



aheda

AUSTRALIAN HOME ENTERTAINMENT
DISTRIBUTORS ASSOCIATION

2017

Yearbook

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Contents

	Introduction	3-4
Chapter		
1	State of the Industry: Managing Director's Insight	7-11
2	Market Overview	13-15
3	Australian Digital Video Market in 2017	17-41
4	Video Entertainment Australia: Physical Retail Market	43-56
5	Consumer Behaviour	59-73
6	Devices and Emerging Viewing Patterns	75-81
7	Creative Content	83-87
8	Theatrical Film Industry: 2017 Box Office	89-91
9	AHEDA Members Directory	93-94
Appendix:	2017 DVD & Blu-ray Sales Charts by Category and Best of all Time	97-104

Introduction



2017 was a year of action and tremendous success for AHEDA and the wider industry.

Without any overstatement, it would not be wrong to say 2017 has been one of the most successful years our sector has had in terms of stakeholder engagement and influence, especially at the government level with 2018 shaping up to be just as strong.

Let us start with the major successes of 2017:

- Re-structuring AHEDA to an active Committee system aimed at growing and sustaining our category (see below);
- Industry successfully leading site blocking cases - blocking over 50 of Australia's top piracy websites;
- Reducing piracy by over 25%;
- Supporting the execution of two consumer facing anti-piracy campaigns through Creative Content Australia; and
- Successfully arguing the case to government against expanding safe harbours to search another online intermediaries.

Site blocking works - piracy down!

The data is in and it looks good. Despite naysayers saying that site blocking (or in legal speak injunctive relief) wouldn't work and it would be like playing whack-a-mole

where a new site would pop up as soon as you block one and it would have no material impact on film piracy – I am pleased to say those people were wrong. Through court orders, hundreds of sites and their proxies have been shut down and so it is becoming harder and harder to find the easy piracy sites of choice.

The good news is that of the major piracy web sites blocked in 2017, usage to those sites has dropped 54% versus the pre-block period and by 25% overall. This is a tremendous result and shows it works.

However, whilst this is a fantastic result and attributable directly to these blocks, some sites partly managed to evade these blocks through use of proxies, redirects and mirrors. The good news is the courts allow for variations of orders to block these new domains and this is what is being done right now.

There is a government review that has started this year looking into the effectiveness of site blocking legislation and practices and how it can be improved. This presents an opportunity for further refinement.

One area we will make clear is the role of search and the auto-complete function that makes it easier for people to access pirated material and get around blocks or find other piracy websites.

Introduction

Copyright Reform

The Federal Government has been keeping us very busy and will continue to do so in 2018 with numerous reviews promised.

2017 saw the following reviews:

- Disability access exceptions which we supported and passed through parliament. Removed safe harbour expansion from this legislation;
- Safe harbour expansion review;
- Copyright regulations review; and
- Copyright regulations TPM review.

2018 has already kicked off with the first three reviews underway:

- Safe harbour reforms (Senate Committee Review into legislation);
- Collecting societies review;
- Online infringement review (site blocking laws); and
- Flexible exceptions, contracting out and orphan works (called the "Copyright Modernisation" review). This looks yet again at issues around further exceptions, fair dealing and fair use.

There is also the ACCC review into online advertising and the impact of Facebook and Google as well as the recommendations from last year's review into Australian film and TV content quotas and whether they should also apply online will be known this year.

Creative Content Australia

Creative Content Australia went from strength to strength last year with Village Roadshow's Graham Burke becoming its Chair. Graham's passion for our industry is well known and his enthusiasm and leadership through CCA has seen the creation of two consumer campaigns in under a year. The Brian Brown Price of Piracy campaign was supported on free to air and subscription TV as well as in cinema and on DVD. Its release deliberately coincided with the first wave of site blocks.

2018 has already seen the launch of another campaign ("say no to piracy") based on the impact that film piracy has on the large number of Australian's who rely on film and TV making for a living which is under threat.

These campaigns whilst aimed at the consumer and public, also serve an important dual purpose of telling our governments and legislators that the film and TV sector is important and worth fighting for. We believe the message is being heard in Canberra and our lobbying success against the big tech companies' clout and money is testament to that.

AHEDA Committees - driving the agenda

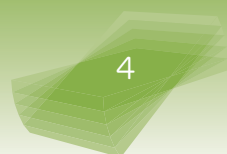
AHEDA decided to re-focus, re-energize, re-structure and re-commit in 2017 and 2018 by creating an effective committee system to deliver on our core association goals and objectives.

As such we have formally constituted four core Committees each lead by a Board member who drives the meeting agenda and reports back at each board meeting as to progress. The work these Committees has done already has been outstanding.

The Committees are:

1. CSR Committee – focused on our Starlight commitment
2. Category Growth and Profile Committee – focused on driving growth in physical and digital businesses through collective campaigns and actions
3. Insights Committee – focused on access to quality data insights and measurements of our sector
4. Operations Committee – driving cost out of the supply chain through collective and approved actions.

Simon Bush
CEO, AHEDA



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2017 has been one of the most successful years our sector has had in terms of stakeholder engagement and influence

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Managing Director's Insight

Digital arrives: A new chapter for home video

Australians have long been recognised as being among the biggest consumers of video entertainment content per capita than just about anyone in the world. However, this year their fondness for technology pushed the domestic video entertainment market past a new milestone.

In 2017 Australian consumers spent more on digital video entertainment than physical for the first time. Total spending on digital video entertainment across all platforms, regardless of whether it was a subscription service, rented or downloaded to own reached \$1.2 billion. The total market, including physical, is now on a trajectory to reach \$3.7 billion by 2021.

The importance of the milestone can't be understated; consumers have sent a clear signal that they're willing to move more digital content to the centre of their personal home entertainment experience – and that they're willing to pay for it rather than steal it.

Furthermore, Australian consumers are rising up the global ranks of those most willing to rent and buy digital video content. In 2017, they generated more digital rental and retail transactions on a per-capita basis than consumers in the US and the five major European market territories at 2.1 per person; the next highest were UK consumers at 1.8.

In fact, according to IHS Markit analysis of AHEDA's member data, Australia's combined digital transactional movie and TV market grew 6.6% to reach \$281 million in 2017 (although some alternate analysis suggests slightly

flatter performance). Factoring in that the NBN rollout is yet to reach the half-way mark, the growth story for digital looks even more promising.

This is perhaps what's behind a growing perception across the Australian home entertainment sector that more could be done to drive increased revenue from digital EST and VoD movie sales.

There is no suggestion that physical video entertainment channels have vastly underperformed against expectations. Overall, the Australian video entertainment market delivered a solid performance in 2017 to reach \$947 million as 78 million titles were rented or purchased either physically or digitally, and packaged content still accounts for 71% of revenue.

There was also a broad consensus that many categories and segments had performed stronger than expected. TV series remained the largest category in 2017 but lost some overall value as the number of seasons of Game of Thrones released during the period fell from two to one. Box office conversions remained strong and the decline of catalogue started to slow as older franchise titles start experiencing the promotional benefits from the release of their newer descendants.

However, there was also an acknowledgement that the growing amount of original SVOD TV content becoming available was continuing to place pressure on TV in the digital space and that more could be done to give digital a boost.

The new new hope

One particular area is starting to stand out for scrutiny

Managing Director's Insight

and it has prompted local home entertainment distributors to lean into a global discussion around whether another adjustment to the theatrical release could help bolster the industry's fortunes.

Last year we mentioned that the strong pipeline of blockbuster new movie release titles poised to enter the home entertainment window in 2017 were carrying more than their share of the industry's hopes for the year. As industry executives commented at the time, new release movie titles were expected to be more resilient as the only place consumers could access them fresh from the cinema was in a physical or digital format in the home entertainment window; subscription was all about older movie catalogue content.

Those hopes turned out not to be misplaced with the new release category continuing a ten-year run of increasing value share in 2017, helping the industry achieve a solid result in a challenging market environment.

As one industry executive commented: *"New releases continue to be really important in that first window after theatrical (release) for movie product and the pressure continues to be on TV. That's because consumers tend to continue to turn to SVOD to satisfy their desire to access TV and catalogue content. They seem to be the trends that are becoming more pronounced in the business this year"*.

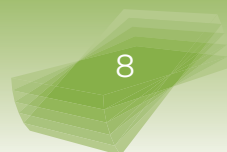
Notably, in 2017 the new release EST movie category achieved significant volume growth as 12.3% more titles were sold through electronic digital channels than in 2016, and its value also grew by 11.3%. Coming from a high margin area of the business, it's the sort of result

that is prompting conjecture around whether the studios could benefit from more flexible attitudes toward timing theatrical and electronic home entertainment release windows.

Studios have shown a willingness to experiment with theatrical release windows but discussions around wholesale changes to windows have long been among the entertainment industry's most sensitive. To date, negotiations have reduced the timing between theatrical and downstream release from about five months to a current average minimum of around 90 days. As a high margin category that could deliver strong returns from modest improvements in conversion rates, some argue that movie EST is overdue for a more favourable place in the release cycle.

"At the moment physical is steady – the decline is slow and digital transactional is increasing. If that theatrical window shifts – perhaps for a premium VoD price – then that business becomes a much bigger business. There's still no confirmation of this actually happening but you'd think that, if and when that happened, that would really start to drive digital transactional to much bigger numbers – particularly if it's in sync with ongoing legislation inhibiting piracy," one industry executive explained.

Some media reports suggest that the release windows could come down from months to weeks, but the price points involved in the discussion fluctuate wildly. There has been speculation that shorter windows would lead to better use of promotion and advertising resources. Ultimately, it may come down to changes of studio ownership in the US with a successful merger of Warner and AT&T being more favourable to the proposition



Managing Director's Insight

while players in other potential mergers might be less sympathetic.

In the meantime, the local home entertainment industry has started making its own efforts to increase digital transactional purchases and rentals. The strategy is still in its early stages but could involve more consumer education or better cooperation between distributors and digital platform operators.

The aim is to make transacting digitally “habitual” rather than “occasional”, said one industry executive. And it appears that the time for partisanship on the issue has passed – there has never been more cooperative activity on the sector’s part to develop the digital business, the executive explained.

“We want to grow the digital transactional category four-fold. That’s really a category job that can be done as an industry but can’t be done by one studio or business alone. The message is that the consumption barriers are known but that there are a lot of positive steps being taken to address some of them,” the executive said.

If either strategy succeeds, then it could inject a new level of vibrancy into Australia’s home entertainment industry and put it on a trajectory for a new level of strong growth.

UHD & Blu-ray

While physical home video disc sales remain under pressure there is still evidence that consumers have an appetite for the high-quality viewing experience that Blu-ray (BD) and its successor, Ultra HD 4K Blu-ray (UHD), offer.

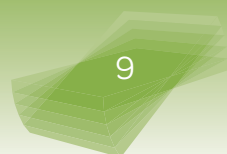
In 2017 the first green shoots of interest in the newer UHD format started to appear and BDs proved to be a bright spot on the physical home entertainment landscape. BD took its highest ever share of disc revenue at 17% of total market value.

In 2017 consumers purchased 5 million BDs to generate sales of \$109 million. The 7% year-on-year decline in volume was much slower than for DVD, which was almost double at 15%.

Demand for BDs was strongest in entertainment categories that have traditionally suited the higher quality format. In new release BD sci-fi titles, including Disney’s Star Wars Rogue One and Guardians of the Galaxy Vol 2, generated the highest volumes in sale. The format also performed well in catalogue, staying in positive growth territory with a 22% share of sales driven by interest in titles including the Lord of the Rings movie boxset and Planet Earth II.

The UHD format started to show its potential taking a 5% share of all Blu-ray volume selling 256,000 titles. The format also accounted for 7% of revenue generated in the Blu-ray segment, however that was primarily due to a significant price premium for the format of \$30 compared to \$22 for standard BDs.

With close to 2 million 4K TVs sold since the launch of the technology the UHD format’s ability to develop consumer appeal has strong potential. However, with UHD’s hardware install base concentrated in high end game consoles (723,000) and only 33,000 dedicated players sold, for now its appeal is likely to be limited to be among early technology adopters.



Managing Director's Insight

Piracy: Breaking from bad

Of all the world's home entertainment markets, Australia's is one that can genuinely claim to have seen some of the fiercest fighting in the battle against internet film and television piracy.

It's not just because Australia has consistently found itself among the global rankings for the highest concentration of consumers willing to engage in large-scale illegal downloading. Australia has also been a key theatre of operations in legal efforts to curb online piracy, persistently stretching judicial and government resources for years if not decades.

For now, at least, there appears to be break in the clouds; positive signs that the high drama and savage white-knuckle journey that the film industry has been going through is finally starting to deliver tangible dividends.

As we went to press last year, we noted that the federal government's piracy web site blocking laws (passed in June 2015) were just starting to wind into action.

The laws allowing copyright holders to apply for court injunctions directing ISPs to block web sites that promoting piracy, either directly offering access to illegal content or promote the peer-to-peer file sharing and their mirrors and proxies.

The judge's ink had barely dried on the set of injunctions against 59 sites as 2017 was getting underway and throughout the year secured further injunctions against hundreds more sites.

As we commented at the time, it wasn't clear how

effective the regime would be. However, a year on it has become clear that the injunctions are providing an effective if sometimes imperfect means to curb piracy.

Recent research commissioned by the entertainment industry has found that between December 2016 when the first set of blocks were imposed and November 2017 when the last of the four major groups of injunctions commenced, usage of pirate promotion sites by Australians dived 53.4%.

Coupled with earlier release windows and the availability of legitimate content on numerous digital platforms, we believe that the laws are an effective and clean mechanism to stop access to the 'front door' of piracy by blocking the source. Of course, we need to stay vigilant and keep up the blocking orders to ensure that as new sites pop up we can respond in a fast and effective way," said AHEDA Managing Director Simon Bush.

In February, the government commenced a review of the regime for its first 18 months of operation and, at the time of writing, the home entertainment industry intended to report that the scheme – while perhaps in need of a few tweaks – is largely working as intended.

"Areas for improvement include the time it takes for a decision to be handed down by the court (currently many months) and the scope of the orders – we have to go back to the court each time a mirror or proxy to the blocked sites pop up to ask for further orders for the ISP to block access. We believe we can achieve improvements to an already effective tool and continue to push down piracy levels in this country," Mr Bush said.

In the meantime, take up of legitimate sources of digital

Managing Director's Insight

entertainment continues to grow rapidly and consumers are finally starting to come around to the idea paying it for is easier and better than pirating it. At the very least, the amount legal content that they're consuming suggests that more of their screen time is being devoted to a socially constructive entertainment experience.

Of course, no sober commentary could claim that a war on anything like piracy could have a beginning and an end. However, the industry might finally be in a place to declare that a beginning to the end is in sight.

Andrew Colley

Acknowledgements

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

Jo Bladen - Managing Director,
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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

Paul Weigard - Founder and Managing Director,
Madman Entertainment

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Market Overview

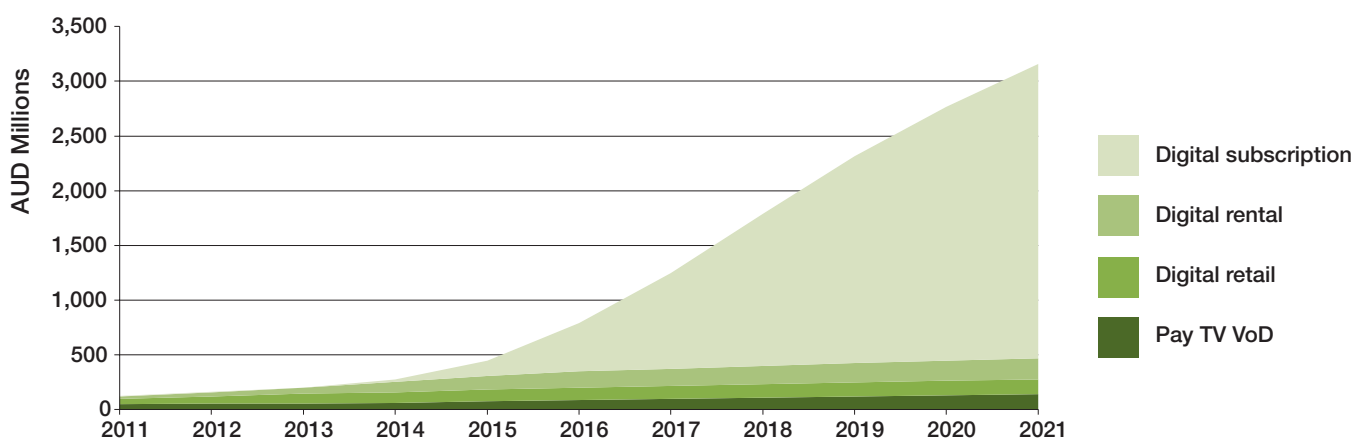
The AHEDA Yearbook has in-depth and specific chapters on the digital and physical home entertainment business. This overview provides a snapshot and summary of the markets.

Digital Business

The Australian video market reached a significant milestone in 2017 as consumer spending on digital video overtook spending on physical video for the first time. Australian consumer spending on digital video, whether via Pay TV Video-on-Demand (VoD), digital rental, digital rental or digital subscription, surged 55% to A\$1.2 billion in 2017 compared with the previous year. The combined digital transactional movie and TV market increased 6.6% to A\$281 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 2011-2021

Source IHS © 2018 IHS



Australian consumer revenue from digital transactional video plateaued in 2017, up just 1.0% to A\$205 million (consumer spending minus Goods and Services Tax) compared with a year earlier according to IHS Markit analysis of member data from the Australian Home Entertainment Distributors Association (AHEDA). A decline in TV transactions and a switch from Movie rental to Movie retail underlies the result.

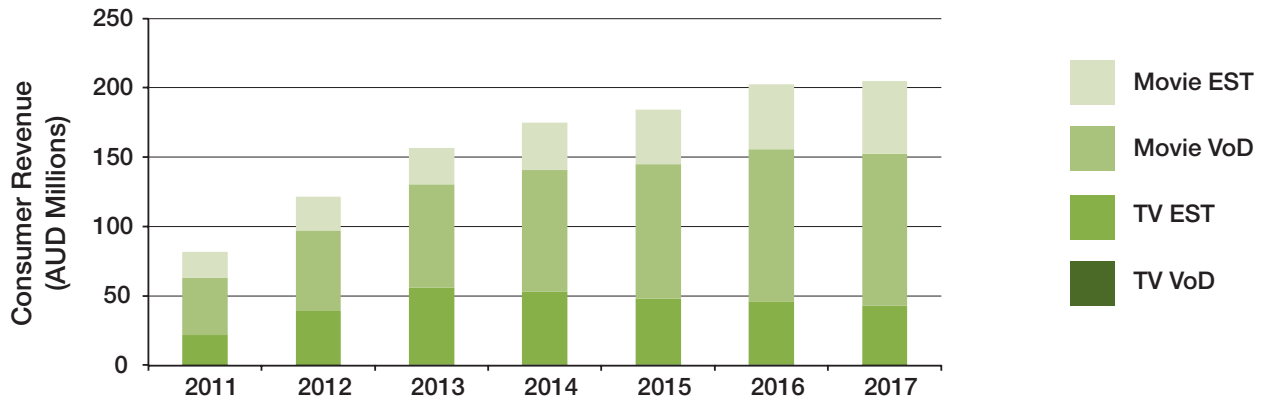
Digital retail, also known as 'electronic sell-thru' (EST), 'download-to-own' (DTO), and 'digital sell through', increased 2.6% to A\$94.9 million in 2017 compared with the previous year. Digital rental, also known as 'Video-on-Demand (VoD) and 'Pay-Per-View (PPV)', declined 0.3% to A\$109.8 million over the same period.

Following steep growth in 2012-2016, the Australian combined digital transactional video market is expected to plateau as competition from digital subscription services, free-to-view TV and TV everywhere services offer viewers unprecedented access to new and original content. The competitive advantage of featuring new release content that transactional digital services used to enjoy is diminishing. OTT subscription services are increasingly producing original movie and TV content to attract and retain subscribers.

Market Overview

Australia: Consumer Revenue, 2011 - 2017

Source IHS © 2018 IHS



Digital transactional video volume (VoD and EST) data from AHEDA members indicates that the number of movie and TV transactions declined 2.2% to 29.4 million in 2017 compared with the previous year. Digital video transactions are paid-for non-physical retail and rental transactions of Movie and TV content. 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.

Physical vs. Digital

Video Entertainment continues to be a dominant market in Australia, with a rise in digital revenue and a resilient physical market. In 2017, the Video Entertainment market generated \$947 million, as 78 million units were rented or purchased either physically or digitally. This marks Video Entertainment as the fifth largest category that GfK measures, across over 100 categories here in Australia.

This is not taking into account the growing revenue from streaming services such as Netflix or Stan. Through the GfK ConsumerScope service, we have seen an uptick in consumption of these streaming services, with 39% of the Australian population accessing these services in 2017 (up from 29% in 2016). Excluding the digital streaming services, physical rental and purchase still generate the highest levels of volume and value, accounting for 54% of volume and 71% of value. Digital is on the rise, however, and accounts for 46% of the total volume (excluding piracy) and over a quarter of all value in 2017.

Piracy levels have also dropped in 2017, helped by government initiatives and the rising availability of content through legal means. For more information on piracy and the growth of the digital streaming services please read the GfK chapter on consumer digital trends. The physical disc retail market accounted for nearly half the volume of Video Entertainment and is still the largest value sector. The market has declined since its peak in 2009 as consumers have diversified the way they watch their Video Entertainment content.

Market Overview

GfK Retail Tracking: Physical Retail Market size

Source IHS © 2018 IHS



Blu-ray

Blu-ray continued to be a relative bright spot in the physical disc market, selling nearly 5 million discs for a value of \$109 million. The 7% decline in Blu-ray volume was much lighter than DVD, which declined by 15%. Blu-ray also registered its highest ever share in the market, with 17% of total market value now going through the Blu-ray format. The highest Blu-ray value share was recorded in New Release movies, where Blu-ray contributes 28% of value. This was driven by titles such as Disney's Star Wars Rogue One and Guardians of the Galaxy Vol 2. From the GfK ConsumerScope service, one of the key selling points for the Blu-ray format is bonus content. 24% of consumers with Blu-ray capable hardware say that bonus features or special editions factored into their thinking when buying a disc

Ultra HD 4K Blu-ray

265,000 Ultra HD 4K titles were sold in 2017 for a value of \$7.8 million. This equates to 5% of Blu-ray volume and 7% of value. The higher value share is due to a substantial price differential between a 4K title and a standard Blu-ray title, \$30 and \$22 respectively. Action movies generated twice the value share of the second biggest genre; Adventure. Although more Theatrical Catalogue titles were released, 64% of value came from Theatrical New Release titles released in 2017. Interestingly, the top selling 4K title was not a theatrical title, but TV Documentary Planet Earth II. Only one other television series, Westworld Season 1, was released in 4K. 4K titles generated more value than 3D titles overall, \$7.8 million compared to \$6.0 million for 3D. This is being impacted by a relatively low release rate of 3D titles in 2017. Only 32 new 3D titles were released in 2017, compared to 116 for 4K. By title, the average value generated for a 3D title released in 2017 was 2.5 times that of 4K, \$125,000 compared to just \$51,000. The average price for 3D titles is 17% lower than 4K, at \$25.

Sales for 4K discs are impacted by the availability of compatible hardware. Nearly 2 million 4K TVs have sold since the launch of 4K technology in Australia, meaning there is no lack of 4K capable screens. A potential barrier could be 4K players, with only 33,000 dedicated 4K disc players sold so far. Adding in 4K gaming consoles, as well as dedicated players that can stream 4K content, the number of 4K capable players rises to 723,000. This equates to nearly ten 4K discs purchased for every dedicated 4K player, or just under one and a half 4K discs if you include the gaming consoles capable of playing 4K discs.

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Australian Digital Video Market in 2017

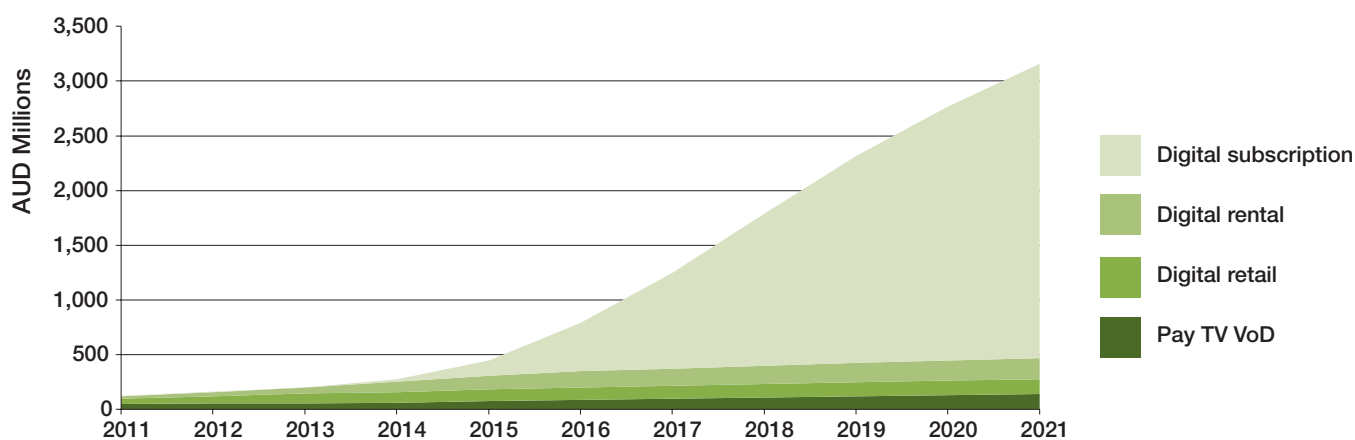
The Australian video market reached a significant milestone in 2017 as consumer spending on digital video overtook spending on physical video for the first time. Australian consumer spending on digital video, whether via Pay TV Video-on-Demand (VoD), digital retail, digital rental or digital subscription, surged 55% to A\$1.2 billion in 2017 compared with the previous year.

Pay TV providers continue to show resilience but growth has plateaued as more people find their way to alternate forms of content consumption such as over-the-top (OTT) subscription services. The total number of Australian pay TV subscribers remained at just under 3.6 million in 2017 compared with a year earlier as consumers continue to embrace the availability of internet-connected devices to consume more programming online and on demand. OTT subscribers grew 53% to just under 6.7 million in 2017, generating a return of A\$850 million according to IHS Markit.

The combined digital transactional movie and TV market increased 6.6% to A\$281 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 2011-2021

Source IHS © 2018 IHS Markit



Macroeconomic and Infrastructure Trends

Macroeconomic factors

Australia's economic trend growth is among the strongest in the Organisation for Economic Co-operation and Development (OECD) countries, underpinned by the country's dynamic, well-diversified, and open economy. The Australian economy grew in real terms by 2.3% to nearly US\$1.4 trillion in 2017. Among other advanced economics, Australia's growth in 2017 was above Italy (1.5%), Japan (1.8%), UK (1.8%), France (1.9%) and the US (2.2%) and only trailed Germany (2.5%) and Spain (3.1%). IHS Markit expects Australian GDP growth to increase 2.6% to almost US\$1.5 trillion in 2018 as the country actively pursues involvement in global and regional trade agreements. These agreements will continue to serve to reduce tariff barriers and boost integration into global supply chains.

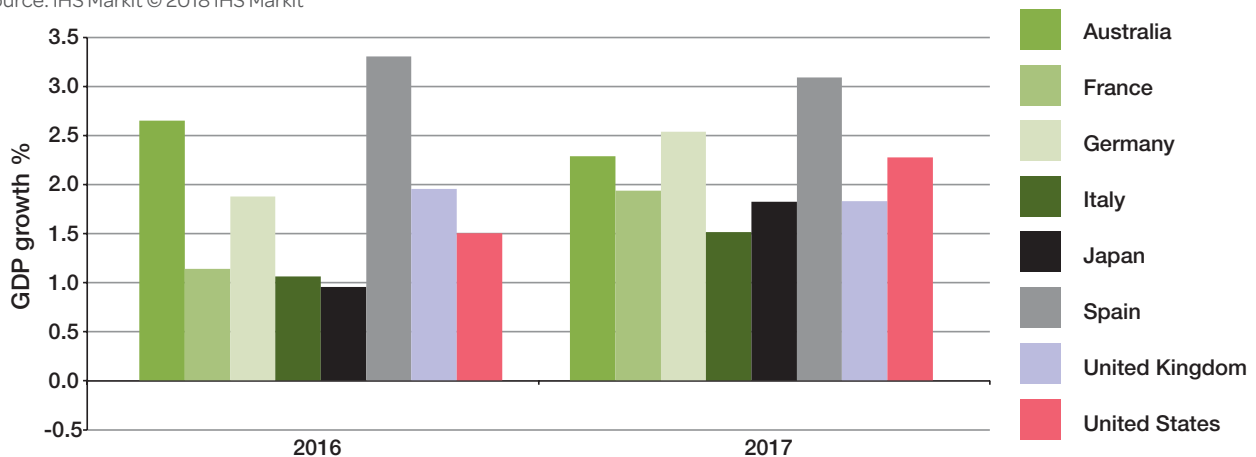
Australian Digital Video Market in 2017

Australia's growth trajectory will however depend on the stabilisation of emerging Asian economies and broader reform efforts. Domestic reforms will need to focus on innovation and productivity whilst if emerging market reforms are successfully implemented, it should ensure stronger demand for Australian commodity and potentially services exports. Strong commodity prices in the early weeks of 2018 have strengthened the Australian dollar, but we expect a correction in commodity prices and weaker inflation to unwind the appreciation. Annual average retail sales grew 2.2% in 2017, down from 2.6% in 2016 whilst continued weakness in wage growth and easing apartment/housing rental prices from newly constructed stock coming online are expected to contain inflation.

The labour market continues to strengthen, but sluggish wage growth, alongside high household debt levels, will likely continue to weigh on household consumption. Consumer spending will be focused on interest rate-sensitive purchases ahead of potential rate hikes by the Reserve Bank of Australia (RBA) and commercial lenders in late 2018. The RBA's leading interest rate has been on hold at 1.5% since its August 2016 meeting, and IHS Markit expects the RBA to leave interest rates on hold until a 25-basis-point rate hike in the fourth quarter of 2018 in response to consumer price inflation edging toward the top of the bank's 2-3% inflation target in the second half of 2018. Steadying the RBA's hand could be out-of-cycle or larger rate hikes by the commercial lenders who are reigning in investor activity in the housing market in response to rising risks and new rules from regulators.

Real GDP growth across countries (%)

Source: IHS Markit © 2018 IHS Markit



The Government's financial year 2017/18 budget contained an unfavourable surprise for the country's largest banks – a 6-basis-point levy on non-deposit liabilities. The move allows the Government to continue to throw its weight behind a 10-year enterprise tax plan, which promises progressive reductions in the corporate tax rate during the next several years and a return to budget surplus without significant spending cuts.

The recent geopolitical uncertainty surrounding the United States and North Korea as well as continued political issues within Australia could undermine spending plans and dampen business confidence, with rising interest rates and weak wage inflation to make matters worse until conditions stabilise. As a result, investment activity is likely to remain subdued in the short term.

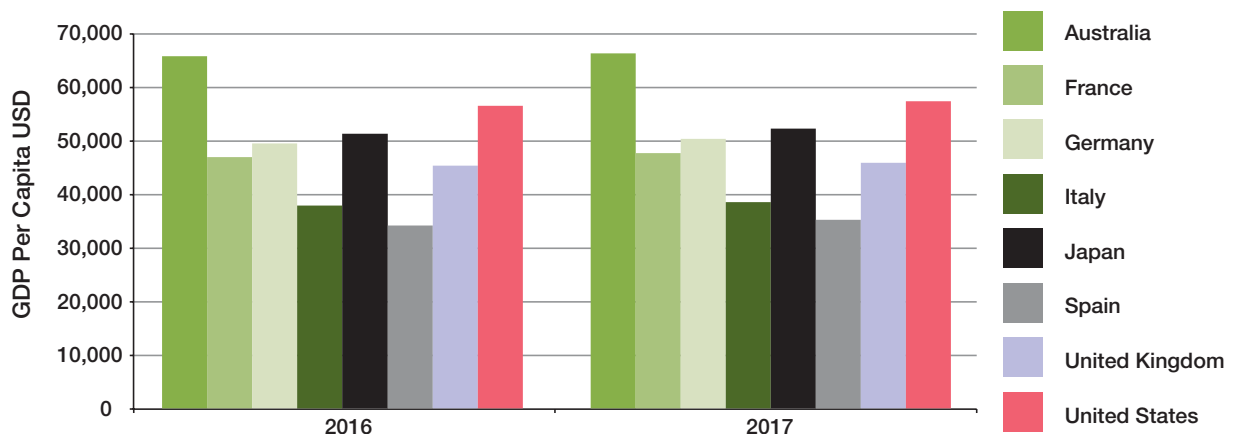
Australian Digital Video Market in 2017

Australian real GDP per capita remains one of the highest in the world at US\$61,400 in 2017, up from US\$60,800 a year earlier. This makes Australia a lucrative market for the consumption of digital video services compared with many other countries. The average income per person, even in many other advanced economies, is significantly less at US\$53,000 in the US, US\$48,300 in Japan, US\$42,400 in the UK and US\$32,600 in Spain.

Over the last 15 years, the population in Australia has increased by 1.49% on average per year (up 4.7 million people). Australia's population grew 1.3% to 24.5 million people in 2017. Australia's population is significantly more urbanised than the rest of the world. In 2017, the urbanisation rate stood at 90% in Australia while it reached 55% for the whole world. The number of households in Australia reached 9.4 million over the same period.

Real GDP per capita across countries USD

Source: IHS Markit © 2018 IHS Markit



Broadband Infrastructure

The ongoing roll-out of the Australian Government-owned National Broadband Network (nbn) continues to push up broadband household penetration in Australia. Just over 70% of Australian homes had a broadband connection by the end of 2017, up from 67% a year earlier. Driving growth is an increase in activations across the nbn, which 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.

NBN Co indicates more than 940,000 new premises signed up to services over the nbn in the six months ended 31 December 2017 as the company places a greater focus on customer experience which includes a revamp of its wholesale pricing model to help improve broadband speeds and service during peak hours. By the end of 2017, 3.4 million premises were already activated whilst 6.1 million premises are ready to connect 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. NBN Co targets 8 million premises to be connected when its build completes in 2020.

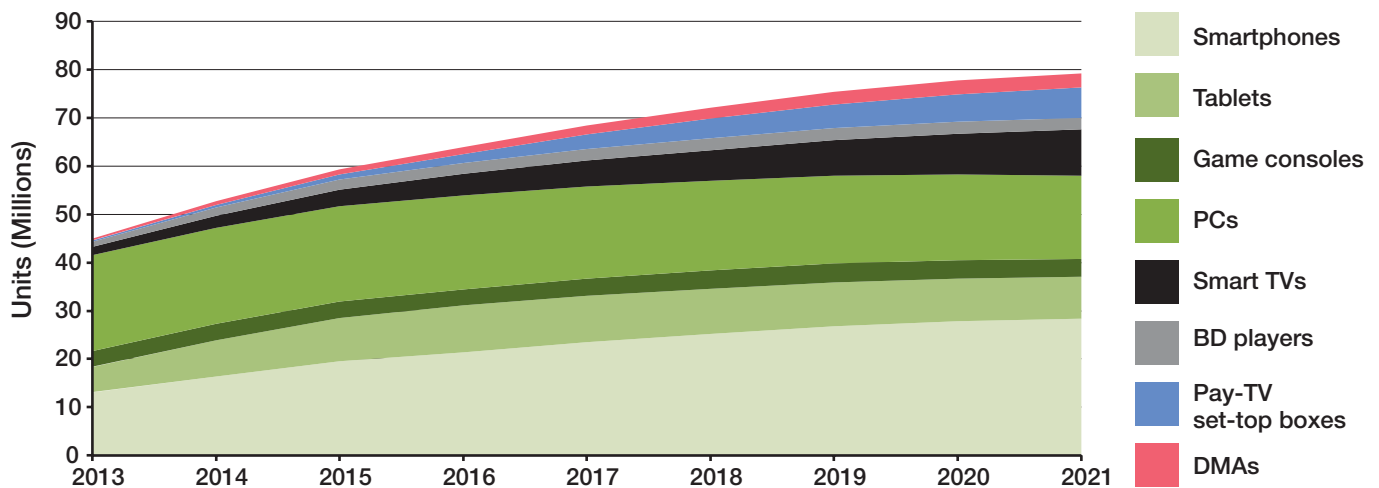
Australian Digital Video Market in 2017

The number of connected devices available in Australia increased across all device types in 2017, except for the PC. Total number of connected devices in Australia increased 7% to 68 million in 2017 compared with 2016. Pay TV set-top boxes were the fastest growing device type with its install base growing 57% to 3 million over the same period. Despite the rise of portable devices, living room devices' growth remains strong. Take up of connected smart TVs and digital media adapters (DMAs), such as Chromecast or Apple TV, continues at pace increasing 21% and 30% respectively. Smartphones, BD players and game consoles growth rates all dipped below double-digits in 2017 whilst the growth in tablets was flat at just 0.4% to 9.7 million. The number of connected PCs in Australia declined by 2.2% in 2017 compared to the previous year.

Despite its decline the PC still accounts for a major share of connected devices in Australia, accounting for 28% of total connected devices in Australia in 2017. The lion's share is held by the smartphone which accounts for 34% of total connected devices or more than 23 million smartphones. IHS Markit forecast the number of smartphones will continue to increase over the forecast period rising to 28 million smartphones by the end of 2021 or a 36% share of total connected devices.

Australia : Connected Device Install Base

Source: IHS Markit © 2018 IHS Markit



Australian Digital Video Market in 2017

Australian Digital Services

Digital Services: Transactional movies and TV

COMPANY	SERVICE	BUSINESS MODEL	RENTAL LAUNCH DATE	RETAIL LAUNCH DATE
Telstra	BigPond Movies	Rental, retail	Q1 06	Q2 16
Apple	iTunes Store	Rental, retail	Q3 08	Q4 10
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, retail	Q2 10	Q2 15
iiNet	iiNet TV with Fetch	Rental, retail	Q2 10	Q2 15
Optus	Optus TV with Fetch	Rental, retail	Q4 11	Q2 15
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
MUBI	MUBI	Standalone	Q1 09
Bigstar TV	Big Star Movies	Standalone	Q4 09
Indieflix	Indieflix	Standalone	Q4 09
FetchTV	FetchTV	Standalone/Pay TV	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 App (formerly Foxtel Go)	Bundled/Pay TV	Q4 12
Foxtel	Foxtel Now (formerly Foxtel Play)	Standalone/Pay TV	Q3 13
Madman	AnimeLab	Standalone	Q2 14
WWE	WWE Network	Device based	Q3 14
StreamCo (Nine Entertainment and Fairfax Media)	Stan	Standalone	Q1 15
Netflix	Netflix	Standalone	Q1 15
Eros International	Eros Now	Device based	Q1 16
Ellation	Crunchyroll	Device based	Q1 16
YouTube	YouTube Red	Device based	Q2 16
Amazon	Amazon Prime Video	Standalone	Q4 16
Madman	DocPlay	Standalone	Q4 16
Madman	Garage	Standalone	Q1 18

Australian Digital Video Market in 2017

Pay TV Services: Transactional movies and TV

COMPANY	PLATFORM	TECHNOLOGY	BUSINESS MODEL	LAUNCH DATES
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 2017

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 or Fetch TV's IP-VoD/OTT service.

Digital Subscription Subscription services provide access to content in return for a recurring fee. Fees may be paid annually, monthly or weekly. For example, Netflix, Stan, and Foxtel Now.

Australian Digital Video Market in 2017

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 Markit 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

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
		\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=	\$1=
Australia	AUD	1.04	1.11	1.33	1.35	1.35	1.35	1.35	1.35	1.35	1.30
France	EUR	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Germany	EUR	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Italy	EUR	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Spain	EUR	0.75	0.75	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
UK	GBP	0.64	0.61	0.65	0.74	0.74	0.74	0.74	0.74	0.74	0.78
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 2017

Australian Digital Video Market

Australian Digital Transactional Video Market

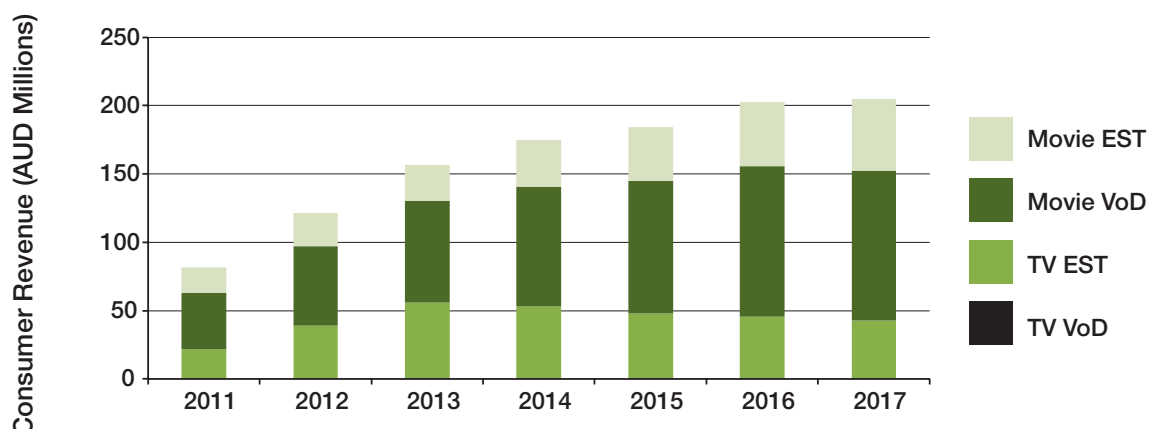
Australian consumer revenue from digital transactional video plateaued in 2017, up just 1.0% to A\$205 million (consumer spending minus Goods and Services Tax) compared with a year earlier according to IHS Markit analysis of member data from the Australian Home Entertainment Distributors Association (AHEDA). A decline in TV transactions and a switch from Movie rental to Movie retail underlies the result.

IHS Markit defines digital transactional video as digital retail and digital rental movie and TV content that is delivered over-the-top (OTT) on a strictly transactional basis. Content is accessed on connected and mobile devices, such as PCs, tablets, game consoles, smart TVs and smartphones. 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 2.6% to A\$94.9 million in 2017 compared with the previous year. Digital rental, also known as 'Video-on-Demand (VoD) and 'Pay-Per-View (PPV)', declined 0.3% to A\$109.8 million over the same period.

Following steep growth in 2012-2016, the Australian combined digital transactional video market is expected to plateau as competition from digital subscription services, free-to-view TV and TV everywhere services offer viewers unprecedented access to new and original content. The competitive advantage of featuring new release content that transactional digital services used to enjoy is diminishing. OTT subscription services are increasingly producing original movie and TV content to attract and retain subscribers.

Australia: Consumer Revenue 2011-2017

Source: IHS Markit © 2018 IHS Markit

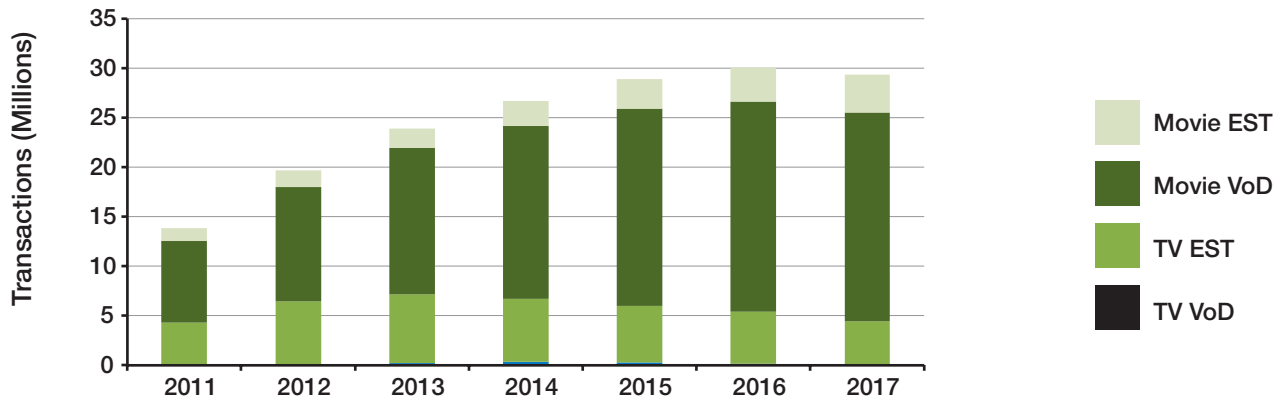


Digital transactional video volume (VoD and EST) data from AHEDA members indicates that the number of movie and TV transactions declined 2.2% to 29.4 million in 2017 compared with the previous year. Digital video transactions are paid-for non-physical retail and rental transactions of Movie and TV content.

Australian Digital Video Market in 2017

Australia: Consumer Transactions 2011-2017

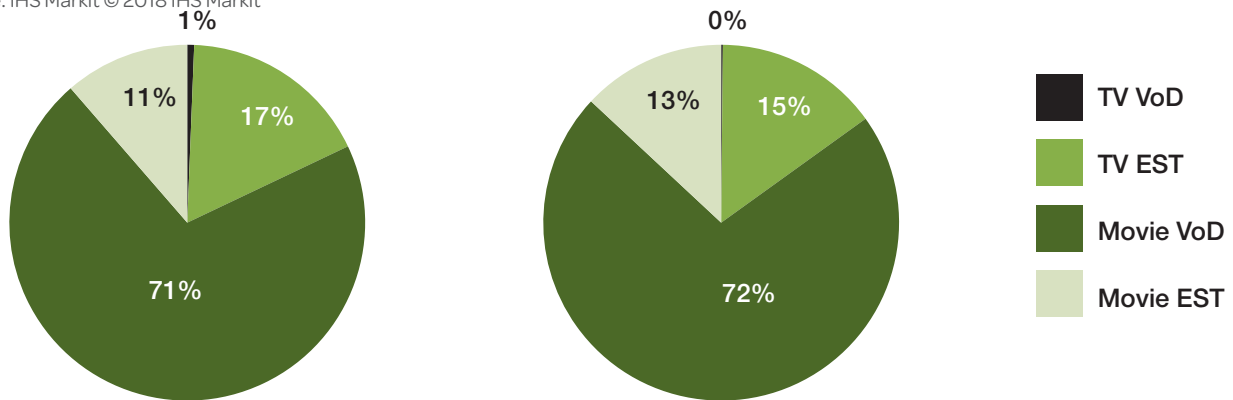
Source: IHS Markit © 2018 IHS Markit



A 17.9% decline in TV transactions saw its share of digital transactions decline three percentage points to 15% in 2017 compared with the previous year. The fall in TV transactions saw Movies increase its importance to a combined share (Movie VoD + EST transactions) of 85% over the same period. TV content consumed on a rental basis (TV VoD) remains niche accounting for less than 1% of total transactions in 2017 as consumers prefer to watch TV content in subscription environments where casual and repetitive viewing better associates with traditional TV viewing.

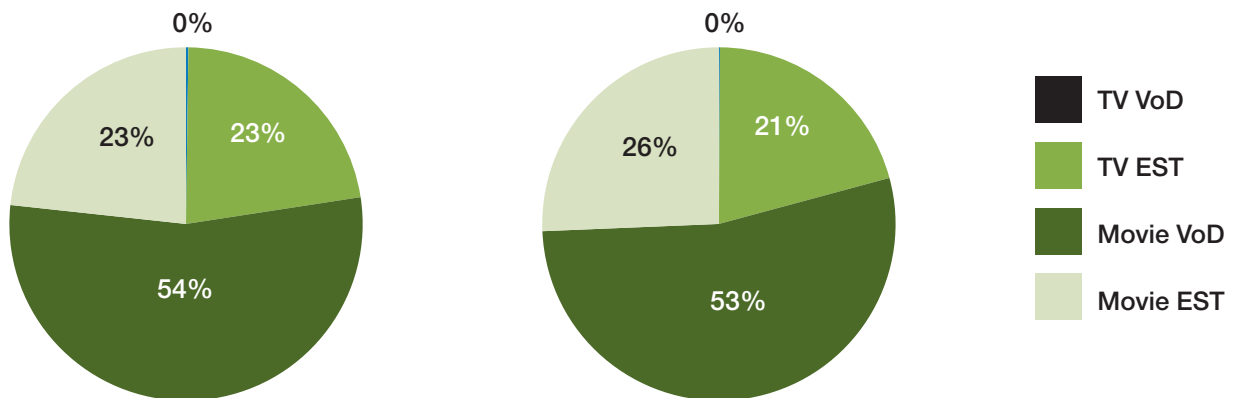
Australia: Consumer Transactions by digital service 2016 + 2017

Source: IHS Markit © 2018 IHS Markit



Australia: Consumer Revenue by digital service 2016 + 2017

Source: IHS Markit © 2018 IHS Markit

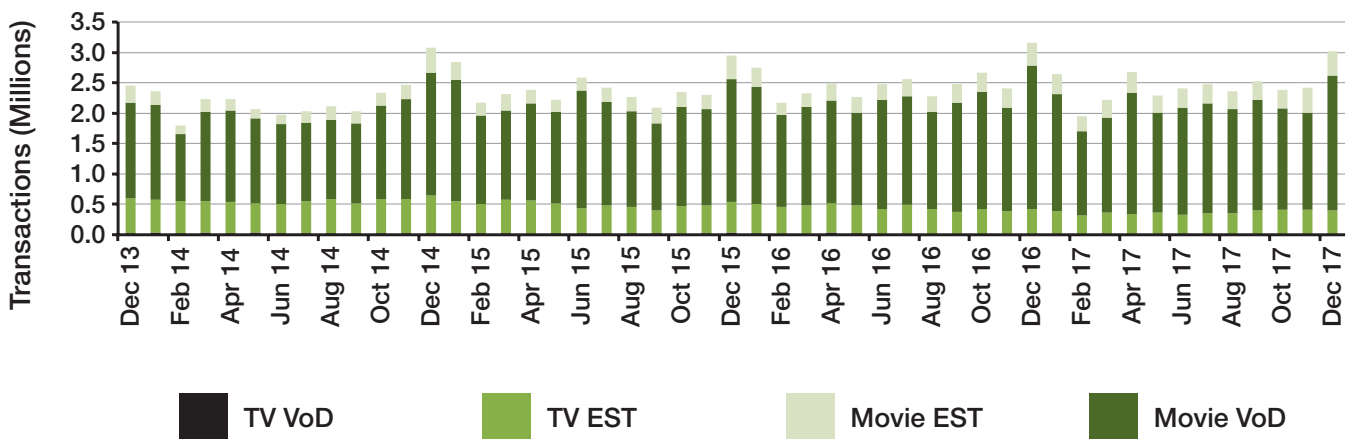


Australian Digital Video Market in 2017

The gifting of hardware and vouchers for Christmas is a key driver in a seasonal trend exhibited in Australia's monthly digital sales over the past four years. December and January are proven peak transactional periods for digital content as consumers' cash in their vouchers to purchase digital content for their existing and new hardware. However, fluctuations from month-to-month are common given an individual month is highly susceptible to the movie and TV release slate for the period.

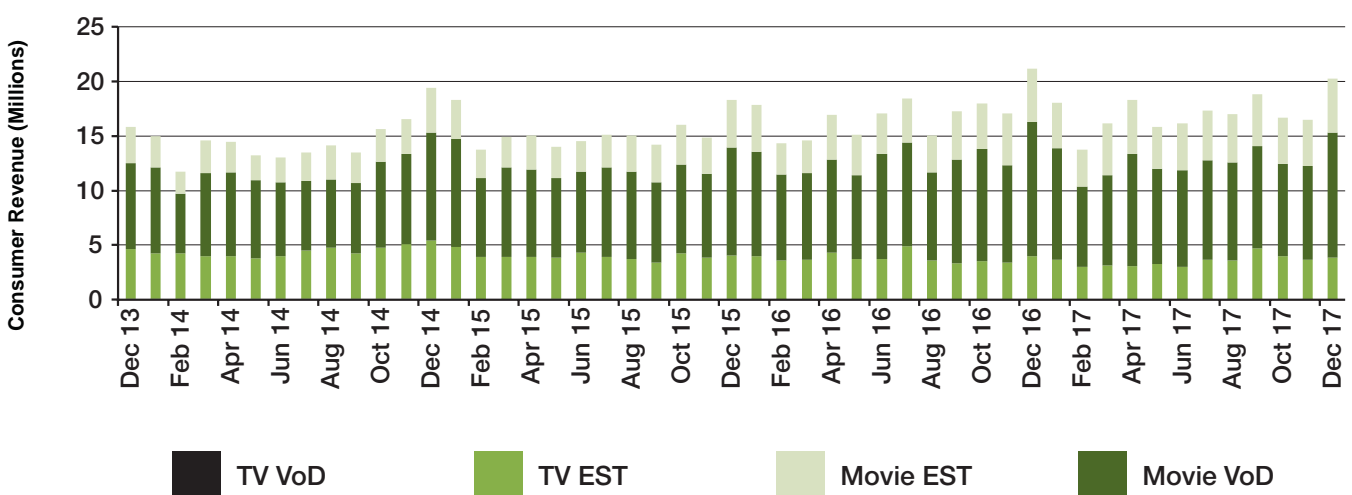
Australia: Monthly Consumer Transactions 2013-2017

Source: IHS Markit © 2018 IHS Markit



Australia: Monthly Consumer Revenue 2013-2017

Source: IHS Markit © 2018 IHS Markit



Australian Digital Video Market in 2017

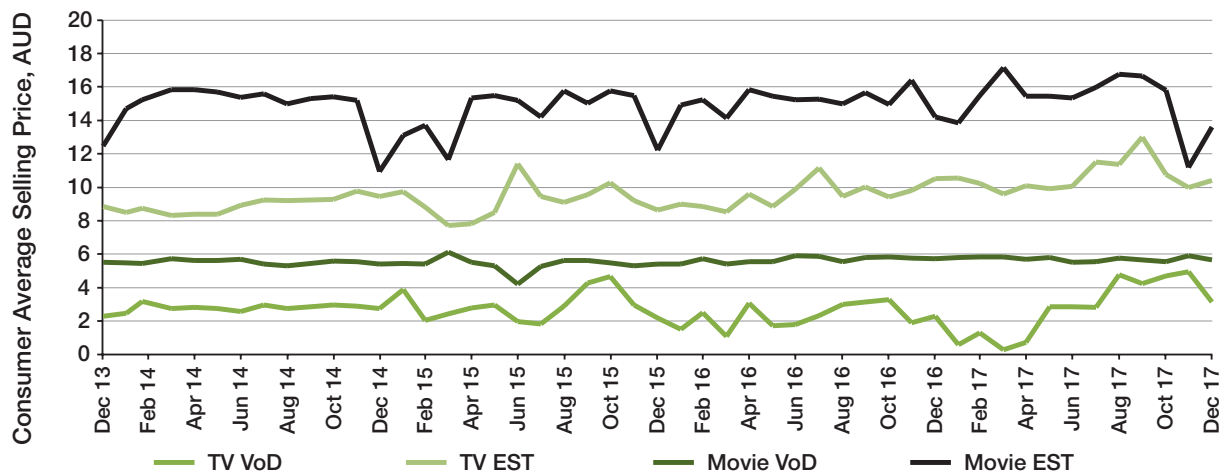
In December 2017, Australian consumers paid an average of A\$13.60 including a 10% Goods and Services Tax (GST) to purchase a digital movie title, down slightly from the average opening price for a Movie EST title of A\$13.85 in January 2017. Similarly, the average price of a single EST TV title opened the year at A\$10.54 only to close slightly down at A\$10.40 in the final month of 2017. Seasonal promotional activity tends to drive prices down in December 2017 which in turns makes purchasing a better value proposition as ownership allows for repeat viewing compared with renting.

On average, renting a digital movie cost A\$5.81 in January 2017 compared with consumers paying A\$5.66 in December 2017. The average price to rent a digital TV title was A\$3.13 in December 2017 but it should be noted TV VoD prices are highly volatile due to the small number of transactions which may fluctuate significantly each month.

In early 2018, Marvel's third installment of its Thor movies Thor: Ragnarok was available on the Apple iTunes store to buy for A\$19.99 in standard definition (SD) format and A\$24.99 in high-definition (HD). The sequel to family comedy title Daddy's Home 2 retailed for the same price but consumers could also rent the title for A\$6.99. The original Daddy's Home title is available to buy for A\$7.99 and rent for A\$2.99. The price is the same for this catalogue movie in either the SD or HD format. Season One of hit TV show Big Little Lies is available to own in HD quality for A\$22.99 or consumers may purchase a single episode for A\$3.49. The price drops to A\$19.99 and A\$2.99 respectively for SD quality.

Australia: Monthly Consumer average selling price AUD

Source: IHS Markit © 2018 IHS Markit



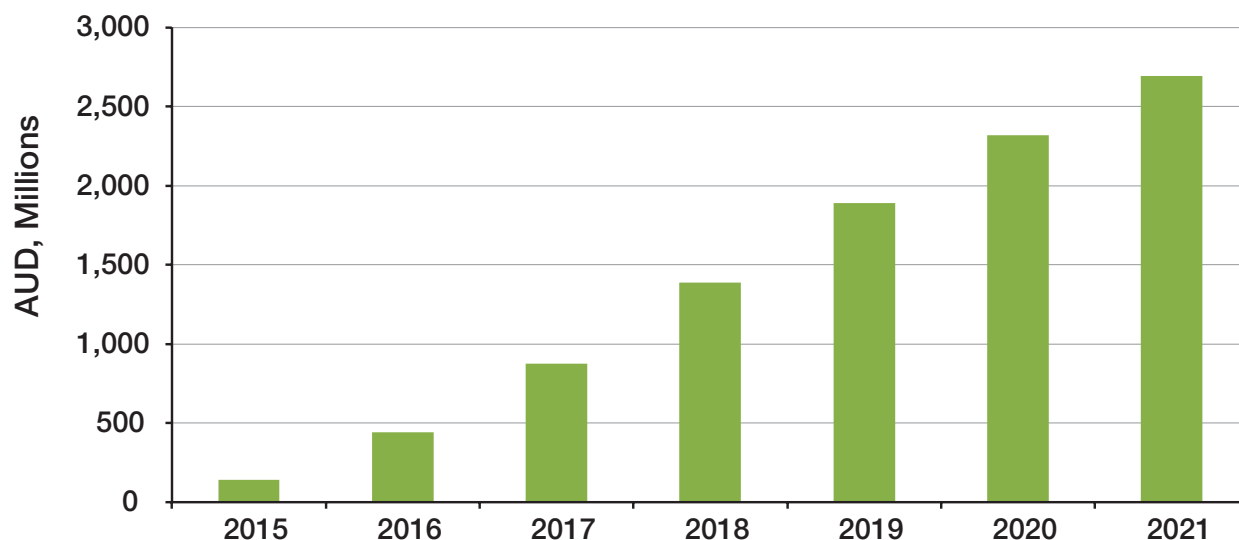
Australian Digital Subscription Market

Australian online subscription services are ramping up local content production as they strive to attract more subscribers. OTT subscribers grew 53% to just under 6.7 million in 2017 compared with a year earlier according to IHS Markit. The rapid growth of digital subscribers is forecast to continue, reaching 16.7 million by the end of 2021. This translates to a significant rise in spending on OTT subscription services over the forecast period. Australian consumer spending on OTT subscription nearly doubled in 2017, soaring up 93% to almost A\$850 million. IHS Markit forecast consumer spending on OTT subscription will rise to A\$2.7 billion in 2021.

Australian Digital Video Market in 2017

Australia: Digital Subscription Consumer spending, AUD Millions

Source: IHS Markit © 2018 IHS Markit



Global TV and movie streaming leader Netflix launched in Australia in March 2015. It continues to strengthen its leadership position in Australia following a sharp rise in subscribers in the first half of 2017. Netflix is looking to deliver on original content having commissioned its first Australian original series *Tidelands* in 2017 which is expected to be released in the second half of 2018. Netflix's subscriber base reached nearly 3.6 million by the end of 2017 and is forecast to top 10 million by 2021.

Home-grown OTT subscription service Stan by Nine Entertainment/Fairfax Media, has found favour with local audiences on the back of its original content. Stan has produced and premiered Australian original TV series *Wolf Creek*, two seasons of *No Activity* and *Plonk*, stand-up comedy series *One Night Stan* and has a feature film *The Second* in the works which will first debut in cinemas prior to exclusive distribution on its streaming service. Stan also has four new original series in development, namely *The Other Guy*, *Merchants of Misery*, *All Thumbs* and *Chaperones*. Stan grew its subscriber base 48% to 920,000 paying subscribers by the end of 2017, and is expected to double to over 1.8 million by 2021 as the company continues to flex the service to fit the specifics of the Australian market.

Netflix and Stan have recently been joined by Amazon Prime Video and the newly relaunched Foxtel Now, formerly Foxtel Play, whilst Eros International's on-demand Bollywood and regional language content including Indian films, music and original shows continues to carve out a niche audience.

The new look Foxtel Now provides consumers with greater choice of content and ease of access to it via a range of more flexible packages. This helped the service increase its subscriber base to 920,000 subscribers by the end of 2017, which combined with the company's value-add pay TV bundled proposition Foxtel App (formerly Foxtel Go) reached just under 1.8 million over the same period.

Australian Digital Video Market in 2017

However, the sleeping giant is Amazon Prime Video which is in a crucial research stage as it determines consumer interest and establishes its brand in a variety of markets within Australia. In select markets around the world, Prime Video exists as part of a larger, bundled Amazon Prime offering that includes a variety of services such as priority shipping, music libraries and cloud storage as well as exclusive discounts and a la carte subscriptions. IHS Markit believes Amazon's offerings will remain differentiated in Australia initially as it gauges interest which will ultimately determine the future of its Prime strategy. Although unable to triumph over the king of subscription video globally, Amazon Prime Video does now surpass Netflix by subscriber count in a few select markets owing to the perceived value of the bundled Prime ecosystem. While companies such as Netflix and Stan have rejected content outside of the typical TV and Movie libraries, Prime Video's online video presence extends to live sports in select markets, a la carte subscription through Amazon Channels and even user-generated-content. As such, Amazon's bundled offering, and its Prime Video service within the bundle, has the potential to be overwhelmingly popular in Australia and the potential to significantly change the face of the Australian OTT subscription landscape in coming years.

Competition in the Australian OTT space is also intensifying from commercial free-to-air TV broadcasters. Seven Network launched 7plus, its new advertising funded OTT digital video streaming service in November 2017. 7plus features exclusive original commissions in addition to live and on demand content. 7plus follows the PLUS7 catch up TV and video-on-demand (VoD) service operating since January 2010. The PLUS7 service was run by Seven through its Yahoo7 joint venture. The emergence of 7plus comes after Verizon Communications acquired Yahoo! in June 2017. As a result, the new 7plus service is a wholly-owned and operated standalone service by Seven which replaces PLUS7.

7Plus will benefit from Seven's vast library of content including popular local programmes such as Home and Away, My Kitchen Rules and House Rules. In addition, Australians love of sport will drive viewers to the service given Seven holds broadcast rights to major events including Australian Football League (AFL) matches, the Melbourne Cup, the Rugby League World Cup, the Australian Open, the Olympic Winter Games and the Commonwealth Games. Seven's content amassed 1.8 billion streaming minutes in fiscal 2017 bolstered by the Olympic Summer Games and Australian Open tennis.

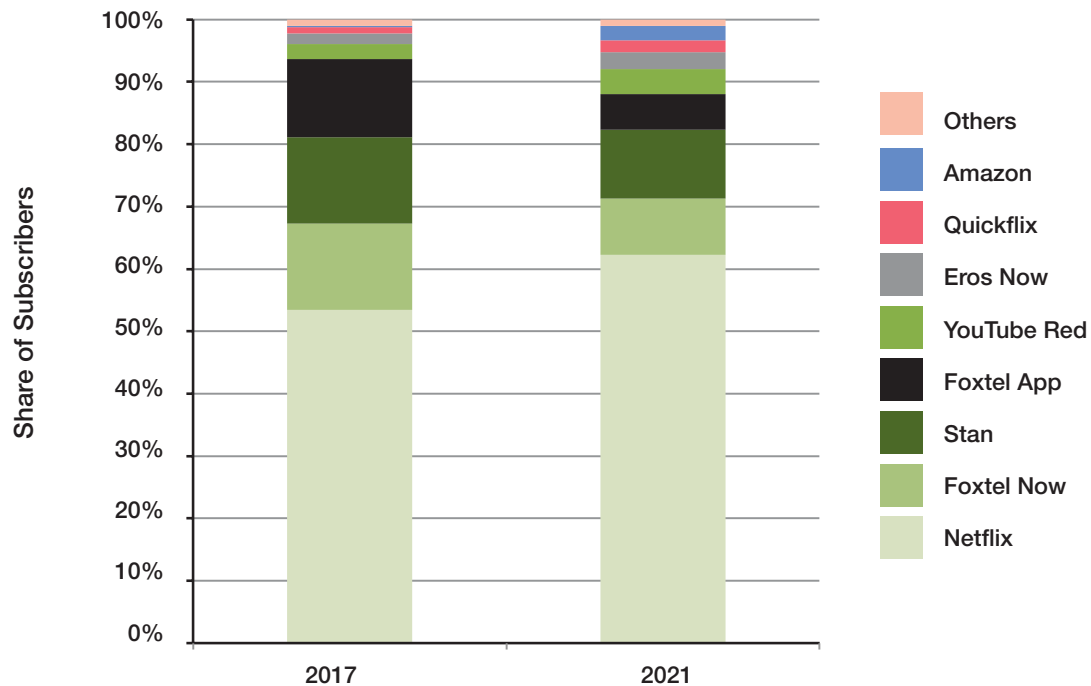
7plus will take Seven's content beyond broadcast TV and help the company capture more consumers and advertisers which will ultimately strengthen revenue for parent company Seven West Media (SWM). Consolidated revenues for SWM declined 2.8% to almost A\$1.7 billion in the financial year ending 30 June 2017. SWM will hope 7plus drives further growth in the divisional performance of its television business in 2018, following its 1.0% increase in revenue to A\$1.2 billion over the same period. Seven competes for ad revenues against two other private commercial TV groups, Nine and Ten, as well as global media giants such as Facebook and Google.

The increasingly crowded Australian OTT space will require providers to deliver on content, innovation and engagement to succeed. A strong local proposition is required to capture its Australian audience which demands quality content, convenience at a competitive price.

Australian Digital Video Market in 2017

Australia: OTT Subscription Landscape 2017 + 2021

Source: IHS Markit © 2018 IHS Markit



Australian Pay TV VoD Market

Pay TV landscape

Streaming and new services are changing the dynamics of the pay TV industry in Australia. Pay TV providers continue to show resilience but growth has plateaued. The total number of Australian pay TV subscribers remained at just under 3.6 million in 2017 compared with a year earlier as consumers continue to embrace the availability of internet-connected devices to consume more programming online and on demand. In addition, free-to-air (FTA) digital terrestrial television (DTT) broadcasters continue to enhance their offerings with new services and original programming.

Australia's vast geography, and the relatively undeveloped cable and IPTV infrastructure, has given satellite a distinct advantage in Australia over the past two decades. As such, the majority of pay TV homes in Australia use a satellite connection to receive their signal. Satellite homes represent 55% of total pay TV homes in the country followed by cable homes which account for a 26% share. Cable and satellite homes still dominant but have lost share to IPTV in recent years. IPTV's share of total Australian Pay TV homes increased from 17% in 2016 to 19% in 2017.

Driving up IPTV's importance in the Australia pay TV market is Fetch TV, backed by Malaysian operator Astro All Asia Networks. In 2017, IHS Markit research estimates Fetch TV's subscriber base increased 13% to 637,000 by the end of 2017.

Australian Digital Video Market in 2017

Fetch TV offers 49 linear IPTV channels as well as 7,000 movies and 200 TV shows (episodes or seasons) to rent or buy. The company partners with Internet service providers Optus, the iiNet Group (owner of the iiNet, Internode and Westnet services) and Vocus (owner of Dodo and iPrimus services) as well as several of the country's major retailers to deliver programming over a broadband connection to a set-top box.

Fetch TV packages its content into four 'skinny' packs namely Kids Pack, Knowledge Pack, Vibe Pack and Variety Pack, which cost A\$6 per month per pack as well as offers all four packs as part of its Ultimate Pack package for A\$20 per month. The company continues to build its service on the back of affordability, content and convenience. By comparison, rival Foxtel prices range from A\$26 per month for its base entertainment pack to A\$111 per month for its all channel Platinum HD pack. Furthermore, Fetch announced a partnership with Discovery Networks in January 2018 to further expand its content offering. Under the deal, Fetch TV will add Discovery Channel and TCL to its channel line-up from 1 March 2018. Fetch also conveniently provides immediate access to free-to-air TV catch up applications, local streaming services Netflix and Stan, pay-per-view access to UFC as well as access to popular apps such as YouTube.

Australian pay TV leader Foxtel, available via cable and satellite, saw its combined subscriber base decline just under 3% to nearly 2.8 million by the end of 2017 compared with the previous year. Sport is Foxtel's key pillar for the business and 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.

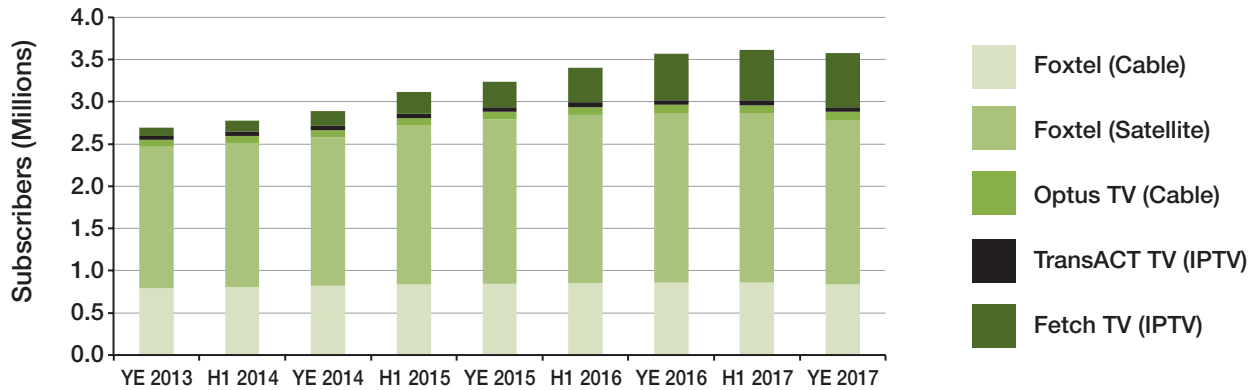
In addition, Foxtel residential and Foxtel Now customers will continue to have access to Foxtel App (formerly Foxtel Go), Foxtel's mobile streaming application, at no extra charge. Foxtel App enables subscribers to stream TV, live and On Demand, to selected smartphones and tablets.

Meanwhile, Foxtel is close to finalising a merger with News Corporation's sports broadcaster Fox Sports Australia. News Corporation currently owns half of Foxtel with Australian incumbent telco Telstra. Once complete, News Corporation's share will increase to a controlling 65% whilst Telstra will hold the remaining 35% stake. The merger received regulatory approval from the Australian Competition and Consumer Commission (ACCC) in December 2017 and is expected to be finalised in the first half of 2018. IHS Markit believes the merger will ensure Foxtel does not overpay for the rights to Fox Sports programming as well as better position Foxtel for a future listing on the Australian Share Market.

Australian Digital Video Market in 2017

Australia: Pay TV subscribers by operator, 2013 - 2017

Source: IHS Markit © 2018 IHS Markit

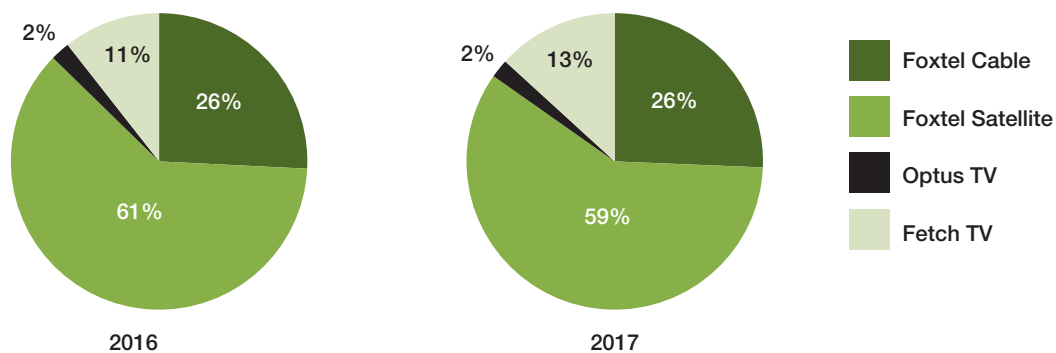


Australian Pay TV VoD Market

The story of 2017 for the Australian Pay TV VoD market is one of winners and losers. Figures for Foxtel, the leading cable and satellite operator recorded a decline in its share of total transactions as competition intensifies from IPTV operator Fetch TV, which improved its share of the market on the back of its more affordable 'skinny' pay TV packages. Fetch TV increased its share of total transactions from 11% to 13% in 2017 compared with the previous year. The gain was at the expense of Australian pay TV leader Foxtel which saw its share of movie and TV transactions over its satellite platform decline from 61% to 59% over the same period. Despite the loss, Foxtel still dominates the number of pay TV VoD transactions in Australia, accounting for a combined 85% share of movie and TV transactions in 2017.

Australia: Movie and TV Transactions by Pay TV Operator, 2016 + 2017

Source: IHS Markit © 2018 IHS Markit

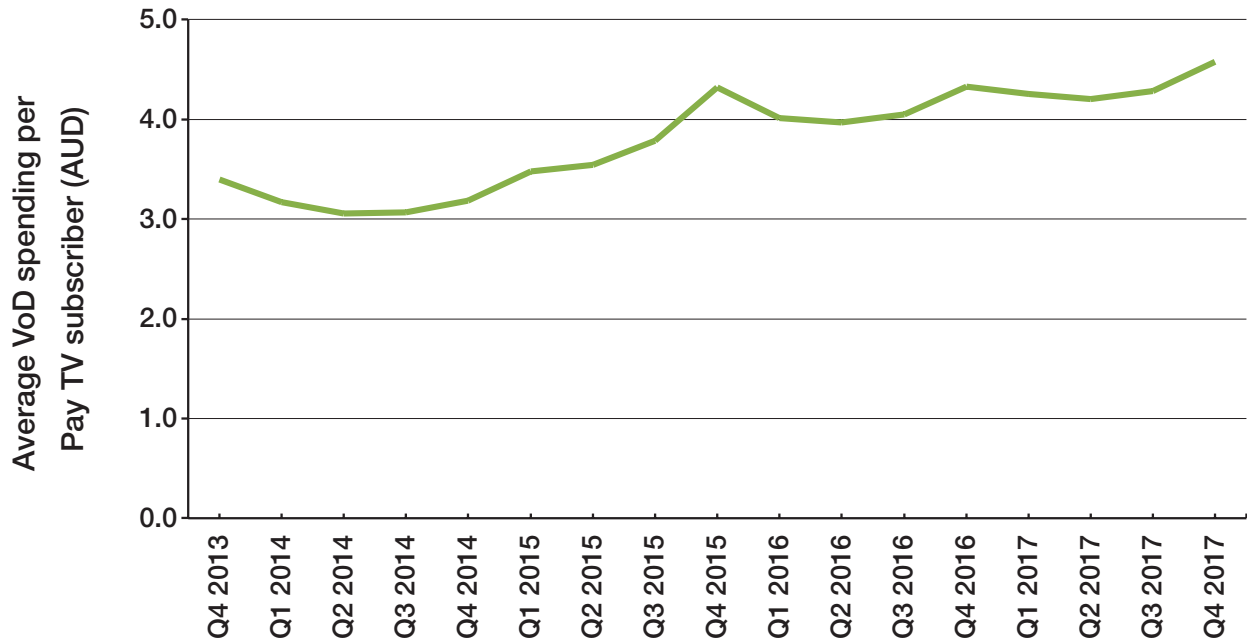


New-release movie VoD spending per Pay TV subscriber continues to rise in Australia. Pay TV subscribers each spent an average of A\$4.58 to stream a movie in December 2017, up from A\$4.33 in December 2016 and A\$3.40 back in December 2013.

Australian Digital Video Market in 2017

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

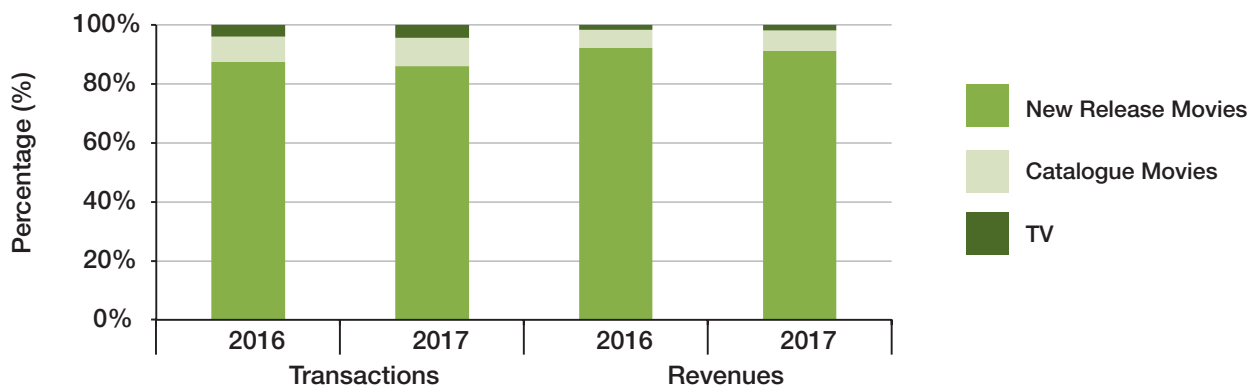
Source: IHS Markit © 2018 IHS Markit



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 Markit © 2018 IHS Markit



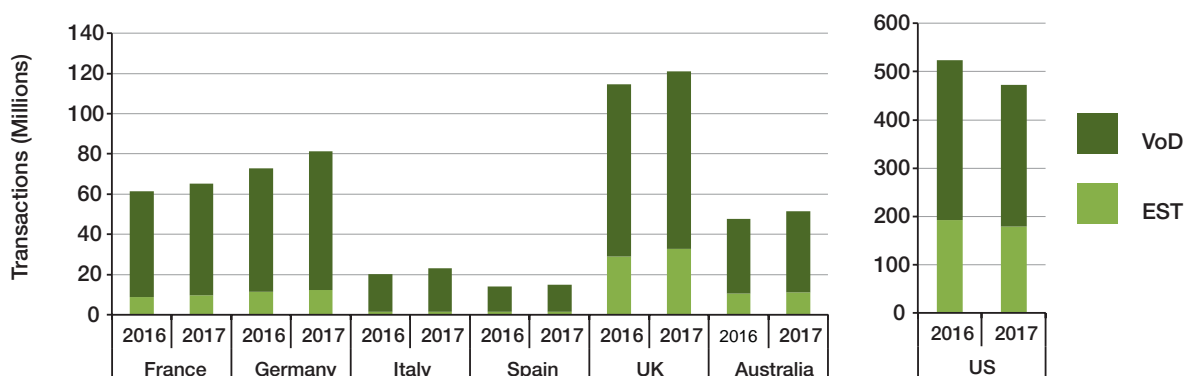
Australian Digital Video Market in 2017

The Australian Digital Market in context

The Australian digital video landscape grew 7.5% to 51.4 million in combined digital retail, digital rental, and pay TV VoD transactions in 2017 compared with the previous year. High disposable income, strong consumer willingness to pay for video content and improving broadband infrastructure are the key drivers underlying the growth which was a strong result among other major territories. In 2017, Australia recorded a higher rate of year-on-year growth in digital video transactions than the UK (5.5%), France (6.2%) and Spain (7.0%) but was outperformed by Germany (11.9%) and Italy (14.2%). US digital video transactions dwarf those recorded in the rest of the world but it experienced a 9.7% decline in combined EST and VoD transactions over the same period. US consumers made almost 473 million digital transactions in 2017, of which two-thirds were rental. By comparison, Australian consumers made nine times fewer transactions than in the US at 51.4 million which ranks Australia between Italy (23 million) and France (65 million). The UK recorded the second largest number of digital transactions in 2017 with 121 million, up from 115 million in 2016.

VoD and EST Transactions (Millions)

Source: IHS Markit © 2018 IHS Markit

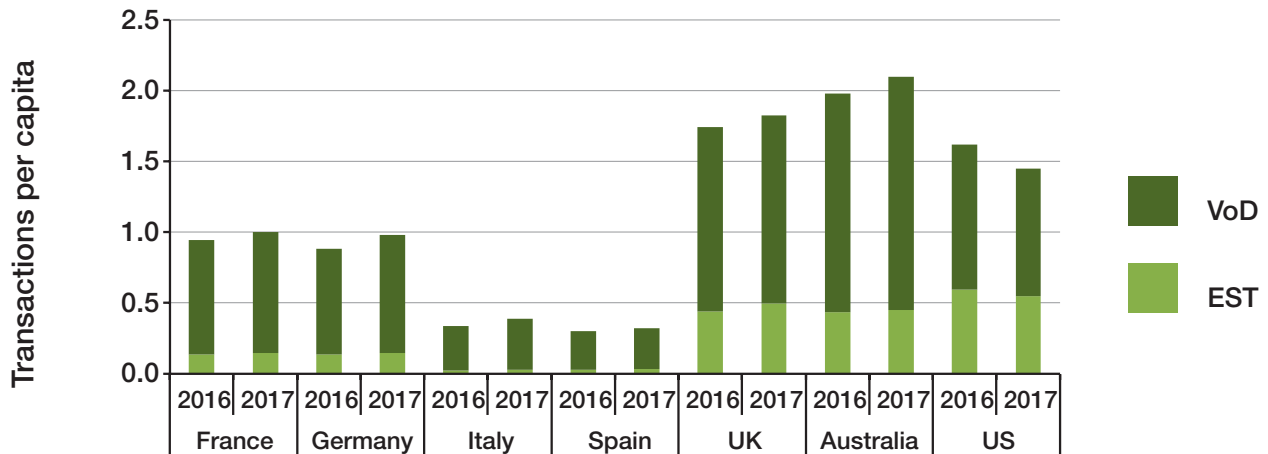


In per capita terms, Australian digital transactions are on par with the UK and above those in the US and other major European territories. Australians each made an average of 1.9 digital transactions in 2016, up from 1.7 a year earlier. US digital transactions average nearly 1.2 transactions per person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

Australian Digital Video Market in 2017

Australia: VoD and EST Transactions per capita

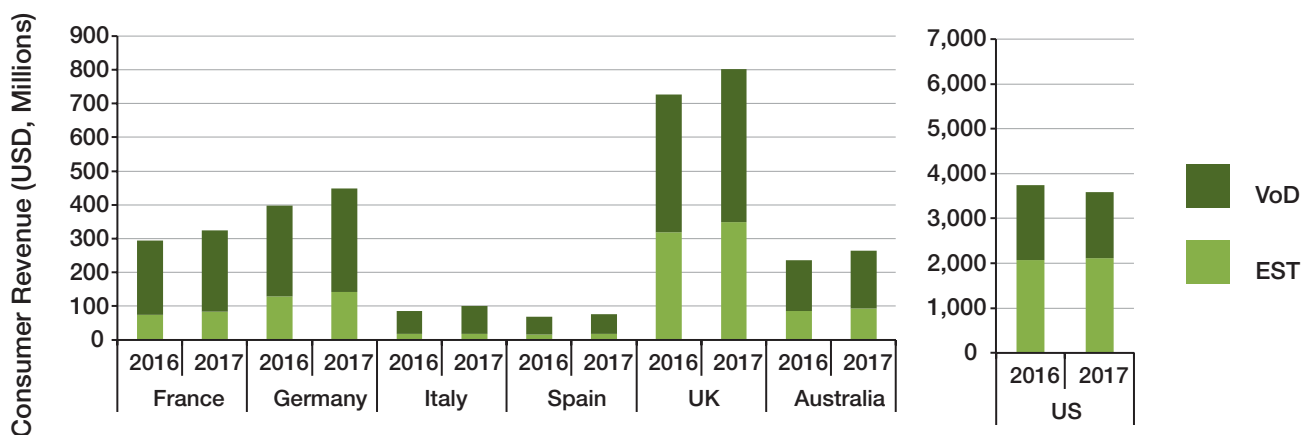
Source: IHS Markit © 2018 IHS Markit



The Australian digital video transactional market grew 7.9% in local currency terms to nearly A\$344 million in 2017. Both EST and VoD generated solid gains in consumer revenue increasing 6.6% and 8.6% to A\$123 million and A\$221 million respectively. It should be noted the impact of exchange rates on reported consumer revenue figures for non-US markets has had a disproportionate impact on the trend in major markets. For example, Australian consumer revenue from the combined digital retail and rental transactional sectors increased 11.2% in US dollar terms to US\$263 million compared to 7.9% growth when viewed in local currency.

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

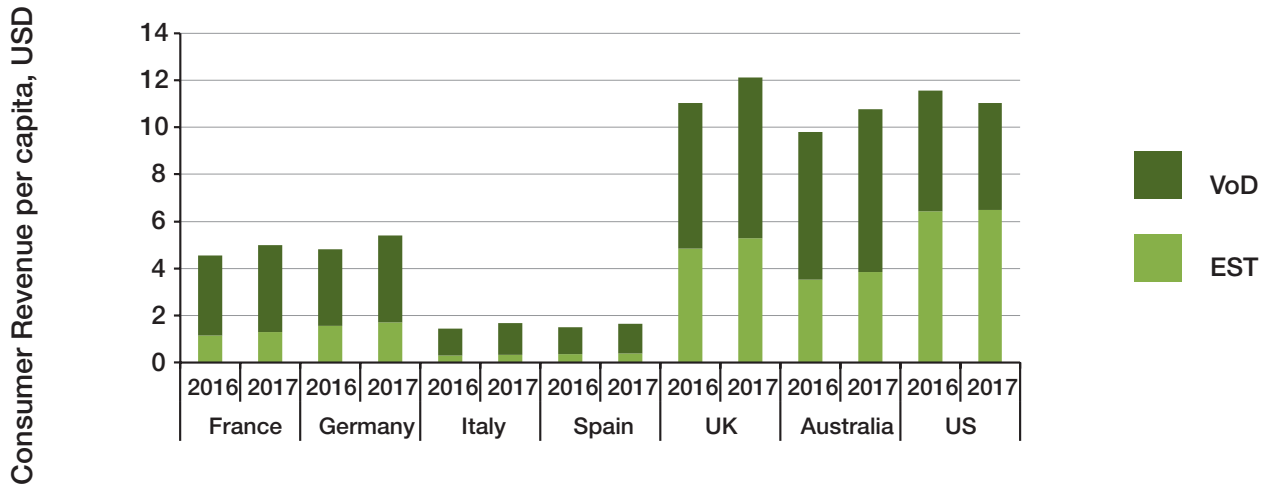
Source: IHS Markit © 2018 IHS Markit



Australian Digital Video Market in 2017

VoD and EST Consumer Revenue per capita, USD

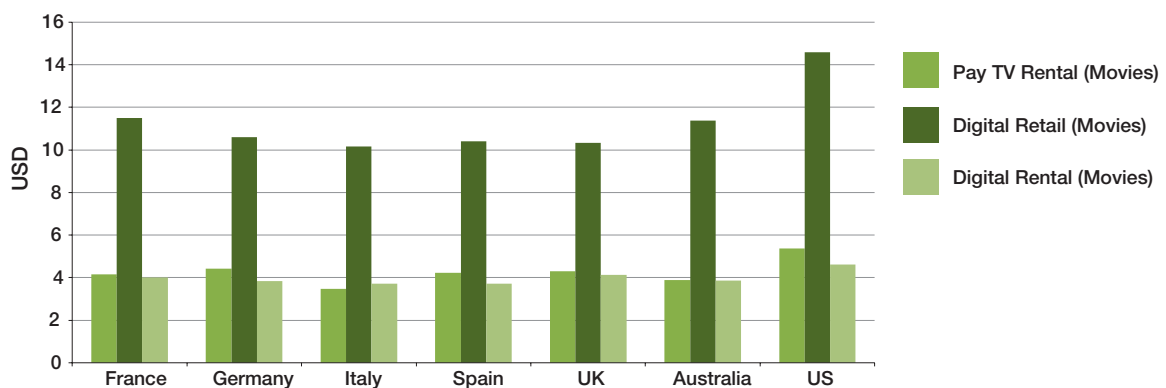
Source: IHS Markit © 2018 IHS Markit



Online pricing in Australia is in line with the rest of the world with EST prices significantly higher than pay TV VoD and online rentals. Digital movies cost an average of US\$12.95 to purchase and US\$4.41 to rent in Australia compared to US\$13.08 and US\$4.77 respective averages across the big five in Europe. Online movies cost an average of US\$14.62 on a retail basis and US\$4.71 on rental in the US. Pay TV rental services were charging an average of US\$3.96 in Australia and US\$5.36 in the US.

2017: Average Transactional Movie Price, USD

Source: IHS Markit © 2018 IHS Markit



Digital in the wider video sector

Australian consumers spent more on digital video than physical video for the first time in 2017. Consumers spent A\$1.2 billion on digital video (whether via the open internet or pay TV VoD services) in 2017, up 55% compared with a year earlier. Driving growth is spending on OTT subscriptions which soared up 93% to \$850 million to account for 73% of total consumer spending on digital video in Australia. Pay TV VoD generated A\$9.6 million over the same period, an increase of

Australian Digital Video Market in 2017

11.1%. Spending on digital rental and retail services experienced more modest growth, increasing 7.3% and 6.6% to A\$158 million and A\$123 million respectively

Key developments which continue to drive forward digital consumption include:

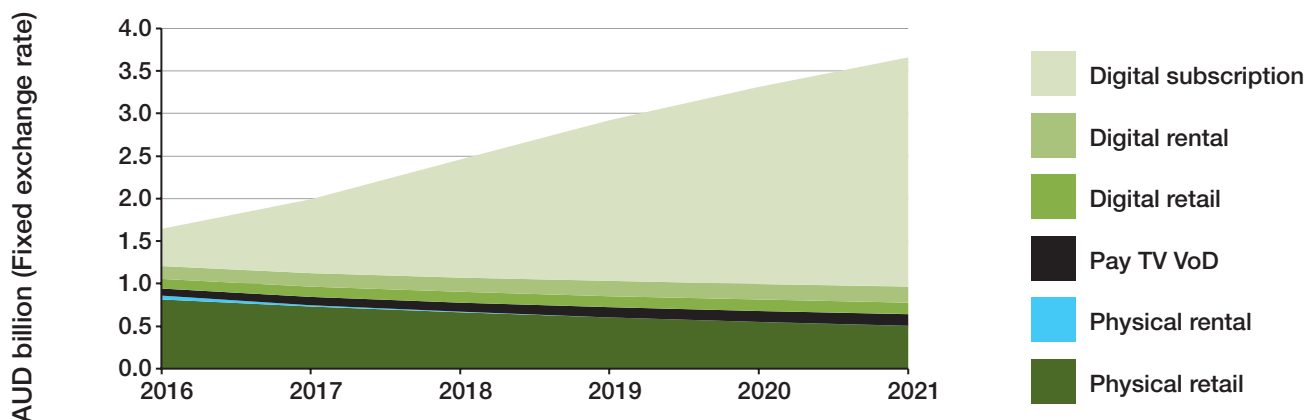
1. Better internet connectivity with higher average connection speeds, which is opening doors to a larger audience for online video content.
2. Connected devices, used to watch online video, continue to improve and innovate. Tablets and mobile phones are becoming more prevalent and user friendly.
3. Online video services are more flexible in terms of access and usage, with improvements such as offline viewing or better integration with devices.
4. Growth in the size of the digital sector is increasing business confidence which is driving better quality content for on-demand consumption (e.g. Netflix and Stan originals), which in turn pushes viewer appeal for content services.
5. Consumers have now become educated in the value of online video propositions, and are progressively more willing to pay a premium for a better video experience.

Consumer spending on physical video declined 13% to A\$748 million in 2017 compared with the previous. Physical video spend (Blu-ray Discs, DVD, retail and rental) continues to contract in Australia seeing its share of total video spending decline from a commanding 93% share in 2011 to a 38% share in 2017.

With the rapid rise of digital video, total consumer spending on home video in Australia has demonstrated a strong recovery since experiencing a decline in 2014, and is forecast to continue growing well into the future. Altogether, total consumer spending on packaged and digital video grew 19.9% to A\$1.97 billion in 2017, marking a third year of consecutive growth. Total spending on video is forecasted to reach A\$3.7 billion in 2021.

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

Source: IHS Markit © 2018 IHS Markit



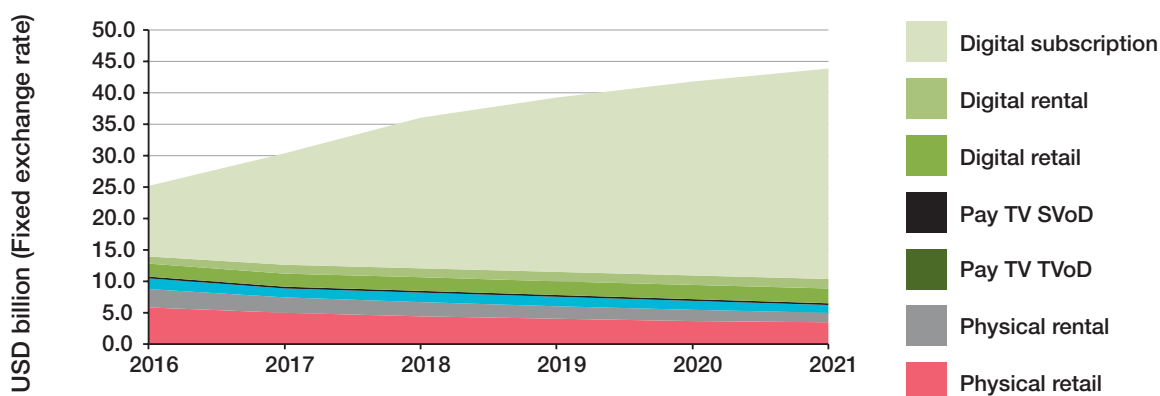
Australian Digital Video Market in 2017

Unlike Australia, digital video spending in the US surpassed that of physical video spending in 2015. Consumer spending on digital video in the world's largest digital video market grew 40% to US\$23 billion in 2017 compared with the previous year on the back of solid gains in spending on OTT subscription services (+59% year-on-year). Digital video services now account for just over three-quarters of total spending on video in the US.

Meanwhile, the contraction in spending on physical video discs continues at pace in the US, down 15% to US\$7.4 billion in 2017. However, the decline in the combined spending on DVD and BD is not enough to drag down total spending on video. 2017 marked the second consecutive year of double-digit year-on-year growth in consumer spending on video in the US. Total video spending grew just under 21% to US\$30.4 billion in 2017.

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

Source: IHS Markit © 2018 IHS Markit



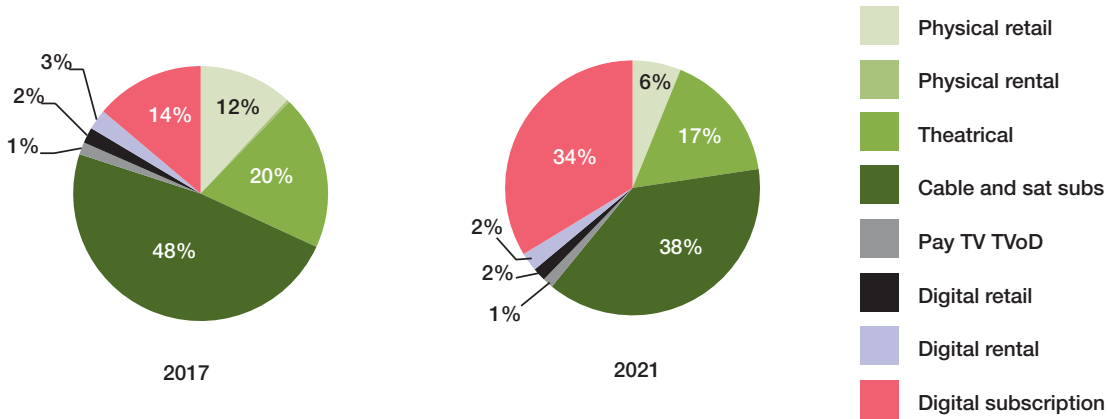
Australian Filmed Entertainment Industry Trends

Australian filmed entertainment in Australia – physical, digital, Pay TV and theatrical – experienced solid growth of 8.5% to A\$6.1 billion in 2017 on the back of strong gains in consumer spending on digital and Pay TV services. Cable and satellite subscriptions remain the main contributor to the filmed entertainment industry expansion in Australia, accounting for 48% of total filmed entertainment spending in 2017. However, a shift is underway as digital subscription services surge in Australia, up 93% to A\$850 million to account for a respectable 14% share of total spending. IHS Markit forecast the proportion of total filmed entertainment accounted for by digital subscription services will increase rapidly to account for a 34% share by 2021. The combined spending on Pay TV VoD (delivered via ‘walled garden’ services) and digital video (retail, rental and subscription) represented 20% of total filmed entertainment consumer spending in 2017. This rise will largely come at the expense of cable and satellite subscriptions which will see their importance decline to a 34% share by 2021. Consumer spending on physical video and theatrical will also experience a decline in their share of total spend on filmed entertainment by 2021. The physical retail and rental segments continued to contract in 2017 as consumer spending on packaged media declined 10.5% and 51% respectively compared with the previous year. Box office or consumer spending on theatrical also declined over the same period, down 4.6% to nearly A\$1.3 billion.

Australian Digital Video Market in 2017

Australia: Total filmed entertainment industry consumer spending split by segments, 2017 + 2021 (Fixed exchange rate)

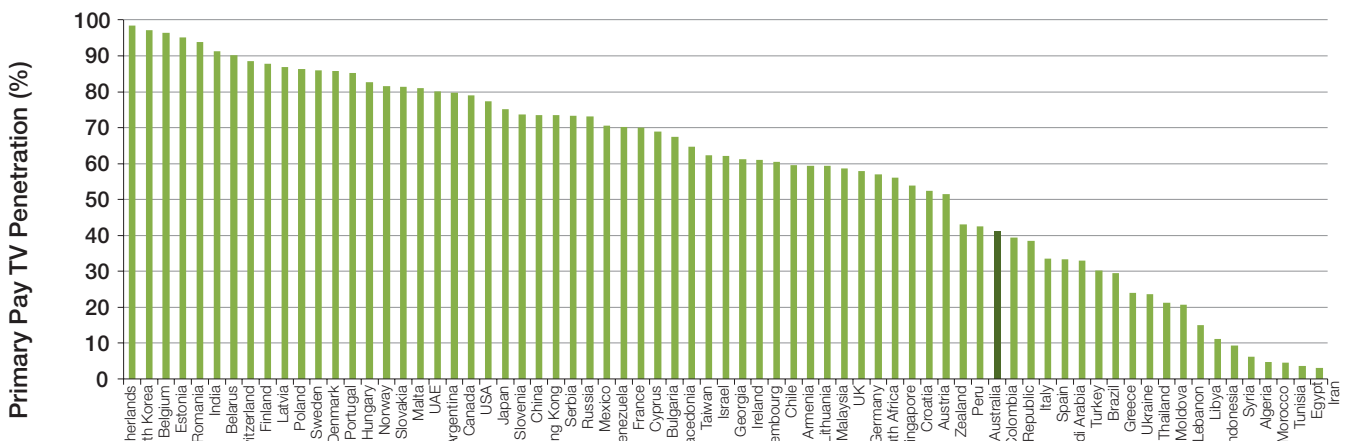
Source: IHS Markit © 2018 IHS Markit



Pay TV penetration in Australia reached 38% by the end of 2017, meaning there is still plenty of room for growth for pay TV, if the providers are able to persuade consumers to take their services rather than one of the growing number of OTT options available in the country. By comparison, the Netherlands primary pay TV penetration is the highest in the world at 98% in 2017, followed by South Korea (97%) and Belgium (96%). 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. However, pay TV penetration is softening in Australia as rival entertainment platforms predominantly free-to-air (FTA) digital terrestrial television (DTT) and OTT TV services gain traction. As such, pay TV providers will need to acquire the most sought-after premium content and offer it as an affordable price point to return to growth.

Australia: Primary Pay TV Penetration by country, 2017

Source: IHS Markit © 2018 IHS Markit



Australian Digital Video Market in 2017

Conclusion

The Australian video market is highly developed with high average prices and sophisticated retail and logistical infrastructure compared to many of its Asian neighbours with vast populations, where average incomes are substantially lower and infrastructure is still developing. Not surprisingly, the outlook for the Australian filmed entertainment industry remains positive after rising 8.5% to A\$6.1 billion in 2017. IHS Markit expects consumer spending on filmed entertainment to reach just under A\$8.2 billion by 2021.

Underlying the growth is the rise of digital video, whether via Pay TV VoD, digital retail, digital rental or digital subscription. Australia has been experiencing continual development of its broadband infrastructure; the total installed base of connected devices that can be used for video consumption is on the rise; online video services are more flexible in terms of access and usage; localised and original content is in production; and competition continues to drive a range of new offers and services from existing players. Altogether, this is driving the rise of digital video services in Australia. Digital subscription has been the main growth driver of the Australian digital video market in 2017, as online services increasingly localise content in an attempt to attract more subscribers. Online subscribers grew 53% to just under 6.7 million in 2017 compared with a year earlier, generating a return of A\$850 million according to IHS Markit. Netflix continues to strengthen its leadership position in Australia with its subscriber base reaching nearly 3.6 million by the end of 2017. Home-grown OTT service Stan and the newly relaunched Foxtel Now also continue to build their subscribers whilst the sleeping giant is Amazon Prime Video which is in a crucial research stage but has the potential to significantly change the face of the Australia OTT subscription landscape over the forecast period. IHS Markit forecast the rapid rise of digital subscribers to continue, reaching 16.7 million subscribers by the end of 2021 whilst consumer spending on OTT subscription will increase to A\$2.7 billion in 2021.

Pay TV providers continue to show resilience but growth has plateaued. Digital video services may render traditional pay TV video subscriptions less appealing as more people find their way to alternate forms of content consumption. However, IHS Markit believes pay TV providers are well positioned to compete and will do so as long as they continue to offer appealing content such as Foxtel's live and exclusive rights to major sports. The total number of Australian pay TV subscribers remained at just under 3.6 million in 2017 compared with a year earlier.

2017 marked a significant milestone in the history of Australia's filmed entertainment industry. Australian consumers spent more on digital video than physical video for the first time in 2017. Consumers spent A\$1.2 billion on digital video (whether via the open internet or pay TV VoD services) in 2017, up 55% compared with a year earlier. By comparison, consumer spending on physical video declined 13% to A\$748 million over the same period. IHS Markit forecast total video market (digital and physical) consumer spending in Australia will increase from nearly A\$2.0 billion in 2017 to A\$3.7 billion in 2021.

“

Piracy levels have also dropped in 2017, helped by government initiatives and the rising availability of content through legal means.

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Video Entertainment Australia: Physical Retail Market

Physical vs. Digital

Video Entertainment continues to be a dominant market in Australia, with a rise in digital revenue and a resilient physical market.

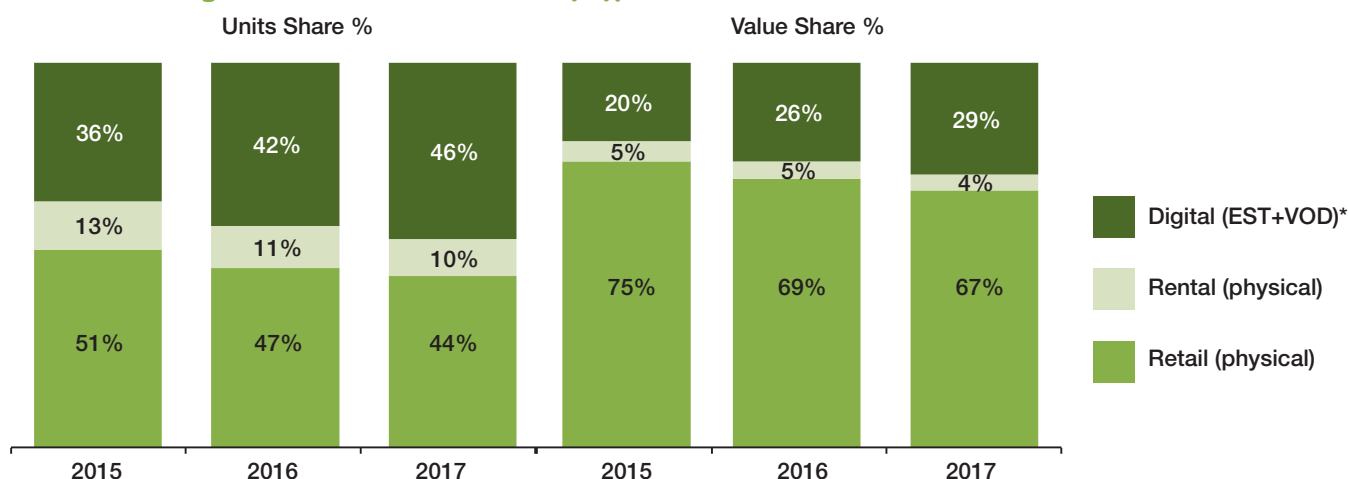
In 2017, the Video Entertainment market generated \$947 million, as 78 million units were rented or purchased either physically or digitally. This marks Video Entertainment as the fifth largest category that GfK measures, across over 100 categories here in Australia.

This is not taking into account the growing revenue from streaming services such as Netflix or Stan. Through the GfK ConsumerScope service, we have seen an uptick in consumption of these streaming services, with 39% of the Australian population accessing these services in 2017 (up from 29% in 2016).

Excluding the digital streaming services, physical rental and purchase still generate the highest levels of volume and value, accounting for 54% of volume and 71% of value. Digital is on the rise, however, and accounts for 46% of the total volume (excluding piracy) and over a quarter of all value in 2017.

Piracy levels have also dropped in 2017, helped by government initiatives and the rising availability of content through legal means. For more information on piracy and the growth of the digital streaming services please read the GfK chapter on consumer digital trends..

GfK Retail Tracking: Video Entertainment Market by Type



Data factored to 100% © March 8, 2018 | Home Entertainment ConsumerScope & Retail Tracking Q1 2017

Historical Trends

The physical disc retail market accounted for nearly half the volume of Video Entertainment and is still the largest value sector. The market has declined since its peak in 2009 as consumers have diversified the way they watch their Video Entertainment content.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Physical Retail Market Size



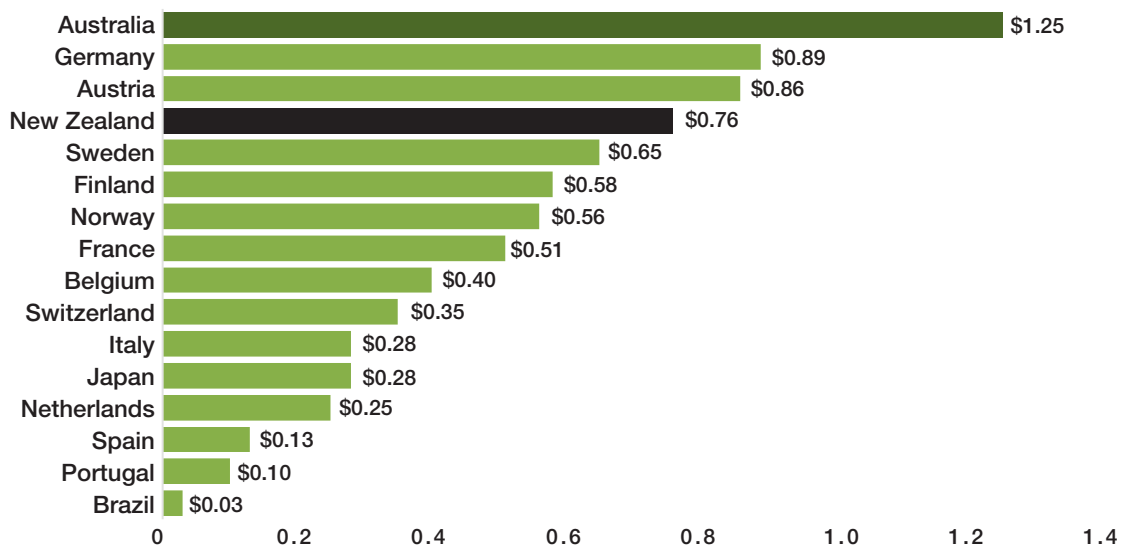
GfK Retail Tracking: Physical Retail Market Value by Format



Current Trends

The physical disc market sold 35 million discs in 2017, for a value of just over \$630 million. Compared to other countries, the Australian disc market is particularly resilient. The per capita purchase rate of 1.25 in Australia ranks as the highest for countries with GfK physical disc measurements, meaning that Australians purchase more discs per person (1.25) than in any of the countries listed. Our Trans-Tasman neighbours, New Zealand, also have a relatively high per capita purchase rate at 0.76.

GfK Retail Tracking: Physical Discs Per Capita Purchase



Note: Population figures sourced from WorldOMeters.info

Video Entertainment Australia: Physical Retail Market

Animated titles were particularly popular in 2017. Three of the top four selling titles were animated, with Disney's Moana being the highest selling disc for the year. Disney's Star Wars spin-off, Rogue One, was the second top selling title. This follows on from the strong performance of the Star Wars license in 2016, where Force Awakens nabbed the top spot.

GfK Retail Tracking: Top selling titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Moana	Walt Disney Studios	Animated
2	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
3	Trolls (2016)	20Th Century Fox	Animated
4	Sing (2016)	Universal	Animated
5	Beauty And The Beast (2017)	Walt Disney Studios	Musical
6	Fantastic Beasts	Roadshow	Adventure
7	Fast And The Furious 8	Universal	Action
8	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
9	Wonder Woman (2016)	Roadshow	Action
10	Hacksaw Ridge	Icon	War

Blockbuster movies weren't the only titles to sell well. Though there was only one Game of Thrones release in 2017, Series 7 proved to be the most popular so far, selling more than all the previous seasons at launch and generating the third highest value for any title in 2017.

GfK Retail Tracking: Top selling titles, Full Year 2017, ranked by value

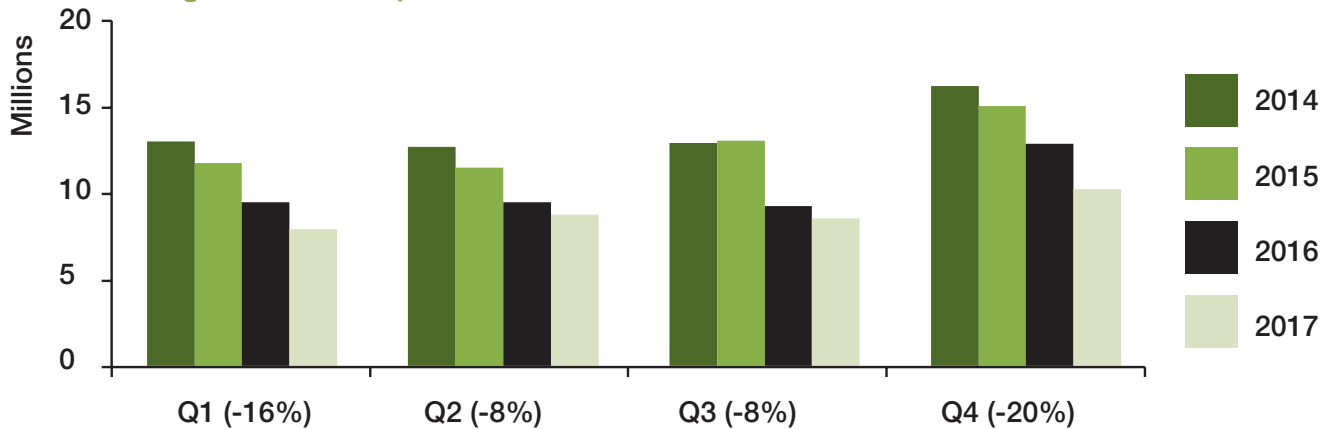
RANK	TITLE	DISTRIBUTOR	GENRE
1	Moana	Walt Disney Studios	Animated
2	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
3	Game Of Thrones Season 7	Roadshow	Tv Drama
4	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
5	Beauty And The Beast (2017)	Walt Disney Studios	Musical
6	Sing (2016)	Universal	Animated
7	Fantastic Beasts	Roadshow	Adventure
8	Trolls (2016)	20Th Century Fox	Animated
9	Fast And The Furious 8	Universal	Action
10	Game Of Thrones Season 6	Roadshow	Tv Drama

Seasonality

The disc market recorded a year-on-year decline of 14% in volume in 2017, with the largest decline coming through quarter 4. This is, in part, due to the strong release slate during quarter 4 2016, including Roadshow's Game of Thrones S6, Universal's Secret Life of Pets and Disney's Finding Dory.

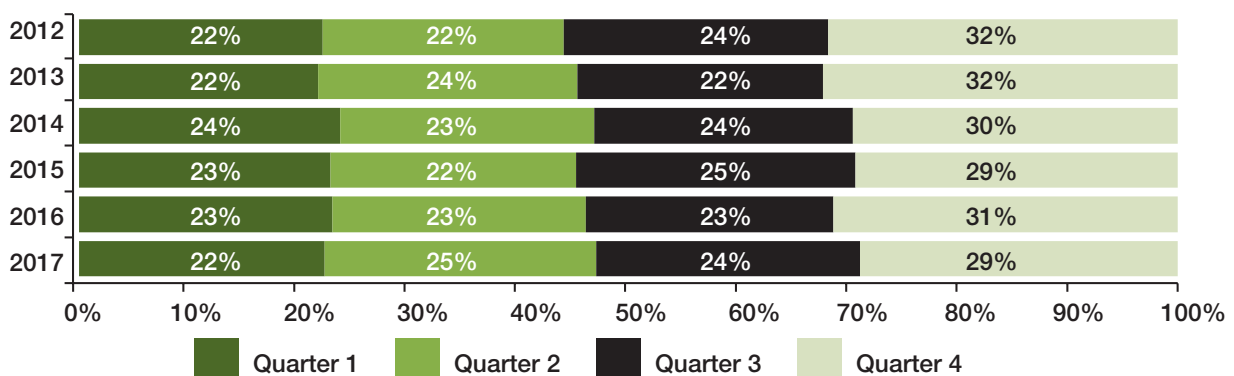
Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Market Volume by Quarter

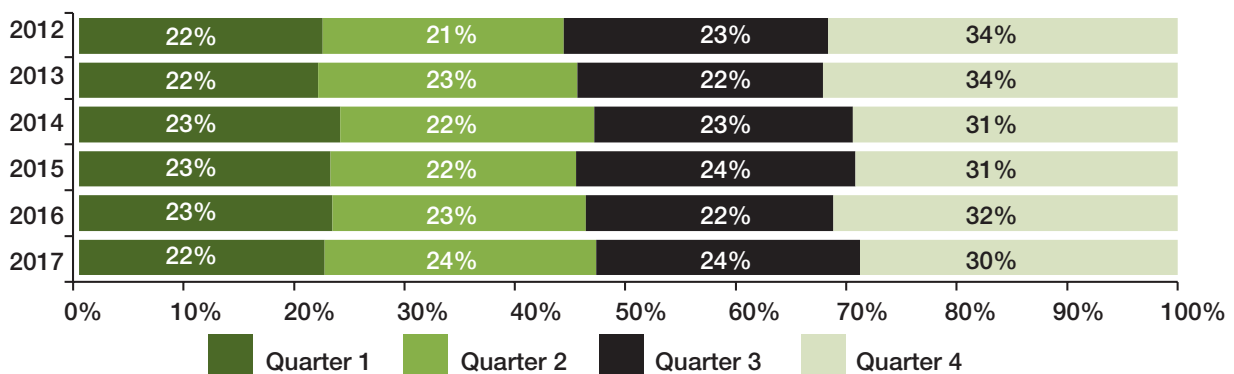


Though 2017 was down in volume, the rate of decline slowed versus 2016, dropping by just 8% in quarters 2 and 3. Combined, these quarters made up their highest share of yearly volume in over 5 years.

GfK Retail Tracking: Market Seasonality by Quarter - Volume Shares



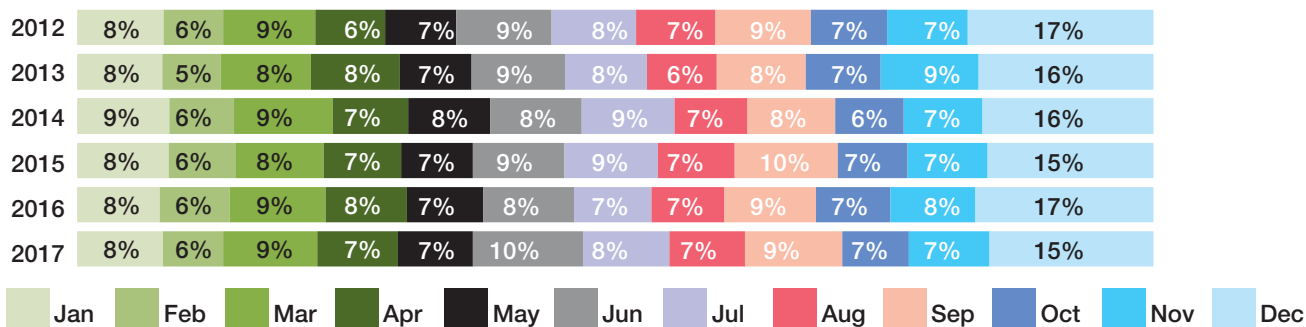
GfK Retail Tracking: Market Seasonality by Quarter - Value Shares



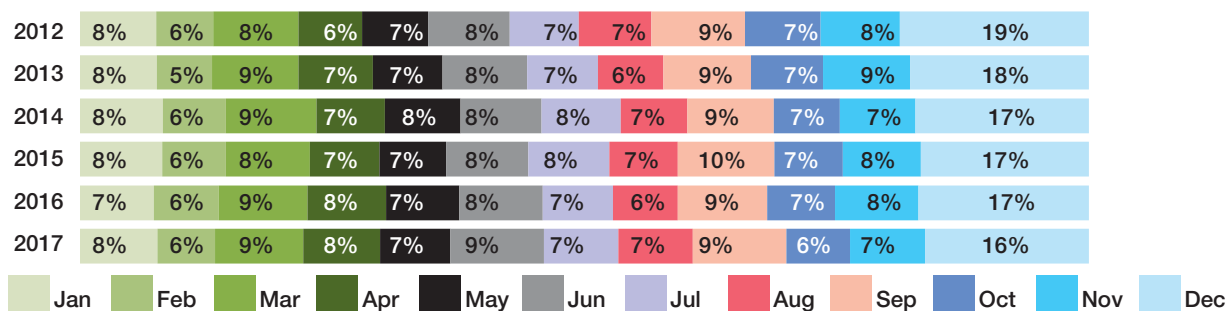
June registered the biggest change, accounting for 10% of the market volume in 2017 (up from 8% in 2016). Box office hits Beauty and the Beast and Logan were both released on disc in June and were the top selling titles. Conversely, December dropped in share compared to prior years, accounting for just 15% of volume sales and 16% of yearly value, the lowest December share in the last 6 years.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Market Seasonality by Month - Volume Shares



GfK Retail Tracking: Market Seasonality by Month - Value Shares



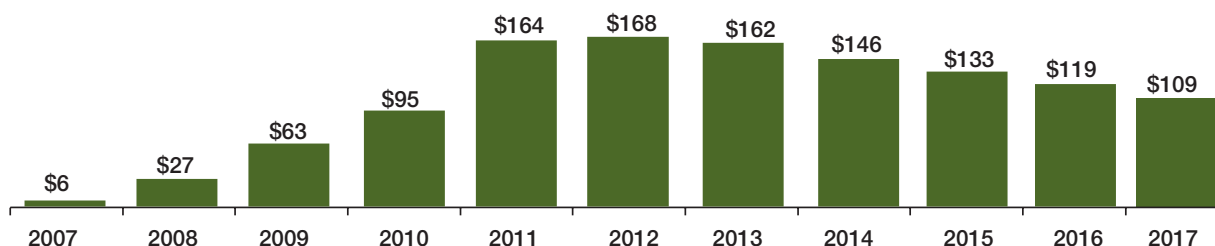
Format Trends

Blu-ray continued to be a relative bright spot in the physical disc market, selling nearly 5 million discs for a value of \$109 million. The 7% decline in Blu-ray volume was much lighter than DVD, which declined by 15%.

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: Top selling DVD titles, Full Year 2017, ranked by volume

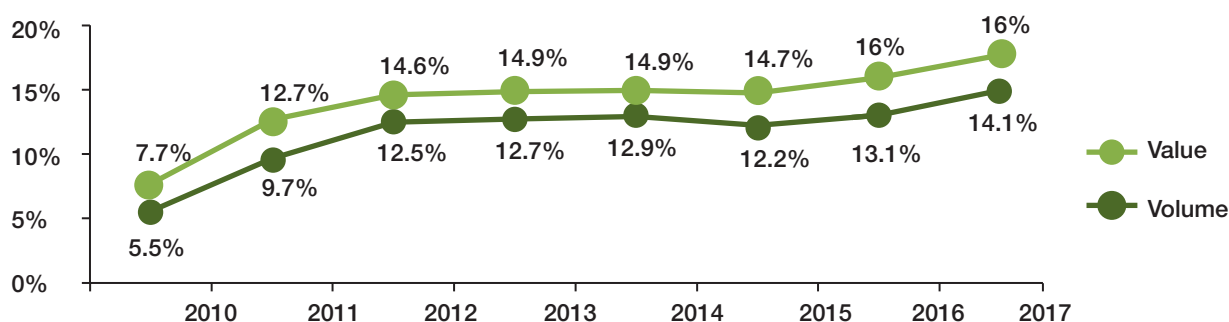
RANK	TITLE	DISTRIBUTOR	GENRE
1	Moana	Walt Disney Studios	Animated
2	Trolls (2016)	20Th Century Fox	Animated
3	Sing (2016)	Universal	Animated
4	Beauty And The Beast (2017)	Walt Disney Studios	Musical
5	Fast And The Furious 8	Universal	Action
6	Fantastic Beasts	Roadshow	Adventure
7	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
8	Lion	Sony Pictures	Drama
9	The Boss Baby	20Th Century Fox	Animated
10	Fifty Shades Darker	Universal	Drama

GfK Retail Tracking: Top selling Blu-ray titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
2	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
3	Fantstic Beasts	Roadshow	Adventure
4	Wonder Woman (2017)	Roadshow	Action
5	Doctor Strange (2016)	Walt Disney Studios	Adventure
6	Logan	20Th Century Fox	Action
7	Beauty And The Beast (2017)	Walt Disney Studios	Musical
8	Hacksaw Ridge	Icon	War
9	Fast And The Furious 8	Universal	Action
10	Moana	Walt Disney Studios	Animated

Blu-ray also registered its highest ever share in the market, with 17% of total market value now going through the Blu-ray format.

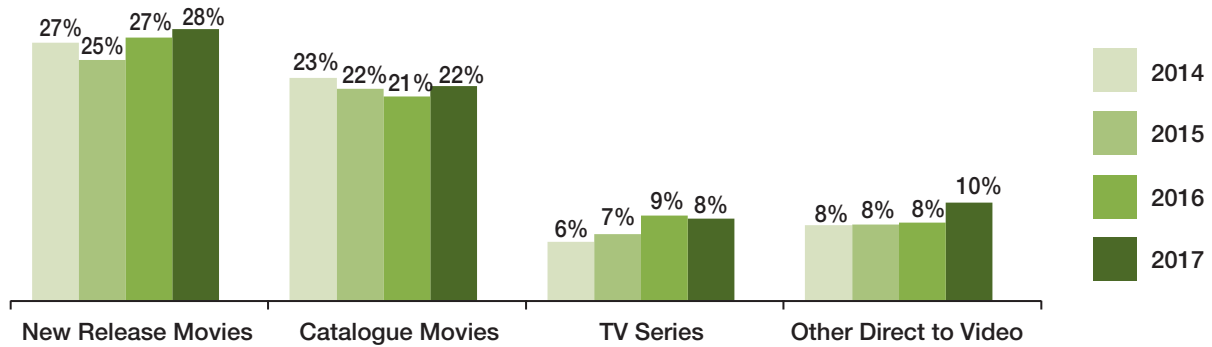
GfK Retail Tracking: Blu-ray percentage of market



The highest Blu-ray value share was recorded in New Release movies, where Blu-ray contributes 28% of value. This was driven by titles such as Disney's Star Wars Rogue One and Guardians of the Galaxy Vol 2.

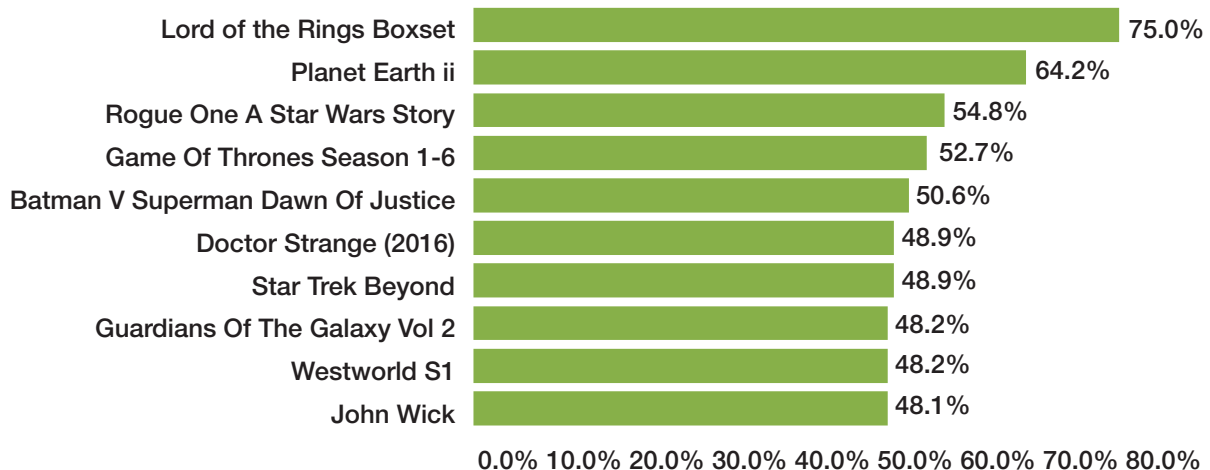
Video Entertainment Australia: Physical Retail Market

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



Blu-ray also registered a value share increase in Catalogue Movies, accounting for 22% of value (up from 21% in 2016). This was led by Roadshow's Lord of the Rings boxset, with Blu-ray generating 75% of the title's value.

GfK Retail Tracking: Blu-ray Value Share % of Title



Note: Filtered to top 200 sellers in 2017 (ranked by value). Excludes titles only released on Blu-ray.

From the GfK ConsumerScope service, one of the key selling points for the Blu-ray format is bonus content. 24% of consumers with Blu-ray capable hardware say that bonus features or special editions factored into their thinking when buying a disc.

Ultra HD 4K Blu-ray

265,000 Ultra HD 4K titles were sold in 2017 for a value of \$7.8 million. This equates to 5% of Blu-ray volume and 7% of value. The higher value share is due to a substantial price differential between a 4K title and a standard Blu-ray title, \$30 and \$22 respectively.

Action movies generated twice the value share of the second biggest genre; Adventure. Although more Theatrical Catalogue titles were released, 64% of value came from Theatrical New Release titles released in 2017. Interestingly,

Video Entertainment Australia: Physical Retail Market

the top selling 4K title was not a theatrical title, but TV Documentary Planet Earth II. Only one other television series, Westworld Season 1, was released in 4K.

4K titles generated more value than 3D titles overall, \$7.8 million compared to \$6.0 million for 3D. This is being impacted by a relatively low release rate of 3D titles in 2017. Only 32 new 3D titles were released in 2017, compared to 116 for 4K.

By title, the average value generated for a 3D title released in 2017 was 2.5 times that of 4K, \$125,000 compared to just \$51,000. The average price for 3D titles is 17% lower than 4K, at \$25.

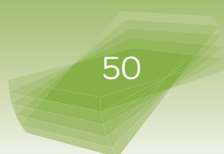
Sales for 4K discs are impacted by the availability of compatible hardware. Nearly 2 million 4K TVs have sold since the launch of 4K technology in Australia, meaning there is no lack of 4K capable screens. A potential barrier could be 4K players, with only 33,000 dedicated 4K disc players sold so far. Adding in 4K gaming consoles, as well as dedicated players that can stream 4K content, the number of 4K capable players rises to 723,000. This equates to nearly ten 4K discs purchased for every dedicated 4K player, or just under one and a half 4K discs if you include the gaming consoles capable of playing 4K discs.

Retail Tracking: Top selling 4K Blu-ray titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Planet Earth II	Roadshow	Documentary
2	Wonder Woman (2017)	Roadshow	Action
3	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
4	Fantastic Beasts	Roadshow	Adventure
5	Spiderman Homecoming	Sony Pictures	Adventure
6	Logan	20Th Century Fox	Action
7	Blade Runner	Roadshow	Sci-Fi
8	Fast And The Furious 8	Universal	Action
9	Deadpool	20Th Century Fox	Action
10	Passengers (2016)	Roadshow	Drama

GfK Retail Tracking: Top selling 3D Blu-ray titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
2	Doctor Strange (2016)	Walt Disney Studios	Adventure
3	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
4	Fantastic Beasts	Roadshow	Adventure
5	Wonder Woman (2017)	Roadshow	Action
6	Beauty And The Beast (2017)	Walt Disney Studios	Musical
7	Passengers (2016)	Roadshow	Drama
8	Kong Skull Island	Roadshow	Adventure
9	Spiderman Homecoming	Sony Pictures	Adventure
10	Moana	Walt Disney Studios	Animated



Video Entertainment Australia: Physical Retail Market

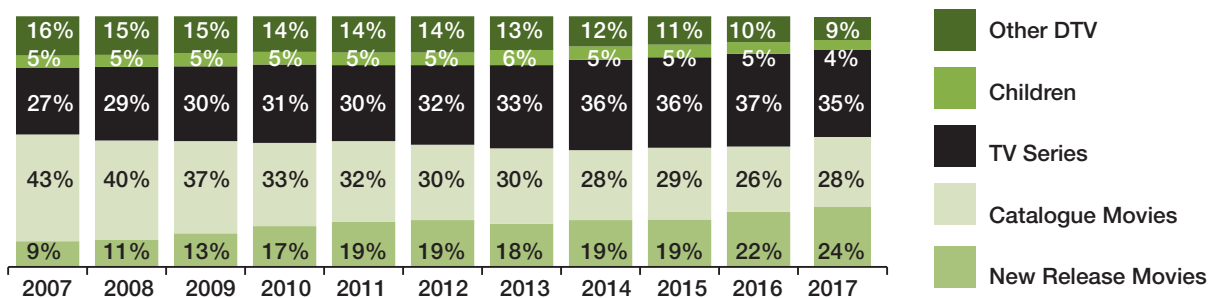
Release Types

The physical Video Entertainment market is commonly segmented by 'release types'. The New Release Movies segment, which refers to theatrical movies in their first 3 months of sales, has continued a 10 year trend of increasing value share in the market. This was the best performing segment in the market, declining by just 7% in value in 2017.

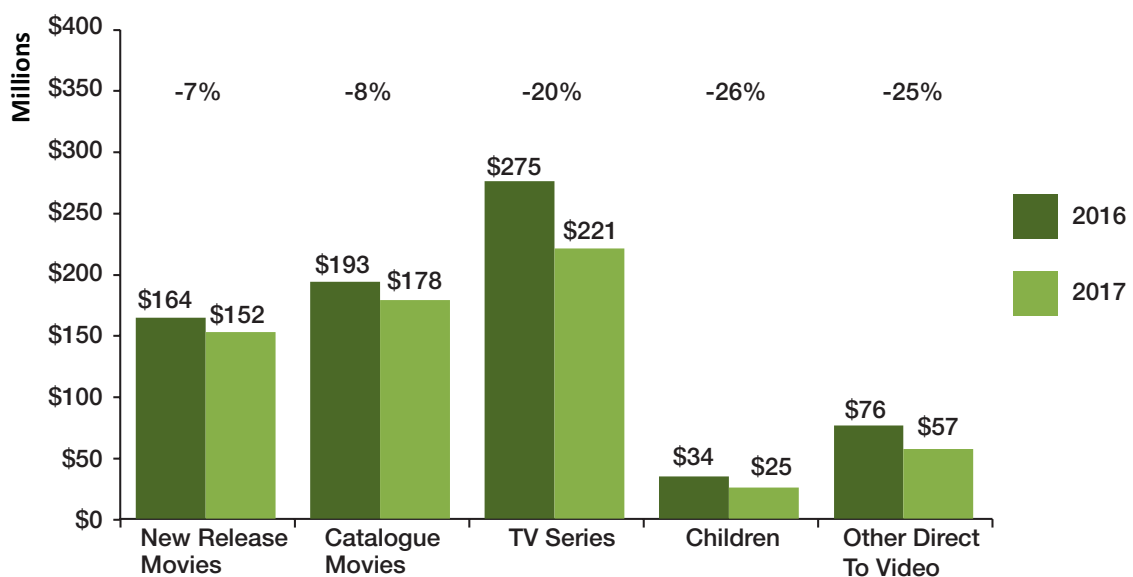
The largest segment in the market is TV Series, accounting for 35% of market value. TV Series dipped in value share in 2017, impacted by the leading TV license, Game of Thrones, which released just one series in 2017, compared to two in 2016.

Catalogue Movies bucked a long term trend of share decline, jumping up to 28% of total value. The decline in older re-release movies slowed, whilst the drafting from new movies licenses had a greater impact in 2017.

GfK Retail Tracking: Release Type Value % by Year



GfK Retail Tracking: Release Type Value by Year



Video Entertainment Australia: Physical Retail Market

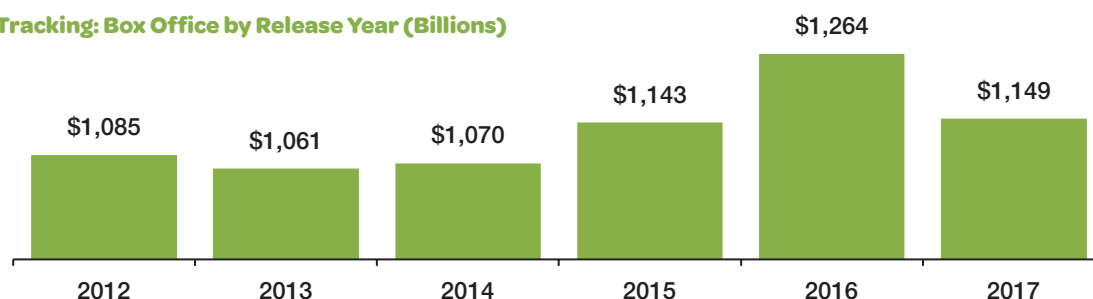
New Release Movies

New Release movies, which are new theatrical movies within their first 13 weeks of sales, was the best performing release type in 2017, declining by 7% in value and taking a larger share of overall market sales.

One of the key indicators for the value size of a New Release movie is its box office performance. Box office takings for discs released in 2017 dropped by 9%, a slightly higher rate than the 7% decline recorded for disc sales.

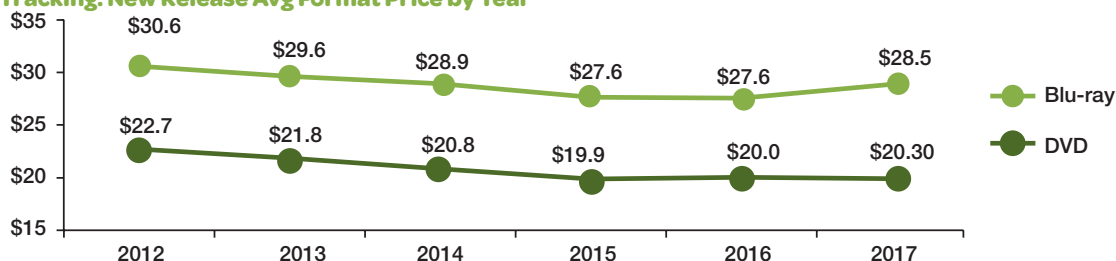
Consumer research via the GfK ConsumerScope study shows that having seen a movie previously is the leading purchase driver for DVD and Blu-rays, and is particularly important as a driver for New Release movie sales.

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

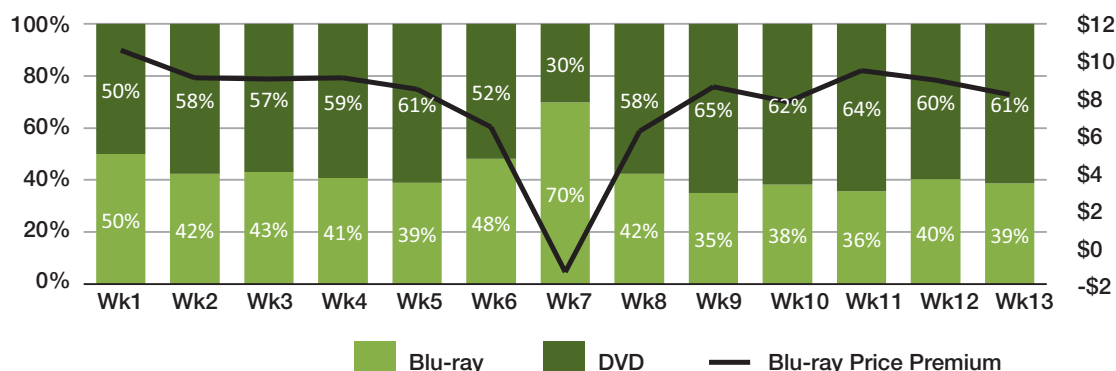


New Release pricing has stabilised in recent years and increased in 2017. The price premium for Blu-ray compared to DVD is \$8.20 for New Release movies. In cases where the gap between DVD and Blu-ray pricing narrowed, the share of Blu-ray almost always increased. Examples of this include Disney's Star Wars Rogue One and Moana, titles aimed at different demographics recording similar results. This highlights consumer's sensitivity to the price differential between DVD and Blu-ray.

GfK Retail Tracking: New Release Avg Format Price by Year

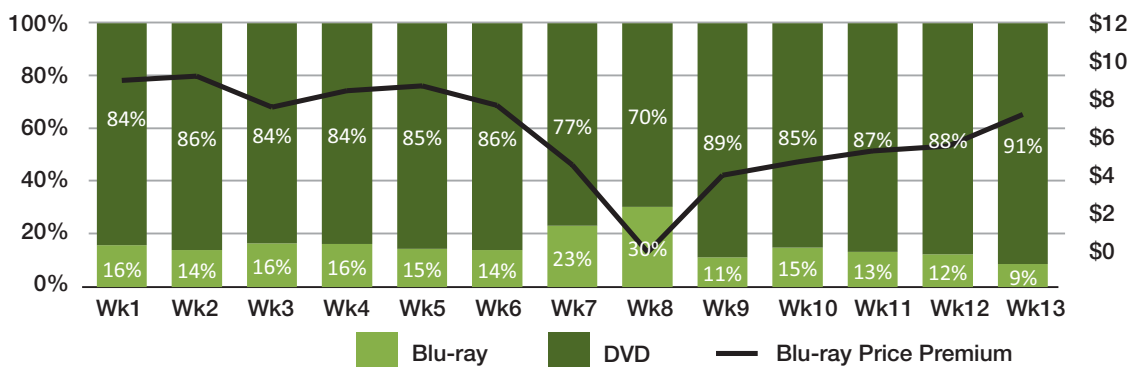


GfK Retail Tracking: Star Wars Rogue One - DVD vs. Blu-ray Unit Share %



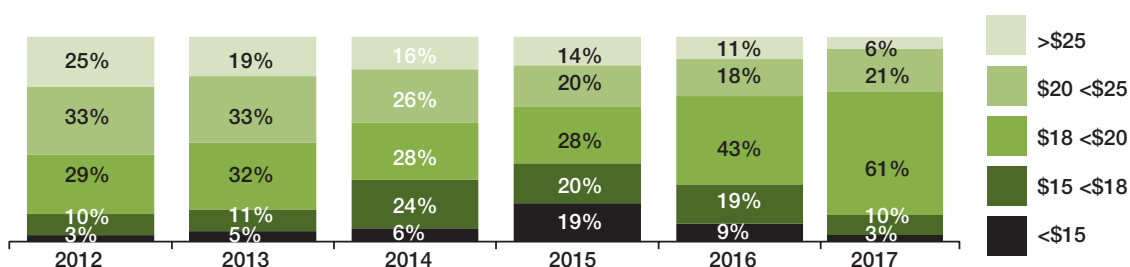
Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Moana - DVD vs. Blu-ray Unit Share %



DVD prices for New Release movies were also less varied than previous years. Over 60% of New Release DVD movies sold were priced between \$18-\$20. Sub \$15 pricing has largely disappeared from the market, as has the above \$25 priceband. Combined, those two pricebands have halved in share in 2017.

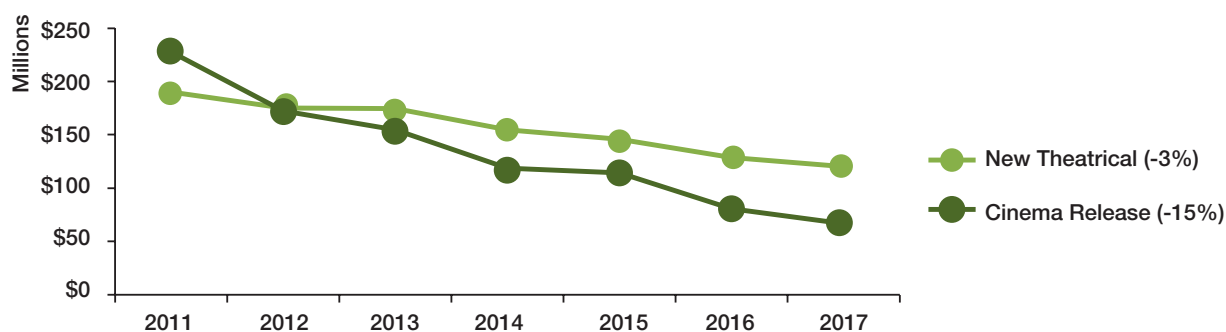
GfK Retail Tracking: New Release DVD Priceband Unit % by Year



Catalogue Movies

As noted previously, Catalogue movies increased in value share in 2017 and was the second best performing release type. To further analyse the Catalogue segment, sales can be split into titles that were released within a year of their theatrical release (release (New Theatrical, excluding first 13 weeks of sales) 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

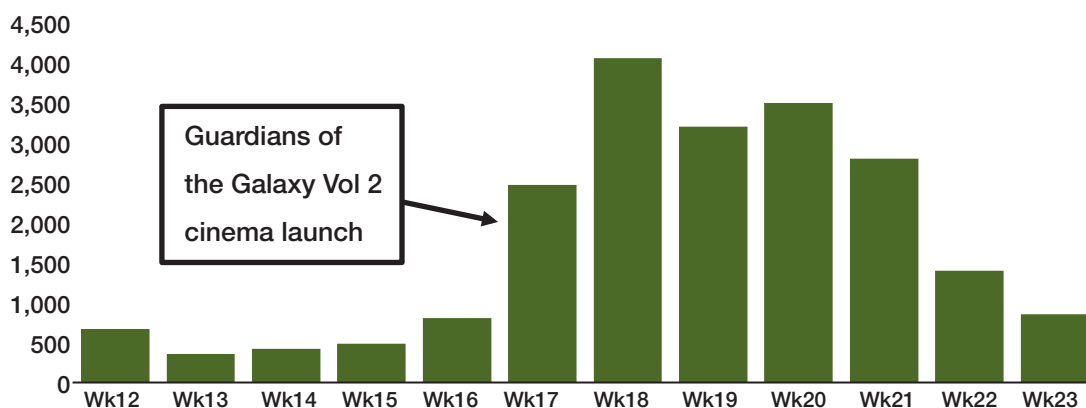


Video Entertainment Australia: Physical Retail Market

The value generated from New Theatrical titles fell just 3% in 2017, compared to a 15% decline for Cinema Release titles. Cinema Release now accounts for only 35% of total Catalogue value, a share that has decreased steadily over the last 4 years. It is expected that we will see further drops in this segment, though as it accounts for less overall share, the decrease in value will have less of an impact on the total Catalogue Movies release type.

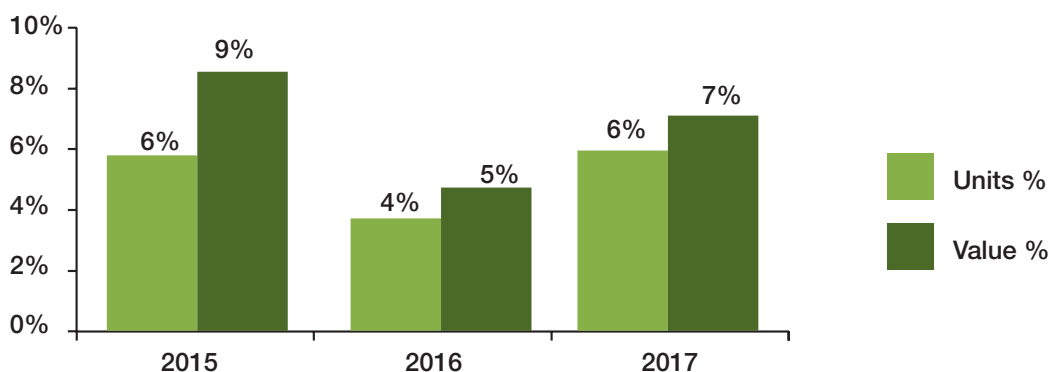
A driver of Catalogue movie sales is drafting. Drafting refers to the uplift in disc sales for older franchise movies when a new movie in that franchise is released at the cinema. An example of this in 2017 was Guardians of the Galaxy, which saw a lift in disc sales when Vol 2 was released at the cinema.

GfK Retail Tracking: Guardians of the Galaxy Weekly Volume



In 2017, 6% of all Catalogue movie sales were for titles experiencing that drafting lift, up from 4% in 2016. Value is also slightly higher for drafting as there are often full license boxsets that sell during the drafting period.

GfK Retail Tracking: Drafting % of Catalogue Movies



During 2017, Disney's Star Wars was the top drafting license, averaging nearly 4,000 additional units per week when titles were going through the drafting period. Other big drafting licenses include Fast and the Furious and Despicable Me. It is worth noting that solitary titles like Blade Runner and Guardians of the Galaxy recorded the biggest individual title lift compared to larger licenses with multiple titles.

Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Top 5 selling Drafting licenses, 2017, ranked by volume

RRANK	TITLE	AVG. WEEKLY LIFT IN UNITS
1	Star Wars	3,802
2	Fast & Furious	2,369
3	Despicable Me	1,889
4	Transformers	1,744
5	The Mummy	1,561

TV Series

TV Series is the top selling release type in the Video Entertainment market, generating 35% of the overall value in the market. 2017 did see the first drop in value share for TV Series in the last 6 years, as the value for the category fell following some changes to the biggest licenses.

As highlighted earlier, the leading TV license, Roadshow's Game of Thrones, had two series released in 2016, compared to just the one in 2017. Despite that change, Game of Thrones remained the largest TV license, with the latest series, Season 7, selling more volume at launch than any of the previous series.

Led by that change, new release TV (TV series within their first 13 weeks of sales) recorded a decline of 28% in value in 2017, compared to 15% for the rest of the TV market.

Many TV licenses experienced growth in 2017, including Fox's Vikings and Universal's A Place to Call Home, both of which were within the top 5 selling TV licenses for the year.

GfK Retail Tracking: Top 10 selling licenses, TV Series, 2017, ranked by volume

LICENSE	DISTRIBUTOR
Game Of Thrones	Roadshow
Vikings Tv Series	20Th Century Fox
A Place To Call Home	Universal
Walking Dead	20Th Century Fox
Big Bang Theory	Roadshow
Suits	Universal
Bones	20Th Century Fox
Supernatural	Roadshow
Dr Who	Roadshow
Law & Order	Shock/Universal

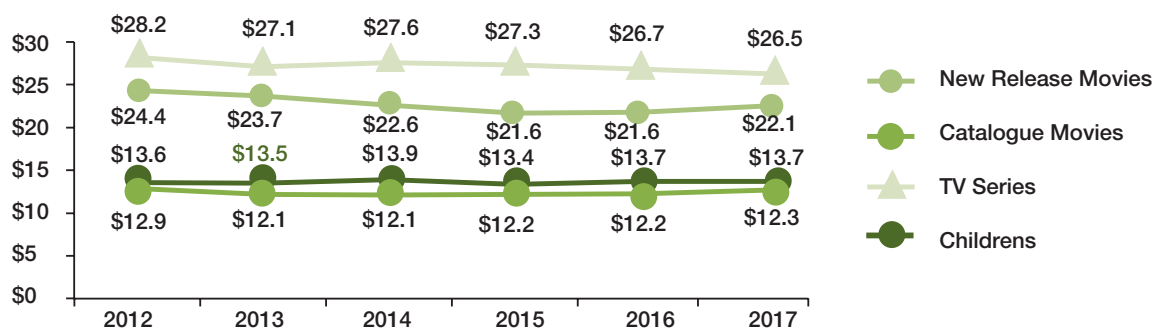
Video Entertainment Australia: Physical Retail Market

GfK Retail Tracking: Top 10 selling titles, TV Series, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Game Of Thrones Season 6	Roadshow	Drama
2	Game Of Thrones Season 7	Roadshow	Drama
3	Game Of Thrones Season 5	Roadshow	Drama
4	A Place To Call Home Season 4	Universal	Drama
5	Vikings Season 4 Part 2	20Th Century Fox	Drama
6	Game Of Thrones Season 4	Roadshow	Drama
7	Big Little Lies Season 1	Roadshow	Drama
8	Vikings Season 4 Part 1	20Th Century Fox	Drama
9	Game Of Thrones Season 1	Roadshow	Drama
10	Sherlock Season 4	Roadshow	Drama

TV Series cost more, on average, than the other release types; primarily due to TV series being released in larger boxsets. Prices have remained stable in 2017, with the TV Series average price sitting at nearly \$27.

GfK Retail Tracking: Average Price by Release Type



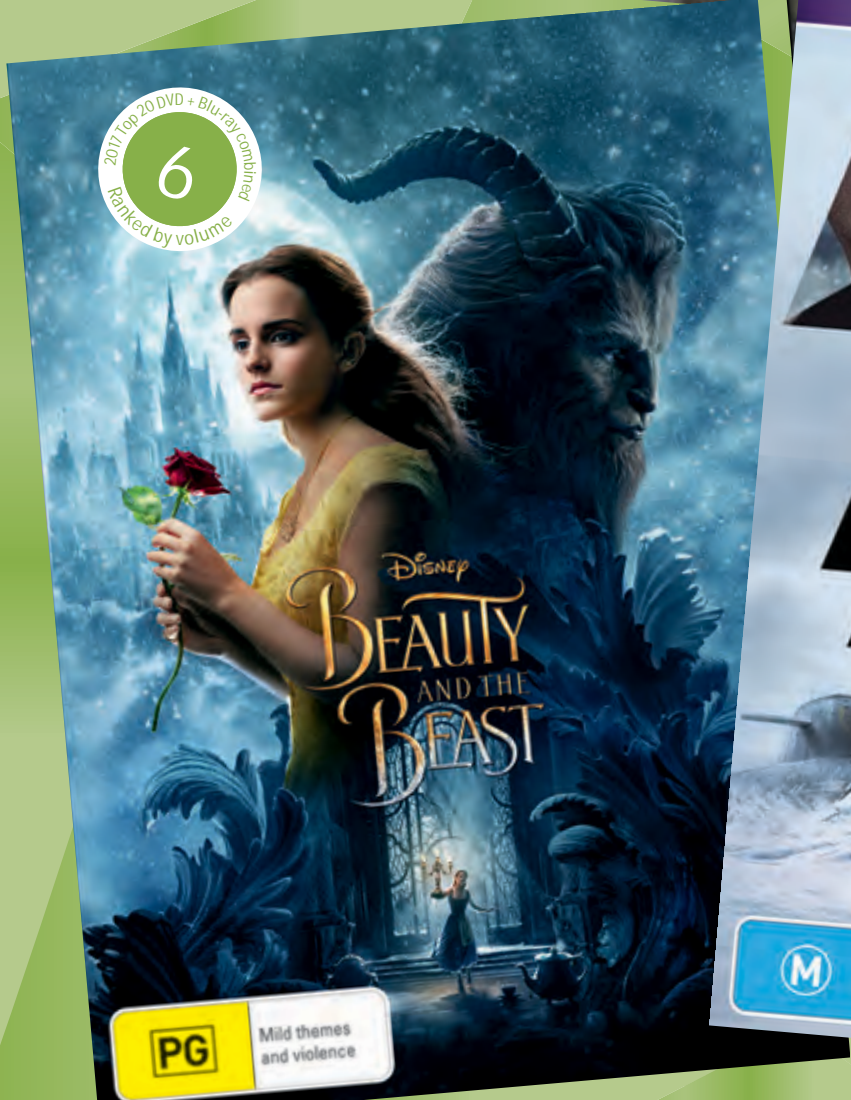
It is likely that the digital streaming services may also be having an impact on the TV series disc market. Data from GfK ConsumerScope shows that the 2017 consumption of TV content via those services has risen to the highest ever recorded levels and has surpassed movies as the most watched content for the streaming services.

According to GfK ConsumerScope, there has also been an increase in watching titles on digital streaming services which have not yet been released on disc. These titles accounted for 17% of total viewing on these services, up from 11% in 2016. Some of the top titles are the original series launched by Netflix, including Stranger Things and 13 Reasons Why.

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 2017, 45% of the
Australian population
aged 14-65 watched
paid digital content***

”

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

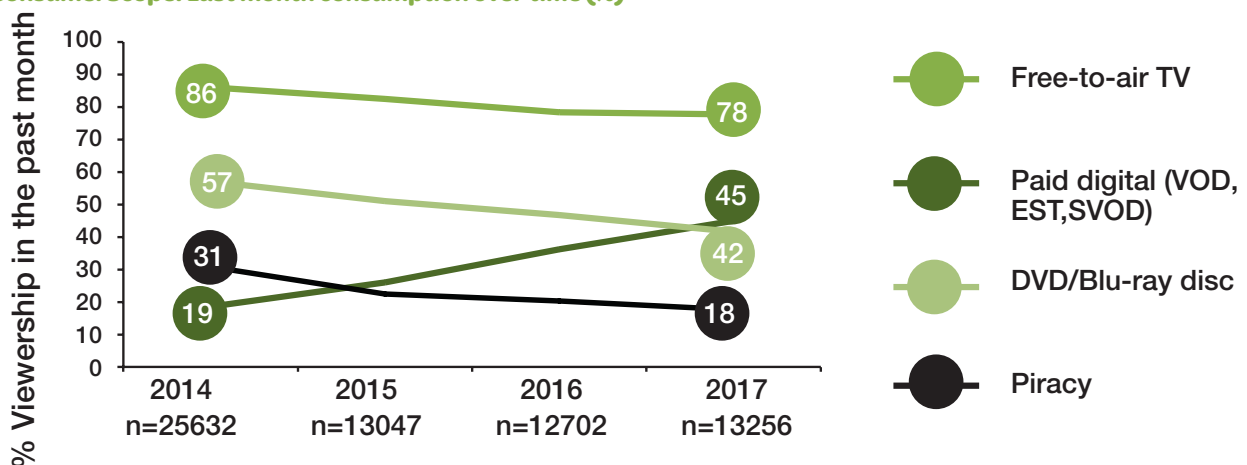
The continuing fragmentation of the Home Entertainment market is providing consumers with more content, platforms, and providers to choose from, which is driving a shift in consumer viewing behaviour.

Engagement with Home Entertainment is higher than ever before. The number of titles watched per month has increased from 8.3 to 10.1 in the last year, and, on average, Australians aged 14-65 spend 19.4 hours per week watching Home Entertainment (including free-to-air TV, Pay TV, and Catch-up TV), a 0.7 hour increase from 2016. This trend was mainly driven by an increasing number of hours and titles watched using subscription video-on-demand.

The rise of digital consumption has continued over the past 12 months and for the first time, more Australians have watched paid digital content (EST¹, VOD², SVOD³) than discs in 2017. Nevertheless, discs are still very popular, with 42% of Australians aged 14-65 having watched a DVD or Blu-ray disc in 2017.

Very positively, the downward trend of piracy has continued and has been the lowest since the GfK ConsumerScope measurement started in 2010. In 2017, only 18% of Australians aged 14-65 have watched pirated content (direct or indirect⁴). More legal deterrents, the introduction of subscription video-on-demand services, and shorter release windows have assisted the decrease in piracy over the last 3 years.

GfK ConsumerScope: Last month consumption over time (%)



Base: National representative sample of Australian population (aged 14-65)

1 EST = electronic sell through/ digital purchase to keep

2 VOD = paid video-on-demand/ digital rental

3 SVOD = subscription video-on-demand

4 indirect piracy = copied from someone else (e.g. via USB, hard drive etc.)

Consumer Behaviour

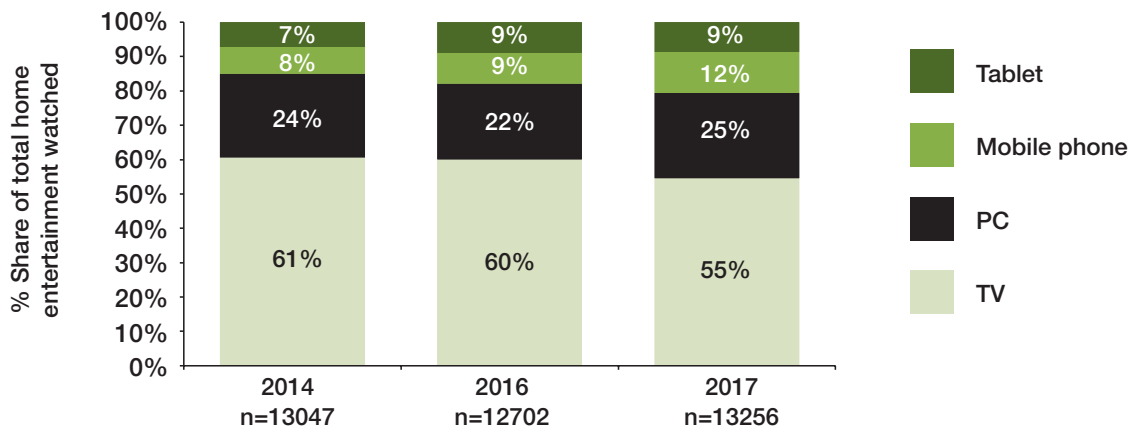
There has been a consistent increase in on-the-go video consumption, with 29% of Australians saying that they watch more content on the go compared to a year ago (Q4 2017).

The increase in smart devices, rise of mobile phone data caps and increased public Wi-Fi areas, as well as the ability to download content from subscription video-on-demand services, have all helped to drive entertainment consumption on mobile devices.

Mobile consumption

The TV screen remains the primary device for viewing Home Entertainment, but mobile devices, particularly smartphones, are increasing in share. The use of mobile devices to watch Home Entertainment is significantly higher for younger age groups, while the TV screen remains the preferred device for Australians aged 35+.

ConsumerScope: Device share – of total hours watched (%)



Base: National representative sample of Australian population (aged 14-65)

ConsumerScope: Device share by age (2017)

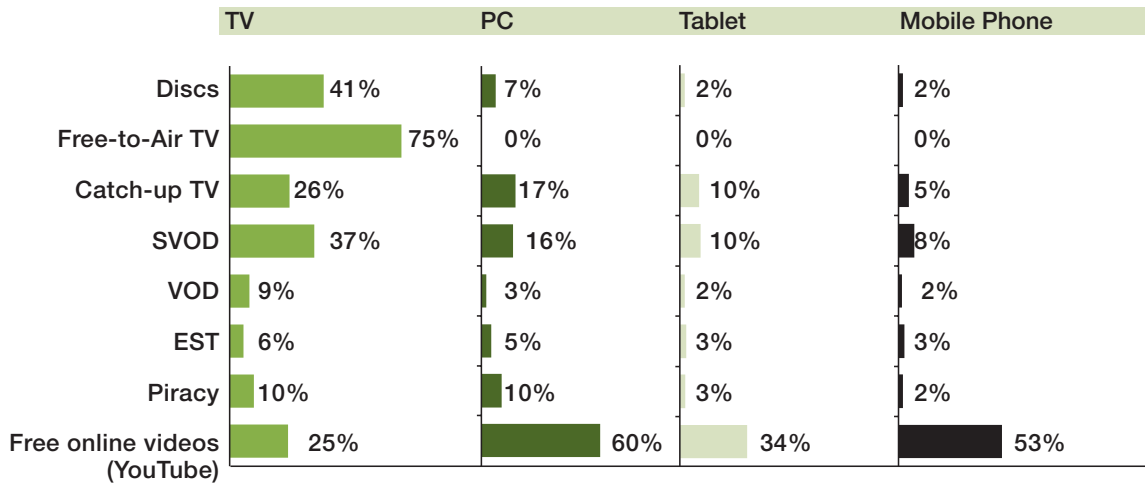
	Total population	14-17 y.o.	18-24 y.o.	25-34 y.o.	35-44 y.o.	45-54 y.o.	55-65 y.o.
TV	55%	35%	35%	52%	61%	71%	78%
PC	25%	37%	38%	25%	19%	15%	13%
Mobile phone	12%	18%	19%	14%	10%	5%	3%
Tablet	9%	9%	8%	9%	10%	8%	6%
	n=7473	n=383	n=996	n=1789	n=1559	n=1441	n=1305

Base: National representative sample of Australian population (aged 14-65), 2017

While most of the content watched on the TV screen is still free-to-air TV, other paid content and providers are making an entry onto 'the big screen'. In contrast, content watched on mobile devices is still predominantly free, such as Catch-up TV or other free online videos e.g. YouTube.

Consumer Behaviour

ConsumerScope: Formats watched on device (2017)



Base: Total involved in home entertainment in 2017 (n=8,168)

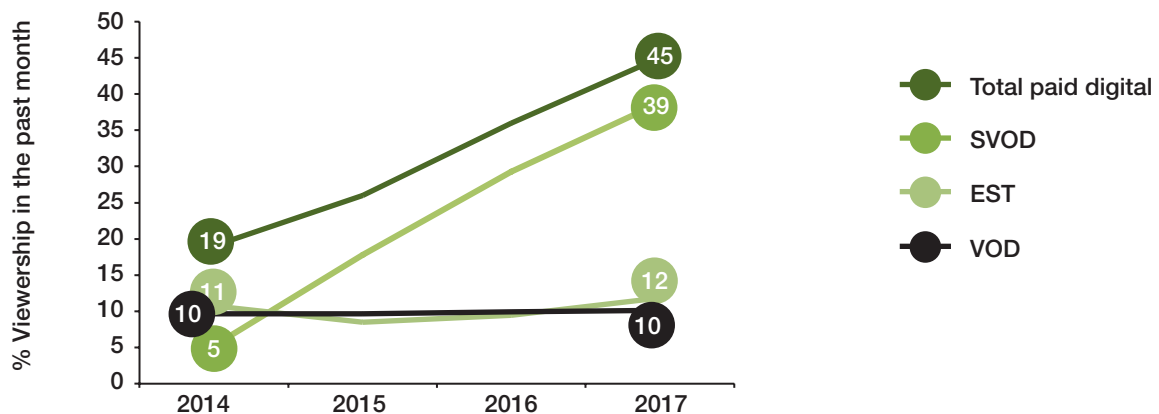
In Q4 2017, 18% of Australians aged 14-65 stated that they had downloaded titles from a subscription video-on-demand service before. Amongst these, occasions for downloading SVOD titles include holidays at 51%, on the plane 44%, and commuting at 42%. However, 30% are also watching downloaded SVOD titles at home.

Although data caps have been raised, they still remain a barrier when it comes to content consumption on the go, with 34% of Australians aged 14-65 stating that they would watch more content on the go if they had more data available.

Paid digital (EST, VOD, SVOD)

Paid digital consumption has seen consistent growth over the last few years, largely driven by SVOD. In 2017, 45% of the Australian population aged 14-65 watched paid digital content. While transactional figures for EST and VOD have steadily increased, the number of people involved in EST and VOD has remained fairly stable.

GfK ConsumerScope: Last month consumption over time (%)



Base: National representative sample of Australian population (aged 14-65)

Consumer Behaviour

Digital Home Entertainment viewing is being embraced more by younger age groups, with nearly 2 in 3 under 25 year olds watching paid digital content in the past month.

GfK ConsumerScope: Paid digital consumption by age (2017)

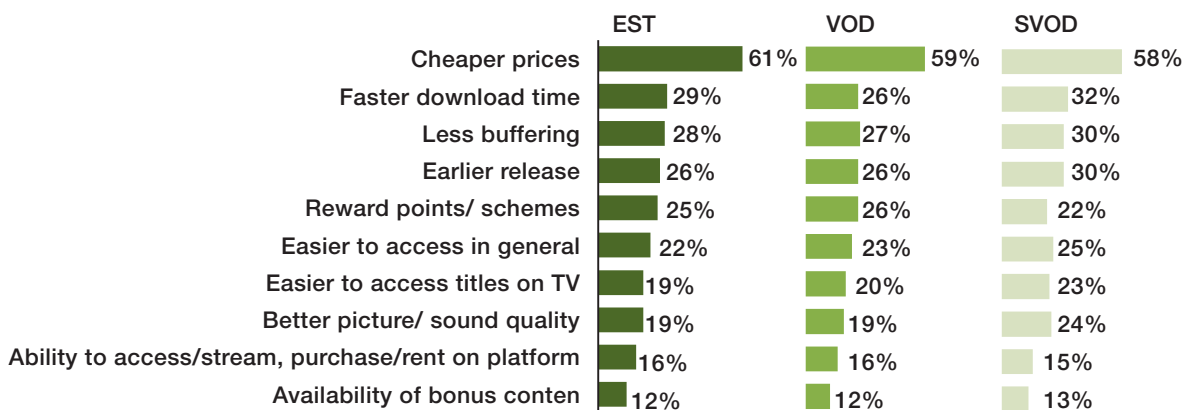
	Total population	14-17 y.o.	18-24 y.o.	25-34 y.o.	35-44 y.o.	45-54 y.o.	55-65 y.o.
Total Paid Digital	45%	62%	65%	58%	44%	34%	21%
VOD	10%	15%	13%	14%	10%	7%	4%
EST	12%	22%	19%	17%	12%	6%	2%
SVOD	39%	54%	56%	50%	37%	29%	18%
	n=7473	n=383	n=996	n=1789	n=1559	n=1441	n=1305

Base: National representative sample of Australian population (aged 14-65), 2017

Increasing familiarity, the rise of smart devices, growing number of providers, and more content have all contributed to the growth in paid digital.

While paid digital is on the rise, there are still barriers to its consumption. Cheaper prices, faster download speeds and less buffering are the top three reasons that would encourage users to more frequently viewing of paid digital formats. Not enough recent content/earlier releases is a key barrier, particularly for subscription streaming services.

GfK ConsumerScope: What would encourage you to watch [paid digital format] more frequently? (2H 2017)



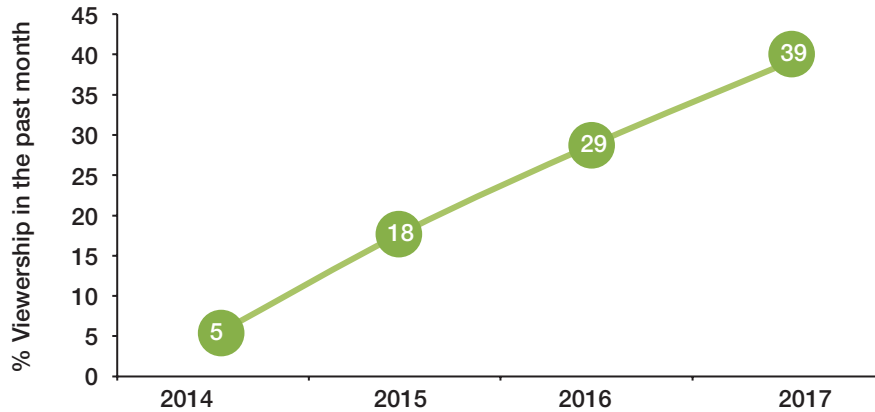
Base: Involved in home entertainment (n=4103), 2H 2017

Subscription video on demand (SVOD)

Of all formats, subscription video on demand has shown the greatest increase in consumption. Since Netflix launched in Australia in March 2014, penetration of SVOD has increased from 5% in 2014 to 39% in 2017 (+643%).

Consumer Behaviour

GfK ConsumerScope: SVOD consumption by year (%)

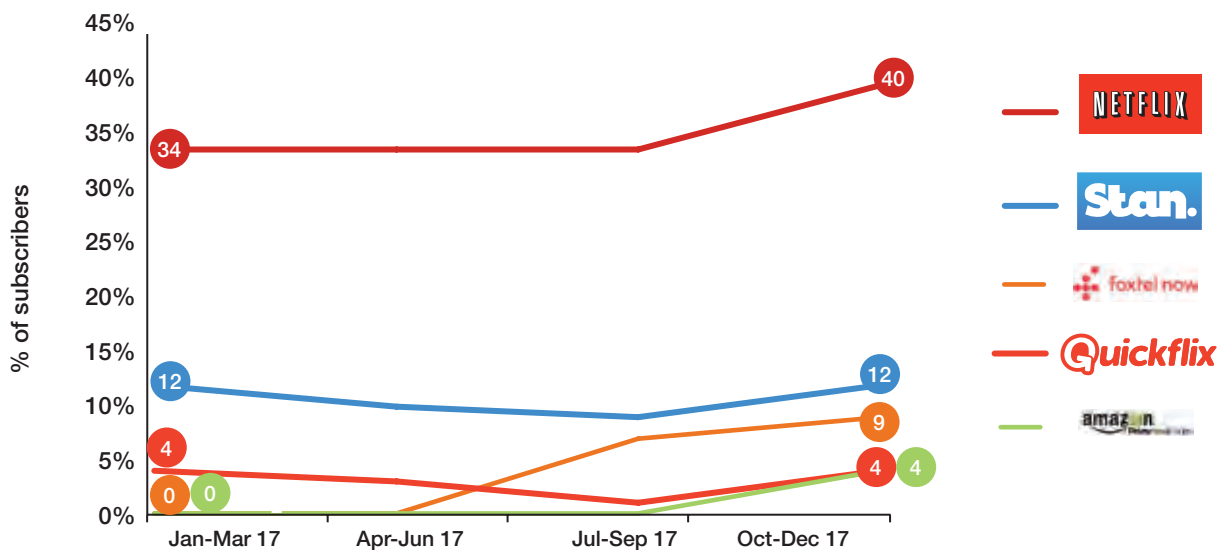


Base: National representative sample of Australian population (aged 14-65)

Since then, several content providers have entered the market (Stan, Foxtel Now, Amazon Prime etc.), and are competing for audiences' share of viewing. While Netflix still accounts for the majority of viewers, other SVOD providers have been gaining share over the last couple of years.

The fragmentation of the on-demand landscape is likely to continue as more 'non-traditional' providers enter the market. With Disney planning to launch its own direct-to-consumer on-demand platform, other studios may potentially follow. Facebook, which launched its Facebook Watch service in 2017 in the USA, it has the potential to surpass YouTube as the biggest video platform.

GfK ConsumerScope: SVOD service subscription (%)



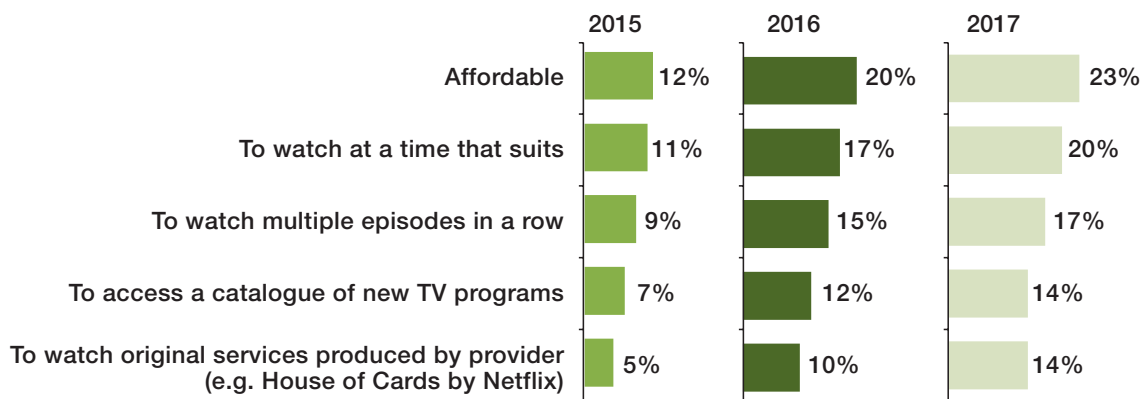
Base: Re-based to total population aged 14-65

Consumer Behaviour

As content providers try to differentiate themselves from other providers, the importance of original content is likely to grow in the future when it comes to choosing a provider.

While consumers want choice, and the various subscription services are relatively affordable, accessing a significant breadth of original content will require multiple subscriptions. In Q4 2017, 27% of Australian consumers were paying for two or more pay TV and SVOD services.

GfK ConsumerScope: Top 5 reasons to sign up to SVOD service



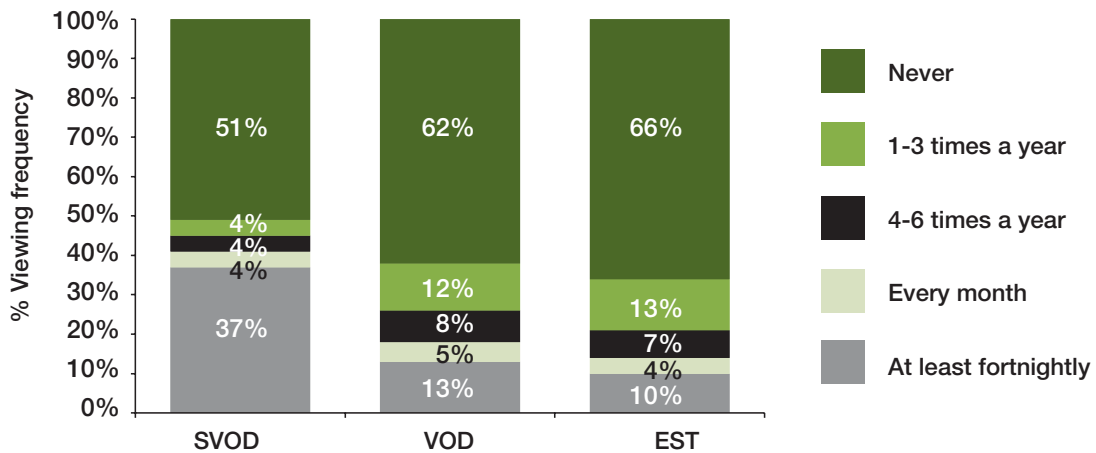
Base: Watched SVOD in the past month: 2015 (n=8224), 2016 (n=8167), 2017 (n=8168)

EST and VOD

Over the last few years, we have seen an increase in transactional figures of EST and VOD, while penetration of EST and VOD has remained fairly stable.

Unlike SVOD, EST and VOD are much more likely to be used occasionally:

GfK ConsumerScope: Consumption frequency segmentation, 2017

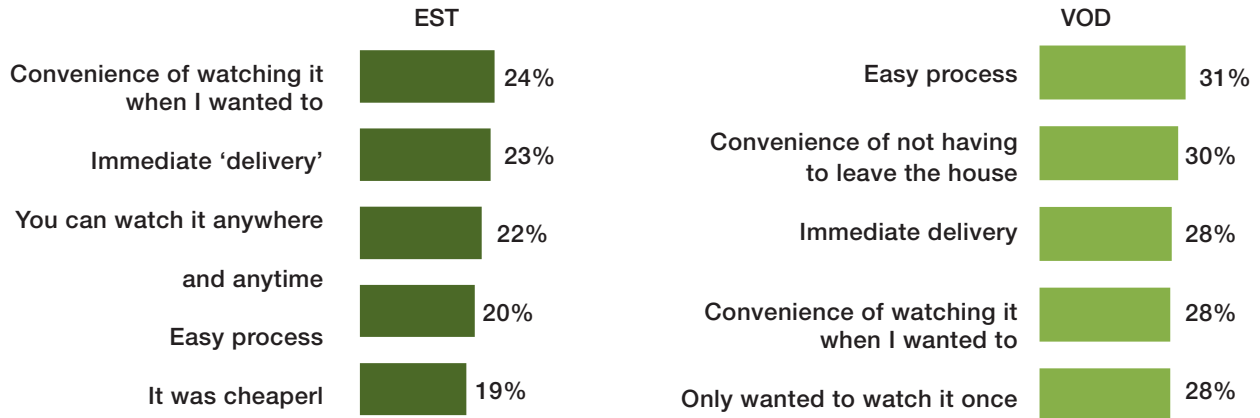


Base: Re-based to total population

Consumer Behaviour

Amongst past-month users, the convenience of watching anytime and immediately, as well as easy process, are key drivers to choose EST and VOD over others.

GfK ConsumerScope: Drivers of EST & VOD, 2017

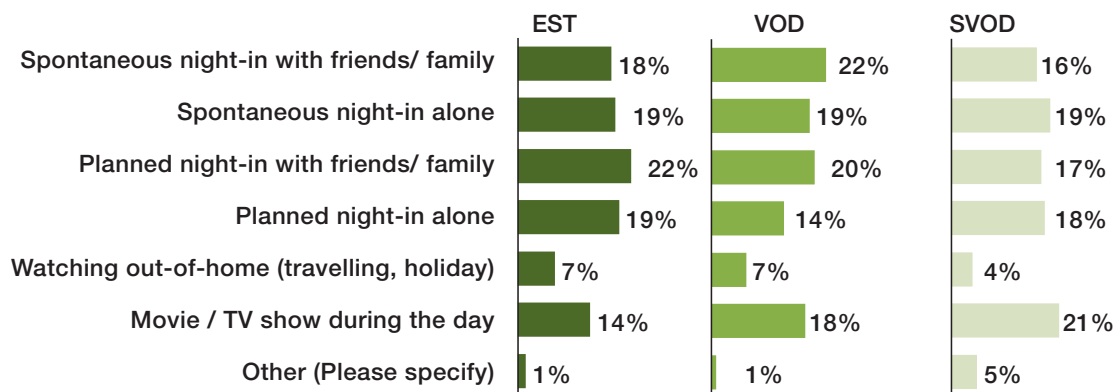


Base: Watched EST in 2017 (n=929), VOD (n=725)

However, EST and VOD are used for different occasions to SVOD. While both may be likely to be used for nights in with family or friends, SVOD consumption is somewhat more solitary.

SVOD is also more likely to be used during the week as a mid-week filler, while EST and VOD is more for weekend consumption.

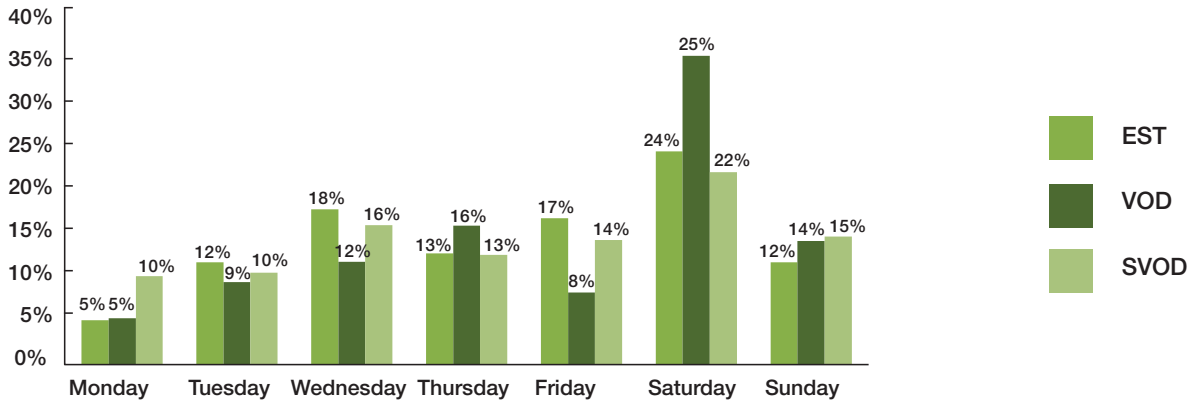
GfK ConsumerScope: Viewing occasion



Base: Q1 '17 combined: Watched EST (n=197), VOD (n=170), SVOD (n=772)

Consumer Behaviour

GfK ConsumerScope: Viewing day

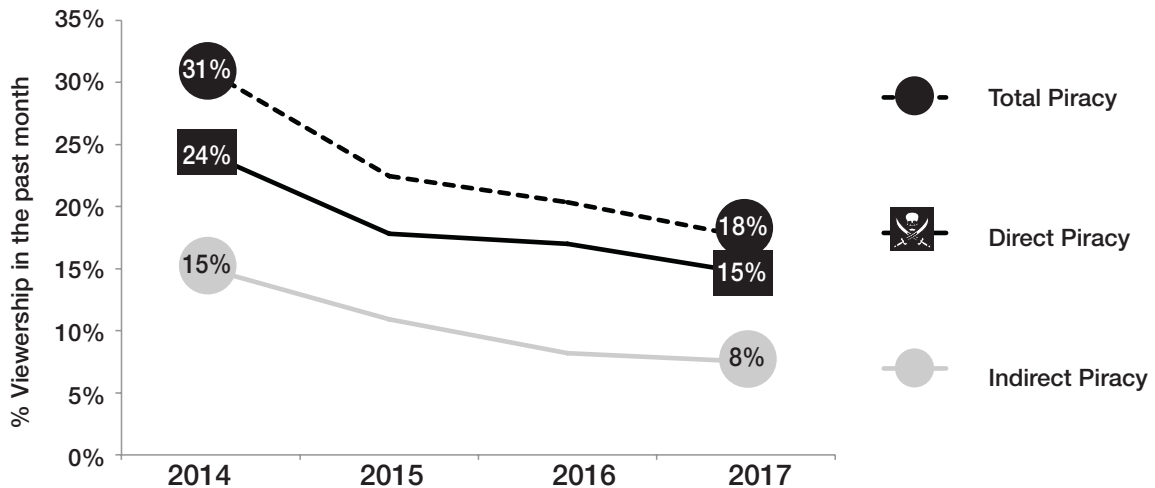


Base: Q1 '17, Watched EST (n=197), VOD (n=170), SVOD (n=772).

Piracy

In 2017, piracy in Australia reached its lowest level in 7 years. In the last 3 years both direct and indirect piracy experienced declines, of -39% and -50% respectively.

GfK ConsumerScope: Last month consumption over time (%)



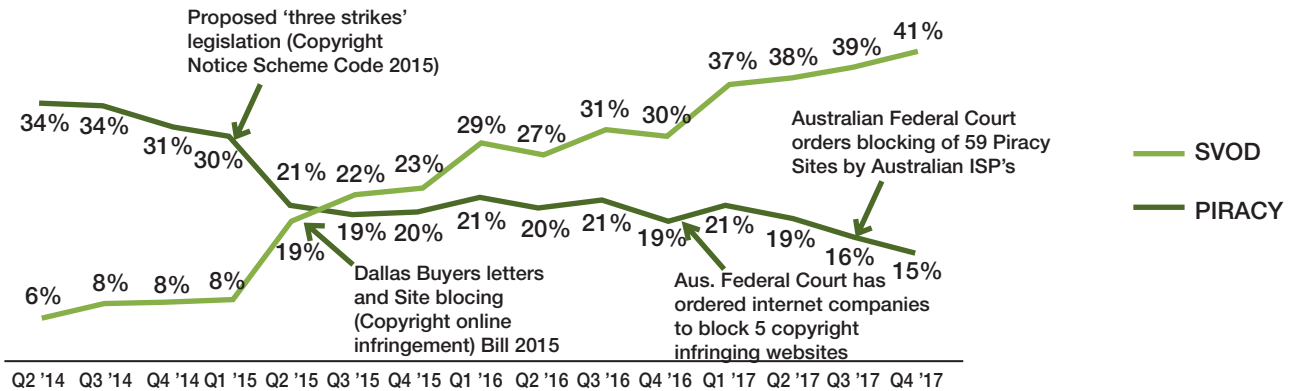
Base: National representative sample of Australian population (aged 14-65)

A number of factors have reduced the impact of piracy on the Home Entertainment market in Australia over the last three years:

- **Legal deterrents:** Dallas Buyers Club letters and ISPs blocking access to piracy web sites ordered by Australian courts.
- **Affordability:** The introduction of SVOD in the Australian market has provided consumers with an affordable alternative to piracy. 34% of those who watched SVOD in the past month state that they have reduced their piracy already or definitely will pirate fewer titles (2017).

Consumer Behaviour

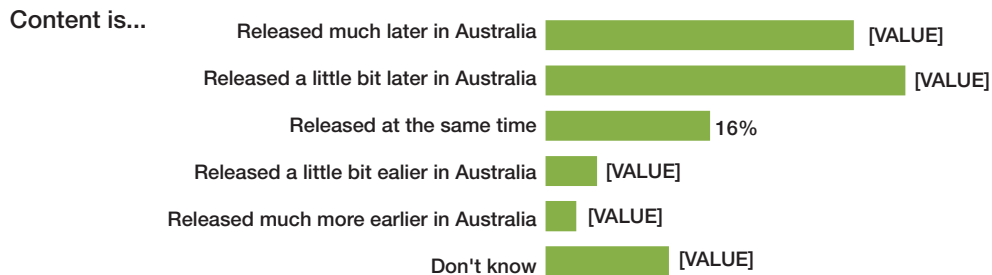
GfK ConsumerScope: Last month consumption over time – SVOD & Piracy



Base: National representative sample of Australian population (aged 14-65)

- Shorter release windows:** The introduction of SVOD in the Australian market has provided consumers with an affordable alternative to piracy. 34% of those who watched SVOD in the past month state that they have reduced their piracy already or definitely will pirate fewer titles (2017).

GfK ConsumerScope: Last month consumption over time – SVOD & Piracy

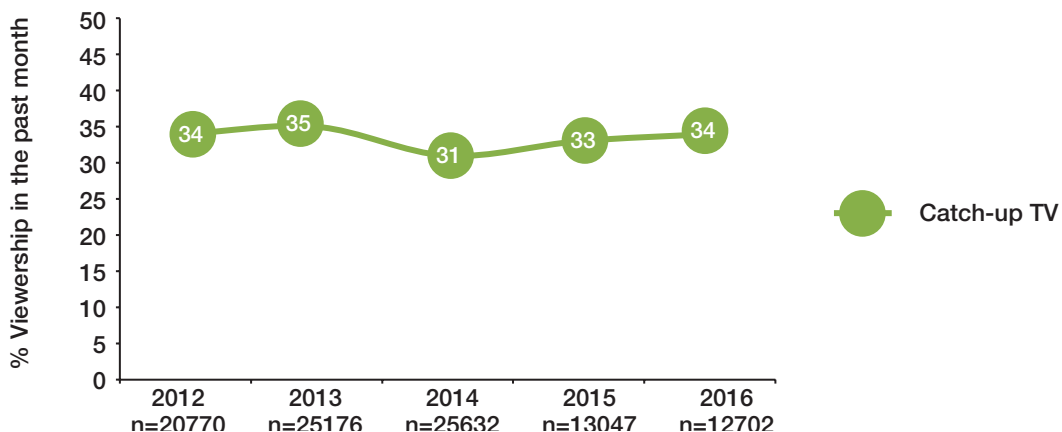


Base: Involved in home entertainment Q4 2017 (n=2014)

Catch-up TV

Consumption of catch-up TV has been fairly stable over the last few years, with just over a third of Australians having watched catch-up TV in 2017.

GfK ConsumerScope: Catch-up TV consumption over time

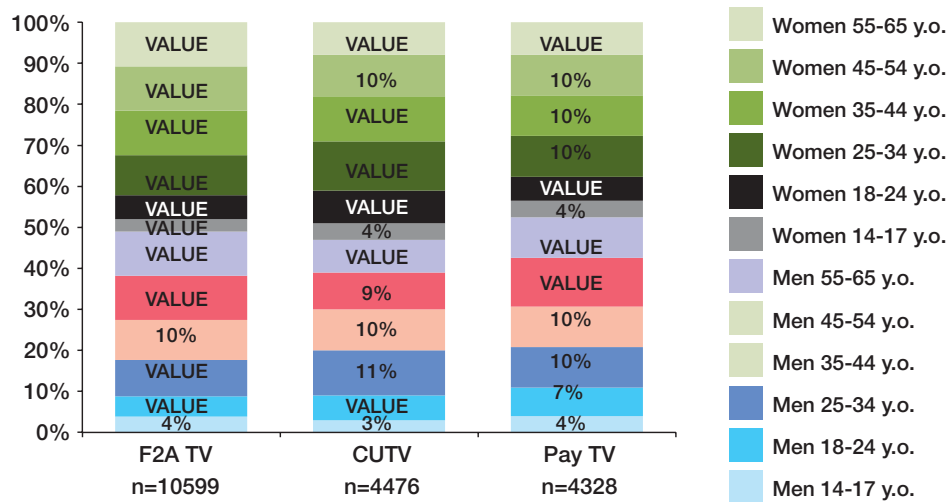


Base: National representative sample of Australian population (aged 14-65)

Consumer Behaviour

While free-to-Air TV and pay TV seem to attract older demographics, catch-up TV particularly engages younger females.

GfK ConsumerScope: Gender x Age by linear consumption



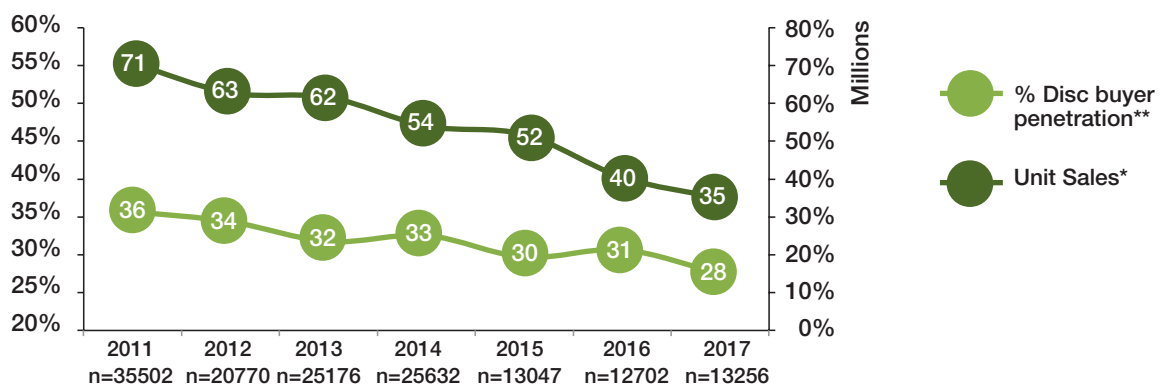
Base: National representative sample of Australian population (aged 14-65), indicate significant differences vs. total population

With services like Foxtel Now offering a combination of linear and subscription on-demand services to differentiate and maximise audience reach, the lines are becoming increasingly blurred.

Disc purchase and consumption

In line with declining sales volume, the number of people buying discs has been steadily declining over the last few years. However, compared to other countries, the physical disc market is still significant in Australia. In Australia per capita disc sales (1.25 - 2017) are amongst the highest in the countries GfK tracks.

GfK POS tracking & ConsumerScope Acquisition incidence & sales volume

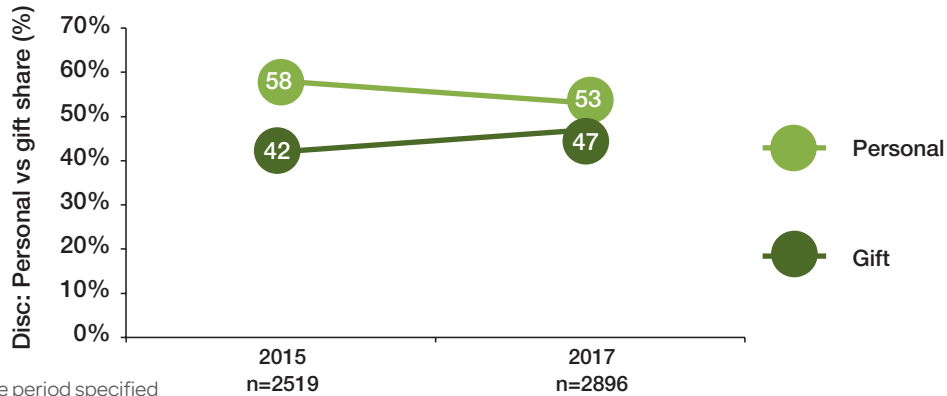


*Source: GfK POS tracking **Source: GfK ConsumerScope (Nat rep sample)

Consumer Behaviour

While personal disc purchase still accounts for nearly 60% of total disc volume, there are indications that the number of titles for personal use is declining while gift giving is increasing.

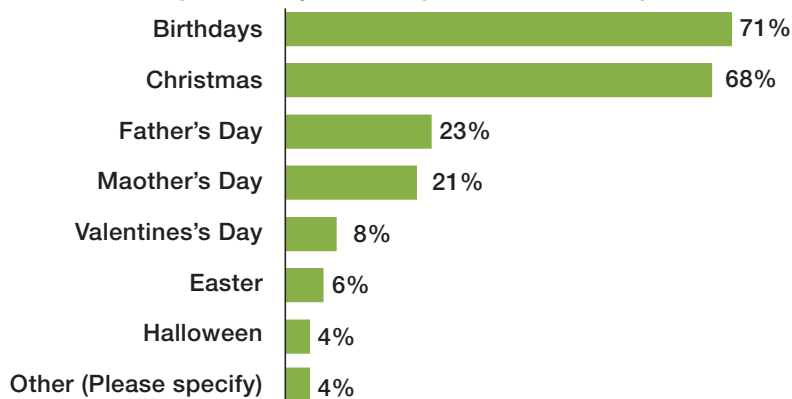
GfK ConsumerScope: Discs: Personal vs. gift share



Base: Disc buyers in the period specified

Birthdays actually appear to be a larger gifting occasion for discs than is Christmas. 71% of disc buyers in 2017 purchased or intended to purchase a disc as a birthday gift, compared to Christmas at 68%.

GfK ConsumerScope: Gift occasions disc purchased/ intended to purchase for in the past 12 months

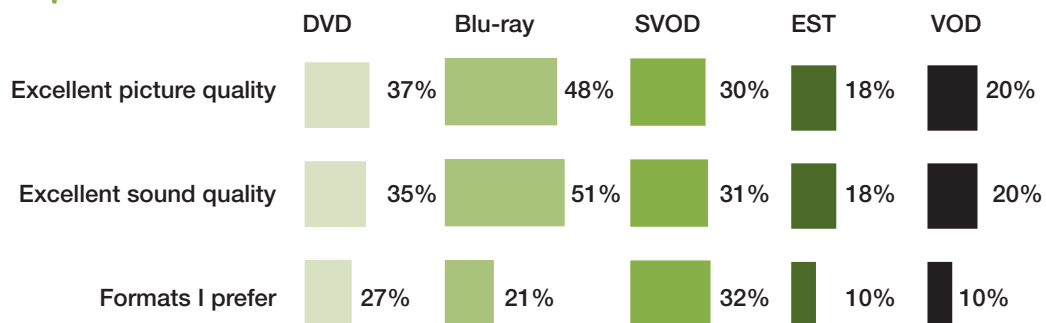


Base: Disc buyers in 2017 (n=3,886)

Apart from gifting, several other factors are holding up the disc market in the Australia:

- Familiarity with format & strong associations.** Compared to other formats, both DVD and Blu-ray discs are still strongly associated with great sound and picture quality

GfK ConsumerScope: Format associations 2017

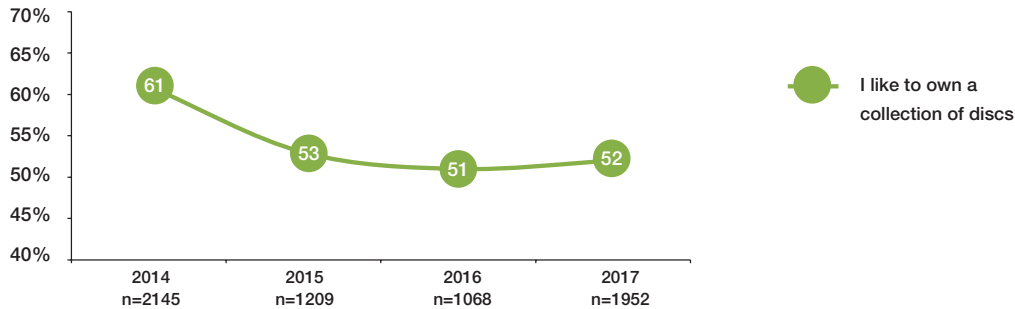


Base: Involved in home entertainment 2017 (n=8168)

Consumer Behaviour

- **Desire for collection / tangibility:** Disc collection continues to be the number 1 reason to purchase a disc over EST. However, this has been steadily declining over the last three years.

GfK ConsumerScope: Reasons for choosing discs over EST



Base: Disc buyers in the period specified

- **Pricing and promotion:** It is important that disc buyers feel they get a good deal as just over half of all discs in 2017 (52%) were purchased on special offer. Only 18% of total discs would have been purchased for full price (if they weren't on special offer).
- The most appealing special offers for discs were revealed as 2for1 and Buy 1 get 1 free. This preference for more items, not just cheaper items, may tie into the collection psychology.

GfK ConsumerScope: Most appealing special offer (Q1 2017)

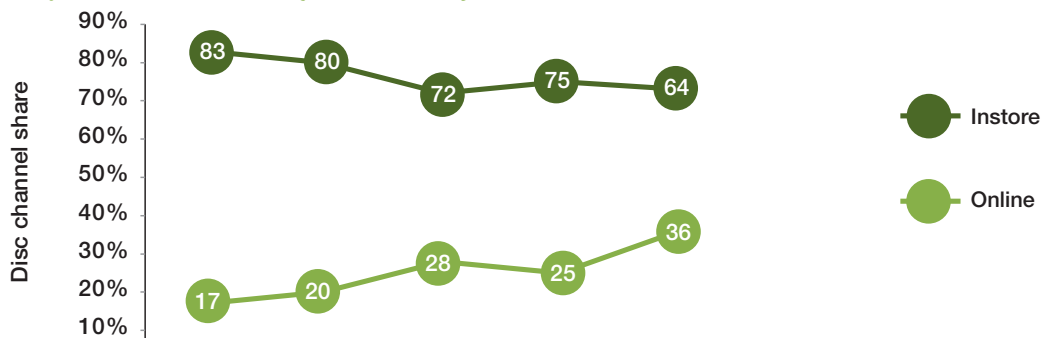


Base: Disc browsers in Q1 2017 (n=1108)

- **Digital barriers:** Barriers to digital consumptions still exist such as cost, unfamiliarity with digital formats, and not being able to watch them on a TV screen. 46% of Australians still agree that they prefer more traditional ways of Home Entertainment.

When it comes to retail sales channels, physical channels remain dominant. However, online is likely to continue growing, in particular with the launch of Amazon in the Australian market in December 2017.

GfK ConsumerScope: Disc sales channel (Volume share)

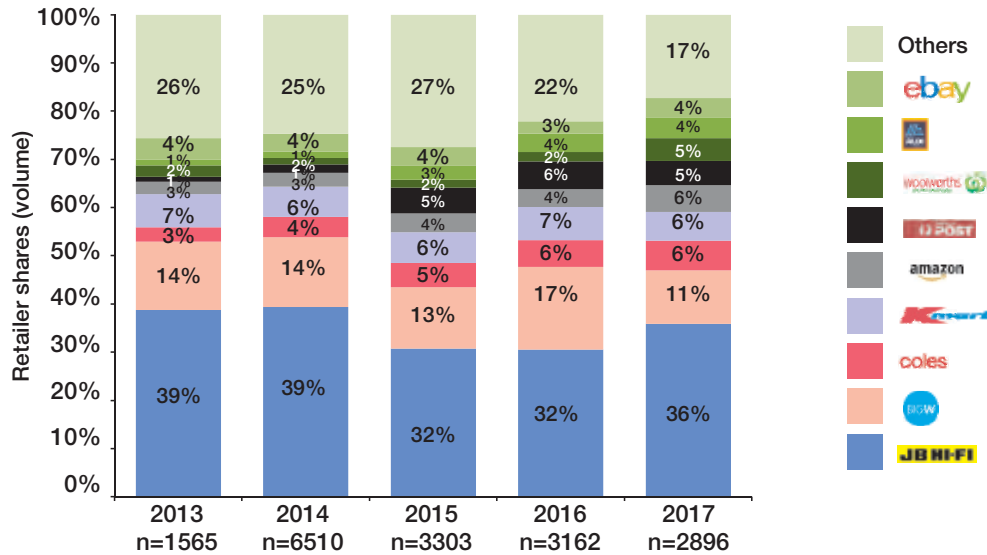


Base: Disc buyers in the period specified

Consumer Behaviour

JB Hi-Fi remains the dominant player in the market, accounting for 36% of disc sales in 2017, an increase from 31% in the previous year.

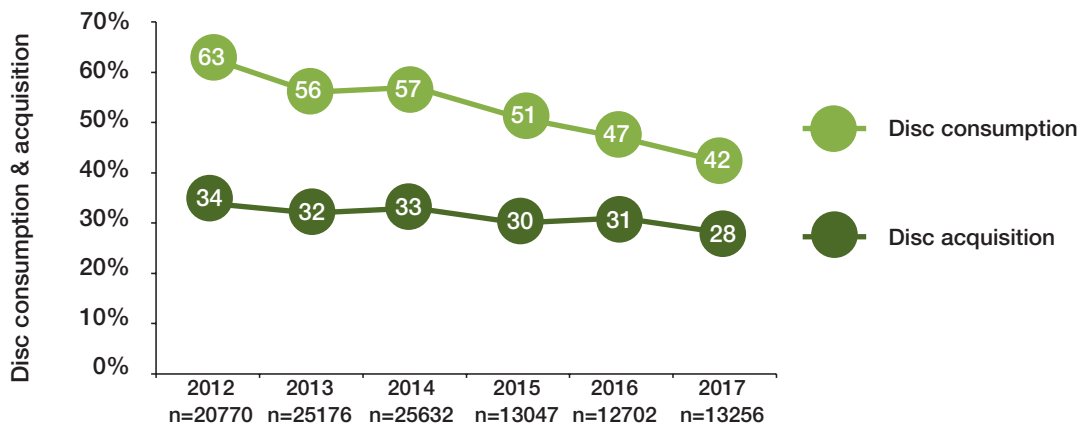
GfK ConsumerScope: Disc retailer share (Volume share)



Base: Disc buyers in the period specified

Disc consumption is declining at a faster rate than acquisition. Blu-ray consumption and acquisition is declining at a slower rate than DVD consumption and acquisition.

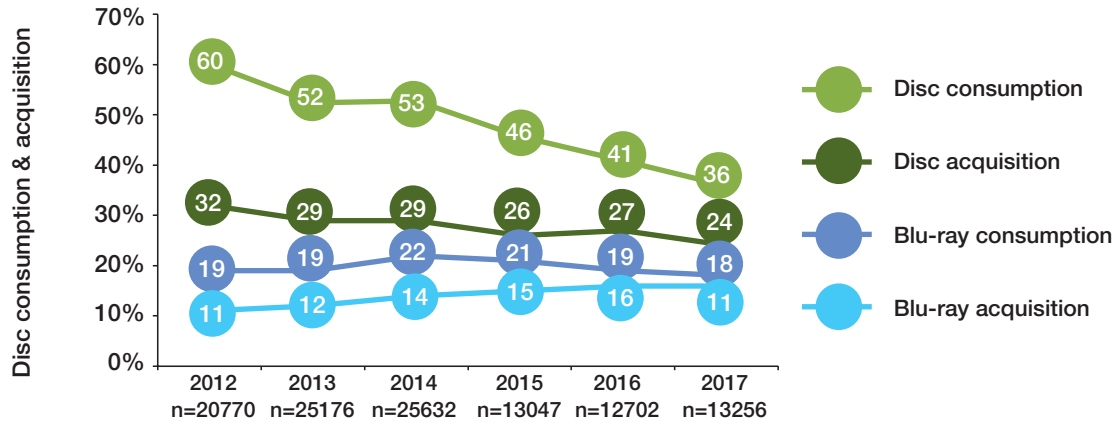
GfK ConsumerScope: Consumption and acquisition share



Base: National representative sample of Australian population (aged 14-65)

Consumer Behaviour

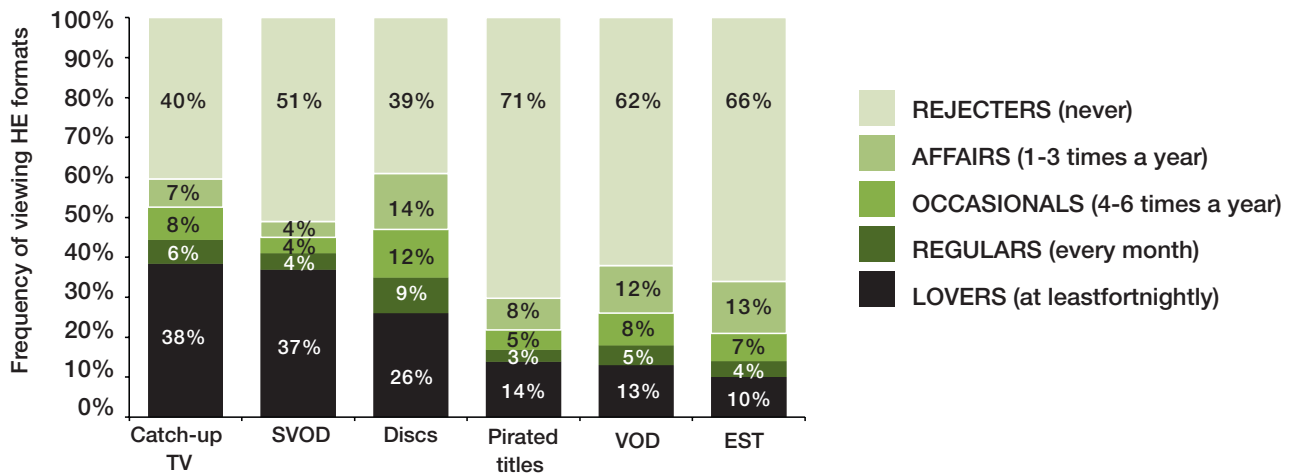
GfK ConsumerScope: Consumption and acquisition share – DVD vs. Blu-ray



Base: National representative sample of Australian population (aged 14-65)

Compared to other formats, discs are still very much loved. Although having a similar number of format 'lovers', discs are less polarising than SVOD which has a higher active rejection rate.

GfK ConsumerScope: Consumption frequency segmentation



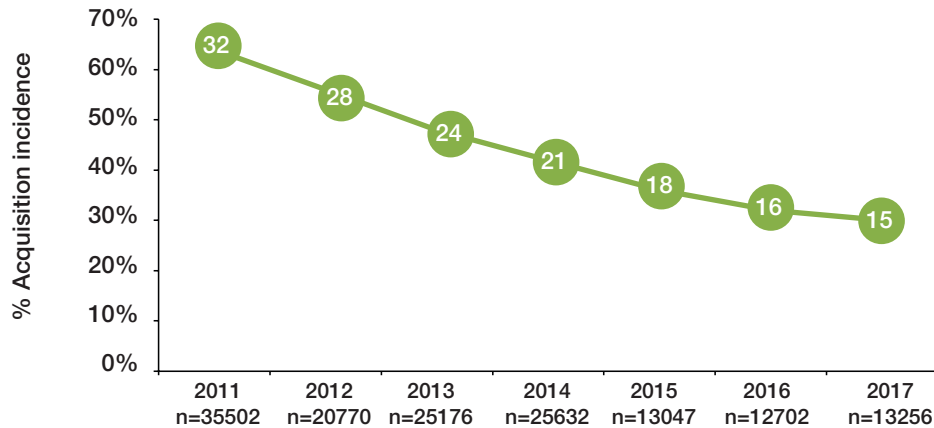
Base: Re-based tot total population

Disc rental

Disc rental continues to be the fastest declining format in the Australian entertainment landscape. Over the last 6 years, the proportion of Australians renting physical discs has more than halved, down to 15% in 2017.

Consumer Behaviour

GfK ConsumerScope: Acquisition incidence of disc rental over time



Base: National representative sample of Australian population (aged 14-65)

In line with declining acquisition incidences, the number of video stores has drastically reduced. In 2001 there were about 2600 video stores, according to the Australian Video Rental Retailers Association (AVRRA). By the end of 2016 that number had dwindled to 750.

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/en-au/ or follow GfK on Twitter: twitter.com/gfk?lang=en



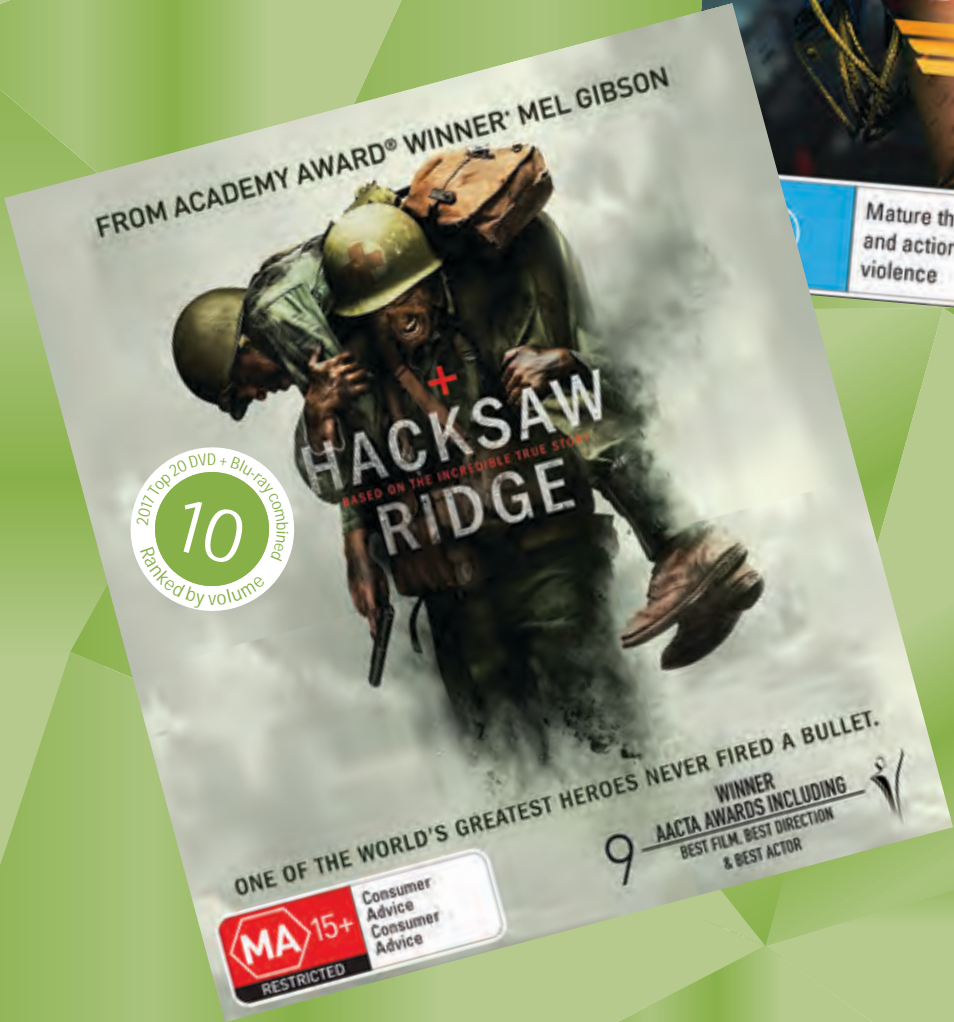
2017 Top 20 DVD + Blu-ray combined
8
Ranked by volume

M
Science fiction themes and violence



2017 Top 20 DVD + Blu-ray combined
9
Ranked by volume

Mature themes and action violence



FROM ACADEMY AWARD® WINNER MEL GIBSON

2017 Top 20 DVD + Blu-ray combined
10
Ranked by volume

MA 15+
Consumer Advice
Consumer Advice
RESTRICTED

ONE OF THE WORLD'S GREATEST HEROES NEVER FIRED A BULLET.
9
WINNER
AACTA AWARDS INCLUDING
BEST FILM, BEST DIRECTION
& BEST ACTOR

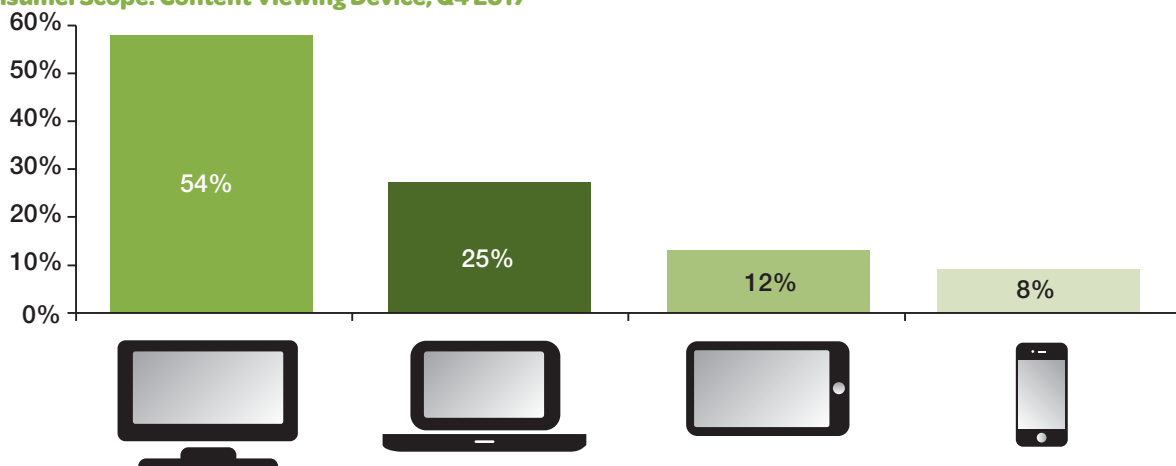
Devices and Emerging Viewing Patterns

Devices, and Emerging Viewing Patterns

There are many ways to watch Video Entertainment content, from the big screen TV in your lounge room, to a laptop in bed or a smartphone on the go.

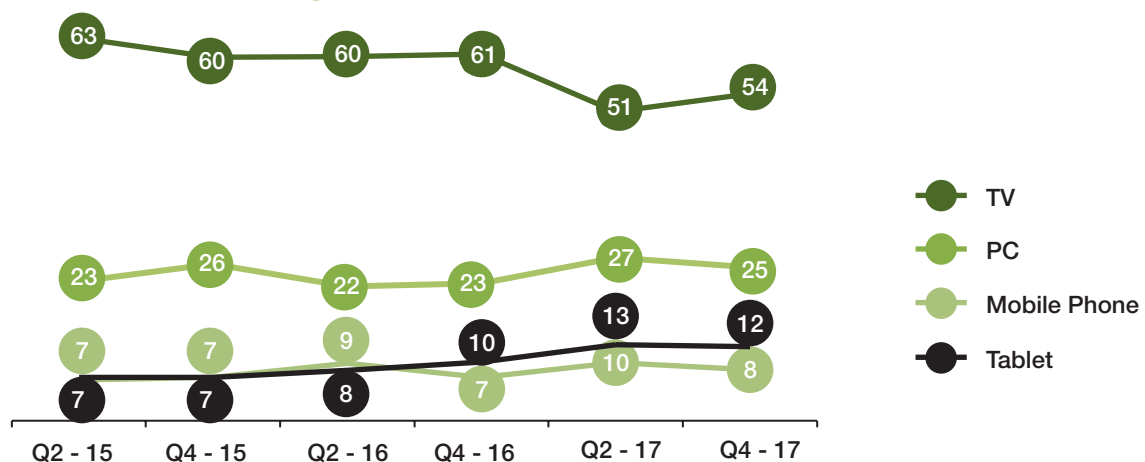
The TV is the preferred option for consumers, with 54% of content watched via the TV in Q4-17. Following that, computers are used for a quarter of viewing time and then mobile devices (smartphones and tablets) combine to account for the remaining 20%.

GfK ConsumerScope: Content Viewing Device, Q4 2017



Device viewership has been fairly stable over the years, though we are now seeing mobile devices take a greater share of overall viewing. Smartphones in particular are being used more often to watch content, enabled by a move to larger screen phones.

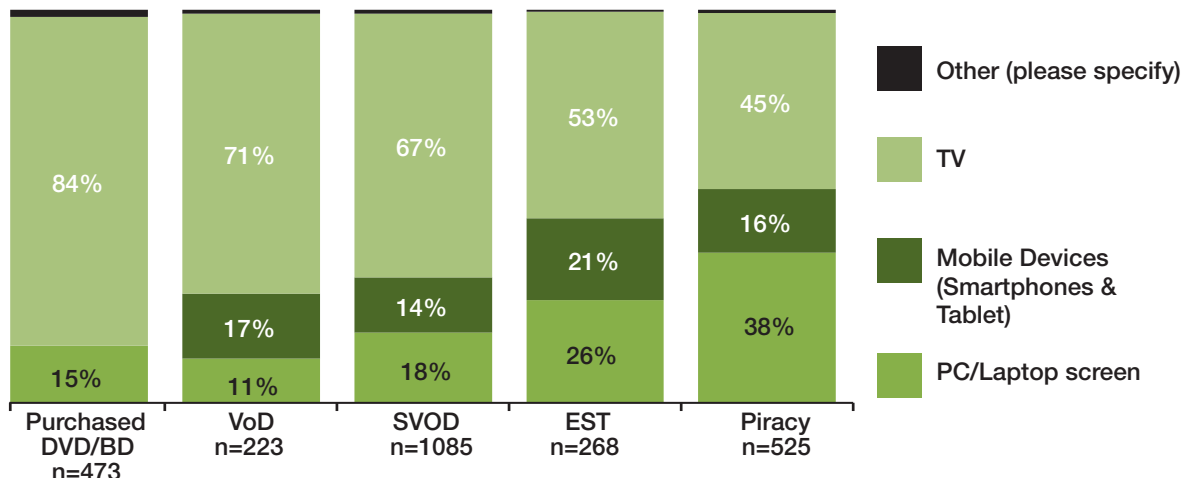
GfK Consumerscope: Content Viewing Device



Which device a consumer uses often depends on what content they are watching. The TV is used across all the different formats listed below, whilst mobile devices are used to watch the digital services. PCs are often used to watch pirated material, reflecting the device used to source that content.

Devices and Emerging Viewing Patterns

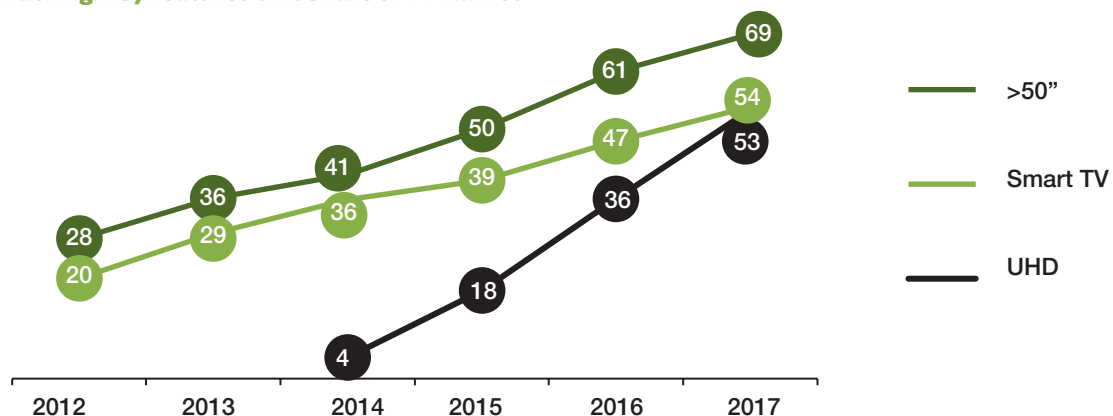
GfK Retail Tracking: Smart TV OS Unit Share



TV – the most important device

Most Video Entertainment content is watched on a TV, with bigger screen allowing for a greater viewing experience for consumers. In 2017, 1.8M units were sold in the TV market, a growth of 3% on 2016. This is the second consecutive year of growth for TVs, following a period of decline. A rising share of premium features ensured that value also increased, leading TVs to become the second largest value growth category for the year (behind smartphones).

GfK Retail Tracking: Key Features Unit Share of TV Market



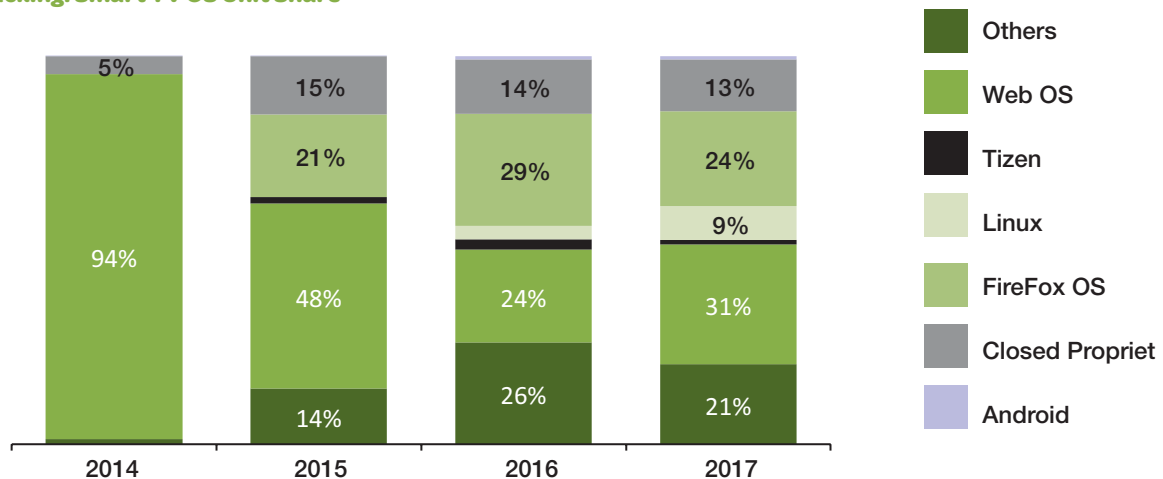
Australian homes rank amongst the largest in the world, though the sizes are coming down due to an influx of new apartments being built (according to the ABS, nearly half of all new buildings are apartments). Despite this drop in average home size, TV sales continue to trend towards larger screens. In 2017, 54% of TVs purchased had a screen size of 50" or more. This has increased in share every year for the last 6 years. Even larger screens, greater than 64", have taken a 17% share, up from 12% in 2016.

When buying a TV, smart functionality is becoming more of a standard feature. Nearly 70% of all TVs purchased in 2017 had smart functionality, a figure which rises to 92% when looking at large screen TVs over 50". Smart TVs provide consumers with another way of directly accessing video content.

Devices and Emerging Viewing Patterns

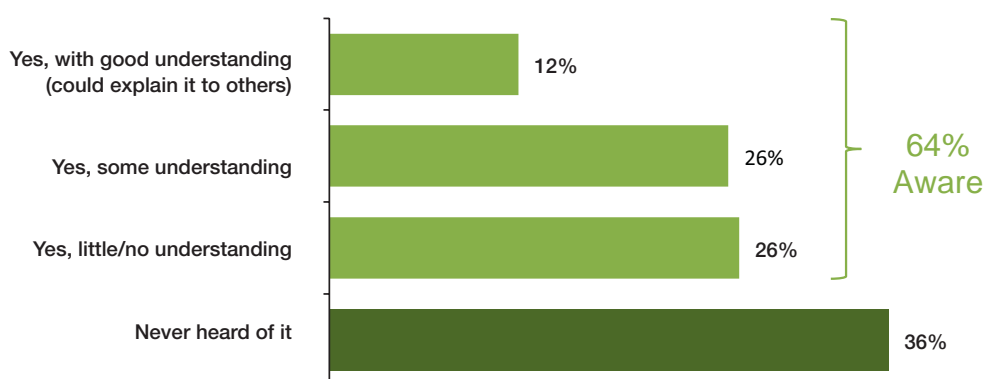
Smart TV operating systems have moved from being completely closed proprietary systems to the open operating systems seen in other devices, such as Android or Linux. This allows for greater connectivity between devices. Samsung's Tizen OS accounts for 24% of unit sales, slightly down from 2016, but is the largest of the branded operating systems. **GfK**

Retail Tracking: Smart TV OS Unit Share



Picture quality is another key development within TVs. 4K Ultra HD TVs accounted for 53% of total TV sales in 2017. Nearly 2 million 4K Ultra HD TVs have sold since the technology launched in Australia.

When speaking to Video Entertainment consumers, understanding of 4K Ultra HD is somewhat mixed. 64% of consumers are aware of the feature, though only 38% say they have either some or a good understanding of what it does. Awareness is up versus prior years, but this indicates that further education on this technology may be needed.



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

Newer technologies and features are helping to differentiate 4K Ultra HD TVs. Many TV manufacturers are now releasing OLED TVs. These TVs allow for more vibrant colours, ultra-thin screens and save energy by running more efficiently. Sales for OLED TVs doubled in 2017, though remaining a niche section of the market, making up 3% of total sales.

Devices and Emerging Viewing Patterns

Wide Colour Gamut (WCG) is another technology that is being incorporated into some premium TVs. TVs with this feature are able to produce a wider range of colours than standard TVs. A third of all Ultra HD TVs purchased in 2017 had WCG technology.

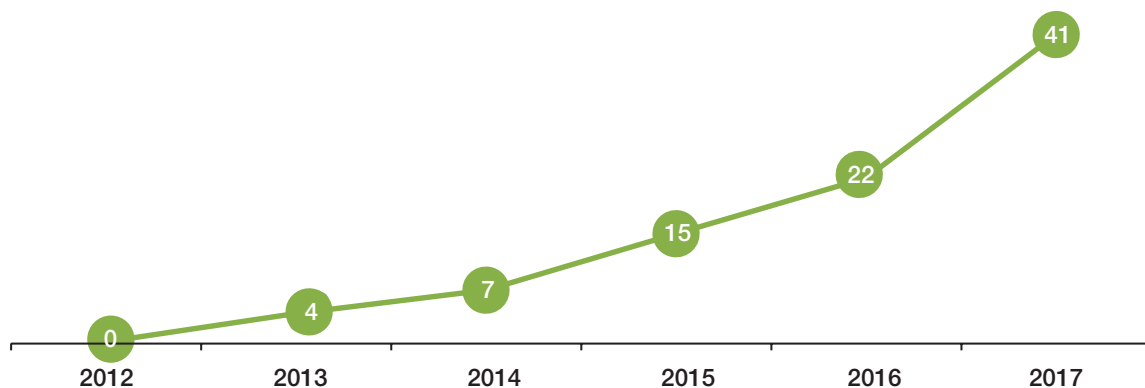
Mobile Devices

Consumers are turning to their mobile devices to watch Video Entertainment content. 20% of content watched in Q4-17 was through a mobile device, up from 17% in Q4-16. Smartphones are the main cause of this increase, driven by larger screens and an increase in digital video offerings.

Australians spent \$4.5 billion on smartphones in 2017. This represented a growth of 7% in value and meant smartphones is the largest individual category GfK measures. Large screen phones are driving that value, with 41% of phones purchased in 2017 having a screen size of 5.5" or more, nearly double the share recorded in 2016.

GfK consumer research has shown that consumers with larger screen phones are more likely to use them to watch Video Entertainment compared to those with smaller screens.

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



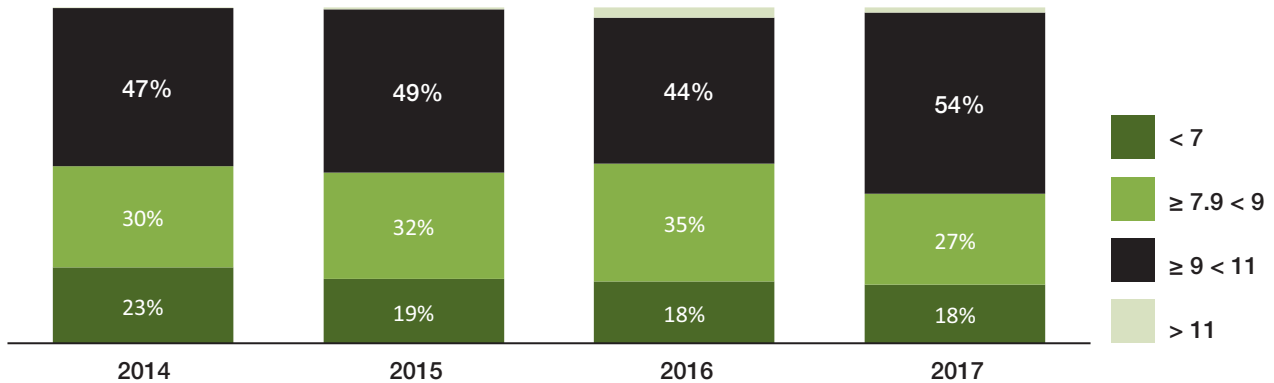
Mobile devices let consumers expand their viewing time and offer opportunities for greater consumption of Video Entertainment content. On-the-go viewing is a key component of this. For more information on this topic, please read the GfK ConsumerScope chapter.

Tablets are also being used to watch Video Entertainment content, accounting for 8% of viewing time. The tablet market rebounded in 2017, especially in the second half of the year, where volume grew by 17% year-on-year. With the lifecycle of a tablet being approximately 5 years, consumers from 2012/13, when the market was at its peak, may be coming back into the market and helping drive the market back to growth.

Larger screen tablets are taking a greater share in the market. Tablets that are 9" or larger accounted for over half of all tablets purchased in 2017, up from 44% in 2016.

Devices and Emerging Viewing Patterns

GfK Retail Tracking: Tablet Screen Size Unit Share %



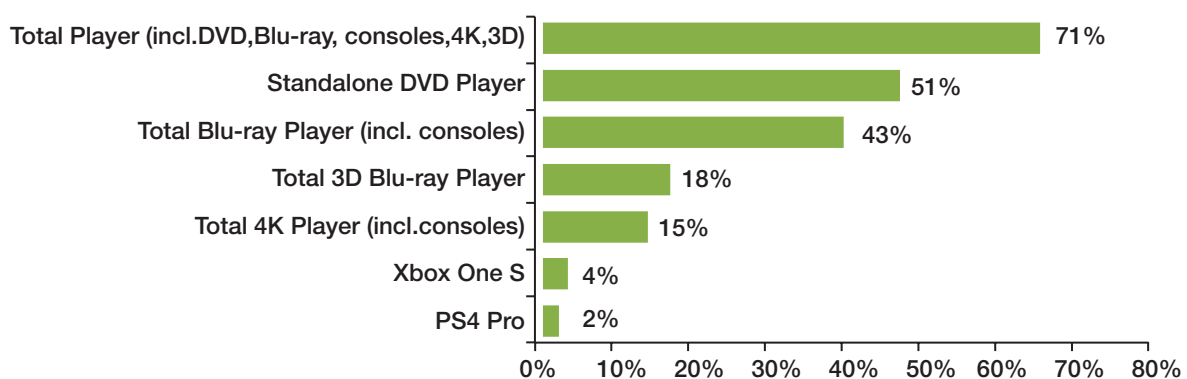
Connected 4G tablets give consumers the ability to stream or download content outside the home. This was the growth area for tablets, increasing in volume by 23% in 2017, compared to a 6% decline for non-connected WiFi tablets. 31% of all tablets purchased in 2017 were connected tablets, the highest share since tablets launched in 2011.

Players – DVD, Blu-ray and Consoles

Watching physical discs is still very common. 41% of Australians watched a physical disc in the last month, according to GfK ConsumerScope, while 71% of households own some form of disc player.

Standalone DVD players are the most common, present in half of all Australian households, followed by Blu-ray players and gaming consoles.

GfK ConsumerScope: Household Penetration Q4 2017

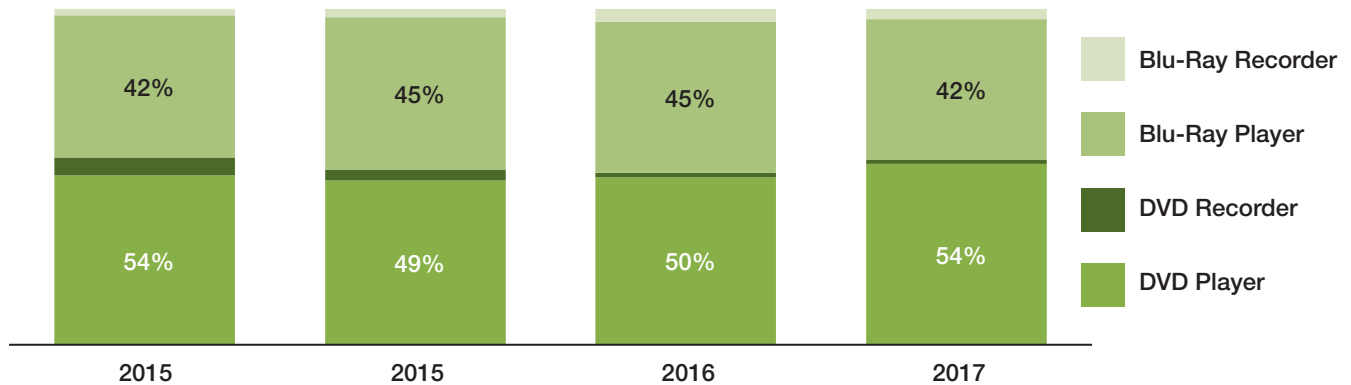


Over 14 million DVD and Blu-ray players have been sold in the last 10 years, with 655,000 in 2017 alone. Sales for DVD players (including recorders) dropped by just 4% in 2017 and accounted for 55% of all players sold (excluding consoles).

Blu-ray Players dropped in volume share in 2017, but represent 45% of player sales, while the format only accounts for 14% of the physical disc market volume.

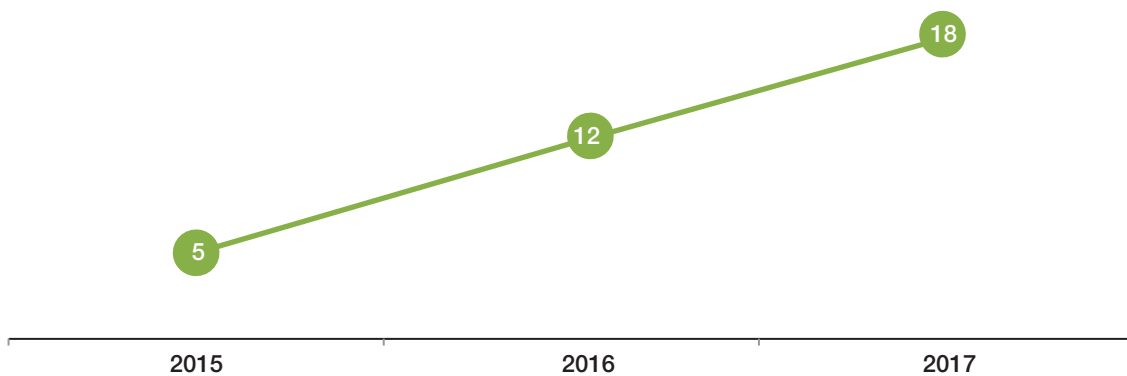
Devices and Emerging Viewing Patterns

GfK Retail Tracking: Video Player Type Unit Share %



The household penetration of 4K Ultra HD players is 15%. As referenced in the GfK chapter on Video Entertainment software, there were 33,000 dedicated 4K players sold or 723,000 total 4K capable players, once adding in consoles and players with 4K streaming capability. 18% of the Blu-ray players sold in 2017 were 4K Ultra HD.

GfK Retail Tracking: 4K Ultra HD Unit Share % of Total Blu-ray Players



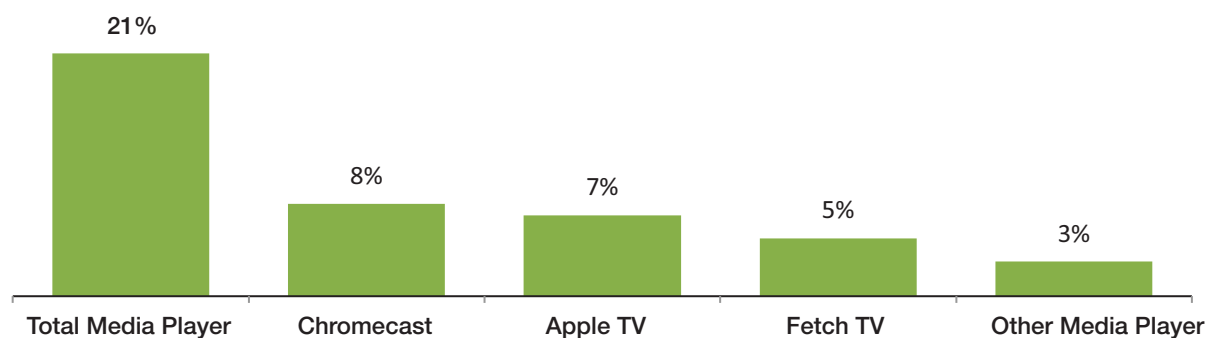
Digital Media Players – Apple TV and Chromecast

Media Players, such as Apple TV and Chromecast, are devices which consumers can use to stream or cast their Video Entertainment content. 21% of Australian households have a media player, with the Google Chromecast being the most common, in 8% of households.

464,000 of these media players were sold in 2017, a growth of 11% on 2016. Of these, 3% were 4K capable.

Devices and Emerging Viewing Patterns

GfK ConsumerScope: Media Player Household Penetration, Q4 2017



2017 and beyond

2017 marked a positive year for Video Entertainment hardware, with sales growth recorded in most categories. TVs remained the hub for Video Entertainment, while mobile devices were taking share and will be an area to watch in 2018.

Premium features are being rolled out across all the devices and provide an opportunity to enhance the viewing experience for consumers and the continued delivery of high quality content.

In 2018, sales for smart home devices are likely to increase. With products like the Amazon Echo, Google Home and Apple HomePod, we will be able to control our homes like never before. This will be the next step in home automation and has the potential to provide consumers with a simplified and more enjoyable experience..

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 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.

2017 Top 20 DVD + Blu-ray combined
11
Ranked by volume

HUGH JACKMAN
LOGAN

MA 15+ Strong bloody violence
RESTRICTED



2017 Top 20 DVD + Blu-ray combined
12
Ranked by volume

"Lion will stay with you forever"
FILM INK

DEV PATEL
JESSE MARAIS
DAVID WENHAM
NICOLE KIDMAN

LION

The Australian true story of a life lost and found

INCLUDES OVER
4 HOURS
OF SPECIAL FEATURES
See back of pack for details
USA-279

2 DISC SET
DVD VIDEO

2017 Top 20 DVD + Blu-ray combined
13
Ranked by volume

HBO

AN HBO ORIGINAL SERIES
GAME OF THRONES
THE COMPLETE SIXTH SEASON

R 18+ High impact violence
RESTRICTED

Creative Content Australia

Boxes, Blocks and Bryan Brown

By Lori Flekser

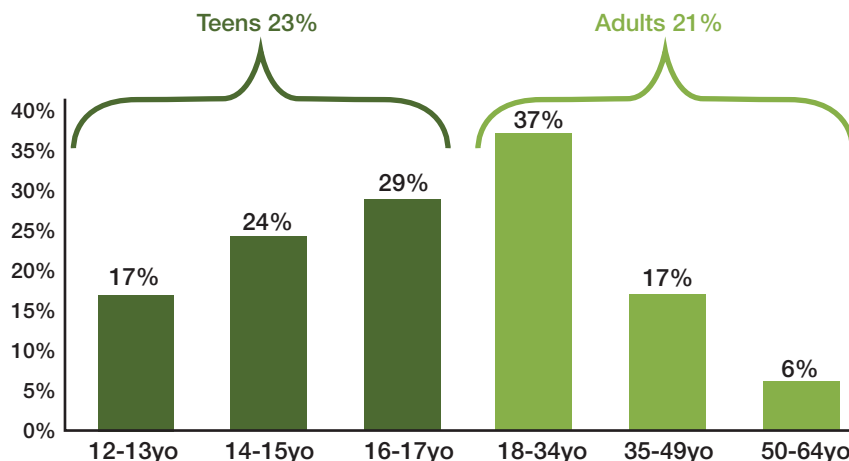
Executive Director, Creative Content Australia

In a seminal year, Creative Content Australia (CCA) has been active in releasing two key consumer campaigns, several highly regarded education resources and two credible and significant research studies.

CCA's annual research -conducted since 2008 – continues to examine the changing attitudes and behaviours of Australians in relation to movie and TV piracy, providing an unparalleled insight into the frequency and incidence of piracy and the rationale behind it.

Once again, in 2017, we were able to track claimed piracy activity amongst teens aged 12-17 and adults aged 18-64, showing the growth of online screen content theft has been arrested and remains relatively static.

ACTIVE PIRATES BY AGE



It seems that a combination of factors contributed to there being no increase in piracy levels since CCA's 2016 research – amongst them an increase in subscriptions to streaming services, the presence of site blocks and the prevalence of malware.

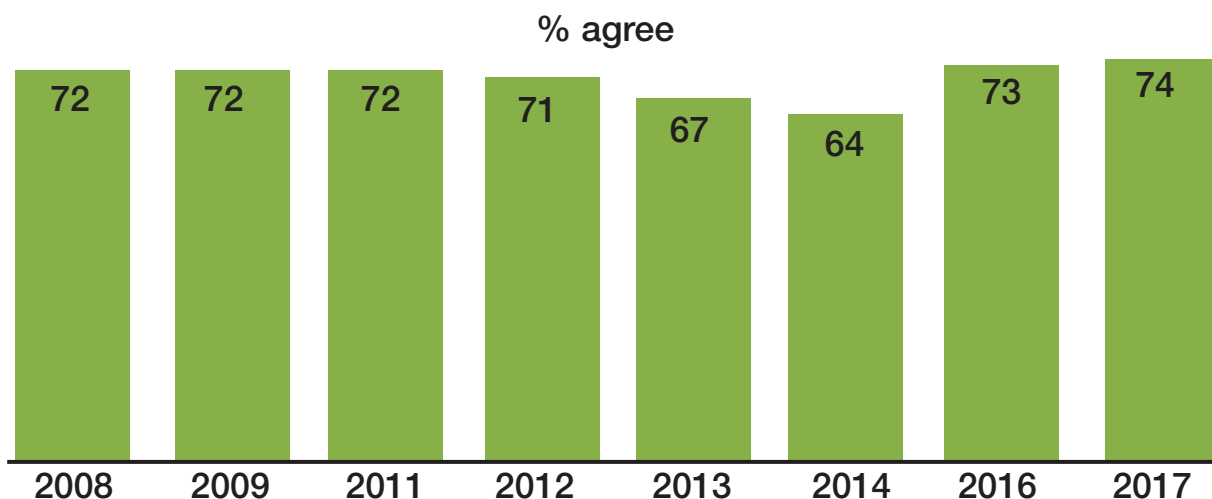
In further good news, the 2017 study recorded the highest number ever of Australians to agree piracy is stealing/theft (74% of adults and teens) with the majority (68% of teens and 65% of adults)¹ acknowledging that piracy damages the livelihoods and jobs of those working in the film and television industries.

¹Sycamore, 2017. Project Harrison: Australian Piracy Behaviours and Attitudes. Creative Content Australia.

Creative Content Australia

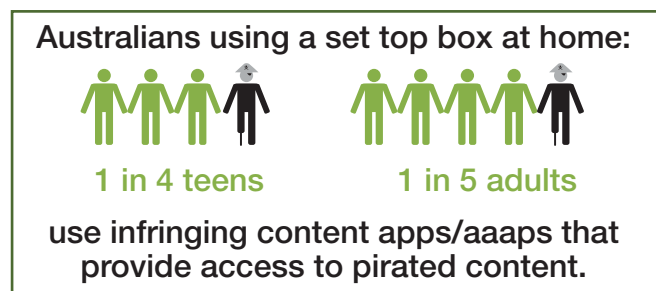
ADULTS AGED 18-64

Downloading or streaming pirated content is stealing/theft



This wave of research also investigated the use of set top boxes and infringing apps for the first time and found they are 'piracy's new frontier'.

31% of Australians aged 12-64 claimed to watch movies or TV shows through a set top box device.¹



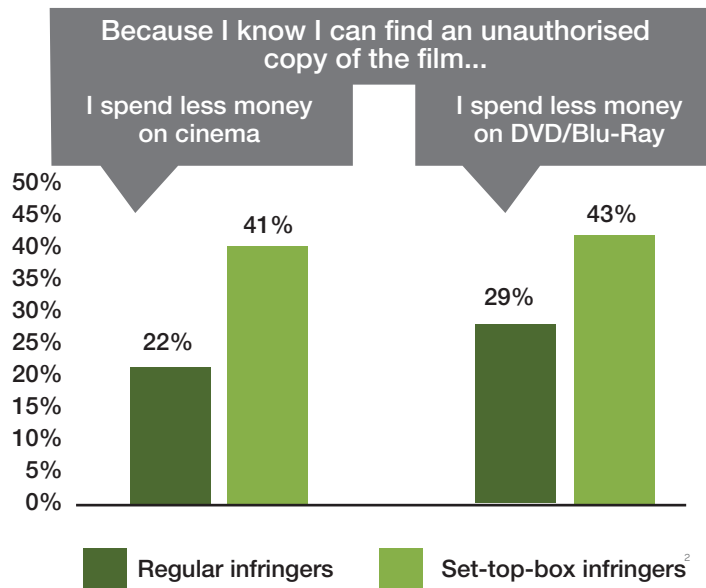
Note: Respondents shown 11 infringing apps -
Testing more infringing apps would result in higher figures

Set top boxes and their software are not illegal. They allow viewers to watch online services on their TV sets including legal services like Netflix. However, apps can be downloaded that allow 'add-ons' to seek out unlicensed content and deliver pirated movies and TV shows with ease.

Use of set top boxes has been shown to compromise subscriptions to legitimate services.

¹Sycamore, 2017. Project Harrison: Australian Piracy Behaviours and Attitudes. Creative Content Australia.

Creative Content Australia



CCCA launched **The Price of Piracy** consumer campaign in August 2017, featuring leading Australian actor Bryan Brown, and drawing attention to the link between malware and piracy.

Numerous international studies confirm that streaming and downloading from pirate sites has become a key method for rogue players to propagate malware on the Internet.



The launch followed the Federal Court ruling by the Hon. Justice John Nicholas ordering ISPs to block **42** websites found to be primarily engaged in facilitating access to copyright-infringing content (Roadshow Films Pty Ltd & Others). Orders were also made, in a separate case lodged by Foxtel in the Federal Court, to block a further **17** infringing websites. Since the first site-blocking orders were made in December 2016, the Federal Court has ordered **65** piracy sites to be blocked, and over **340** domains.

The court decision validated the creative industry’s contention that pirate sites infringe copyright and negatively impact copyright holders’ ability to recoup their investment in film and television content.

The Price of Piracy alerted consumers to the increased online risks posed by streaming or downloading pirated content from the remaining sites.

²The Industry Trust, 2017. IPTV Piracy: A study on set-top-box and stick infringement for the industry.

Creative Content Australia



Tuesday 12/9 - Page 22

The campaign was unprecedented in its scale, coverage and industry support, involving the production, distribution, exhibition, television and online sectors.

It received extensive media coverage and screened in cinemas throughout Australia, with significant presence on free-to-air and subscription television and on selected websites.



In addition to the **Price of Piracy** campaign, CCA produced a range of resources for schools to raise awareness of those dangers amongst teachers and students.

These include a 3-minute animation to assist teachers to understand copyright and piracy and teach their students about it, and a 90-second animation for primary school students, warning them not to support piracy and risk "being paid a visit by the Malwares".



The CCA education portal **NOTHING BEATS THE REAL THING** had 78,067 page views in 2017, with **Meet the Malwares** downloaded 2,565 times.

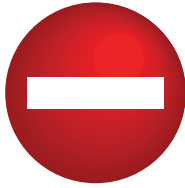
In February 2018, CCA released a new Australian study showing that court-ordered site blocks, year-on-year, led to a 25% reduction in piracy overall and a 53% reduction in use of the online pirate sites subject to a blocking order.³

Incopro's Australian Site-Blocking Efficacy Report, compiled after the Australian Federal Court ordered the blocking of 59 pirate sites in August 2017, echoes the findings of a UK study by Carnegie-Mellon University⁴ which showed that overall piracy was only significantly reduced when a substantial number of sites were blocked simultaneously.

³ INCOPRO, 2018. Australia. Site Blocking Efficacy – Key Findings. Australian Screen Association.

⁴ Carnegie-Mellon University, 2016. Website Blocking Revisited: The Effect of the UK November 2014 Blocks on Consumer Behaviour.

Creative Content Australia



Access Blocked

Access to this site has been blocked by an order of the Federal Court of Australia because it infringes or facilitates the infringement of Copyright.

If you think you have been redirected to this page incorrectly, please contact your service provider.

The Incopro research clearly shows the assertions made by vocal opponents of site-blocking – who claimed it was ineffectual – were unfounded and incorrect. The reduction in piracy that the research confirms offers proof to all the “site-blocking naysayers” that not only is it working well, but it hasn’t broken the internet.

Reacting to the research, Graham Burke AO, Chairman of Creative Content Australia welcomed the figures, but pointed out that to effectively combat the piracy in Australia requires other parties, such as search engines, to do the right thing and “shut the back door” by eliminating easy access to infringing proxy and mirror sites. Burke believes that the reduction in piracy could be greatly increased if that were to happen.

CCA simultaneously released a new consumer campaign - **‘Say No to Piracy’** – celebrating Australian creativity and innovation in the screen industries and showing the vast array of behind-the-scenes professionals it takes to make screen content.



The 2018 campaign highlights some of the best Australian films and TV shows of recent years, including excerpts from RED DOG, HACKSAW RIDGE, TOP OF THE LAKE, PAPER PLANES and LION.

‘Say No to Piracy’ was written and directed by talented director and emerging filmmaker, Curtis Hill, Goodoil Films, who says: *“It was film school that opened my eyes to how many skilled people it takes to make screen content. I want to have a career making feature films and TV drama, but piracy is having a major impact on my ability to do that. It reduces investment in the creative industry which leads to fewer projects. That’s less opportunities for people like me and less jobs for thousands of crew and cast.”*

The various research studies, the increasing numbers of downloads of the education resources and the incredible reach of the consumer campaigns, is evidence that local activity is making a difference and the work of CCA and its stakeholders is raising awareness of the issue and maintaining pressure on policymakers to ensure strong copyright protection for the creative industries.

HBO

AN HBO ORIGINAL SERIES

GAME OF THRONES

THE COMPLETE SEVENTH SEASON

2017 Top 20 DVD + Blu-ray combined
14
Ranked by volume

MA 15+
RESTRICTED

Strong themes, violence, coarse language and sex scenes

WINTER

UNMASKED EDITION
INCLUDES EXTENDED EDITION & TEASE TO FIFTY SHADES FREED

2017 Top 20 DVD + Blu-ray combined
15
Ranked by volume

FIFTY SHADES DARKER

2017 Top 20 DVD + Blu-ray combined
16
Ranked by volume

珠寶
GALLERY

MARVEL STUDIOS

DOCTOR STRANGE

"A MIND-BENDING PSYCHEDELIA"
— Leigh Paatsch, Herald Sun

M

Fantasy themes and violence

Theatrical Film Industry: 2017 Box Office

motion
distributors
association
of
Australia

MPDAA contribution

By Mike Beard, MPDAA Chair & Managing Director, Universal Pictures Australasia & Lori Flekser, MPDAA General Manager

THAT'S A WRAP

The movies are dead, according to two distinguished moviemakers

The end is near for cinema. Go to
the movies while there's still time.

Why Is Cinema Dying And What Can We Do To Save It?

HOME > FILM > NEWS

MARCH 27, 2017 8.00AM PT

With the rise of streaming services like Netflix ge
able to survive the competition?...

The Reckoning: Why the Movie Business Is in Big Trouble

Don't believe everything you read online or in the press. Reports of the demise of the cinema are premature. The 2017 annual MPDAA statistics confirm another successful year for Australian cinema box office, with a box office CUME of **A\$1,201,343,000** Down only a small percentage -from the biggest year EVER in 2016 - year on year, this is definitely something to smile about.

From an annual perspective, the 2017 Australian Box Office results revealed that cinema-going is still one of the most popular forms of entertainment in this country and, despite economic flux and in the face of ever increasing leisure options, remains resilient.

A 2017 research study by Screen Audience Research Australia showed that 75% of Australians go to the cinema at least 5 times a year with 58% saying they are "very engaged" when watching movies in cinemas, far higher than the 29% engagement claimed while watching films via SVOD.

Beauty and the Beast led the way in 2017 as the #1 movie of the year, grossing \$47.95 million. *Star Wars: The Last Jedi* closed 2017 at \$45.54m after only 2 weeks in cinemas, while *Thor: Ragnarok* (\$35.1m), *Guardians of the Galaxy Vol. 2* (\$32.94m), and *Despicable Me 3* (\$32.93m) took the #3, #4 and #5 slots in the top 10 films for the year.

Wonder Woman, directed by Patty Jenkins, took up 6th Position in the Top 10 Films of 2017 (\$31.3m) while Australian film *Lion* performed brilliantly, taking \$29.46m in the 7th spot. The films rounding out the Top 10 were *The Fate of the Furious* (\$28.42m), *Spider-man: Homecoming* (\$25.7m) and *IT* (\$23.68m).

Theatrical Film Industry: 2016 Box Office

Australian films took \$49.4m at the Australian box office in 2017 with *Lion* booking a global CUME of \$147.5m. It was the 5th biggest opening weekend for an Australian film and is the 5th most successful Australian film at the local box office. The film also took \$140m internationally.

Red Dog: True Blue, released on Boxing Day 2016, accrued a further \$5.95m in 2017 for a CUME of \$7.5m. *Jasper Jones*, *Dance Academy* and *Mountain* all grossed more than \$2m.



The Australian BO is growing in its diversity of content that includes film origin, language & gender.

- In 2017, 696 films were released from over 36 countries.
- Female Directors have made an impact with Patty Jenkins at the helm of the \$31m+ blockbuster - *Wonder Woman*.
- *Ali's Wedding*, from Madman, with over \$1.4m in BO, showcased a majority Muslim cast and two female Producers.
- And Warwick Thornton's *Sweet Country*, from Transmission, has passed \$1.5m after receiving immense critical acclaim from the festival circuit.

It's a great time to be in this Industry in Australia – record-breaking numbers, a slate of great movies across all genres, good quality cinema experiences and some of the best launch marketing campaigns in the world.

Our local innovation and marketing creativity are second to none and combined the MPDAA Studios alone spend over \$150m to drive awareness and hype for the movies. Leaving no media unturned, we create noise and event status for each film with every audience. We are one of the highest spending release-driven categories in market.



Theatrical Film Industry: 2016 Box Office

One of the MPDAA's key achievements for the last 2 years has been to fund and conduct important Industry consumer research. Whether you embrace research or not, there is no denying that we need to understand our consumer better if we are to keep audiences engaged in a fast moving world of exceptional choice and tradable brand loyalty.

As a group we wanted to learn and adapt so we can maximize all areas of the consumer journey.

Cinema remains a popular form of out-of-home entertainment with 29% of adults going at least once a month or more. 32% go 5-10 times a year – up from 23% in 2016.

It's no surprise to find that younger audience - 18-34 year olds – faced with an increasing number of ways to see movies, are watching more subscription TV than ever. SVOD programming is improving with millions of dollars spent by content subscription services, like Netflix, to create original content.

However, 38% of consumers (aged 18-64) still perceive cinema as good or excellent value for money, with a further 41% saying the value is "OK".

Trailers play a major role in promoting new films with 71% of consumers saying this is the first place they hear about a new movie and 69% saying they really enjoy watching them. For 18-34yo's however, trailers on social media are of equal value in film promotion.

Cinema is still perceived as a "great place to access new releases", providing a "totally immersive experience", that allows the consumer to "escape into another world".

It was better to see the movie on a big screen as there was a lot of action it wouldn't be the same on TV

Away from real life. Big screen mad the film more enjoyable

A moving experience because of the sound & visual effects quality. A large screen makes it feel more real

I like the comfortable seating and the atmosphere of the cinema. Also watching the film on a large screen.

With an incredible line-up of exciting films in 2018, we look forward to another great year at the movies.

2017 Top 20 DVD + Blu-ray combined
17
Ranked by volume

ALEC BALDWIN
is

DREAMWORKS
THE BOSS BABY



COOKIES ARE FOR CLOSERS

PG Mild themes, some scenes may scare young children

2017 Top 20 DVD + Blu-ray combined
18
Ranked by volume

DVD + DIGITAL ULTRAVIOLET

ILLUMINATION PRESENTS
DESPICABLE ME 3



INCLUDES ALL-NEW MINI MOVIE



2017 Top 20 DVD + Blu-ray combined
19
Ranked by volume

A TIM BURTON FILM
MISS PEREGRINE'S HOME FOR PECULIAR CHILDREN



M

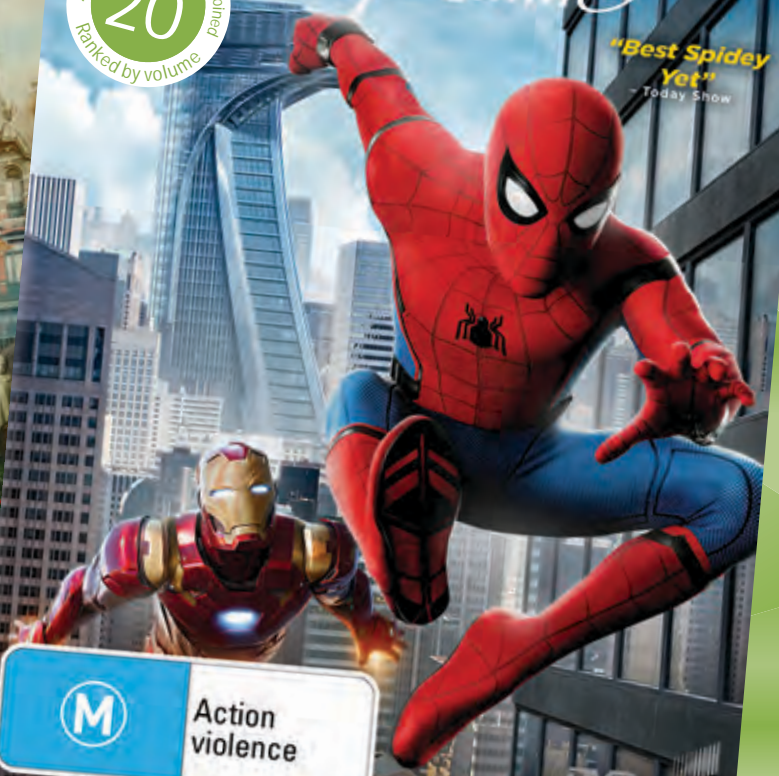
Fantasy themes and violence, some scary scenes

"NOTHING SPECTACULAR"
- David Stratton, The W

2017 Top 20 DVD + Blu-ray combined
20
Ranked by volume

DVD + DIGITAL ULTRAVIOLET

MARVEL STUDIOS
SPIDER-MAN
Homecoming



"Best Spidey Yet"
- Today Show

M

Action violence

AHEDA members directory

AHEDA

Level 33, Australia Square,

264 George Street,

Sydney NSW 2000

Tel: (02) 9258 1971

Fax: (02) 9258 1111

Chief Executive: Simon Bush

Marketing and Operations Francesca Zarrino

DEFIANT SCREEN ENTERTAINMENT

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4 Daydream Street

Warriewood NSW 2102

Tel: (02) 9997 3936

Fax: (02) 9997 3938

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

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Marketing Director: Justine Butler

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Operations Director: Geoff Doyle

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ENTERTAINMENT ONE FILMS AUSTRALIA PTY LTD

28-30 Queen Street,

Chippendale NSW 2008

Tel: (02) 8303 3800

Fax: (02) 9690 1433

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

Managing Director: Sandie Don

SVP Home Entertainment: Jo Mandatis

SVP Digital: Louise Balletti

Head of Marketing - Home Entertainment: Nicky Smart

MADMAN ENTERTAINMENT PTY LTD

Level 2

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East Melbourne VIC 3002

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: Michael Hillyard

PARAMOUNT HOME MEDIA INTERNATIONAL; APAC

Level 1, 65 Pirrama Road

PYRMONT NSW 2009

Tel: (02) 9265 0200

Executive Director Digital Content /

Marketing, APAC: Richard Clarkson

Director, Regional Sales

TV Distribution ANZ Carolyn Johnston

Manager, Digital Content /

Marketing ANZ: Lauren Kennedy

ROADSHOW ENTERTAINMENT

Level 4 235 Pyrmont Street,

Pyrmont NSW 2009

Tel: (02) 9552 8600

Fax: (02) 9552 2510

www.roadshow.com.au

Co-CEO: Chris Chard

CSO: John Davie

CMO: Phil Oneile

Marketing Director: Amanda Allegos

AHEDA members directory

STUDIOCANAL AUSTRALIA

Level 2, 47-49 Murray Street

Pymont NSW 2009

Tel: (02) 9003 3980

www.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,

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Director of Operations Australia: Wendy Fraser

Director of Sales Australia: Kerry Drinkwater

Director of Marketing Australia: Claire Bryant

Vice President, Finance,

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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: Rob Davey

Director of Marketing &

Corporate Strategy: Cindy McCulloch

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SYDNEY NSW 2000

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www.disney.com.au

Senior Vice President and

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TELSTRA

Moira Hogan

www.telstra.com.au



“

***On average, per title,
2017 new releases
generated 13% more
value than titles
released in 2016.***

”

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 26% in 2017.

A potential factor for that drop in sales was the number of new titles launched into the category, with 40% fewer Children's titles released in 2017, compared to 2016. This led to a smaller value contribution to the Children's category from newer titles, which tend to have higher average prices than older titles.

On average, per title, 2017 new releases generated 13% more value than titles released in 2016.

Paramount's 'Paw Patrol' was the top selling Children's license of the year, selling double the next biggest license. 9 of the top 10 selling Children's titles were for the Paw Patrol license.

GfK Retail Tracking: Top 10 selling licenses, Children's, 2017, ranked by volume

LICENSE	DISTRIBUTOR
Paw Patrol	Paramount
Wiggles	Roadshow
Lego	Universal
Peppa Pig	20Th Century Fox
Teenage Mutant Ninja Turtles	Paramount
Mickey Mouse	Walt Disney Studios
Blaze & The Monster Machines	Paramount
Thomas & Friends	Roadshow
Scooby Doo	Roadshow
Pokemon	Beyond

Like TV series, there is a potential impact from digital, as the availability of Children's content continues to increase on those platforms. Utilising the GfK ConsumerScope service to get a read of Children's behaviour, just under one in two parents stated that their children (less than 14 years old) watched more digital content than a year ago.

Categories: Other Direct to Video

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

This sector has dropped to its lowest share in the last 10 years, making up just 9% of the total market value. The drop came across all the Direct to Video genres, with documentaries recording one of the larger declines at 31%.

Despite this overall drop, the top selling documentary, Roadshow's BBC title, Planet Earth II, generated more value than the top selling documentary title in 2016 (Sony Pictures' Beatles: 8 Days a Week the Touring Years). It also outsold the prior Planet Earth release, selling 27% more volume during the new release period.

Appendix

GfK Retail Tracking: Top selling Documentaries, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR
1	Planet Earth li	Roadshow
2	The Beatles Eight Days A Week	Sony Pictures
3	Conor Mcgregor Notorious	Universal
4	Jojo Siwa My World	Paramount
5	I Am Bolt	Universal
6	Planet Earth The Collection	Roadshow
7	Mclaren	Sony Pictures
8	Planet Earth The Complete Series	Roadshow
9	Embrace	Sony Pictures
10	The Hunt (2015)	Roadshow

For Anime, Madman Entertainment titles dominate and accounted for 8 of the top 10 sellers

GfK Retail Tracking: Top selling Documentaries, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR
1	Your Name	Madman Ent.
2	My Neighbor Totoro	Madman Ent.
3	One Punch Man Season 1	Madman Ent.
4	A Silent Voice (2017)	Madman Ent.
5	Howls Moving Castle	Madman Ent.
6	Boruto : Naruto The Movie	Madman Ent.
7	Princess Mononoke	Madman Ent.
8	Rwby Vol 4	Shock Records
9	My Hero Academia Season 1	Universal
10	Evangelion 3.33 You Can (Not) Redo	Madman Ent.

And finally, within the Sport, Health and Fitness genres, long suffering Richmond fans jumped on their chance to grab a memento of their sides AFL premiership win.

GfK Retail Tracking: Top selling Sport and Health and Fitness titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	AFL Premiers 2017 Richmond	Beyond	Sport
2	WWE Wrestlemania 33	Madman Ent.	Sport
3	AFL Premiers 2017 Richmond Tigers Victory Pack	Beyond	Sport
4	Zumba Slim Down Party	Universal	Health & Fit
5	WWE Royal Rumble 2017	Madman Ent.	Sport.
6	Zumba Fitness	Universal	Health & Fit
7	Charlotte Crosbys 3 Minute Belly Blitz	Universal	Health & Fit
8	Wwe Survivor Series 2016	Madman Ent.	Sport
9	Wwe Fast Lane 2017 / Elimination Chamber 2017	Madman Ent.	Sport
10	Monster Jam World Finals Xv / World Finals Xvi / Freestyle 2013	Universal	Sport

Appendix

Top Seller Charts by Film Genre

GfK Retail Tracking: Top selling Action titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Fast And The Furious 8	Universal	Action
2	Wonder Woman (2017)	Roadshow	Action
3	Logan	20Th Century Fox	Action
4	John Wick Chapter 2	Sony Pictures	Action
5	The Mummy (2017)	Universal	Action
6	Pirates Of The Caribbean 5	Walt Disney Studios	Action
7	Underworld Blood Wars	Sony Pictures	Action
8	Assassins Creed	20Th Century Fox	Action
9	The Magnificent Seven (2016)	Sony Pictures	Action
10	Jack Reacher Never Go Back	Paramount	Action

GfK Retail Tracking: Top selling Adventure titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Fantastic Beasts	Roadshow	Adventure
2	Guardians Of The Galaxy Vol 2	Walt Disney Studios	Adventure
3	Doctor Strange (2016)	Walt Disney Studios	Adventure
4	Miss Peregrines Home For Peculiar Children	20Th Century Fox	Adventure
5	Spiderman Homecoming	Sony Pictures	Adventure
6	The Great Wall (2016)	Universal	Adventure
7	Kong Skull Island	Roadshow	Adventure
8	King Arthur Legend Of The Sword (2017)	Roadshow	Adventure
9	Guardians Of The Galaxy	Walt Disney Studios	Adventure
10	A Dogs Purpose	20Th Century Fox	Adventure

GfK Retail Tracking: Top Selling Animated titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Moana	Walt Disney Studios	Animated
2	Trolls (2016)	20Th Century Fox	Animated
3	Sing (2016)	Universal	Animated
4	The Boss Baby	20Th Century Fox	Animated
5	Despicable Me 3	Universal	Animated
6	The Secret Life Of Pets	Universal	Animated
7	The Lego Batman Movie	Roadshow	Animated
8	Ballerina (2016)	Sony Pictures	Animated
9	Cars 3	Walt Disney Studios	Animated
10	Finding Dory	Walt Disney Studios	Animated

Appendix

GfK Retail Tracking: Top Selling Comedy titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Baywatch (2017)	Paramount	Comedy
2	Bridget Jones Baby	Universal	Comedy
3	Central Intelligence	Universal	Comedy
4	Why Him	20Th Century Fox	Comedy
5	Bad Moms	Roadshow	Comedy
6	Snatched (2017)	20Th Century Fox	Comedy
7	Ghostbusters (2016)	Sony Pictures	Comedy
8	Daddys Home (2015)	Paramount	Comedy
9	Sausage Party	Sony Pictures	Comedy
10	Going In Style (2017)	Roadshow	Comedy

GfK Retail Tracking: Top Selling Drama titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Lion	Sony Pictures	Drama
2	Fifty Shades Darker	Universal	Drama
3	Hidden Figures	20Th Century Fox	Drama
4	The Girl On The Train	20Th Century Fox	Drama
5	Passengers (2016)	Roadshow	Drama
6	The Revenant (2015)	20Th Century Fox	Drama
7	The Dressmaker	Universal	Drama
8	Patriots Day	Roadshow	Drama
9	Victoria & Abdul	Universal	Drama
10	Sully (2016)	Roadshow	Drama

GfK Retail Tracking: Top Selling Sci-Fi titles, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Rogue One A Star Wars Story	Walt Disney Studios	Sci-Fi
2	Transformers The Last Knight	Paramount	Sci-Fi
3	Alien Covenant	20Th Century Fox	Sci-Fi
4	Arrival (2016)	Roadshow	Sci-Fi
5	The Martian	20Th Century Fox	Sci-Fi
6	War For The Planet Of The Apes	20Th Century Fox	Sci-Fi
7	Independence Day Resurgence	20Th Century Fox	Sci-Fi
8	Star Trek Beyond	Paramount	Sci-Fi
9	Life (2017)	Sony Pictures	Sci-Fi
10	Star Wars Episode Vii	Walt Disney Studios	Sci-Fi

Appendix

GfK Retail Tracking: Top Selling titles – All other genres combined, Full Year 2017, ranked by volume

RANK	TITLE	DISTRIBUTOR	GENRE
1	Beauty And The Beast (2017)	Walt Disney Studios	Musical
2	Hacksaw Ridge	20Th Century Fox	War
3	La La Land (2016)	20Th Century Fox	Musical
4	Inferno (2016)	Sony Pictures	Thriller
5	Dunkirk (2017)	Roadshow	War
6	It (2017)	Roadshow	Horror
7	Red Dog True Blue	Roadshow	Family
8	Petes Dragon (2016)	Walt Disney Studios	Family
9	Resident Evil 6 The Final Chapter	Sony Pictures	Horror
10	Split	Universal	Thriller

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

2017 marked the 20 year anniversary of GfK measuring Video Entertainment sales in Australia. Disney's Finding Nemo is the top selling title of that time, having launched in 2004 on physical disc.

Fox's Avatar has retained its spot as the top selling new release title of all time, as well as the best-selling Blu-ray.

The only title to make the top 15 in recent years is Disney's Frozen and Star Wars VII: Force Awakens, which rank as the 7th and 14th best-selling new release titles respectively.

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

RANK	TITLE	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	TITLE	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	Frozen (2013)	Walt Disney Studios	30/4/2014

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

RANK	TITLE	DISTRIBUTOR	Release Date
1	Finding Nemo	Walt Disney Studios	13/1/2004
2	Avatar (2009)	20Th Century Fox	29/4/2010
3	Frozen (2013)	Walt Disney Studios	30/4/2014
4	Cars	Walt Disney Studios	25/10/2006
5	Lotr Two Towers	Roadshow	23/8/2003
6	Monsters Inc	Walt Disney Studios	30/9/2002
7	Lotr Return Of The King	Roadshow	25/5/2004
8	Harry Potter & The Chamber Of Secrets	Warner Bros	11/4/2003
9	Lotr Fellowship Of The Ring	Roadshow	6/8/2002
10	Harry Potter & The Prisoner Of Azkaban	Warner Bros	1/12/2004

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

RANK	TITLE	DISTRIBUTOR	Release Date
1	Avatar (2009)	20Th Century Fox	29/4/2010
2	Hobbit An Unexpected Journey	Warner Bros	1/5/2013
3	Star Wars Episode Vii	Walt Disney Studios	13/4/2016
4	Marvel The Avengers	Walt Disney Studios	29/8/2012
5	Star Wars Episode I-Vi	20Th Century Fox	14/9/2011
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	16/4/2014
9	Transformers Dark Of The Moon	Paramount	10/11/2011
10	Batman The Dark Knight	Warner Bros	10/12/2008

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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