

# Mid-term guidelines and financial targets

London, January 18, 2017

# Mid-term guidelines | Agenda

## Advertising

Content

Platforms and Partnerships

New role in Pay TV

Organization

Final remarks & financial targets

**2014  
2016**



# **Strategy, Implementation and Business results**



# 2014-2016 | Strategy, Implementation and Business results

## 3 Business Strategic Areas

- **TV**
- **Digital**
- **Radio**

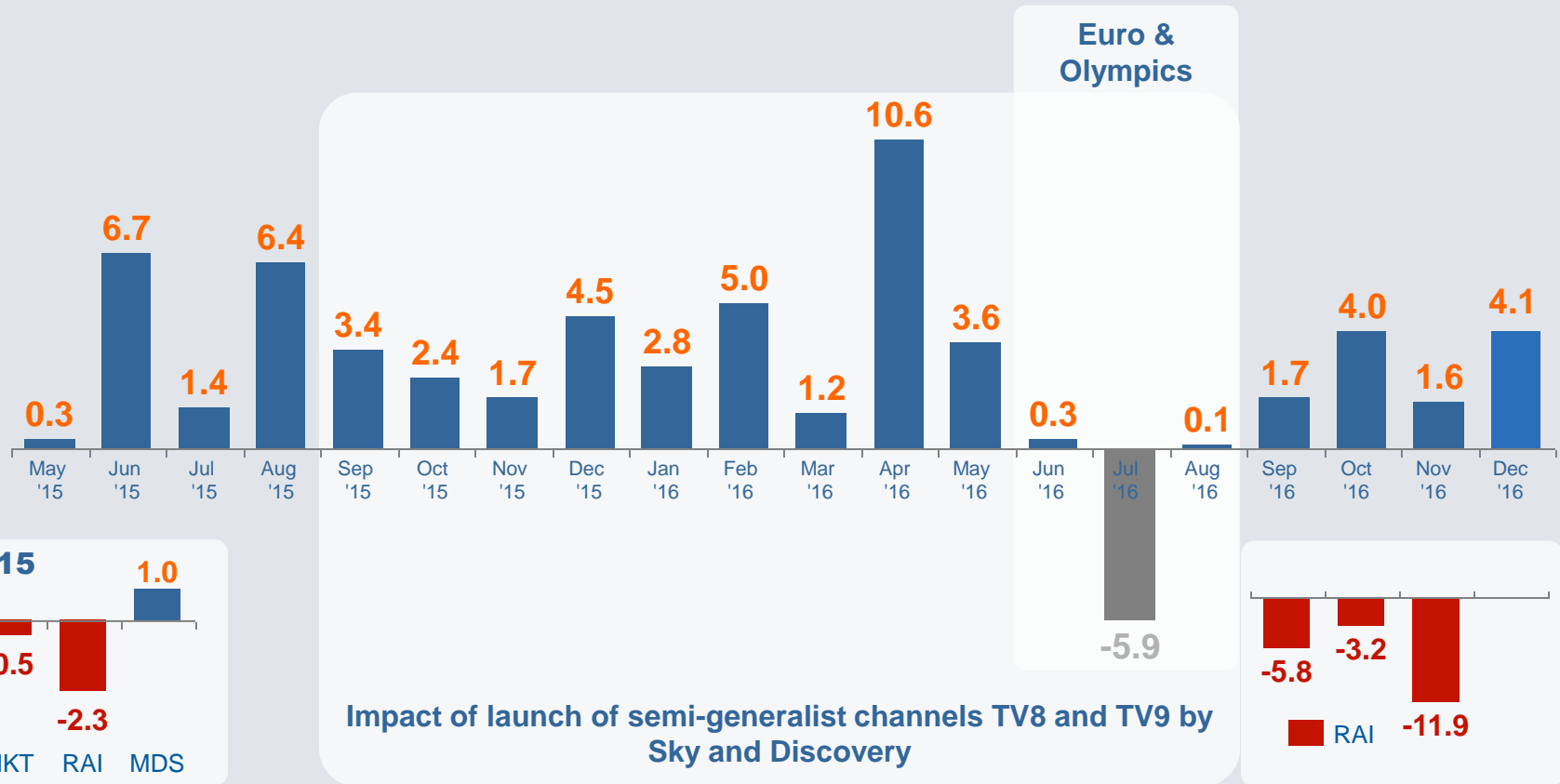
## 4 Key Growth Drivers

- **Organization**
- **Innovation**
- **Diversification**
- **Integration**

**Cross-media Leadership**

# Mediaset Performance in TV | Healthy Core Business

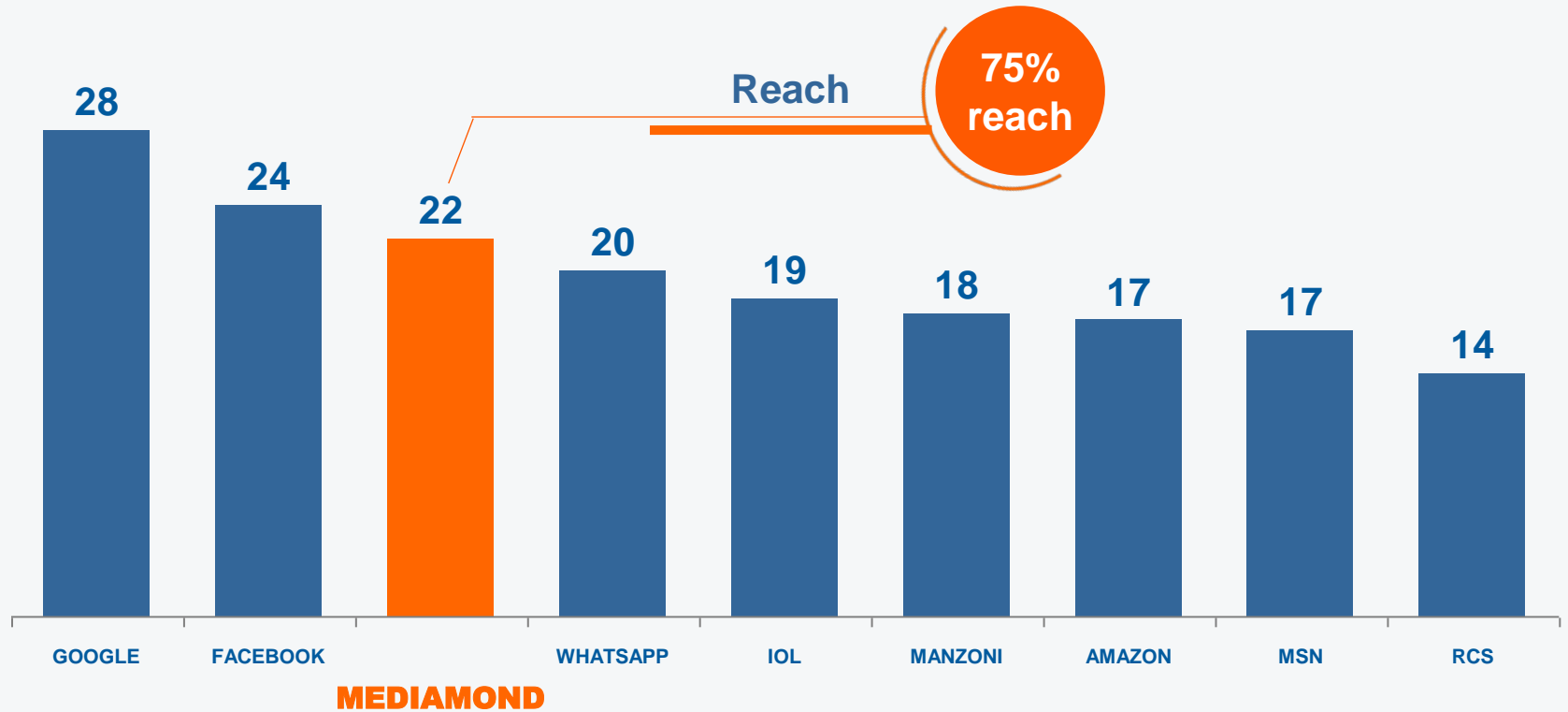
## Monthly revenues ( $\Delta$ YoY %)



Source: Nielsen and internal estimate on Nielsen data

# Digital | 3<sup>rd</sup> in the market after Google & FB

Monthly Unique Users, Millions



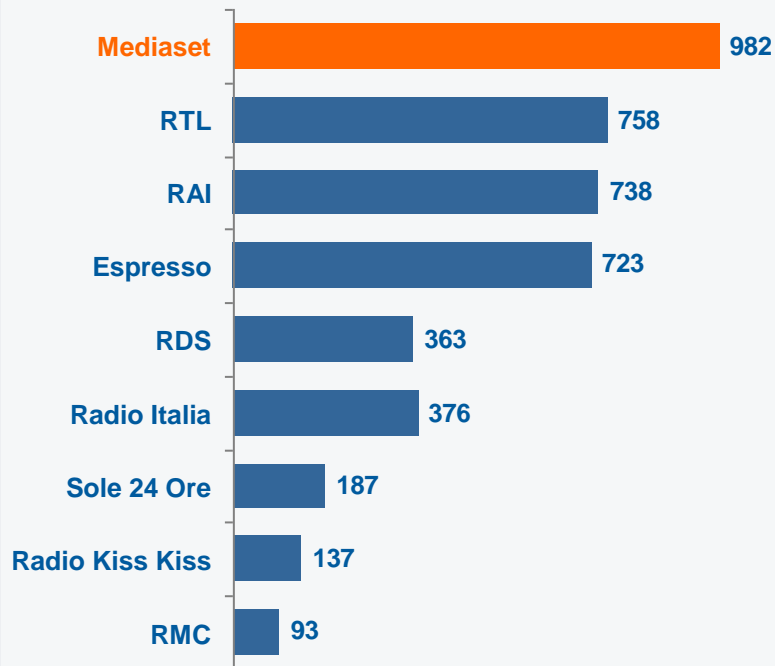
Note: Mediaset accounts for 11M of Mediamond views

Source: Audiweb, average on the three months period from August '16 and October '16

# Radio | Market leader and highly complementary to TV

## Audience Average Quarter Hour

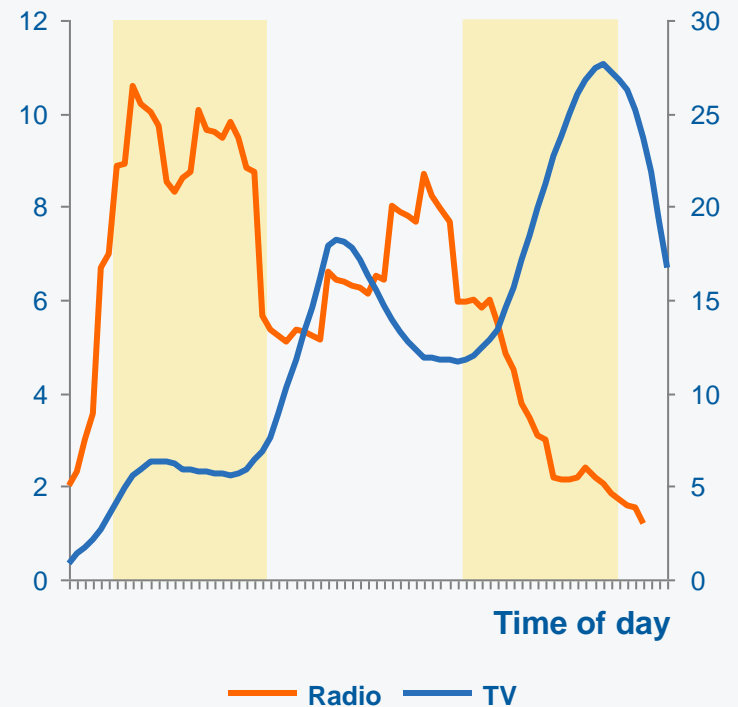
### Listeners (K)



## TV & Radio consumption patterns

### Audience Radio (M)

### Audience TV (M)

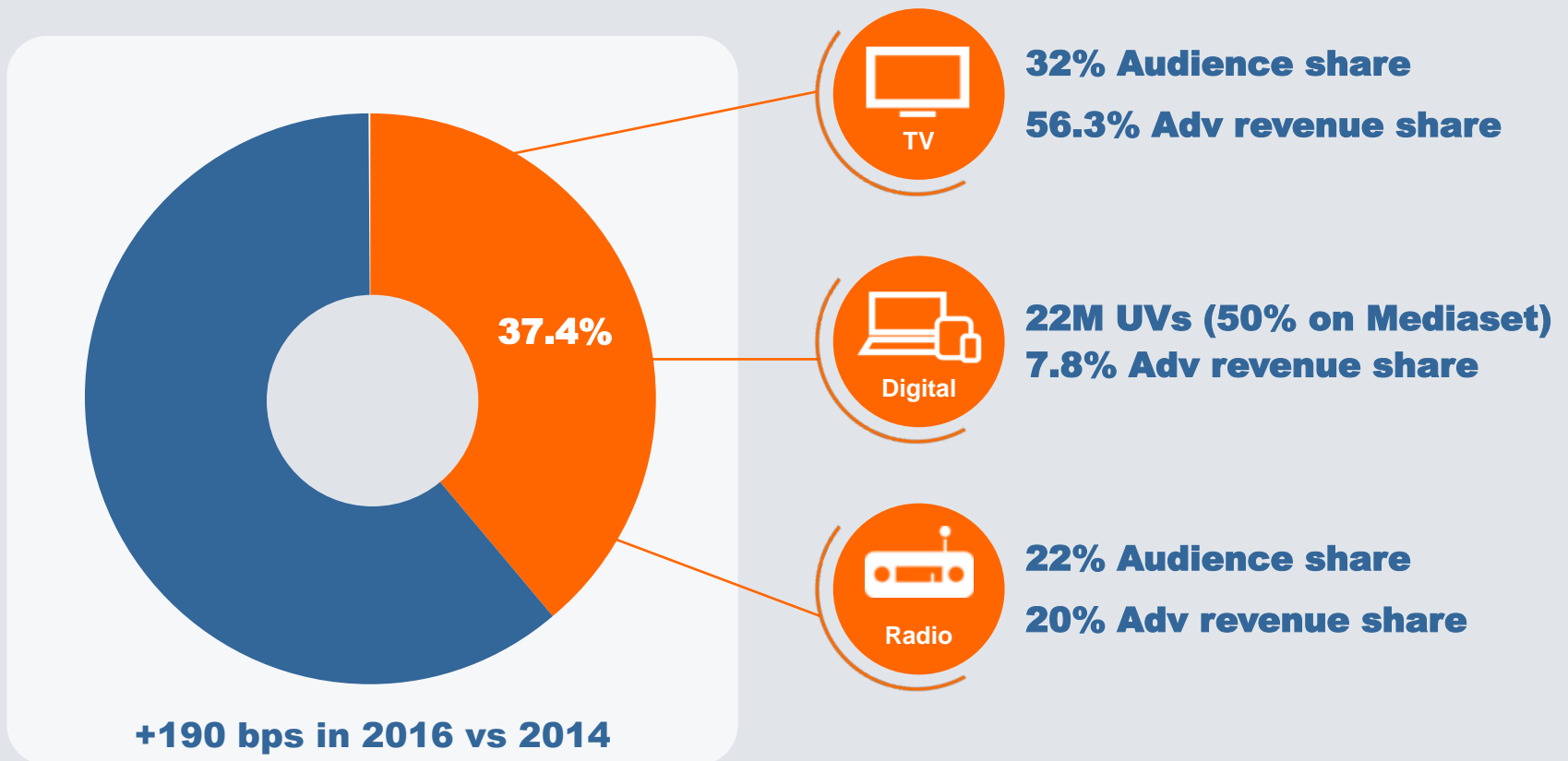


Source: Nielsen Auditel - Eurisko Radiomonitor Individuals +14



# Market Share | Growth to 37.4% of total advertising market

## Total advertising market, Italy 2016



Source: Audiweb, Audiweb, Radiomonitor, Nielsen and internal sources



**2017  
2020**



**Plan going forward**



# 2017 - 2020 | Next level, future-proof strategy going forward

## Vision

### **TV as Total Video:**

1. TV content through any device
2. Total Audience is addressable through AdTech & Data
3. Non-linear inventory on top of existing linear business

## Mission

Be the unrivalled leader in Video Audio Digital offer delivering advertising on the best TV content across any screen and addressed to profiled audiences

# 2017 - 2020 | Total Video Total Audience

3

Business  
Strategic  
Areas

- **TV**
- **Digital**
- **Radio**

4

Key  
Growth  
Drivers

- **Content Multiplier**
- **Ad Tech Platform**
- **Audience Profiling**
- **Cross-Media Approach**

**Total Audience as the key enabler of opportunities**

# Total Video and beyond – future of advertising

**In 2018 Auditel will launch the Total Audience measurement based on the most extensive panel in the EU: 15k households**

Live TV

Catch Up TV

Broadband

Broadcast

Snack

Full Episode

**Any Screen Available**

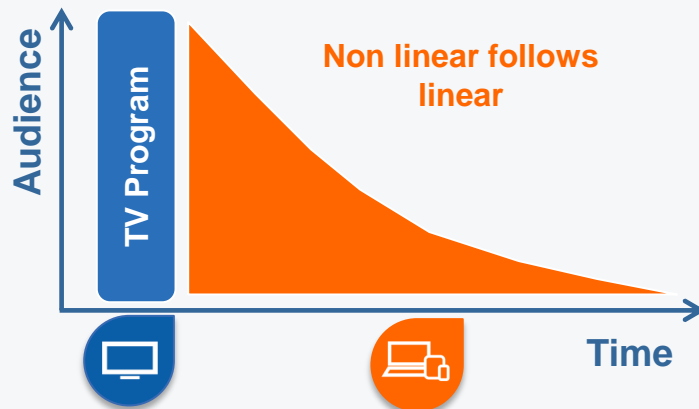
**A new currency to capture the total value of the Audience generated by our programs**

# Content Multiplier | 15-20% yearly inventory increase

## Content production TV model: TV first, Digital follows

2014  
2016

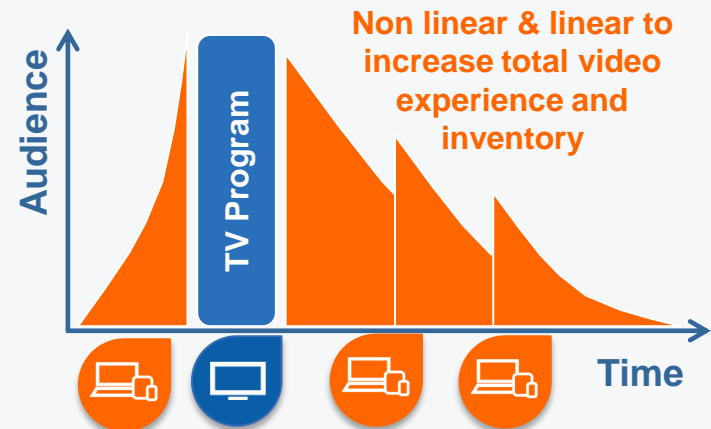
- TV Production
- Digital Full Episode Replica
- Digital Snack Catch Up



## Content production total video model: *The multiplier*

2017  
2020

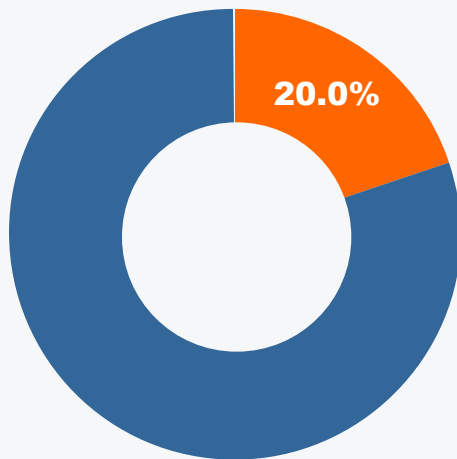
- Digital Original PreQuel
- TV Production
- Digital Full Episode Replica
- Digital Snack Catch Up
- Digital Original Only Extra



Source: Internal data

# Ad Tech and Profiling | First “non linear” ...

## Non linear revenues 2016, % of Programmatic



### Data platform

- 4.5 M profiled users
- 500k target segments

**Spot Price +15-20%**

Source: Internal data

## Adv Addressable



### Same content, Different Spot

- Profiling by geography and consumer behavior



Smart TV



PC TV



Smart  
Phone

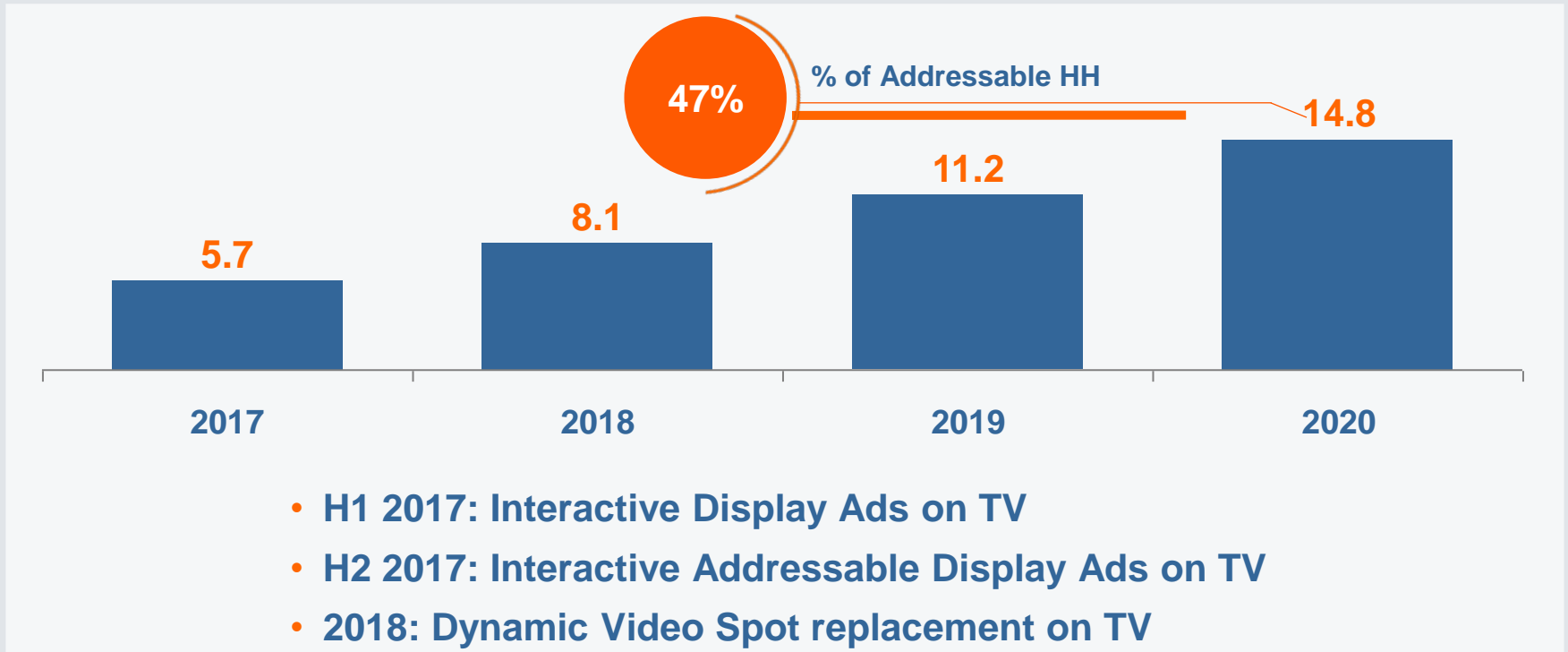


Tablet

**Spot Price +10-15%**

# Ad Tech and Profiling | ... then “linear”

**HBBTV enabled connected TV devices, Italy, 2017-2020, Millions**



**+1.2-1.4% on total revenues**

Source: Ovum, “TV Devices Forecast, Feb.’16” and IRB Broadcast Technology Institute



# Radio Business | 3 steps to growth

1

**AUDIENCE INCREASED**  
**15% ON AVERAGE** IN  
THE PAST QUARTER (Q3  
2016 VS Q3 2015)  
YOY **+4.5%** CPG

2

**EXPLOITING THE**  
POTENTIAL OF **OUR**  
**SALES STRUCTURE**

3

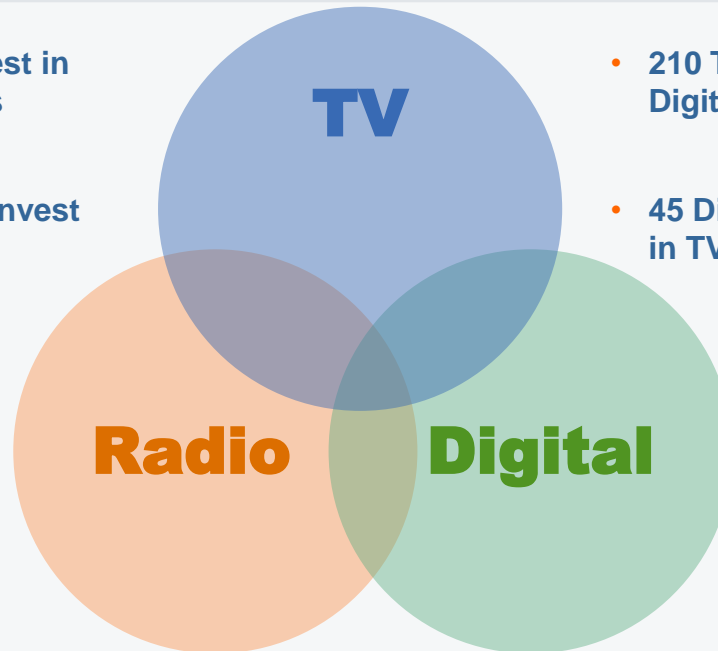
**UNCONVENTIONAL**  
GROWTH: **EVENTS &**  
**NEW RADIO FORMATS**  
LINKED TO TV  
PROGRAMS

**Additional +15-20% revenue growth**

Source: Eurisko Radiomonitor and internal data

# Cross Media | ~600 opportunities identified

## Customer Base, split by media



- 80 TV clients that invest in Radio, but not with us

- 210 TV clients that invest in Digital, but not with us



- 60 Radio clients that invest in TV, but not with us

- 45 Digital clients that invest in TV, but not with us



- 130 Radio clients that invest in Digital, but not with us

- 45 Digital clients that invest in Radio, but not with us



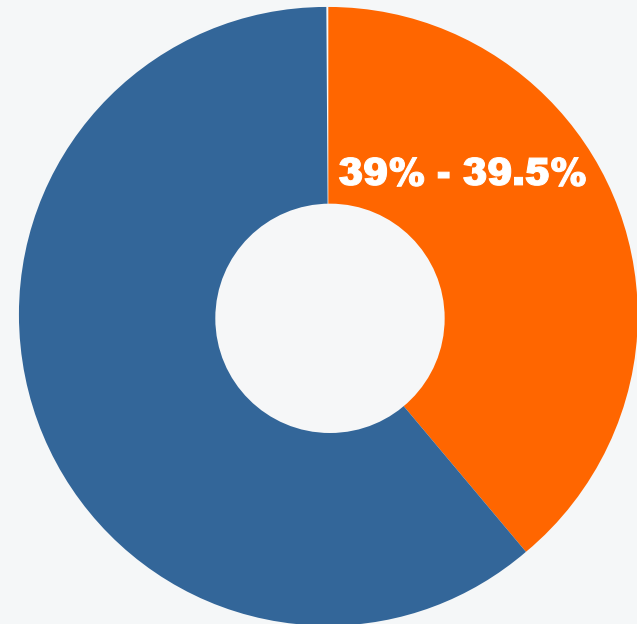
**15-20% contribution to market share growth**

Source: Internal data, Nielsen

# 2020 Target | Market Share between 39%-39.5% of Total ADV market in Italy

## Total advertising market, Italy 2020

- Organic Growth
- Maintain Core TV Leadership and Growth
- Cross Selling: 600 opportunities
- Increase Reach: Total Video, Total Audience Approach
- More Digital Inventory: new content production model
- Increase Value: Profiling
- Optimized Monetization: Programmatic
- New Inventory On Broadband TV
- Radio Audience Growth



Between +160 and +210 bps in '20 vs '16

Source: Internal estimates based on Nielsen 2016 market data

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**Content**

Platforms and Partnerships

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# Content strategy in Free TV and Digital

Own and  
local

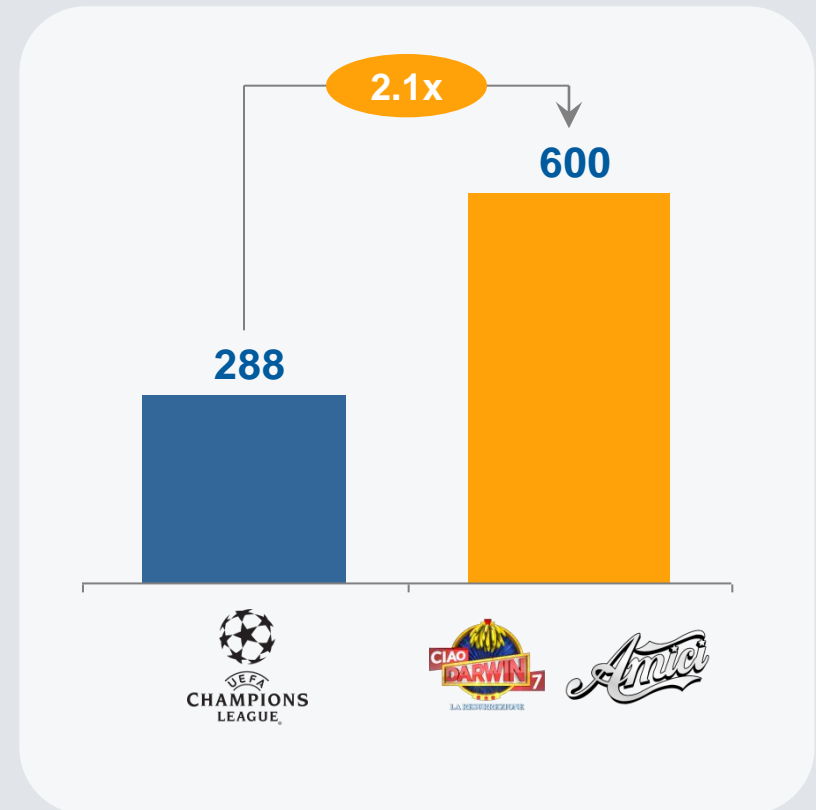
- Strengthen FTA schedule through focus on own productions to keep creating recurring "unmissable" appointments for the audience in the Italian market

# Own and local content | The backbone of our success and a key differentiating element going forward

## Audience Share, FTA



## GRPs, FTA



Note: Comparison between average episode of *Ciao Darwin* and *Amici* and average UEFA Champions League match of the last season  
Source: Auditel, Internal

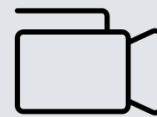
# Own and local content | Strong capabilities to launch and develop local blockbusters



taoduefilm



55%  
EBIT margin



Source: Internal data



# Content strategy in Free TV and Digital

## Own and local

- Strengthen FTA schedule through focus on own productions to keep creating recurring "unmissable" appointments for the audience in the Italian market

## Change in Mix

- Increase weight of own and exclusive local content
- Decrease spending on low-return content
- Extract maximum value from library content

# Change in mix | Stronger schedule, better economics

Relative Value in Linear

Live Sports



Decreasing returns of FTA, core for Pay



Unscripted



Areas of excellence: to be further strengthened



Info News



Areas of excellence: to be further strengthened



Hard News



Focus on productivity



Scripted Production



Renewed combination of formats and genres



Scripted Acquisition



Smart sourcing



# Content strategy in Free TV and Digital

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## Change in Mix

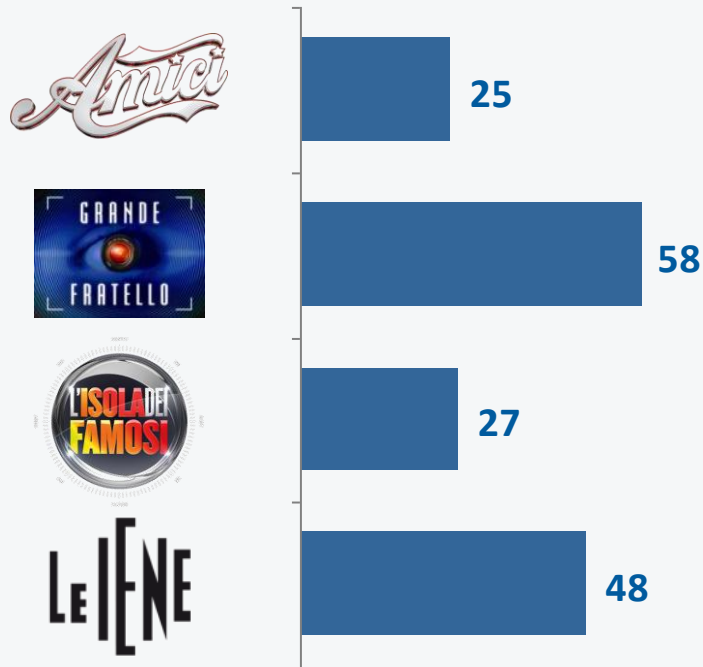
- Increase weight of own and exclusive local content
- Decrease spending on low-return content
- Extract maximum value from library content

## Digital

- Fully leverage the strong potential of FTA content in digital
- Enter the "*Online first*" space – through Studio 71 including Italian OpCo – and evaluate replicating approach in Spain

# Digital | Increased focus on own Properties' potential in the digital space

## Mediaset TV properties, Non-linear views this season (M)



## Amici, Social Networks

Amici



- 2.4M Page likes
- 12M Post likes



- Up to 470k followers
- 1.5+ tweets & retweets

Source: Internal data

# Digital | Exploring the "Online first" content space

## Professional Content – short formats



- Web series with Episodes <10 min
- Eg. Conessioni (Repubblica + Cattleya)
- Professional production cost

## Fully fledged Originals



- Full series
- Eg. Marseille (Netflix + Federation Entertainment)
- TV-like production costs (or higher – eg. The Get Down: 10M\$ per episode)

## User Generated Content (UGC)



- No production cost

## Semi-professional content



- Short formats
- Low production cost

# Content strategy in Free TV and Digital

## Own and local

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## Partnerships

- Began co-production with Mediaset España of one TV Series
- In JV with Mediaset España, will produce Scripted and Non Scripted
- Test alliance with other broadcasters for locally focused Scripted
- No plans to enter fully fledged, capital intensive / high-risk international productions business

# Partnerships | Testing content production model.... with Mediaset España first

Three hypotheses on how to structure Mediaset's entrance in the international production of scripted content:

## Production company

### CREATION OF A CONTENT PRODUCTION COMPANY FOR THE INTERNATIONAL MARKET

- Crowded competitive landscape: scale necessary (minimum 50/60 h per year)
- Capital intensive (minimum 100/150 M€/year)
- Difficult through inorganic growth



## Equal partnership

### THREE OR MORE EQUAL PARTNERS SHARE INVESTMENT ON A SLATE OF PROJECTS (ex. Project Trinity)

- Operational paralysis: Conflicting vetoes
- No unique projects for each individual partner
- No positive track record for equal co-productions (ex. "europudding")
- Management of internal producer / distributor conflict



## Partnership with lead broadcaster

### THREE OR MORE EQUAL PARTNERS SHARE INVESTMENT ON A SLATE OF PROJECTS WITH A LEAD COMMISSIONER "TAKING TURNS"

- Guarantee of unique content for each partner on the project they lead
- Guarantee of accessing other high-end content driven by the partners
- Investment perimeter
- Possible upside from international sales





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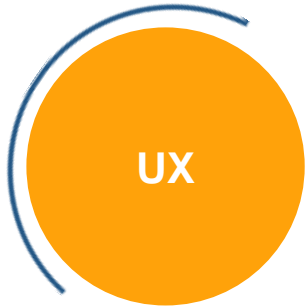
**Platforms and Partnerships**

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# Cross-media platforms and Partnerships



- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users

# UX | State-of-the-art Platform to be launched in 2017

A new platform for the ad-based digital offer



Enabling a best-in-class User Experience on all devices



Leveraging the experience in SVOD platform



# Cross-media platforms and Partnerships

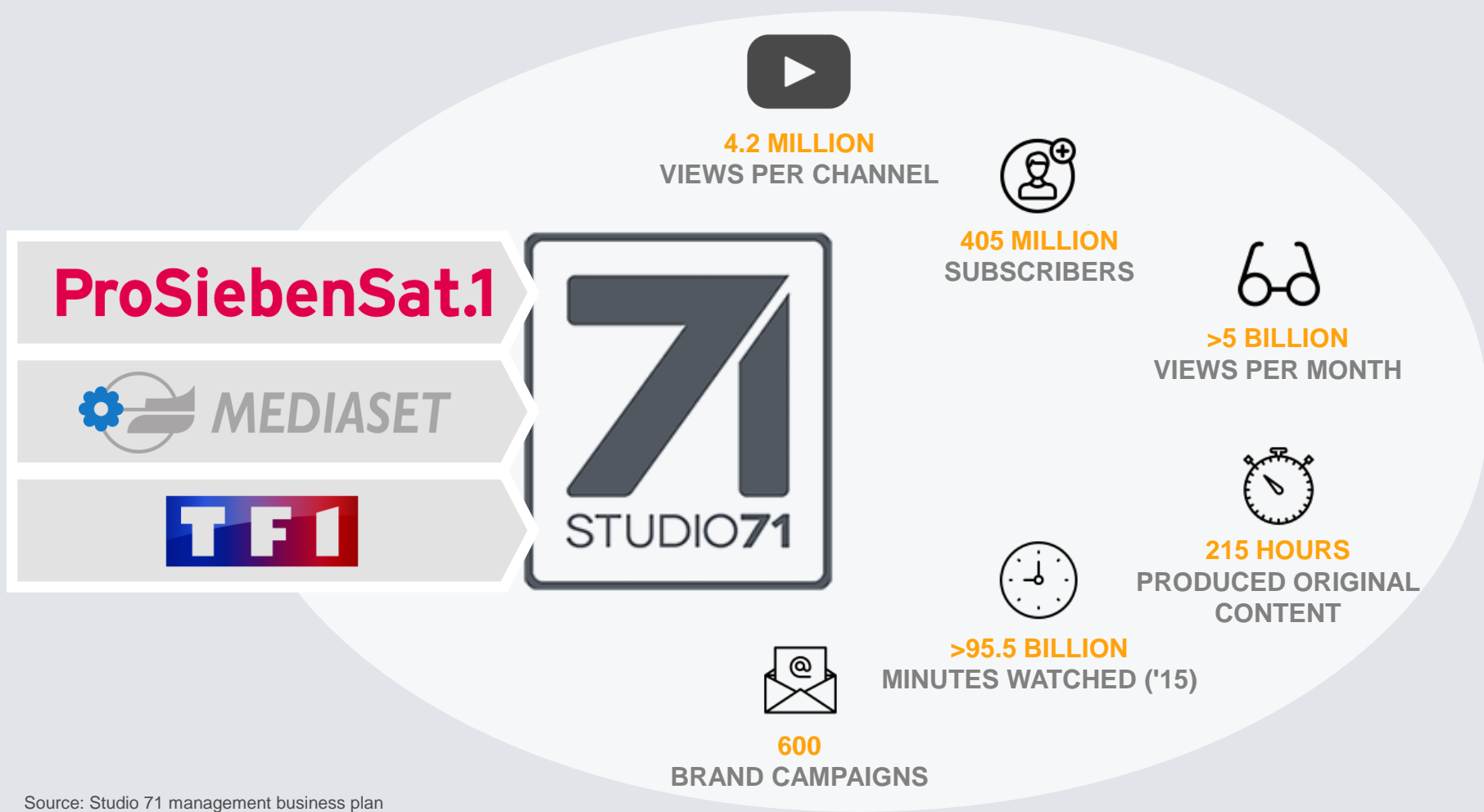
UX

- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users

MCNs

- Reap the benefits of partnership in Studio 71: Mediaset content traffic amplifier and international distribution

# MCNs | Partnered up with ProSiebenSat.1 and TF1



Source: Studio 71 management business plan

# MCNs | Studio71 for amplified and faster value extraction in the digital space



Aggregation & talent scouting

Key success factor in digital

IP development and production

Complementary production skills

Channel mgmt & cross promotion

Privileged access to global channels

# Cross-media platforms and Partnerships

## UX

- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users

## MCNs

- Reap the benefits of partnership in Studio 71: Mediaset content traffic amplifier and international distribution

## Radio

- Initial development plan delivered ahead of schedule
- Opportunity for further consolidation to strengthen leadership



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# New role in Pay TV (I/II)

## Rationale for entry

- Clear rationale for entering in Pay TV in 2008 with full subscription model:
  - Stop DTH growth
  - Exploit DTT frequencies and other Mediaset assets
  - Test non linear features and functionalities
  - Support the Sale House's cross-media strategy

## Results

- DTH revenues have been stable in the last 6 years
- DTT platform remains the only universal platform in Italy
- 50% of Premium subs using OTT services
- High end target value effectively exploited by the Sales House

## Market trends and Mediaset decision

- Market Trends in Pay TV are clear: convergence with telco or cross-border consolidation
- In 2016 Mediaset decided to partner with Vivendi to capture these trends while remaining publisher of non sport channels

# New role in Pay TV (II/II)

## 2017 re-shaping

- Remain a non-sport channel publisher with a multi-platform distribution
- Adopt an opportunistic approach to Football rights
- Split distribution platform and publishing business

## Distribution Platform

- Test the value of a unique distribution platform able to offer a turnkey solution open to all 3rd parties interested in an installed base of 4M cards and 6M devices
- Leaner operating machine running at significantly lower OPEX levels

## Content Provider

- Movies and Series: exploit existing deals on all platforms, particularly OTT
- Football: opportunistic approach
- Sustainable business irrespective of the football auctions' outcome

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# End-to-end review of operating model to reap the benefits of a focused & tech-enabled organization

## Business model

- Tech-enabled business model & way of working review

## Organization and Structure

- Simplification
- Optimization

## Production, logistics and sourcing

- Optimization of broadcasting capabilities
- Tech-enabled Corporate procurement review

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# Mediaset | Mid-term guidelines at glance



- Content-based cross media undisputed leadership: adv market share increase
- Total audience focus – viewers any time, any device
- Best of breed Ad Tech & Addressable TV



- Renewed focus on own, high quality, local content
- Improved TV schedule through smart change in content mix
- Amplified digital content with successful TV properties & “online 1<sup>st</sup>”
- Content cooperation with Mediaset España already in execution mode
- Exploration of cross-country co-production new models



- Renewed user experience on digital platforms
- Strategic partnership in digital with MCN: Studio 71
- Execution of the Radio plan

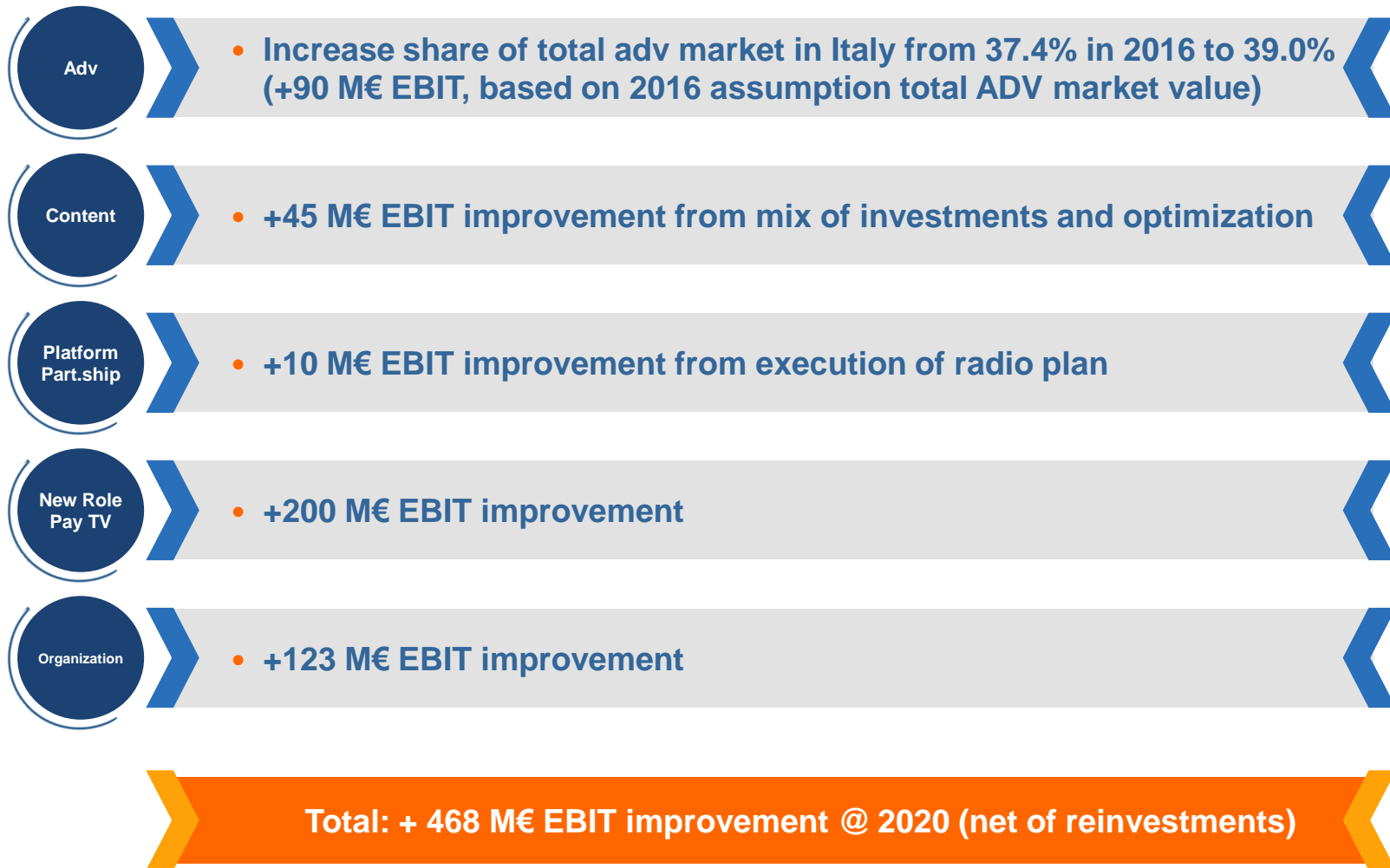


- New operational platform
- Sustainability with or without football



- Business model review
- Organization redesign
- Tech-based ops improvement

# Mid-term financial implications of guidelines @ 2020



Note: Integrated TV Activities (Excluding Mediaset España and El Towers )



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London, January 18, 2017