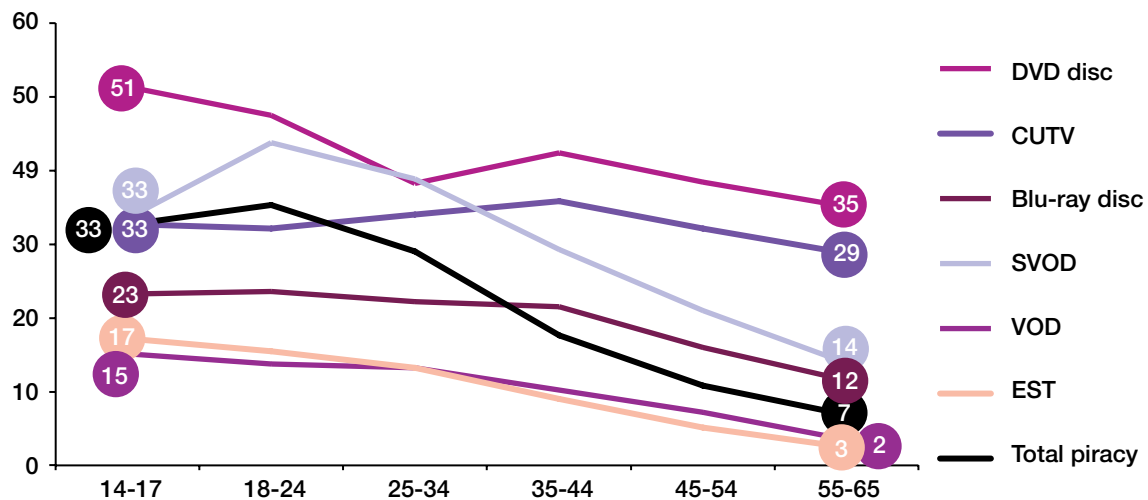


Source: GfK ConsumerScope Which of the following have you watched in the last month?
Base: Total sample aged 14-65 years (n= 3,000 – 6,000 per quarter)

Consumer Behaviour

Despite an overall decline, discs continue to be the home entertainment format with the highest penetration in every age group. Australians aged 14-24 years of age are the greatest fans of home entertainment, they are the most likely to watch every format (except catch-up TV). The likelihood of watching digital formats drops off quite steeply from 35 years of age.

GfK ConsumerScope: Last month use of format by age (%)



Source: GfK ConsumerScope Which of the following have you watched in the last month?
Base: Total sample aged 14-65 years YE Q4 2016 (n= 12,70)

Overall, the number of home entertainment titles viewed has increased in the past year (from 7.0 to 8.4 titles per month), with the increase driven by the significant increase in SVOD (from 1.8 to 3.0 titles per month), the number of titles being pirated has stabilised after the decline seen in 2015.

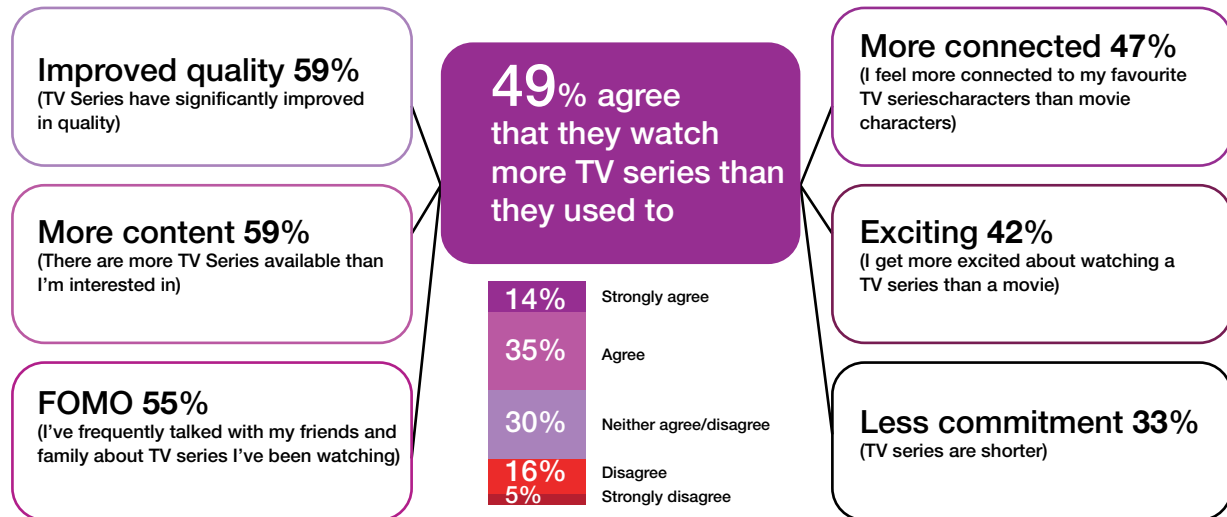
TV Series

Despite a decline in the physical disc market, TV series are declining at a much slower rate, and TV series are performing well within SVOD and EST.

Furthermore, in 2016 half (49%) of respondents said they are watching more TV Series than they used to. Perceptions of TV series are extremely positive; in particular that the series have increased in quality, and there is greater content and availability.

Consumer Behaviour

GfK ConsumerScope: Perceptions of TV Series

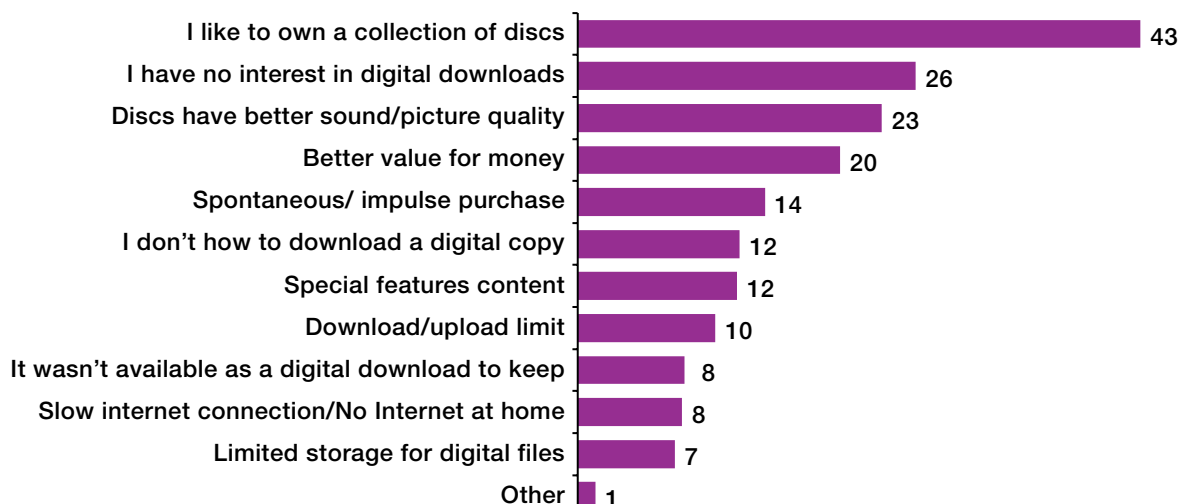


Source: GfK ConsumerScope To what extent do you agree with the following statements?
Base: Total sample involved in HE aged 14-65 years Q1 2016 n=2,042

Disc purchase

In 2016, 47% of Australians aged 14-65 year olds watched a disc in the past month, indicating it is a still highly relevant home entertainment platform, particularly for the older age groups. Among those who purchase discs for themselves, collectability of tangible discs remains the main motivator for buying discs as opposed to digital.

GfK ConsumerScope: Motivations for purchasing a disc rather than digital (%)



Source: GfK ConsumerScope To what extent do you agree with the following statements?
Base: Total sample involved in HE aged 14-65 years Q1 2016 n=2,042

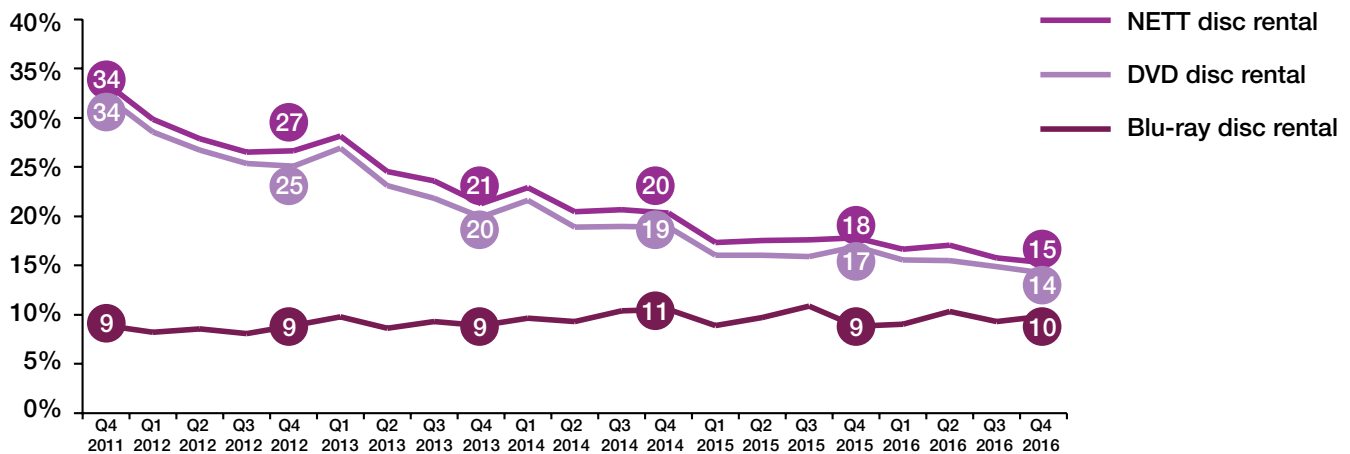
The majority of discs are still bought instore (71% in Q4 2016), and JB Hi-Fi continues to be the strongest player, selling 40% of most recent purchases in Q4 2016 (up from 28% in Q4 2012).

Consumer Behaviour

Disc rental

Across all formats, disc rental has shown the greatest decline. In the last five years, the proportion of the population who has rented a disc in the past month has more than halved (from 34% in Q4 2011 to 15% in Q4 2016). The decline in rental has been driven by DVD rental, while Blu-ray disc rental is holding steady.

GfK ConsumerScope: Incidence of past month disc rental



Source: GfK ConsumerScope (Q4'2015)
Base: Total sample aged 14-65 years (n=3,231)

VOD and EST

Two thirds (69%) of home entertainment consumers believe that digital is the way of the future (Q2 2016). However, penetration of paid VOD and EST remains steady. In Q4 2016 9% of the population watched EST in the past month and 10% watched VOD. GfK ConsumerScope has found that the key barriers to using transactional digital (VOD and EST) include:

1. The desire for a physical collection
2. The price of VOD and EST – the perception that digital should be cheaper than physical discs
3. Difficulty accessing digital on TV – although this barrier is diminishing with the increasing penetration of Smart TVs and media players, recently driven by the desire to watch SVOD on TV
4. Slow internet and data caps
5. Low awareness that a title is often released to buy digitally earlier than the physical disc release
6. Other digital competition – SVOD (increasing), catch-up TV (increasing) and piracy (reducing)

Catch-up TV

Free-to-air catch-up TV services are being accessed at least monthly by one third of the population. Monthly consumption of catch-up TV has grown significantly from 18% of the population in Q2 2011, to a peak of 35% of the population in Q2 2014. Despite some upgrades to platforms and new digital channels on catch-up TV, since the launch of Netflix in Australia the catch-up TV monthly incidence has dropped off (to 30% in Q4 2015).

Consumer Behaviour

Catch-up TV has been a very good way of introducing digital home entertainment to the population. In the past, catch-up TV was primarily watched on a computer. However, since the launch of Netflix (and the accompanying rise in TV connectivity) consumers are increasingly viewing catch-up TV on a television (from 34% viewing on TV in Q1 2015, to 43% viewing on TV in Q3 2015).

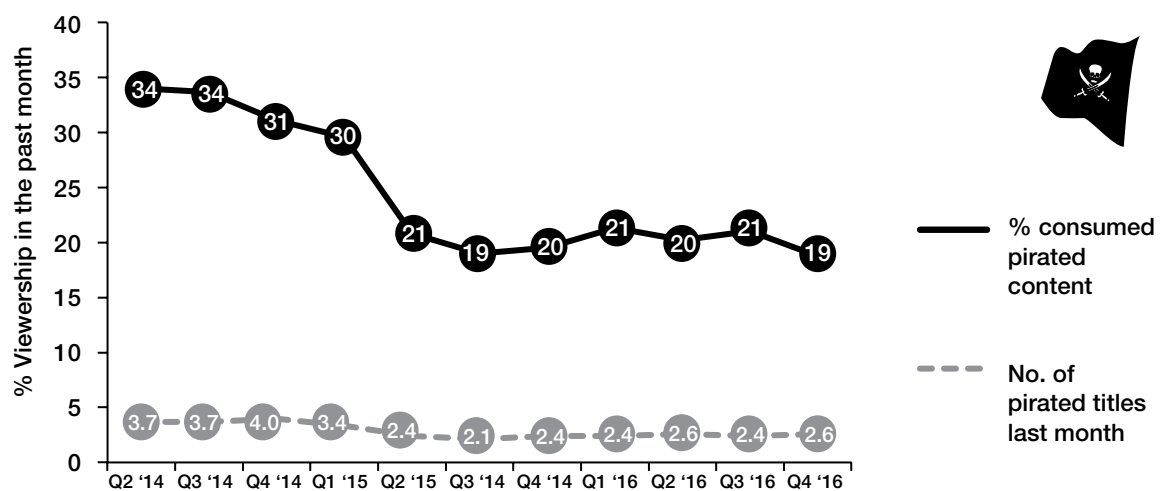
Piracy

Piracy is a common source of home entertainment acquisition in Australia. Piracy of video entertainment takes two forms: direct piracy where pirates download/stream content directly from the internet; and indirect piracy where consumers obtain copied pirated content from others (e.g. via USB, or hard drive).

GfK ConsumerScope data showed that in 2015 there was a very steep decline in piracy levels, and in 2016 this decline plateaued. In Q4 2014, one in three (31%) Australians aged 14-65 years had pirated video content (directly or indirectly) in the past month. A year later (in Q4 2015), piracy had declined to only one in five (20%) Australians pirating in the past month, and in Q4 2016 it was on par with the previous year at 19%.

There is a similar pattern in the number of titles that have been pirated each month: a steep decline between Q4 2014 and Q4 2015 (from 4.0 titles to 2.4 titles per person), and it was relatively stable in Q4 2016 with 2.6 titles per person compared to the previous year.

GfK ConsumerScope: Last month piracy³ consumption incidence and number of pirated titles acquired



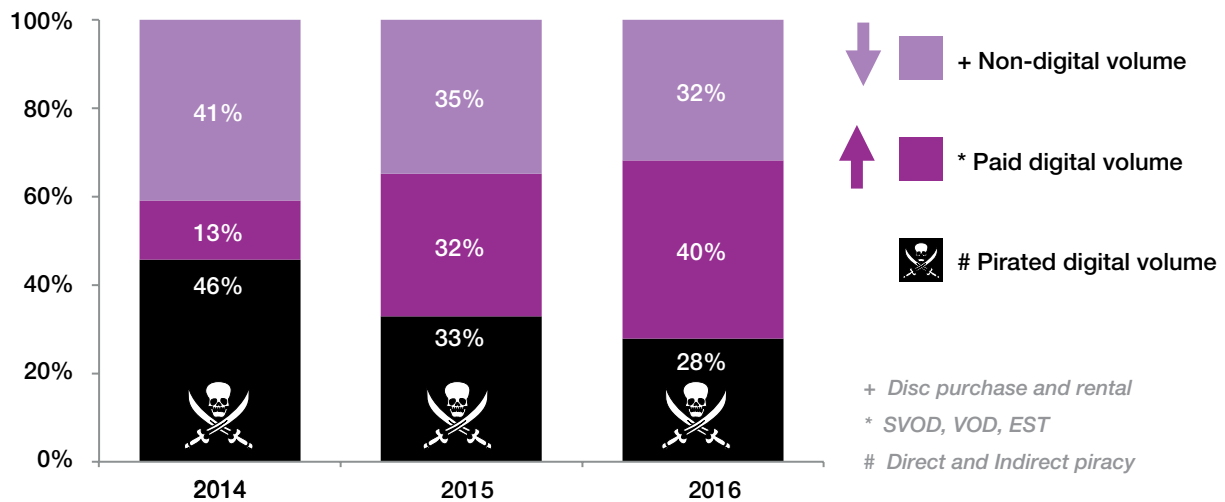
Source: GfK ConsumerScope Which of the following have you watched in the last month?...pirated from the internet / copied titles from someone else (e.g. via USB, hard drive) (shared pirated content)? Thinking about the last month, how many titles have you personally...pirated from the internet / copied titles from someone else (e.g. via USB, hard drive) (shared pirated content)?

Base: Total sample (n= 3,000 to 6,000 per quarter)

Consumer Behaviour

In the past three years, piracy has shifted from comprising almost half (46%) of home entertainment (excluding free-to-air and pay TV) acquisition volume in 2014, to less than one third (28%) in 2016.

GfK ConsumerScope: Piracy volume share



Source: GfK ConsumerScope Thinking about the last month How many titles have you personally...pirated from the internet / copied titles from someone else (e.g. via USB, hard drive) (shared pirated content)?

Base: Total sample (n=approx. 13,000 per year)

These declines in piracy are likely to have been influenced by three key factors:

1. The entry of Netflix into Australia in March 2015
2. Better access to digital content
 - Earlier availability of legitimate content (TV series being fast-tracked and studios experimenting with windowing) and more connected TVs
3. Legal deterrents and publicity
 - For example, the Dallas Buyers Club ruling, discussion around Australia's voluntary ISP three strikes industry agreement (Copyright Notice Scheme Code 2015), and the site blocking bill (Copyright Amendment (Online Infringement) Bill 2015).
 - In December 2016, the Australian Federal Court ordered internet companies to block five copyright-infringing websites: torrenting sites The Pirate Bay, Torrentz, TorrentHound and IsoHunt, and streaming service SolarMovie.⁴

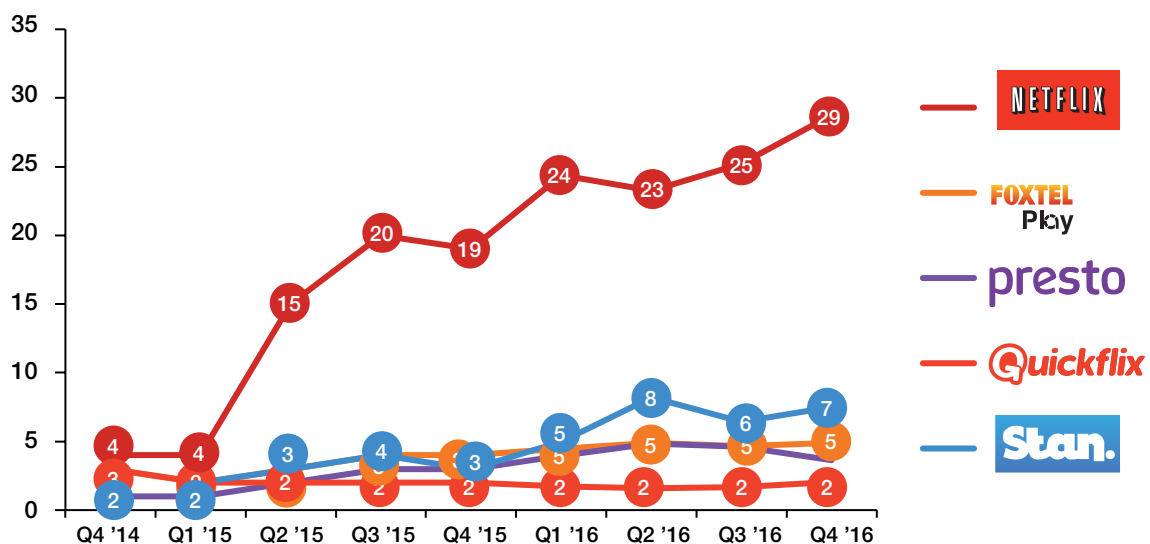
Consumer Behaviour

SVOD

The growth of SVOD has been the most significant change to the home entertainment market over the past two years. Monthly consumption of SVOD has increased from 8% in Q4 2014 to 23% in Q4 2015 and now 30% in Q4 2016. It also has significant volume with 3.1 titles being watched in the past month.

The majority of the SVOD category growth was driven by the launch of Netflix in March 2015; 29% of the population say they have a subscription to Netflix, and it has a share of 71% of most recent SVOD title watched in Q4 2016. Not only does subscription to Netflix have the highest penetration, but it is also watched the most frequently, with 86% of subscribers watching at least several times a week.

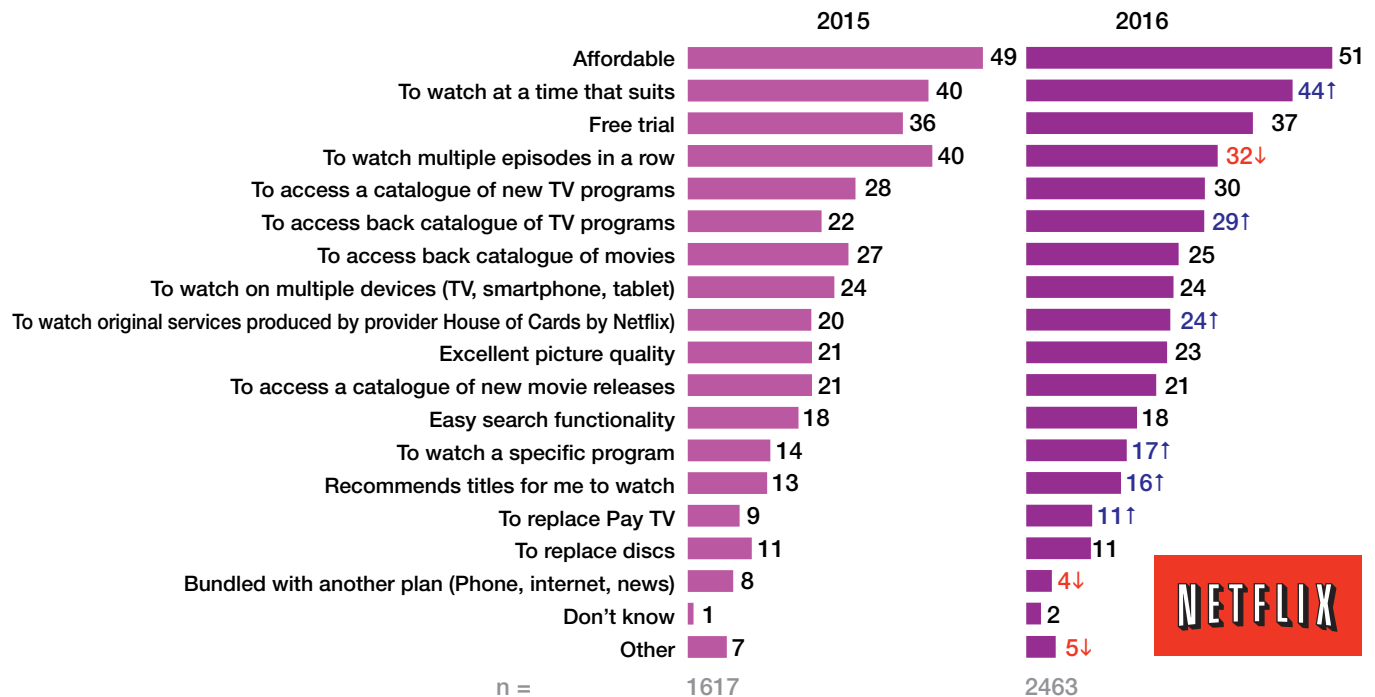
GfK ConsumerScope: Last month SVOD service consumption incidence (%)



Source: GfK ConsumerScope Do you have, a subscription to any of the following services?
Base: Total sample aged 14-65 years (n=2,000 to 6,000 per quarter)

Consumer Behaviour

GfK ConsumerScope: Reasons to sign up to Netflix service YE Q4 2016 (%)



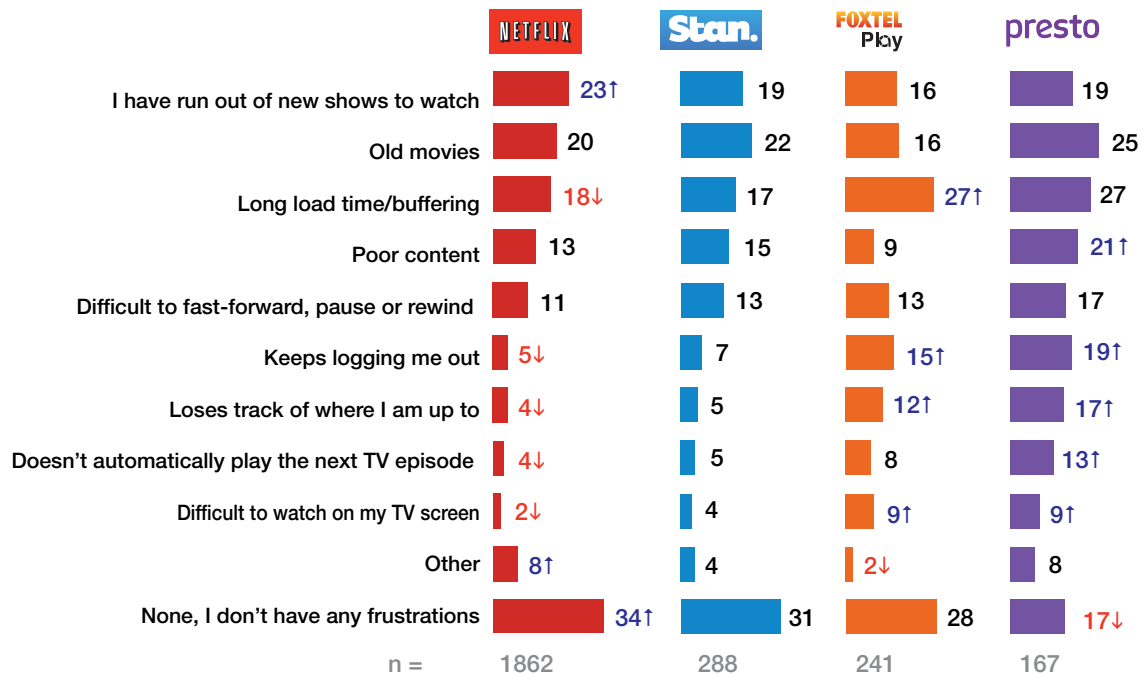
Source: GfK ConsumerScope Why did you sign up to Netflix?
Base: SVOD subscribers (YE Q4 2016)

The reasons for signing up to Netflix have changed a little over the past year. While affordability remains the number one reason, there have been increases for the flexibility to watch at a time that suits, original series produced by provider, to watch a specific program, and to access a back catalogue of TV series.

Frustrations vary for the different SVOD providers. For Netflix the frustrations are associated with wanting more content: running out of new shows and old movies (likewise for Stan, but to a lesser extent). The frustrations for Foxtel Play are centered around technology: long load time/buffering, logging out and losing track of where they are up to. Presto has similar frustrations to Foxtel Play but in addition: poor content and not automatically playing the next episode.

Consumer Behaviour

GfK ConsumerScope: Frustrations with SVOD service YE Q4 2015 (%)



Source: GfK ConsumerScope SVOD2cd What, if any, frustrations do you have with using SVOD provider?
Base: SVOD subscribers (YE Q4 2016)

StreamCo's Stan launched on 26 January 2015, a joint venture between Fairfax Media and Channel 9. Stan has shown some good growth from 3% penetration in Q4 2015, to 7% in Q4 2016. It is second in the market but still significantly behind Netflix. After a slow start for Presto, and poor customer satisfaction, in late 2016 Foxtel announced that Presto was withdrawing its services, current customers would be transitioned over to Foxtel Play. Foxtel Play changed its pricing structure towards the end of 2016 from \$25 to \$10-15 for a basic pack. Quickflix penetration remains low at around 2%.

Netflix has continued to see great success in Australia in 2016 and has recently introduced the capability to download some titles. However, its strong presence has not deterred additional providers from launching in Australia:

- HayU launched in Australia in March 2016. HayU a reality TV service from Universal costing \$5.99 per month. It has had a slow start and has only achieved a 1% share of most recent viewing occasion (Q4 2016).
- Curiosity Stream launched in late 2015 and is a provider of over 1,500 original and exclusive documentaries from around the world, costing \$2.99 a month for standard definition.
- In late 2016 Amazon Prime allowed Australians to subscribe to the US or UK version, however, there are significant content restrictions still in place. When it fully launches in Australia, Amazon Prime could shake up the SVOD market significantly, based on its performance in other countries.

Consumer Behaviour

About GfK

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To find out more, visit www.gfk.com or follow GfK on Twitter: https://twitter.com/GfK_en

1 EST= electronic sell through (a digital purchase to keep).

2 VOD = paid video on demand/digital rental.

3 "Piracy" includes both "Direct piracy" where pirates download/stream content directly from the internet and "Indirect piracy" where consumers obtain copied pirated content from others (e.g. via USB, or hard drive).

4 <http://www.abc.net.au/news/2016-12-15/federal-court-orders-pirate-bay-blocked-in-australia/8116912>



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The TV remains the most popular device for watching video entertainment content in the home

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Devices and Emerging Viewing Patterns

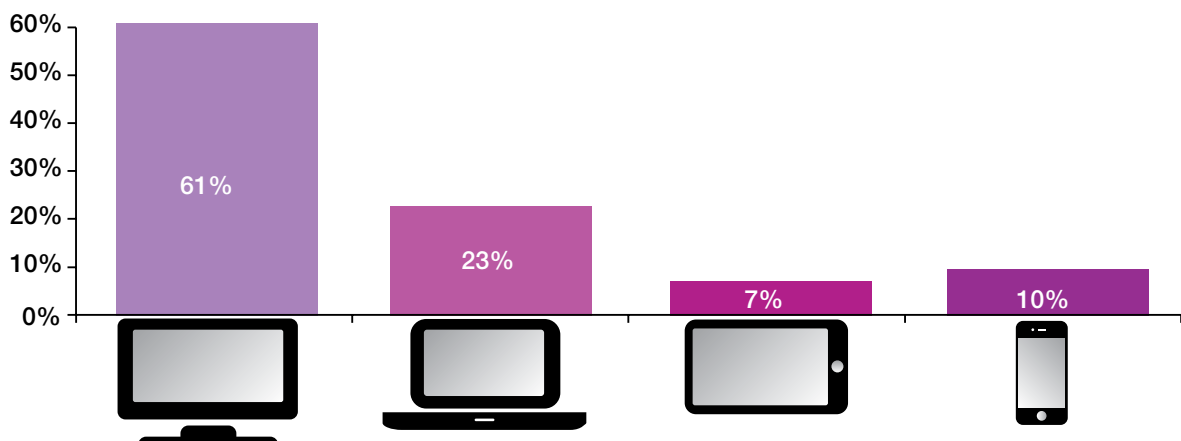
Devices, and Emerging Viewing Patterns

Data and analysis in this chapter comes from GfK retail tracking and ConsumerScope research provided by GfK to AHEDA. The way we watch our favourite video entertainment content has changed over the years. With the emergence of portable media players, smartphones and smart TV's, we now have a wide range of ways to watch the content we love.

The TV is the most popular device for watching video entertainment content, with 61% of all content being watched on the TV. Computers come in second, with 23% of viewing and then mobile devices (smartphones and tablets) combine to make up the remaining 17%¹.

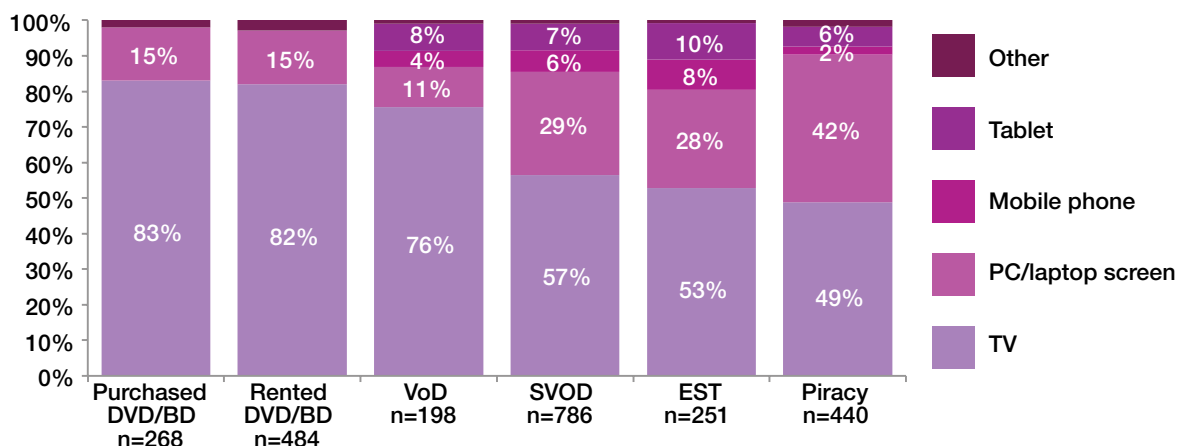
Smartphone viewing has increased in share in 2016, supported by a move to larger screen phones.

GfK ConsumerScope: Content Viewing Device, Q4 2016



The device a consumer uses depends on the type of content being consumed. While TVs are the main device used to watch all formats, mobile devices are increasingly being used to watch digital content and PCs are often used to watch pirated titles.

GfK ConsumerScope: Display used by Type (Q1 2016)



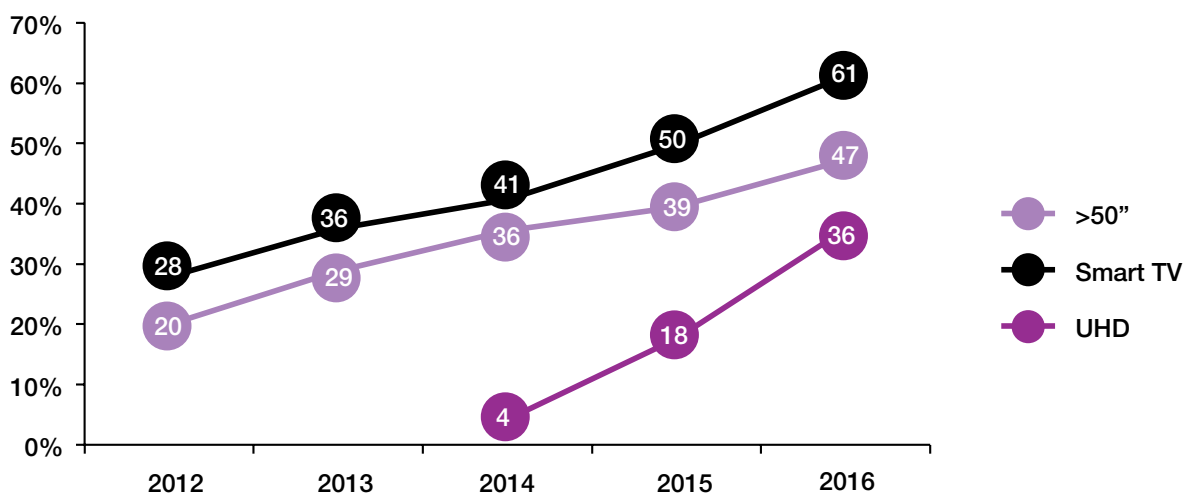
Devices and Emerging Viewing Patterns

TVs – the most important device

The TV is the single most important piece of hardware for video entertainment. Consumers want to enjoy their content on the big screen.

2016 was a big year for the TV market. 1.7M TVs were sold and an extra \$120M was generated, making TVs the second largest value growth category behind smartphones. The growth in value was due to the rising share of premium features such as Ultra HD, smart TV and bigger screens.

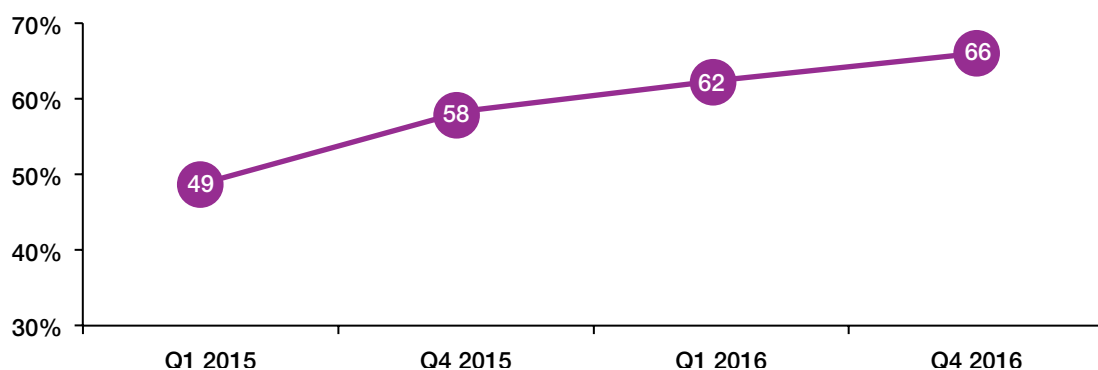
GfK Retail Tracking: Key Features Unit Share of TV Market



The TVs we own are getting larger. Nearly half the TVs sold in 2016 had a screen size of 50" or more. The share of large screen TVs has been rising each year, indicating our desire to view our favourite movies or shows on a bigger screen.

Smart functionality is also an important factor when purchasing a TV. 61% of the TVs purchased in 2016 had smart functionality, a sharp increase on previous years. Though default acquisition of smart functionality remains quite high, research from the GfK ConsumerScope study has shown more and more TVs are being connected to the internet and are used to watch streaming or VOD services.

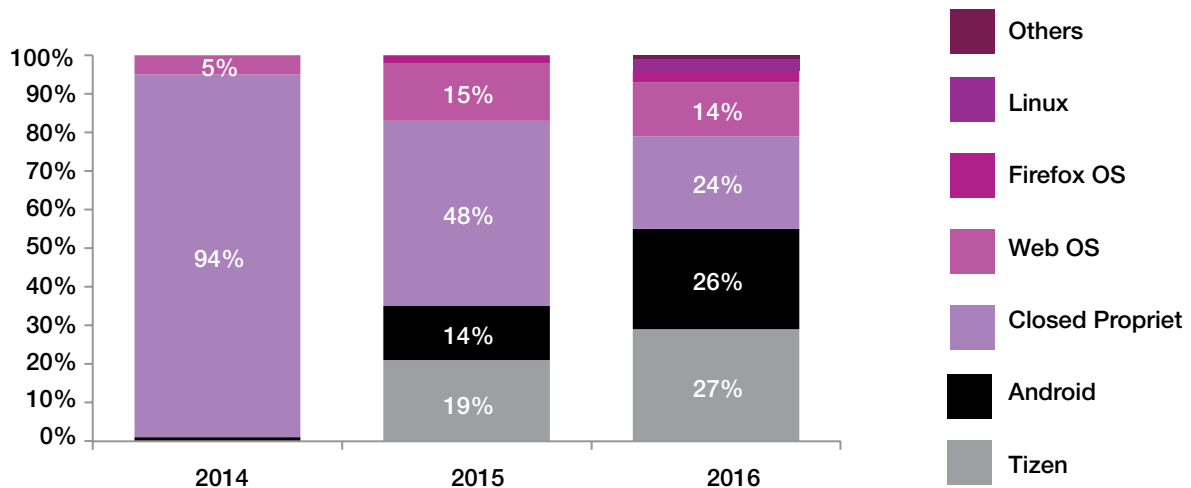
GfK Retail Tracking: Do you access the internet via your TV?



Devices and Emerging Viewing Patterns

Within smart TVs, one of the major changes in the last few years is the move from closed proprietary systems to branded operating systems such as Android or Samsung's Tizen OS. With Android becoming more prevalent on TVs, there may be a future opportunity to increase software sales through the Android platform.

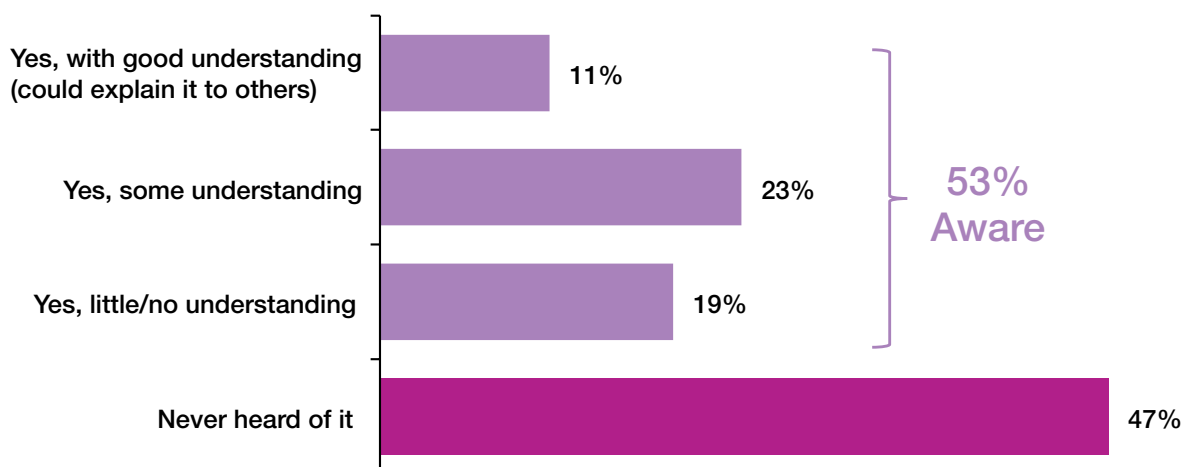
GfK Retail Tracking: Smart TV OS Unit Share



As well as bigger screens and smarter TVs, picture quality is also improving. The share of 4K Ultra HD TVs doubled in 2016 and accounted for 36% of all sales. The price of a big screen 4K Ultra HD TV was over \$2000 in 2016, nearly double that of a standard big screen TV. The increasing share of 4K Ultra HD TVs was a major contributor to the value growth of the TV market in 2016.

When speaking to video entertainment consumers, the awareness of Ultra HD as a feature is actually quite low. As awareness increases, it is likely that we will see this feature grow in share in both hardware and software.

Awareness and understanding of 4K Ultra HD - Q4 2016



For more information on 4K Ultra HD discs, please read the GfK chapter on the video entertainment software market.

Devices and Emerging Viewing Patterns

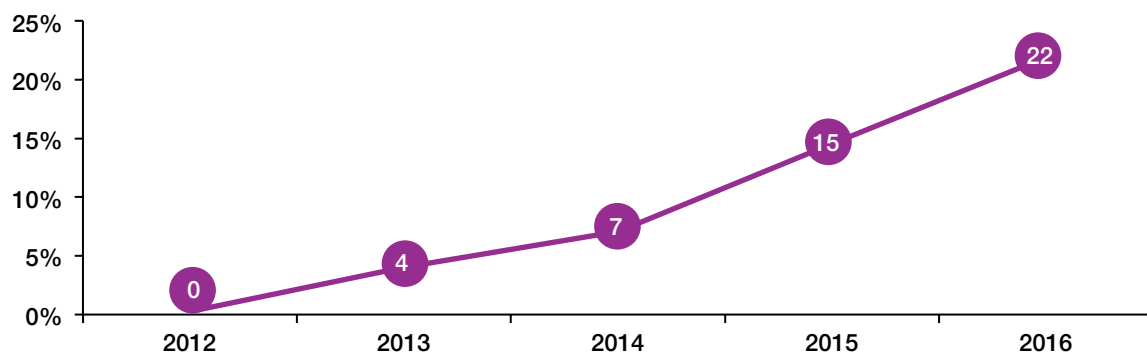
Mobile Devices

Mobile devices are increasingly being used to watch video entertainment content. 17% of the video content consumed in Q4 2016 was watched on a mobile device, up from 14% in the corresponding quarter in 2015. The increased usage is mainly through smartphones, helped along by the growing share of large screen phones.

The smartphone market is the biggest individual category that GfK measures, generating over \$4 billion in value in 2016. Smartphone penetration in Australia sits at 82%, a figure that has been fairly stable over the last few years as most smartphone buyers are upgrading from an existing smartphone.

Big screen phones are becoming more prevalent. 22% of all smartphones purchased in 2016 had a screen size that was 5.5" or larger. GfK consumer research from 2015 showed that consumers with big screen phones tend to use them more than those with smaller screens.

GfK Retail Tracking: 5.5"+ Screen Size Unit Share of Smartphones Market

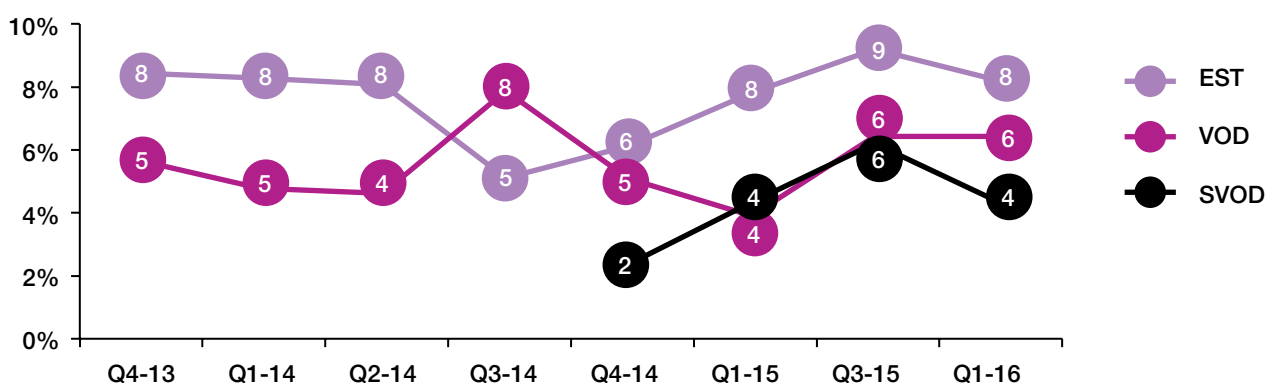


Tablets also saw a move to larger screens. Though it is a small section of the tablet market, 3% of sales are now for tablets with a screen that is 11" or larger.

Mobile Viewing remains a challenge

Whilst mobile devices are increasingly being used to watch video entertainment content, that usage is still primarily in the home. The share of out-of-home viewing has remained quite low in 2016, with the existing concerns around data usage yet to be fully addressed.

GfK ConsumerScope: Out of Home Viewing % by Type



Devices and Emerging Viewing Patterns

Recent developments to services such as Netflix and YouTube to allow a file or program to be downloaded, rather than streamed, may help alleviate some of the concerns around data usage and help increase mobile viewing.

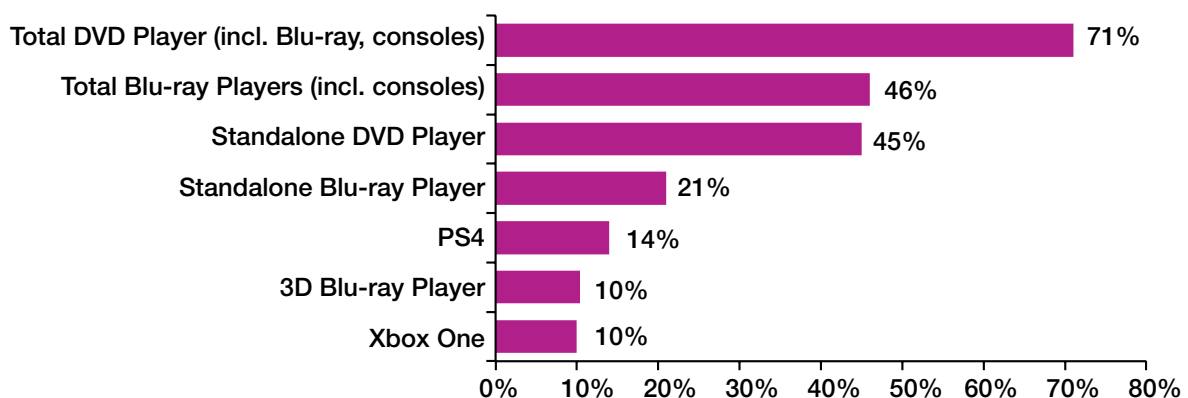
2016 also saw a rise in sales for connected 3G/4G tablets. Just over 360,000 connected tablets were sold in 2016, a growth of 3% on the prior year. With the ability to connect and stream content outside the home, the rising sales of connected tablets may be yet another spur to help drive out-of-home viewing.

Players – DVD, Blu-ray and Consoles

The appetite for physical discs is still very strong. 45% of all Australians have watched a physical disc in the last month, indicating a need for hardware capable of disc playback.

The most common players in Australia are standalone DVD players, followed by Blu-ray and then the gaming consoles. Of course, there is a lot of crossover between the different devices.

GfK ConsumerScope: Household Penetration Q4 2016



In 2016, 730,000 DVD and Blu-ray players were sold, with the split being roughly even between DVD and Blu-ray. Though sales were down for players overall, one area that did show an increase was Blu-ray recorders, which was up 22% on 2015 and accounted for 8% of all Blu-ray players sold.

Freeview Plus is a feature that is available on some DVD and Blu-ray players. Sales for Freeview models are limited at just 3% of total sales, but it is another way for consumers to get access to Freeview content.

4K Ultra HD is a feature that crosses both software and hardware. In the GfK chapter on video entertainment software, we saw an increase in sales in for 4K Ultra HD discs and earlier in this chapter we highlighted the increasing share of 4K Ultra HD in TVs. The current limitation for this feature is within players, where just 2% of Blu-ray players sold having the capability to play 4K Ultra HD titles. There are a further 10% of Blu-ray players that are capable of streaming 4K content, but they are not able to play 4K discs.

Devices and Emerging Viewing Patterns

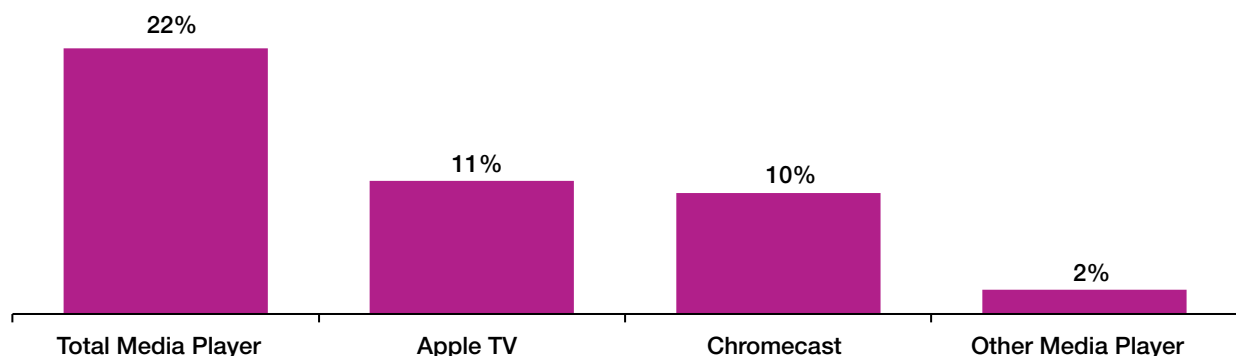
Of course, standalone players are not the only devices capable of playing Blu-ray or 4K discs. Gaming consoles, such as the PS4 and Xbox One, are both Blu-ray compatible and offer consumers another way of watching their Blu-ray discs. The Xbox One S is also capable of playing 4K Ultra HD discs and is currently the only console with that capability. The Xbox One S is present in 2% of all households.

Digital Media Players – Apple TV and Chromecast

Media players, such as Apple TV and Chromecast, are one of the main types of devices consumers connect to the TV to watch their video entertainment content.

Media players are now present in 22% of Australian households, up from 17% in 2015. Combined, these devices have sold over 1.2 million units since launch². The Apple TV is the leading media player, present in 11% of households, though sales for Chromecast increased steadily in 2016 and actually outpaced Apple TV, closing the gap between the two players.

GfK ConsumerScope: Media Player Household Penetration, Q4 2016



2016 and beyond

2016 was another big year for video entertainment hardware. The TV solidified its place as the hub of video entertainment, while more content was watched on mobile devices than ever before.

The move to bigger screens continued across all video entertainment devices and the use of smart functionality increased. Picture quality is also on the rise, as 4K Ultra HD devices take a greater share in the market.

In 2017, it is expected that those premium features will continue to evolve and take greater shares within their respective markets. Digital viewing is still expanding and will continue to influence device choice in the future, while the rollout of easily available downloaded content may help spur growth in out-of-home viewing, increasing the potential reach for video entertainment content.

With other new devices like virtual reality or wafer thin TVs continuing to push the boundaries back, consumers are likely to enjoy an even greater entertainment experience than ever before.

Devices and Emerging Viewing Patterns

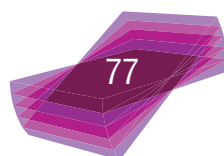
About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's 80 years of data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

To find out more, visit www.gfk.com or follow GfK on Twitter: https://twitter.com/GfK_en

¹ GfK Retail Tracking. TV Value % change, 2015 vs. 2014 (excludes commercial, direct, grocery channels)

² GfK Retail Tracking. LTD volume for Media Players (excludes commercial, direct, grocery channels). Penetration – GfK ConsumerScope, Q4 2016.



BLU-RAY™ + DIGITAL HD
DIGITAL COPY PLUS

2016 Top 20 DVD + Blu-ray combined
Ranked by volume
11



2016 Top 20 DVD + Blu-ray combined
Ranked by volume
12



2016 Top 20 DVD + Blu-ray combined
Ranked by volume
13



“

Availability and affordability
do not materially reduce
film and TV piracy

”

Creative Content Australia

Availability & price are excuses for “FREE”

Lori Flekser, Executive Director, Creative Content Australia

2016 was another big year for the copyright sector with government reviews, legal cases and new content platforms providing further in home consumption options.

There was no escaping a volatile market and environment. Research studies showed wildly different data for the rate of online content theft in Australia, with the reasons for it disputed by an assortment of “interested parties” - Government, media, rightsholders and so-called consumer groups. Every blogger and bystander had an opinion.

Into this complex cauldron, the Productivity Commission – the Australian Government’s independent research and advisory body – released its report into Intellectual Property. Underpinning its recommendations was the assertion that *“timely and competitively priced access to copyright-protected works is the most efficient and effective way to reduce online copyright infringement”* (Finding 19.1).

At the heart of this claim lies the vexed question of availability. Government, media and many consumers claim that they are ‘forced’ into illegal downloading and streaming by the lack of legal alternatives.

- *“The problem is not the pirates fault, it’s the content owners fault for being two decades behind technology.”*
- *“People pirate because (1) International content is really slow to come to Australia and (2) Online streaming services are simply not available outside the US or UK.”*
- *“The only reason i am a pirate is because the content industry has not delivered a platform that allows me to watch the content i want in the way that i want.”*

To test the validity of these claims, one need only look at the music industry.

Despite music companies licensing hundreds of digital music services to release music simultaneously, around the world, including several free streaming services, there is still an unacceptably high level of unlawful downloading of music.

Torrent sites remain in the top 10 services for consuming and sharing music, showing little change from 2015 to 2016. Thirty-two percent of all Australians consuming content obtained some unlawful music in 2016.¹ and 15% obtained all their music unlawfully.

Given the music industry appears to have solved the issue of access, availability and price, if we subscribe to the argument advanced by ‘consumer groups’, there should therefore be little to no music piracy in Australia. Sadly, that is not the situation.

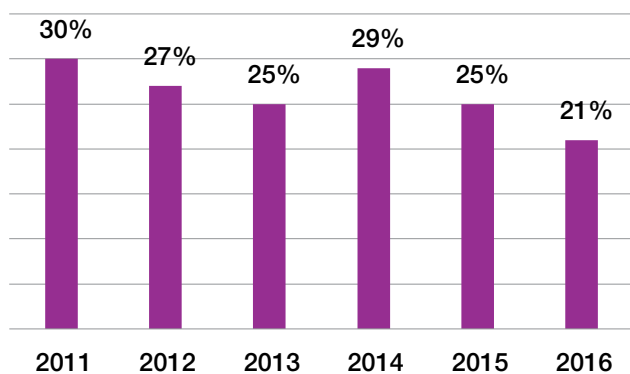
Creative Content Australia

Annual research has been conducted by Creative Content Australia (CCA) since 2008 to understand the changing attitudes and behaviours of Australians in relation to movie and TV piracy. Comprising qualitative and quantitative components and using a consistent method of data collection, the research provides an unparalleled insight into the frequency and incidence of piracy and the rationale behind it.

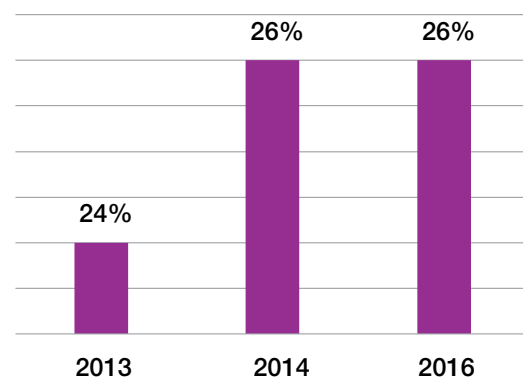
So what do we know? **Availability and affordability do not materially reduce film and TV piracy.** Shouldn't the significant increase in content services and the drop in prices over the past five years have dramatically decreased film piracy in Australia? CCA research indicates that the reduction in adults has been slight while there is no recent discernible change in the behaviour of younger Australians.

Active pirates²

Active adult pirates (aged 18-64)



Active teen pirates (aged 12-17)



In fact, the 2016 CCA study shows 12-13 year old Australians have **almost doubled** their piracy activity, from 14% active in 2014 to 23% in 2016.

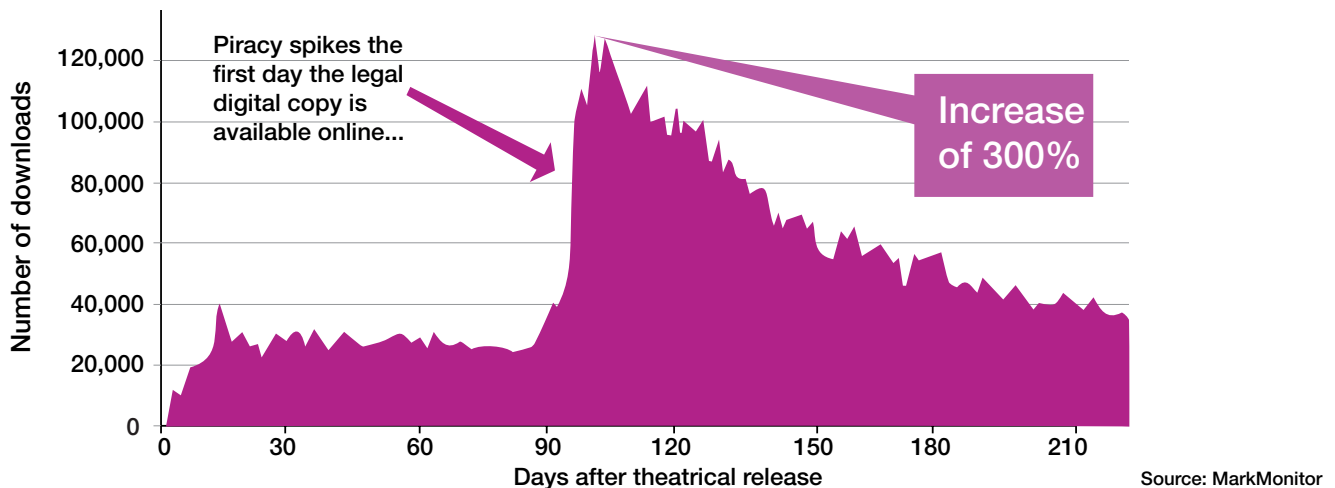
The perception that movies are slow to come to Australia persists, even though the gap between cinema releases in the US and Australia has reduced significantly; from films being released 47 days earlier in the US than Australia in 2002, to just over one week in 2016. Over 50% of films in 2016 were released in Australia **before** the US.

Generally, with release windows lining up, content is available online or on DVD/Blu-ray® at the same time globally. This explains why 33% of all internet users aged 12+ disagree with the statement *"I find it difficult to find lawful content online"* – while only 26% agree.³

But one of the most compelling statistics about the availability myth comes from research that shows that piracy spikes – sometimes by up to 300% – as soon as the legal digital copy is made available online.

Creative Content Australia

2015 Piracy Activity



In 2015, the producers of Australian comedy *The Little Death* discovered that Josh Lawson's directorial debut had become the third most pirated title in Australia, **after it was released on DVD**. In just two days, the film had been downloaded more than 160,000 times.

Producer Jamie Hilton said: *"Widespread illegal downloading of our film started as soon as it hit Blu-ray. Making films and television is not only creative, it's also a business. Like any business, when hundreds of thousands of people 'demand' our film, we should be rewarded financially. Films cost millions of dollars to make and employ hundreds of people and these costs are repaid by selling tickets and managing our online rights. 'Free' is not a viable business model"*.

Price/affordability is another stick with which the Productivity Commission has chosen to bludgeon the creative industries, accepting poorly supported arguments that consumers are willing to access legal content *"where it is available at a fair price"*.

What is a "fair price"?

Right now, in late January 2017, I can buy a ticket to a movie for \$10 (Reading Auburn NSW), \$20.50 (Palace, Fremantle WA), \$11 (Village, Geelong VIC), \$13 (United, Eldorado QLD), \$21 (Event Bondi Junction, NSW) or \$10 (Event Drive in, Blacktown NSW), or less in most venues for students or concession holders.

I can also buy a ticket for *La Bohème* at the Sydney Opera House for \$260 (or \$23.50 if I want to hear but not see the opera), see singer/songwriter Passenger in Brisbane for \$88.15, catch a comedy show at the Adelaide Fringe for \$23 or watch Melbourne FC play at Etihad Stadium in Victoria for \$34.73.

Creative Content Australia

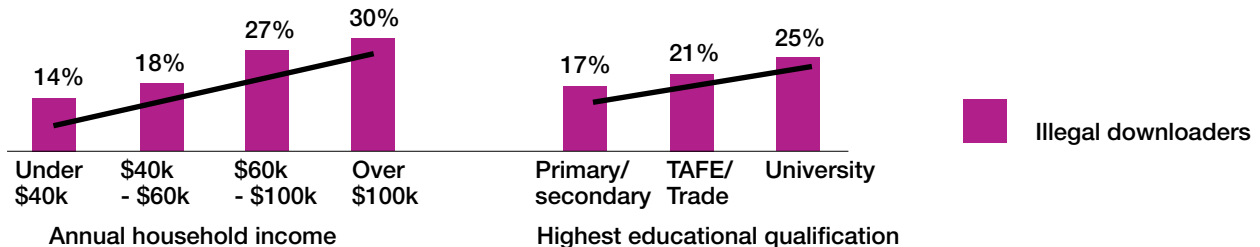
Australia is also well-served with world-class Subscription Video on Demand services offering unlimited viewing for a small monthly fee. Contrary to the Productivity Commission's conclusions, these services are not more expensive than those overseas. Australian pricing is virtually on par with UK pricing and below US pricing.

	Australia	USA	FX Rate	USA (in AU\$)
Netflix	8.99	7.99	0.76	10.51
Amazon Prime	4.00	5.99	0.76	7.88
Foxtel Play	10.00	n/a		n/a
Stan	10.00	n/a		n/a

(*) Amazon Prime is US\$2.99 (or AU\$4) for the first 6 months only, after that it increases to AU\$8

With around 83 million visits to cinemas in Australia in 2016, the market clearly offers a range of prices that suit a variety of consumers. So, are those accessing unlawful online content simply unable to pay?

CCA research has consistently indicated that persistent pirates are more likely to have a tertiary education and a fulltime job than non-pirates. This is reinforced by a UMR⁴ study showing piracy increases with income and education.



What do people want to pay to see a movie? For online viewing, the answer appears to be 'nothing'. As a 17yo CCA research respondent said: *"Even at 99c each, I download and stream too many shows for it to be a reasonable price"*.

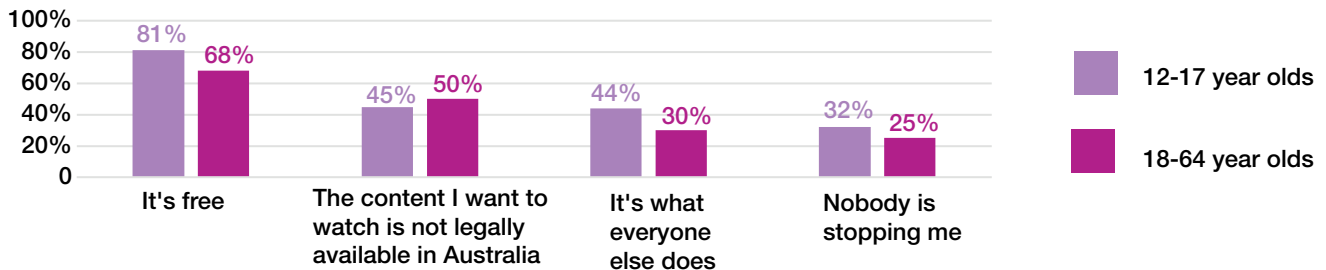
In direct contrast to the PC Report conclusions, the TNS research confirmed an increase in the proportion of all internet users who agree that *'The price that you pay to download or access content online is **generally about right**'* - up from 28% in 2015 to 35% in 2016. CCA has examined the motivation for online content piracy over eight waves of research since 2008. Year after year, the primary reason is because **it's free**.⁵

"Even if I had infinite cash it'd still be easier to pirate films", said a research respondent.

"I am a big pirate, and have been since before I was a teenager. Anything put in place to monitor or restrict our usage will be circumvented by our generation instantly", said another.

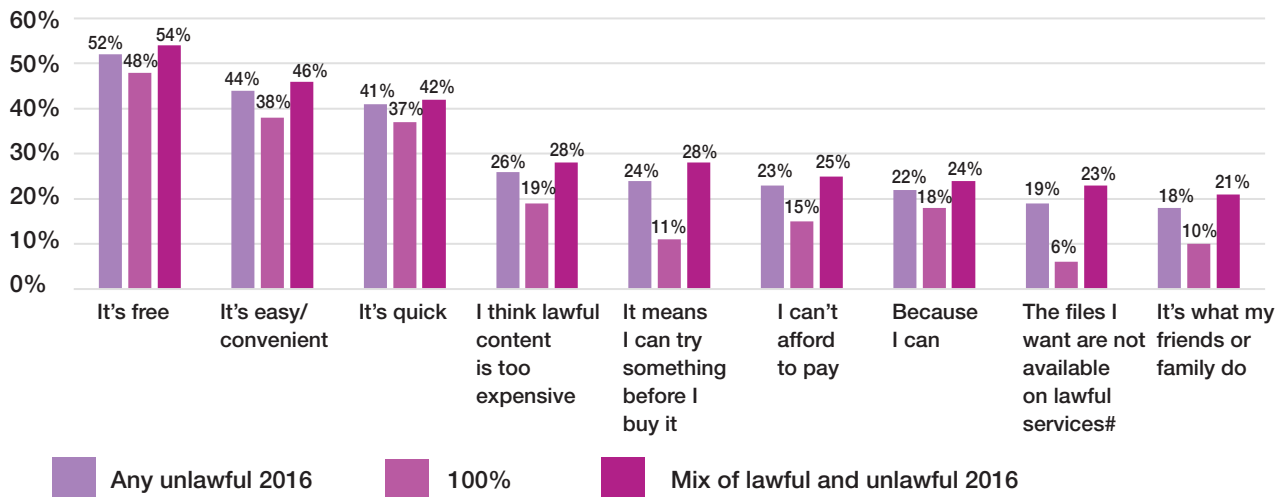
Creative Content Australia

Reasons for Downloading or Streaming Pirated Content Online⁶



The TNS research confirmed the top motivator for unlawful consumption of content online is because 'it's free' (52%) - with little difference between '100% unlawful' users and 'mixed' users.

Motivations for unlawful consumption of content online⁷



Yet, the PC report chooses to accept the CHOICE survey where "38 per cent of respondents cited expense of legitimate content as the reason they infringed copyright; 32 per cent cited the time taken to release new content and 23 per cent the ongoing availability of material (CHOICE 2015). TNS Social Research (2015) found similar results in its study."

In the TNS research, "I think lawful content is too expensive" was only the fourth most cited reason. One in five Australians (and 2/3rds of persistent pirates) say they would pirate even if a movie was legally available, at the same time, for \$5.99 or a TV episode for \$2.99 – less than the cost of a cup of coffee.⁸

'Too expensive' proves to be a quite different rationale for content theft to "it's free". Which one of us would not opt for lower prices for ANY of the goods or services we use?

But few services face the insurmountable challenge of being unlawfully available, globally, to billions of consumers with an internet connection. The numbers for online content theft dwarf those for other industries facing counterfeit and copyright concerns. Some recent (2016) statistics include:

- Five years ago Google received 'only' **ten million** takedown notices during the entire **year**, but

today it processes the **same number in less than three days**.

- **1.4 million** Australians access Pirate Bay monthly
- Academy-Award® winning Australian film Mad Max Fury Road was downloaded **3.5 million** times in Australia alone. By comparison the total unit sales of the Australian DVD, pay-per-view and legal streaming came in at **516,396**.

This is not simply an issue for international producers or Hollywood studios. This is a global concern that directly impacts many Australian creators.

The creative team behind the successful Australian film *The Dressmaker* know this from bitter experience. Fifteen months after its cinema release, and 12 months after its DVD/Blu-ray® and online release, the film is still illegally available and downloaded/streamed by thousands of people weekly. *“Creating great content requires a healthy business model that not only benefits the consumer but doesn’t lose sight of the interests of the artists”* says Producer Sue Maslin.

Nelson Woss, Producer of *Red Dog* and *Red Dog: True Blue*, says: *“If we get to the pointy end where we as filmmakers get everything right, produce something entertaining, which people love, but the film cannot expect a decent return because pirates steal it – then it’s over. It’s not a viable business and ultimately quality Australian films won’t get made.”*

The creative industries need consumers, Government and media to recognise that a strong copyright system is essential to the health and vibrancy of the creative economy. A report that relies on questionable research and clear bias, and is a threat to the hundreds of thousands of jobs, and thousands of businesses that depend on Intellectual Property, is not helpful.

The film and television industries’ peak body for the promotion of copyright, creative rights, piracy research and education resources, Creative Content Australia is committed to raising awareness about the value of screen content, role of copyright and impact of piracy.

<http://www.creativecontentaustralia.org.au>

¹ Consumer Survey on Online Copyright Infringement June 2016 – A marketing research report Prepared for the Department of Communications and the Arts by TNS

² Creative Content Australia Research studies 2011-2016. Note: 2011 included physical (DVD) piracy. This measure was excluded from 2012 onwards.

³ Consumer Survey on Online Copyright Infringement June 2016 – A marketing research report Prepared for the Department of Communications and the Arts by TNS

⁴ UMR Piracy Study 2012; 1000 interviews aged 18+, data weighted to ABS census data for national representation

⁵ Creative Content Australia Research 2016

⁶ Creative Content Australia Research 2016

⁷ Consumer Survey on Online Copyright Infringement June 2016 – A marketing research report Prepared for the Dept. of Communications and the Arts by TNS

⁸ Creative Content Australia 2013 research



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With exciting content,
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”

Theatrical Film Industry: 2016 Box Office

motion
picture
distributors
association
of
Australia

A snapshot of the Film Industry

2016 – “It’s a great time for cinema and going to the movies”

Despite all the competition we face for people’s attention in a 24/7 connected world... it’s a great time for cinema and going to the movies.

With exciting content, cutting-edge technologies and an on-going focus & commitment to enhancing the theatrical experience, it’s still the best type of entertainment out there, and we see proof of that time and time again in our box office results. The 2017 MPDAA box office surpassed the record set in 2015. The **A\$1,259,337,000** box office CUME was an increase of **2.69%** on the previous year.

Finding Dory took line honours, closing 2016 at \$48.56m, followed by Deadpool at \$43.27m

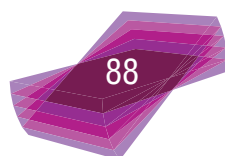
TOP 10 FILMS OF 2016 (as at 31 December 2016)

RANK	TITLE	DISTRIBUTOR	BOX OFFICE IN 2016
1	Finding Dory	Walt Disney	48,558,612
2	Deadpool	Fox	43,266,237
3	Rogue One: A Star Wars Story	Walt Disney	36,389,015
4	Suicide Squad	Warner Bros	34,274,186
5	Captain America: Civil War	Walt Disney	33,733,539
6	Fantastic Beasts and Where to Find Them	Warner Bros	31,203,292
7	Star Wars: The Force Awakens	Walt Disney	31,147,948
8	The Jungle Book	Walt Disney	29,784,425
9	Batman V Superman: Dawn of Justice	Warner Bros	29,678,247
10	The Secret Life of Pets	Universal	29,557,247
TOTAL			\$347,592,748

Australian films

Australian films took \$24m at the box office in 2016 with Mel Gibson’s *Hacksaw Ridge* booking \$8.60m in Australia, over \$200m globally, dominating the AFI/AACTA awards and gathering momentum for international awards in 2017. *Red Dog: True Blue* accrued \$1.59m from Boxing Day to NY’s eve and has now reached over \$6.7m.

The Dressmaker continued its 2015 success, making \$1.72m in 2016 for a CUME of \$20.28m. 2017 promises an eventful year for local films, kicking off with *Lion* taking over \$5m - the 5th biggest opening weekend for an Australian film. 609 films were released in 2016 on the 2,121 screens around Australia – compared to 542 films released in 2015. The films originated in 43 countries – again an increase from the 38 countries in 2015 – with Indian films making up 122 of the releases.



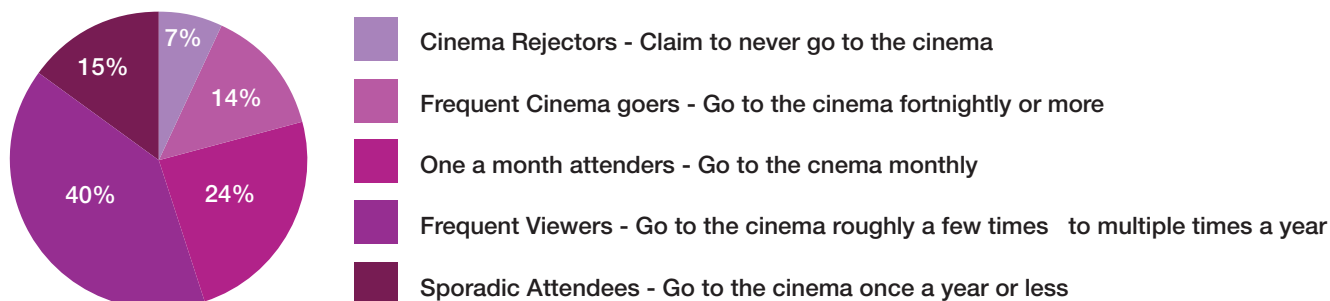
Theatrical Film Industry: 2016 Box Office

**motion picture
distributors
association
of Australia**

Drama dominates the list of the most released genre, followed by comedy and then action films. And M-rated films make up the largest percentage of the 609 released films (42%), followed by MA (18%), PG (17%), with R and G films being 2% of all releases each.

In mid-2016, the MPDAA members commissioned some consumer research through SARA (Screen Audience Research Australia) to help develop our insight and create new opportunities. ¹This ground breaking cinema study showed that 84% of Australians go to the cinema – many of them at least once a week. 60% are more likely to watch a movie at the cinema than in any other way aside from free to air television.

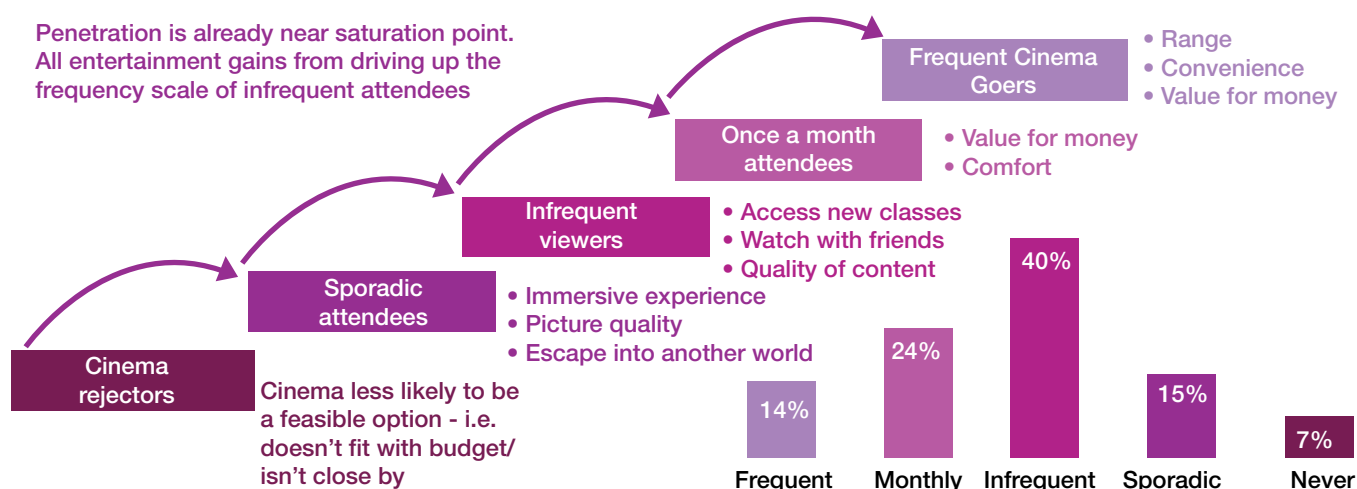
Understanding Usage, Behaviours, Triggers and Barriers¹



¹ Cinema Market Landscape U&A – Understanding Usage, Behaviours, Triggers and Barriers to help boost cinema attendance in Australia – Screen Audience Research Australia (May 2016)

The research will promote a better understanding of why audiences may not be coming to cinemas and what they like or don't like about the cinema experience. In response to the findings, exhibition & distribution can partner to create campaigns, promotions & communication that drive increased visitation. The aim is to update the research each year to understand trends & changes in the cinema business.

Converting audiences up the frequency scale



Theatrical Film Industry: 2016 Box Office

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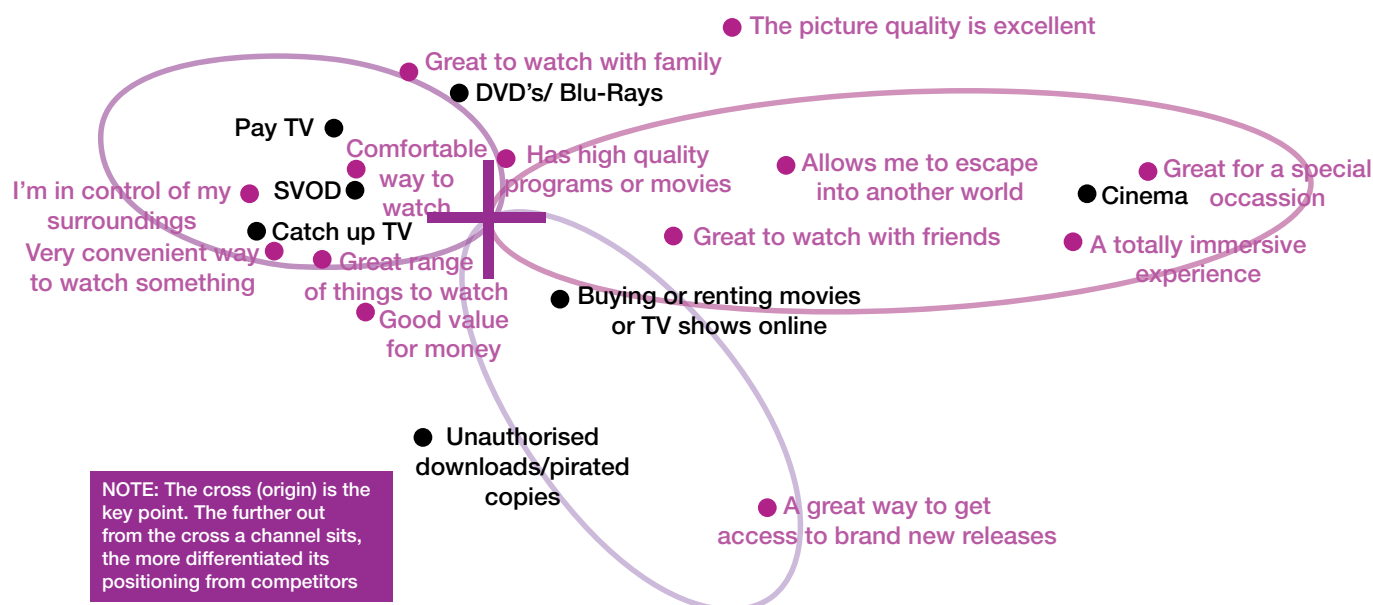
Although confirming what we know already, this chart clearly shows us where our audience efforts should be focused. Penetration is already near saturation point in Australia – we really do love the movies.

We want the “infrequenters” to go more often. The key to this is that now we have a lot of data about these groups of people so we understand who they are, what they watch, where they go for a night out, what they watch at home. It's great stuff and can better sculpt our thoughts on our competitive set, how & where we reach them.

The research also told us that consumers want more comfortable cinemas and are willing to pay for that. There is also a perceived lack of choice in cinemas with respondents saying they can't always find movies that are “for them”.

Audiences see cinema as a night out or a special occasion, but are willing to go more often for the right movie and promotional offer. It often comes down to the perceived value of the experience.

While Home Entertainment products are perceived as a “comfortable way to watch”, the cinema is uniquely positioned around special occasion, immersion and escape. Piracy has stolen some positioning in terms of access to new releases and is now considered to be “a great way to get access to brand new releases”.



Marketing has been a key factor in driving cinema attendance. Distributors have managed to attract incredible talent to Australia, providing films with a great profile. The MPDAA members alone spend over \$120m above the line, which creates a lot of noise and excitement for our films.

Theatrical Film Industry: 2016 Box Office

motion picture distributors association of Australia



Beautiful & diverse locations and excellent facilities make Australia a globally popular production location. From home grown shows to China and Hollywood, production in Australia creates local jobs, attracts local talent and gives Australia a global voice & profile as talent and film makers share information through their social communities.

The year's diverse line up has proven to be much stronger than any previous year and demonstrates that cinema continues to provide a great value out of home experience for a broad audience, even in the face of ever-increasing choices of leisure options.

However, there are still a number of challenges to be faced, including the continuing battle with copyright theft which eats at the heart of the creative community. We will continue to work with Government, other industry sectors and legislative authorities in 2017 and beyond, to ensure the future of the cinema experience.

Australian audiences confirmed their love of cinema in 2016 and the first week of January 2017 recorded the highest ever weekly box office. As cinemas improve technology, seating and booking options and distributors signal an extraordinary range of great films, 2017 promises to be another great year at the movies!

Jo Bladen

Chair, MPDAA

And

General Manager – Studios,

Australia & New Zealand,

The Walt Disney Company (Australia)



AHEDA members directory

AHEDA

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Chief Executive: Simon Bush

DEFIANT SCREEN ENTERTAINMENT

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4 Daydream Street
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Fax: (02) 9997 3938

<http://www.defiant-ent.com/>

Managing Director: Marilyn Greig

Marketing Director: Justine Butler

Sales Director: Michelle Godmaire

Operations Director: Geoff Doyle

Finance Director: Glenn Casey

ENTERTAINMENT ONE FILMS AUSTRALIA PTY LTD

28-30 Queen Street,
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Tel: (02) 8303 3800

Fax: (02) 9690 1433

<http://au.eonefilms.com/home>

Managing Director: Troy Lum

SVP Home Entertainment: Jo Mandatis

SVP Digital: Louise Balletti

Head of Marketing –

Home Entertainment: Liz Hall

MADMAN ENTERTAINMENT PTY LTD

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Richmond VIC 3121

Tel: (03) 9261 9200

Fax: (03) 9261 9211

www.madman.com.au

Joint Managing Director Australia

New Zealand: Paul Wiegard

Director of Sales: Elizabeth Allen

Director of PR & Marketing: Lee-Ann Woon

Director of Operations: Andrew Spittle

PARAMOUNT HOME MEDIA INTERNATIONAL; APAC

Level 1, 65 Pirrama Road
PYRMONT NSW 2009

Tel: (02) 9265 0200

Executive Director Digital, Marketing,

APAC Richard Clarkson

Director, Regional Television Sales,

Australia & New Zealand Carolyn Johnston

Manager Digital, Marketing, APAC . . . Sue Kang

ROADSHOW ENTERTAINMENT

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Pyrmont NSW 2009

Tel: (02) 95528600

Fax: (02) 9552 2510

www.roadshow.com.au

CEO: Chris Chard

Group Sales Director: Brandon Hill

Group Marketing Director: Nicola Craddock

General Manager Reel Dist: Karl Wissler

AHEDA members directory

STUDIOCANAL AUSTRALIA

Level 50, 680 George St

SYDNEY NSW 2000

Tel: (02) 8353 2100

studiocanal.com.au/

CEO Australia & New Zealand: . Elizabeth Trotman

Head of Home Entertainment ANZ . Graeme Rogan

TWENTIETH CENTURY FOX HOME ENTERTAINMENT

Level 3, Frank Hurley Grandstand,

Fox Studios Australia,

38 Driver Ave,

Moore Park NSW 2021

Tel: (02) 8353 2100

www.foxmovies.com.au

Senior Vice President,

Australia & Japan:Flavio Paoli

Director of Operations

Australia: Peter McKeon

Director of Sales Australia: Kerry Morelli

Director of Marketing

Australia: Claire Bryant

Vice President, Finance,

Asia Pacific:Mats Weiss

UNIVERSAL SONY PICTURES HOME ENTERTAINMENT (AUSTRALIA) PTY LTD

Level 30, 1 Market Street,

Sydney NSW 2000

Tel: (02) 9266 2800

www.facebook.com/TheViewingLounge

Managing Director: Jim Batchelor

Operations Director: Kate Bradbury

Sales Director: Paul Courtney

Marketing Director: Cindy McCulloch

WALT DISNEY COMPANY (AUSTRALIA) PTY LTD

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Tel: (03) 9832 6000

Fax: (03) 9826 0824

Sydney Office:

Level 3, 68 York Street

SYDNEY NSW 2000

Tel: (02) 8622 8444

www.disney.com.au

Senior Vice President and

Managing Director

Australia & New Zealand: . . Kylie Watson-Wheeler

GM of Consumer Sales

and Licensing:Meagan Sanders

GM of Studios: Jo Bladen

Associate members

FOXTEL

Angus Pitt

www.foxtel.com.au

SONY DADC

Steve Voorma

www.sonydadc.com

TECHNICOLOR

Iain Fynes-Clinton

www.technicolor.com.au

TELSTRA

Moir Hogan

www.telstra.com.au



Appendix

Children's

Sales of Children's titles (titles aimed at children, with a running time under 60 minutes and not released theatrically) experienced a year-on-year decline of 17% on 2015.

Paramount's '*Paw Patrol*' licence was the top selling Children's license of the year. *Paw Patrol* is a relatively new license, with its first release in 2015. The top 7 Children's titles sold in 2016 were from the *Paw Patrol* license. It is likely that the rising availability of this content in the digital arena is having an impact on the Children's category. New streaming services have children's content included in their libraries, as does the popular video sharing service, YouTube.

GfK Retail Tracking: Top 10 selling licenses, Children's, 2016, ranked by volume

LICENSE	DISTRIBUTOR
Paw Patrol	Paramount
Lego	Universal
Wiggles	Roadshow
Peppa Pig	20th Century Fox
Disney Mickey Mouse	Walt Disney Studios
Teenage Mutant Ninja Turtles	Paramount
Scooby Doo	Roadshow
Pokemon	Beyond Home Entertainment
Thomas & Friends	Roadshow
Dora The Explorer	Paramount

Categories: Other Direct to Video

'Other' titles in the disc market include genres such as documentaries, music, anime and sport titles.

Combined, these genres accounted for 10% of the market value in 2016, a slight dip on previous years. Direct to Video movies is one area that has contributed to the drop in share in 2016. Like Catalogue movies, DTV movies are impacted by a lower drafting rate, as well as greater availability of these titles on digital services.

Sales for documentary titles contributed nearly \$16M in value in 2016. Although that was a decline on 2015, the top selling documentary title, Sony Pictures' '*Beatles: 8 Days a Week the Touring Years*' sold nearly twice as much as the largest title of 2015; Madman's '*That Sugar Film*'.

Appendix

GfK Retail Tracking: Top selling Documentaries, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR
1	The Beatles 8 Days A Week Touring Years	Sony Pictures
2	I Am Bolt	Universal
3	That Sugar Film	Madman Ent.
4	All the Kings Horses Bart Cummings Story	Universal
5	Life Story	Roadshow
6	Great Barrier Reef David Attenborough	Roadshow
7	The Hunt (2015)	Roadshow
8	Cosmos a Spacetime Odyssey Season 1	20th Century Fox
9	Ronaldo (2015)	Universal
10	Richie McCaw Chasing Great	Sony Pictures

Within Music titles, which consist of actual music performances, rather than music documentaries, Katy Perry's *Prismatic* world tour was the top seller:

GfK Retail Tracking: Top selling Music titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Katy Perry The Prismatic World Tour Live	Universal Music	Dance
2	Roger Waters The Wall	Universal	Rock & Metal
3	Celtic Thunder Legacy Vol 2	SBME	Classical
4	Daft Punk Unchained	Universal	Rock & Metal
5	Miss Saigon	Universal	Classical
6	Australian Made Various Artists	Aztec	Rock & Metal
7	Andrew Lloyd Webber Live Collection	Universal	Classical
8	Cliff Richard 75th Bday Royal Albert Hall	Madman Ent.	Country
9	Two Strong Hearts Live in Concert	SBME	Rock & Metal
10	Mirusia This Time Tomorrow	Universal Music	Classical

Appendix

For Anime, Madman Entertainment titles dominate and accounted for all of the top 10 sellers.

GfK Retail Tracking: Top selling Anime titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR
1	Evangelion 3.33 You Can (Not) Redo	Madman Ent.
2	My Neighbor Totoro	Madman Ent.
3	The Boy And The Beast	Madman Ent.
4	Howls Moving Castle	Madman Ent.
5	Sword Art Online 2 Part 3	Madman Ent.
6	Sword Art Online 2 Part 4	Madman Ent.
7	When Marnie Was There	Madman Ent.
8	Tokyo Ghoul Season 1	Madman Ent.
9	Tokyo Ghoul Va Season 2	Madman Ent.
10	Princess Mononoke	Madman Ent.

And finally, within the Sport, Health and Fitness genres, Universal's '*Zumba Fitness*' danced its way to the top:

GfK Retail Tracking: Top selling Sport and Health and Fitness titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Zumba Fitness	Universal	Health & Fit
2	Charlotte Crosbys 3 Minute Belly Blitz	Universal	Health & Fit
3	Afl Premiers 2016 Western Bulldogs	Beyond	Sport
4	Wwe Wrestlemania 32	Madman Ent.	Sport
5	Charlottes 3 Minute Bum Blitz	Universal	Health & Fit
6	NBA Ultimate Jordan	Beyond	Sport
7	WWE Royal Rumble 2016	Madman Ent.	Sport
8	Ford in Racing Glory Years	Beyond	Sport
9	NRL Premiers 2016 Cronulla Sharks	Beyond	Sport
10	Legends of Bathurst	Beyond	Sport

Top Seller Charts by Film Genre

GfK Retail Tracking: Top selling Action titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Deadpool	20th Century Fox	Action
2	James Bond Spectre	20th Century Fox	Action
3	Batman V Superman Dawn of Justice	Roadshow	Action
4	Hunger Games Mockingjay Part 2	Roadshow	Action
5	Suicide Squad	Roadshow	Action
6	Jason Bourne	Universal	Action
7	X-Men Apocalypse	20th Century Fox	Action
8	Mad Max Fury Road	Roadshow	Action
9	Creed (2015)	Roadshow	Action
10	The Last Witch Hunter	20th Century Fox	Action

GfK Retail Tracking: Top selling Adventure titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Captain America Civil War	Walt Disney Studios	Adventure
2	The Jungle Book (2016)	Walt Disney Studios	Adventure
3	Goosebumps (2015)	Roadshow	Adventure
4	The Huntsman Winters War	Universal	Adventure
5	The BFG (2016)	Walt Disney Studios	Adventure
6	Jurassic World	Universal	Adventure
7	Legend of Tarzan	Roadshow	Adventure
8	Pan (2015)	Roadshow	Adventure
9	Maze Runner The Scorch Trials	20th Century Fox	Adventure
10	Gods of Egypt	20th Century Fox	Adventure

GfK Retail Tracking: Top Selling Animated titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Zootopia	Walt Disney Studios	Animated
2	The Secret Life of Pets	Universal	Animated
3	Finding Dory	Walt Disney Studios	Animated
4	The Good Dinosaur	Walt Disney Studios	Animated
5	Hotel Transylvania 2	Sony Pictures	Animated
6	Inside Out (2015)	Walt Disney Studios	Animated
7	Kung Fu Panda 3	20th Century Fox	Animated
8	Ice Age 5 Collision Course	20th Century Fox	Animated
9	Frozen (2013)	Walt Disney Studios	Animated
10	Snoopy Charlie Brown Peanuts Movie	20th Century Fox	Animated

Appendix

GfK Retail Tracking: Top Selling Comedy titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Bridget Jones Baby	Universal	Comedy
2	Daddys Home (2015)	Paramount	Comedy
3	My Big Fat Greek Wedding 2	Universal	Comedy
4	Ghostbusters (2016)	Sony Pictures	Comedy
5	Central Intelligence	Universal	Comedy
6	Sisters (2015)	Universal	Comedy
7	The Intern (2015)	Roadshow	Comedy
8	How to be Single	Roadshow	Comedy
9	Bad Moms	Roadshow	Comedy
10	Sausage Party	Sony Pictures	Comedy

GfK Retail Tracking: Top Selling Drama titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	The Dressmaker	Universal	Drama
2	The Revenant (2015)	20th Century Fox	Drama
3	Straight Outta Compton	Universal	Drama
4	The Lady in the Van	Sony Pictures	Drama
5	Last Cab to Darwin	Icon Film Distribution	Drama
6	Bridge of Spies	20th Century Fox	Drama
7	Me Before You	Roadshow	Drama
8	Everest (2015)	Universal	Drama
9	The Longest Ride	20th Century Fox	Drama
10	Sully (2016)	Roadshow	Drama

GfK Retail Tracking: Top Selling Sci-Fi titles, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Star Wars Episode VII Force Awakens	Walt Disney Studios	Sci-Fi
2	The Martian	20th Century Fox	Sci-Fi
3	Independence Day Resurgence	20th Century Fox	Sci-Fi
4	Star Trek Beyond	Paramount	Sci-Fi
5	Warcraft the Beginning	Universal	Sci-Fi
6	Star Wars Episodes IV/ V/ VI	20th Century Fox	Sci-Fi
7	Independence Day	20th Century Fox	Sci-Fi
8	Star Wars Prequel Episodes I/II/III	20th Century Fox	Sci-Fi
9	Interstellar	Roadshow	Sci-Fi
10	Ex Machina	Universal	Sci-Fi

Appendix

GfK Retail Tracking: Top Selling titles – All other genres combined, Full Year 2016, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Oddball (2015)	Roadshow	Family
2	The Hateful Eight	Roadshow	Thriller
3	London has Fallen	Roadshow	Thriller
4	Alvin and the Chipmunks 4 Road Chip	20th Century Fox	Family
5	Now You See Me 2	20th Century Fox	Thriller
6	Alice Through the Looking Glass (2016)	Walt Disney Studios	Family
7	Paddington Movie	Sony Pictures	Family
8	The Conjuring 2	Roadshow	Horror
9	Money Monster	Sony Pictures	Thriller
10	Taken 3	20th Century Fox	Thriller

The best of all time: Life-to-Date Sales

Since the launch of GfK reporting in August 1997, Fox's 'Avatar' continues to top the charts as the top selling physical disc of all time.

The big New Release title in 2016 was Disney's 'Star Wars VII: Force Awakens'. This was the 14th highest selling New Release title of all time, despite the overall decline in the physical market and the growing share of digital. This is the first release since Disney's 'Frozen' to crack the top 15.

GfK Retail Tracking: Top selling titles Theatrical New Release (0-13 Weeks), Life to Date, ranked by volume

RANK	MODEL	DISTRIBUTOR	RELEASE DATE
1	Avatar (2009)	20th Century Fox	29/04/2010
2	Finding Nemo	Walt Disney Studios	13/01/2004
3	Red Dog	Roadshow	1/12/2011
4	Lotr Fellowship of the Ring	Roadshow	6/08/2002
5	Harry Potter & Philosophers Stone	Warner Bros	28/05/2002
6	Shrek	Universal	7/11/2001
7	Frozen (2013)	Walt Disney Studios	30/04/2014
8	Shrek 2	Universal	3/11/2004
9	Harry Potter & Chamber of Secrets	Warner Bros	11/04/2003
10	Toy Story 3	Walt Disney Studios	17/11/2010
11	Lord Of The Rings Two Towers	Roadshow	23/08/2003
12	Mamma Mia	Universal	6/11/2008
13	Batman The Dark Knight	Warner Bros	10/12/2008
14	Star Wars Episode VII Force Awakens	Walt Disney Studios	13/04/2016
15	Twilight Saga New Moon	Sony Pictures	14/04/2010

Appendix

GfK Retail Tracking: Top selling titles, Life to Date, ranked by volume

RANK	MODEL	DISTRIBUTOR	RELEASE DATE
1	Finding Nemo	Walt Disney Studios	13/01/2004
2	Avatar (2009)	20th Century Fox	29/04/2010
3	Harry Potter & Philosophers Stone	Warner Bros	28/05/2002
4	Shrek	Universal	7/11/2001
5	Monsters Inc	Walt Disney Studios	30/09/2002
6	LOTR Fellowship of the Ring	Roadshow	6/08/2002
7	Harry Potter & Chamber of Secrets	Warner Bros	11/04/2003
8	Titanic	20th Century Fox	30/09/1998
9	Lord Of The Rings Two Towers	Roadshow	23/08/2003
10	Ice Age	20th Century Fox	16/10/2002

GfK Retail Tracking: Top selling DVD titles, Life to Date, ranked by volume

RANK	MODEL	DISTRIBUTOR	RELEASE DATE
1	Finding Nemo	Walt Disney Studios	13/01/2004
2	Avatar (2009)	20th Century Fox	29/04/2010
3	Harry Potter & Philosophers Stone	Warner Bros	28/05/2002
4	Shrek	Universal	7/11/2001
5	Monsters Inc	Walt Disney Studios	30/09/2002
6	LOTR Fellowship of the Ring	Roadshow	6/08/2002
7	Harry Potter & Chamber of Secrets	Warner Bros	11/04/2003
8	Titanic	20th Century Fox	30/09/1998
9	Lord Of The Rings Two Towers	Roadshow	23/08/2003
10	Ice Age	20th Century Fox	16/10/2002

GfK Retail Tracking: Top selling DVD titles, Life to Date, ranked by volume

RANK	MODEL	DISTRIBUTOR	RELEASE DATE
1	Finding Nemo	Walt Disney Studios	13/01/2004
2	Avatar (2009)	20th Century Fox	29/04/2010
3	LOTR Two Towers	Roadshow	23/08/2003
4	LOTR Return of the King	Roadshow	25/05/2004
5	Monsters Inc	Walt Disney Studios	30/09/2002
6	Cars	Walt Disney Studios	25/10/2006
7	LOTR Fellowship of the Ring	Roadshow	6/08/2002
8	Harry Potter & Chamber of Secrets	Warner Bros	11/04/2003
9	Frozen (2013)	Walt Disney Studios	30/04/2014
10	Harry Potter & Prisoner of Azkaban	Warner Bros	1/12/2004

Appendix

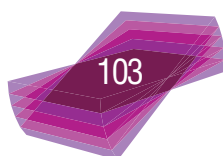
GfK Retail Tracking: Top selling Blu-ray titles, Life to Date, ranked by volume

RANK	MODEL	DISTRIBUTOR	RELEASE DATE
1	Avatar (2009)	20th Century Fox	29/04/2010
2	Hobbit an Unexpected Journey	Warner Bros	1/05/2013
3	Marvel The Avengers	Walt Disney Studios	29/08/2012
4	Star Wars Episode VII Force Awakens	Walt Disney Studios	13/04/2016
5	Star Wars Episode I-VI	20th Century Fox	14/09/2011
6	Inception	Warner Bros	8/12/2010
7	Batman The Dark Knight Rises	Warner Bros	28/11/2012
8	Hobbit The Desolation of Smaug	Warner Bros	16/04/2014
9	Transformers Dark of the Moon	Paramount	10/11/2011
10	Batman The Dark Knight	Warner Bros	10/12/2008

About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's 80 years of data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

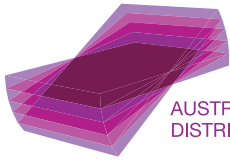
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“

In 2016 our new release conversions (from cinema to home entertainment) have increased by 6% year-on-year. I think that indicates that new is as relevant as ever

”



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