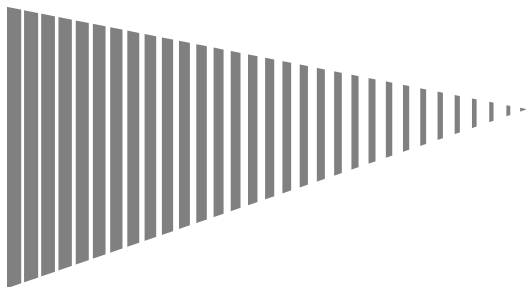


New French and European film markets

Digital: a new growth driver for intra-community circulation and export?

March 2015



EY

Building a better
working world

uniFrance*films*

Promoting French cinema worldwide

Contents

Introduction

- ▶ Estimate of the potential international market for French films on digital video-on-demand platforms
- ▶ Economic sales models applied by rights holders
- ▶ Recommendations
- ▶ Appendices

Objectives of the study

Objectives

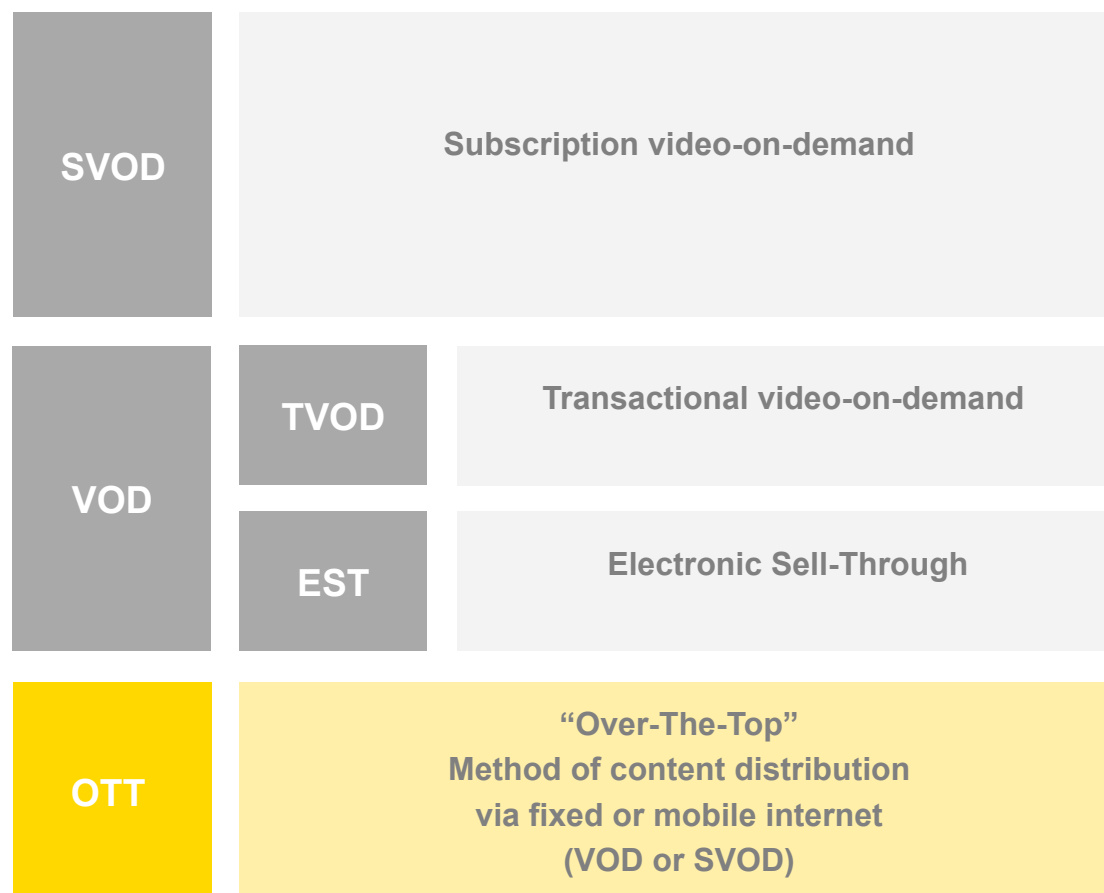
- ▶ Analysis of the user habits for VOD and SVOD services
- ▶ Estimate of the size of the market attainable by French-initiated films on VOD and SVOD platforms worldwide
- ▶ Overview of the sales models practiced by rights holders
- ▶ Recommendations

Scope of the study



Selection of countries based on their importance for French film sales and the penetration of VOD/SVOD services

Definitions used



Methodology

Market surveys

- Estimates of market size based on consumer spend
 - United States: Digital Entertainment Group, Home Entertainment Report 2014
 - Europe, Japan: European Audiovisual Observatory, European Video Yearbook 2014
 - China: iResearch, China Online Video Report 2014
 - Brazil: Dataxis Report on VOD, May 2013
- Estimate of the market share of French cinema by region
 - UniFrance study: 2013 results by region

Quantitative analysis

- Total number of films and number of French films on the major VOD/SVOD platforms
 - In the United States: Netflix, Hulu, Amazon, Comcast Xfinity
 - In the UK: Netflix, Amazon

Interviews

- Georges Bermann – Partizan Films
- Vincent Grimond – Wild Bunch
- Alain Rocca – Universciné
- Julien Neutres – CNC
- Jérôme Chung – Under the Milky Way
- Pierre-Alexandre Labelle – Under the Milky Way (United States)
- Karim Ayari – Watchever (Germany)
- Emilie Boucheteil – French Embassy (Germany)
- Peiyi Jiang – Best TV (China)
- Brigitte Veyne – French Embassy (China)
- Noriko Tezuka – Unifrance (Japan)
- Audrey Guibert – French Embassy (Brazil)

Analysis of markets and growth trends

Evaluation of export markets and models for export

Estimate of the potential market for French films on VOD/SVOD platforms in 2020

Contents

► Introduction

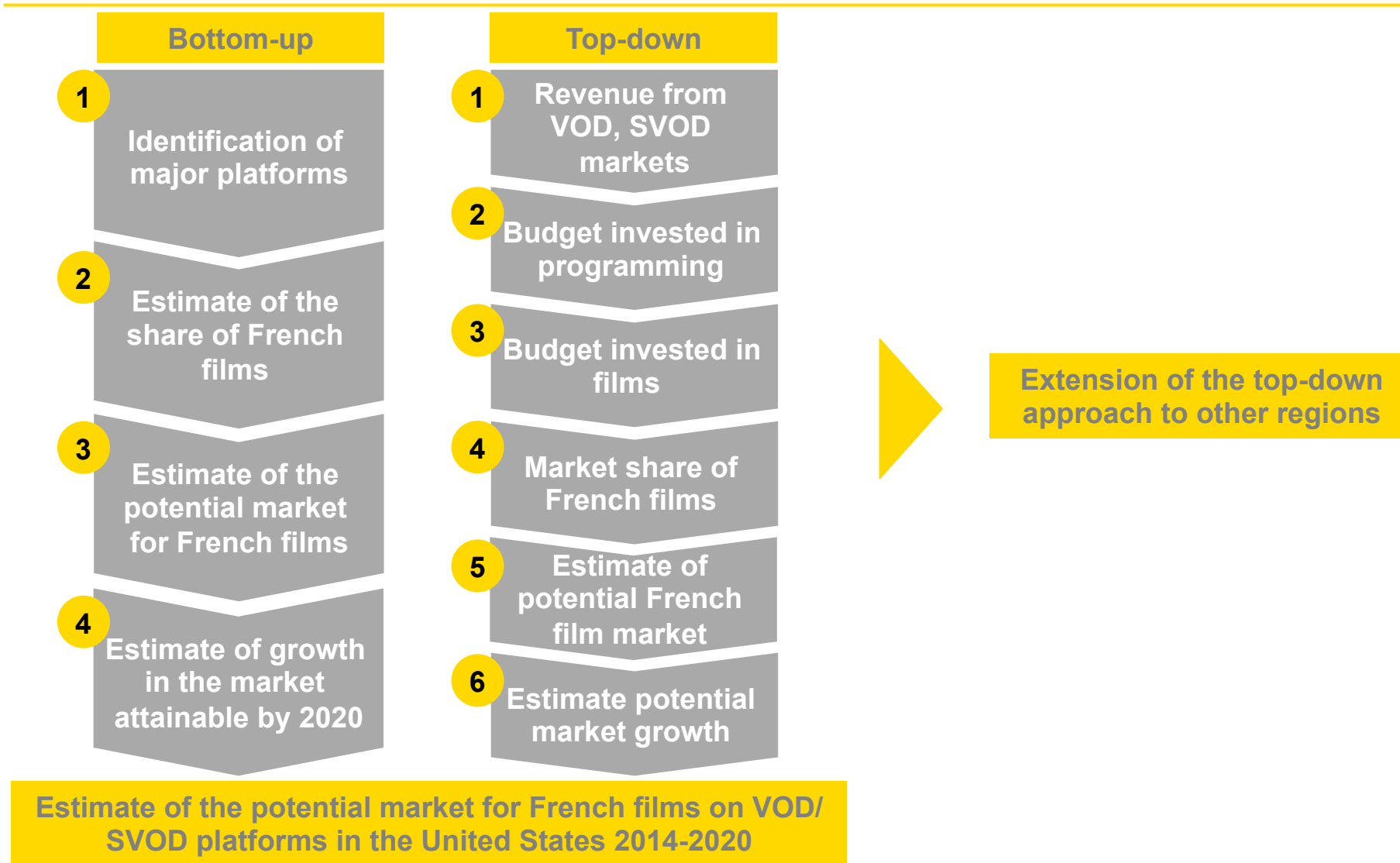
Estimate of the potential international market for French films on digital video-on-demand platforms

► Economic sales models applied by rights holders

► Recommendations

► Appendices

A dual “bottom-up” and “top-down” approach to the American market to verify the method and scale



Outline hypotheses

Analysis of consumer spending, excluding revenues from digital advertising

Estimate of growth by zone, based on market surveys and performance over the past three years

Estimate of spending involving the purchase of content through the analysis of the economic models of several VOD and SVOD platforms: ~ 50%

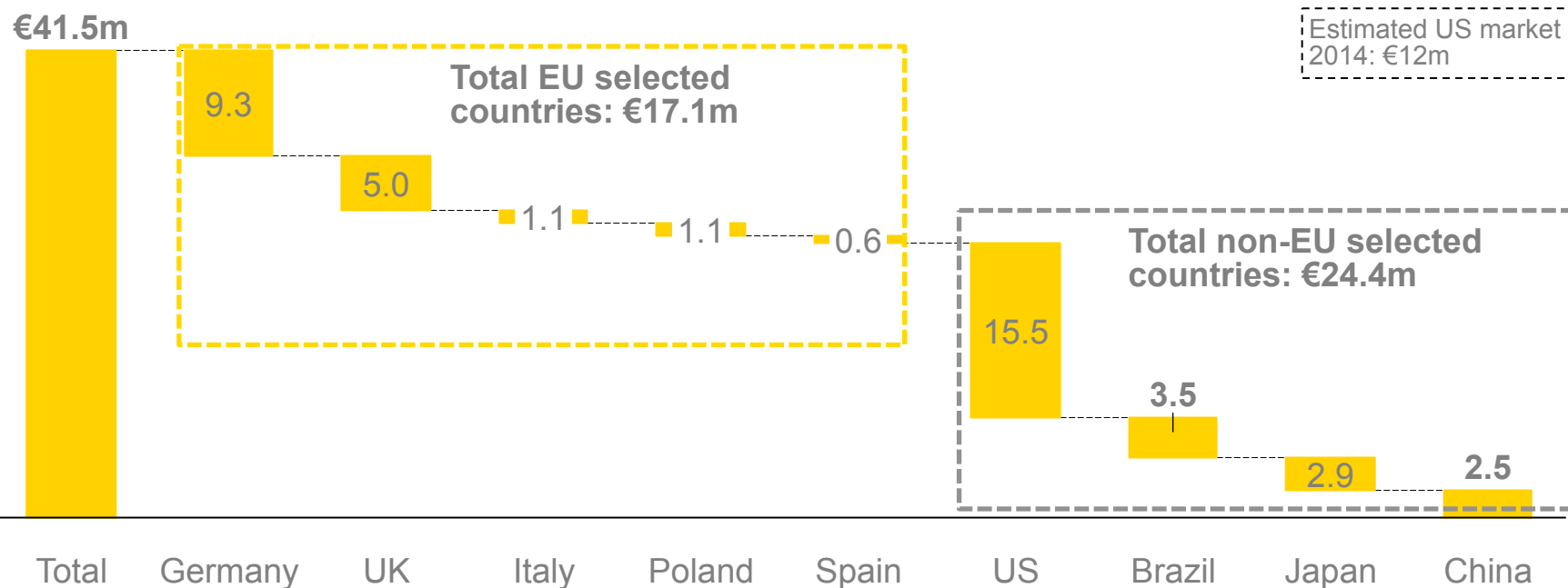
Estimate of the share of film, based on the analysis of models of VOD platforms (~ 50%) and SVOD (~ 20%)

Estimate of the market share of French films from the average market share of French cinema in theaters by region between 2010 and 2013*: between 0.6% and 5.5%

Source(s): * based on UniFrance Film's 2013 Report

The potential market for French films on VOD and SVOD platforms in target territories estimated at €41.5 million in 2020

Estimate of the potential market for French films on VOD and SVOD platforms in 2020, in millions of €
Scenario 1: conservative growth hypothesis & average market share of French cinema 2010-2013



Av market share
 2010-2013 of
 French cinema in
 theaters *

5.5%

2.2%

5.1%

5.1%

4.6%

1.4%

1.7%

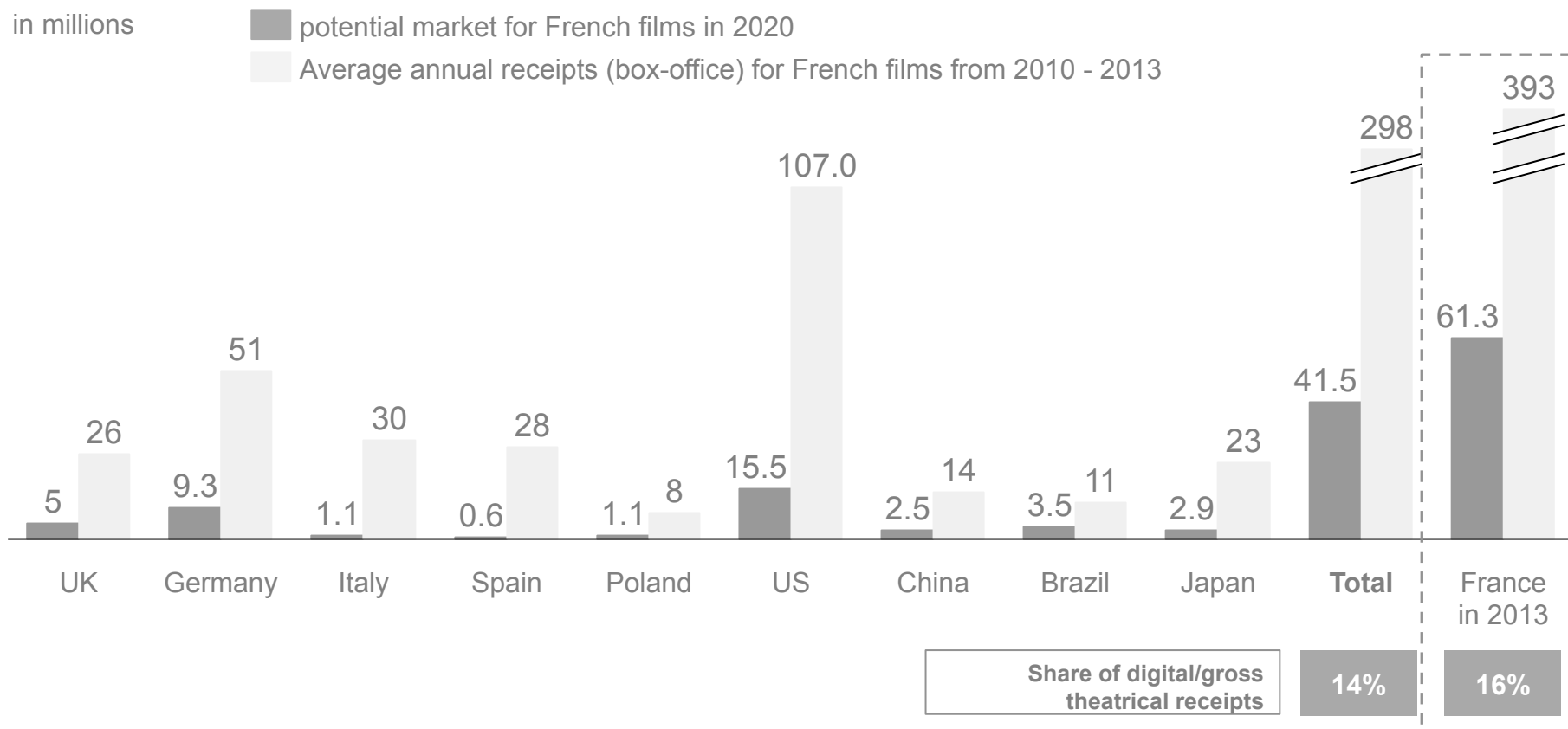
1.5%

0.6%

Sources: EY analysis, UniFrance Film's 2013 Report*

In 2020, the potential international market for French films on VOD and SVOD platforms could account for around 14% of theatrical receipts

Comparison between the potential market on VOD/SVOD platforms and export receipts from French cinema in these countries



Source(s): UniFrance Films, 2010-2013 Reports; EY estimate based on CNC estimate: VOD Observatory; CNC 2010-2013 Reports

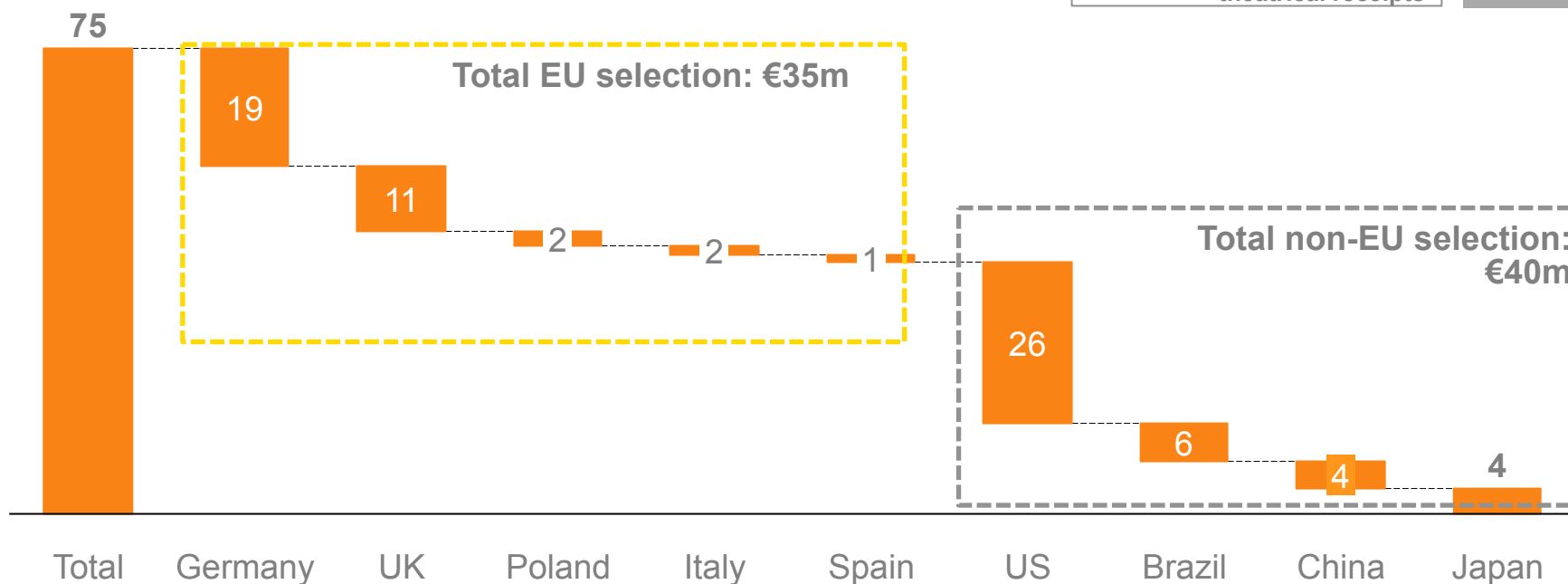
According to the most optimistic scenario for the penetration of French cinema in these territories, the potential market could reach €75 million in 2020

Estimate of the potential market for French films on VOD and SVOD platforms in 2020, in millions of €
Scenario 2: Top-end hypothesis of the share of French cinema (2012)

in millions

Share of digital/gross
theatrical receipts

25%



Source: EY analysis

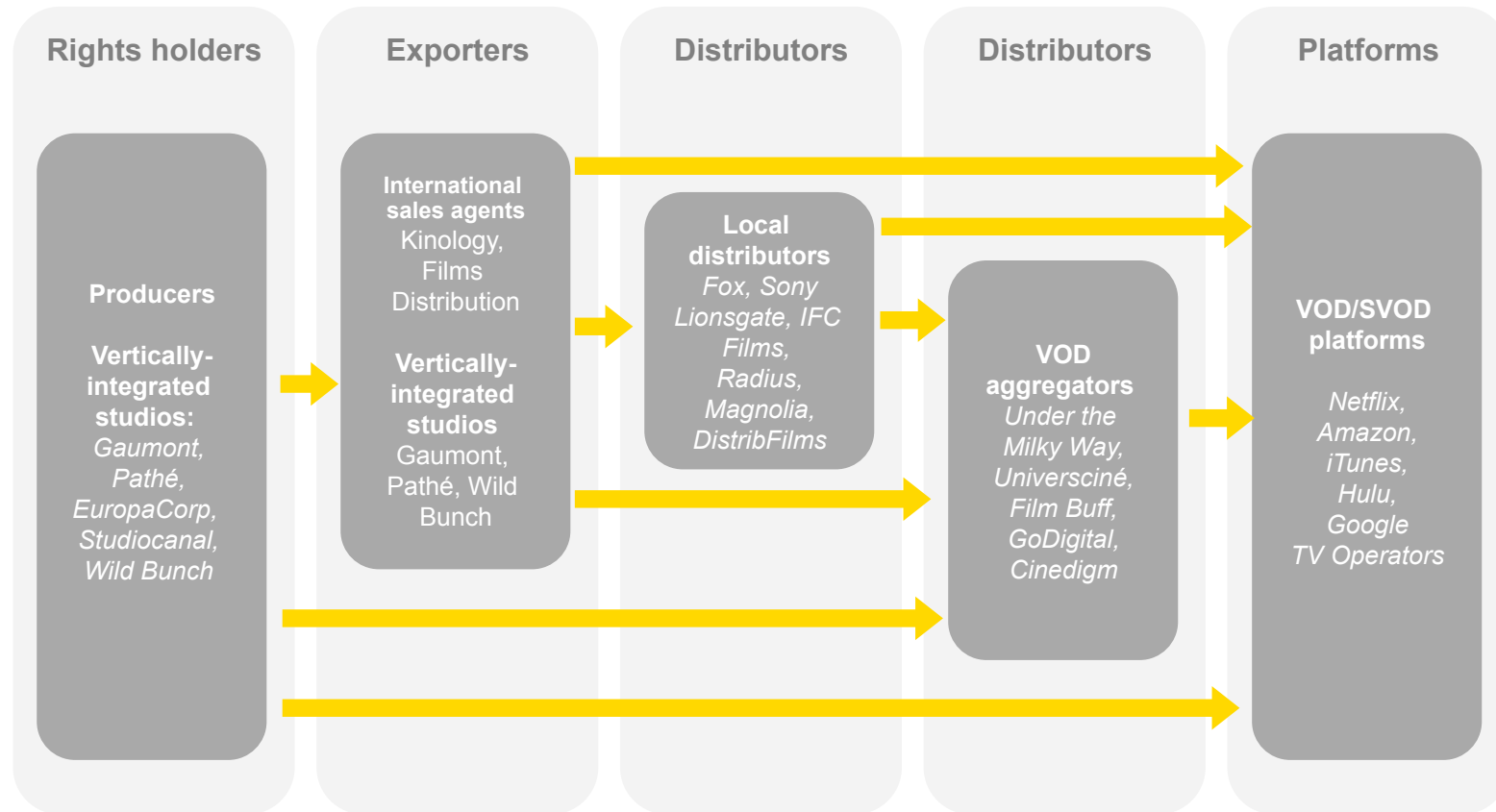
Contents

- ▶ Introduction
- ▶ Estimate of the potential international market for French films on digital video-on-demand platforms

Economic sales models applied by rights holders

- ▶ Recommendations
- ▶ Appendices

Value chain of video-on-demand services on the export market



Overview of the sales models used by rights holders

1 Indirect sales via a distributor	2 Sales via an aggregator	3 Direct sales	
<ul style="list-style-type: none">▶ Dominant practice▶ All-rights sale to a distributor: giving value to VOD as part of the overall MG▶ Ex: IFC, Kino Lorber, Cohen	<ul style="list-style-type: none">▶ Increasingly common practice▶ Example platforms: Under The Milky Way (146 films distributed in the US/ Canada since 2011), Universciné in Europe	<ul style="list-style-type: none">▶ Minority practice▶ The most accessible platforms for direct sales: iTunes, Hulu, Filmin, Mubi	
Economic model	Economic model	Economic model	
<ul style="list-style-type: none">▶ Estimate of VOD and SVOD revenues: 30% of overall receipts for the distributor▶ MG for “all rights” sale for the rights holder	<ul style="list-style-type: none">▶ VOD: receipts sharing: ~ 50% of the sale price (on iTunes: 70% for new product + bonus if the film is a success)▶ SVOD: “flat” sales of €3,000-10,000 over a given period (~18 months)	<ul style="list-style-type: none">▶ VOD: co-existence of all MG models from €3,000-60,000 for the whole life of the film<ul style="list-style-type: none">- Sharing of receipts- “Flat” sales▶ SVOD: “Flat fee” sales from €500 for a period of 3 months to 1 year	
+	-	+	-
<ul style="list-style-type: none">▶ Delegation of a local operator who knows the market▶ Use of digital as lever for negotiation	<ul style="list-style-type: none">▶ Lack of control	<ul style="list-style-type: none">▶ Easier access to platforms▶ Centralization of efforts for referencing and technical support	<ul style="list-style-type: none">▶ Absence of MG▶ Less control
+	-	+	-
		<ul style="list-style-type: none">▶ Direct earnings▶ No intermediary	<ul style="list-style-type: none">▶ Increased marketing efforts▶ Technical constraintsAbsence of MG

Principal findings of interviews

- ▶ **The industry executives interviewed were reticent about sharing financial data on models used**
- ▶ **There are many sales models, and the approach used by rights holders to export their films is still at the experimental stage**
- ▶ **Revenues from VOD and SVOD are not very significant for French export companies: they account for less than 5% of their export revenue***
- ▶ **For French cinema, the majority of revenues from digital platforms on the export market comes from VOD uses**
- ▶ **Sales via SVOD are harder and often less financially advantageous**
- ▶ **The efforts of producers and distributors are focused for the moment on the United States and Europe, whilst taking an exploratory approach to the Chinese market**

Note: * based on declarations by 11 French sales companies questioned by UniFrance in its report on VOD in September 2014

Contents

- ▶ Introduction
- ▶ Estimate of the potential international market for French films on digital video-on-demand platforms
- ▶ Economic sales models applied by rights holders

Recommendations

- ▶ Appendices

Recommendations

1) Drivers to maximize the presence of French and European films on international VOD and SVOD platforms

► Encouraging marketing and promotional efforts for the exploitation of films via VOD and SVOD

- Supporting marketing initiatives for the referencing of French and European films within the legal offer
- Encouraging initiatives allowing marketing synergies adapted to each market (e.g. creation of communities on social networks, experiments with simultaneous releases in theaters and on digital platforms)
- “Creating an event” out of the distribution strategy, by developing agreements between festivals and platforms for exclusive distribution on VOD (ex: Stream Festival on Universciné, Venice Film Festival on IQiYi)

► Studying new models of distribution according to the specifics of each market

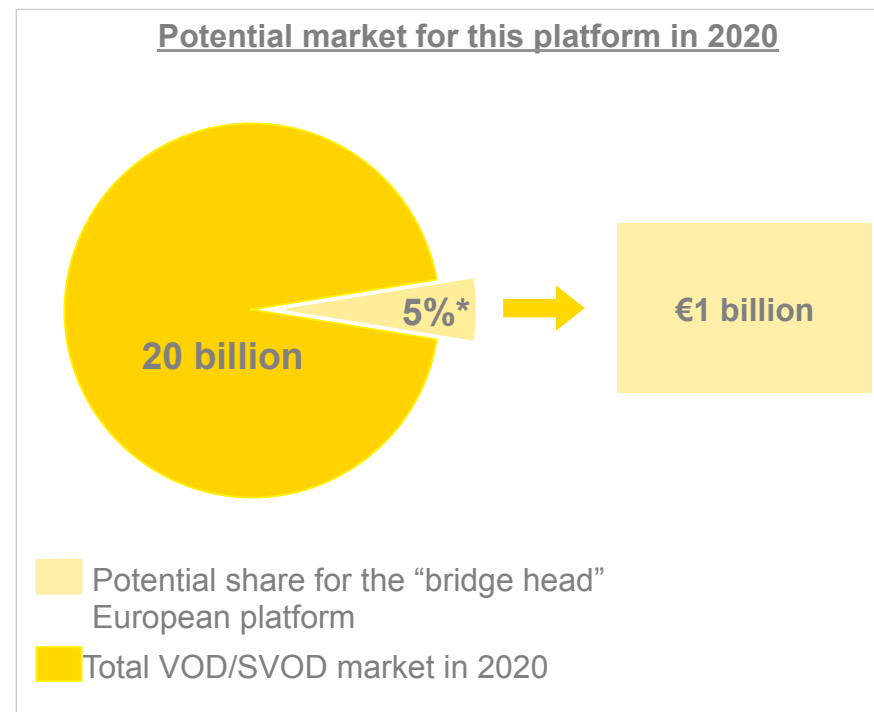
- Build on public-private partnerships, for example, for the distribution of films on free platforms, notably in China where the pay model has not taken off (e.g. sponsoring the catalogue of French films by a French brand)
- Promoting approved and curated content to sell to platforms which want to have a full offer of French and European films (e.g. India)

► Adapting public aid for export (CNC, the EU’s MEDIA Programme) to better integrate new business models, notably by new operators in the ecosystem

Recommendations

2) Potential of an alternative European platform

- ▶ Supporting the creation and development of an international SVOD platform, of European origin, possibly based on existing European operators
- ▶ A positioning that favors *auteur* films (“cultural – popular”), or even European-made TV series to differentiate itself
- ▶ A potential market of around 5% of the global market
 - Estimate of the market share of *auteur* films by the BFI: 10%
 - Estimate of the market share of films on VOD and SVOD platforms: 45%



Source: EY estimate based on the following: share of films 45%/share of “cultural/popular” cinema 10% (BFI)
Applied to UniFrance estimate of 5% revenue from VOD/SVOD from export

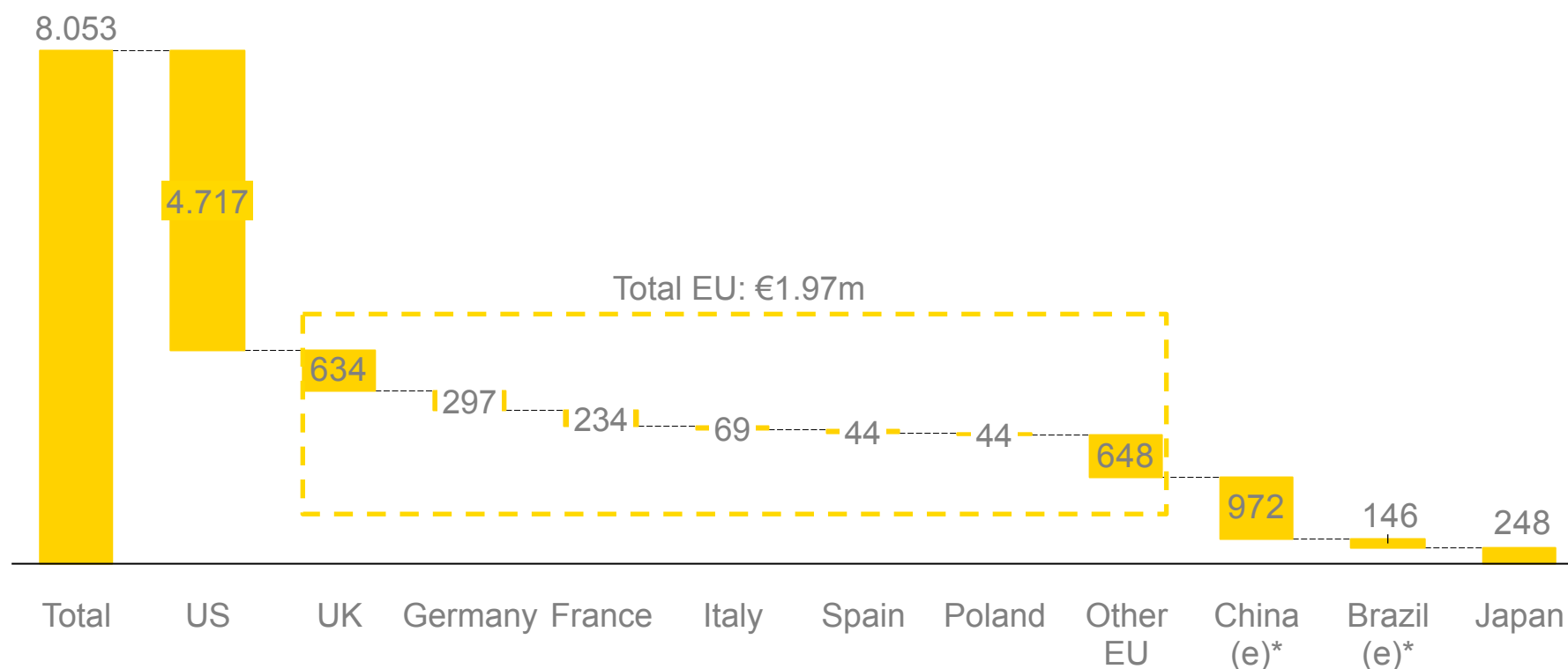
Contents

- ▶ Introduction
- ▶ Estimate of the potential international market for French films on digital video-on-demand platforms
- ▶ Economic sales models applied by rights holders
- ▶ Recommendations
- ▶ Appendices
 - Analysis of uses of video-on-demand services
 - Methodological notes

For 2013, the market for VOD and SVOD services in the selected territories is estimated at €8.2bn



Estimate of consumer spending for VOD and SVOD services by market in 2013, in millions



Note:* EY estimate of consumer spend based on revenue and an evaluation of the proportion coming from advertising

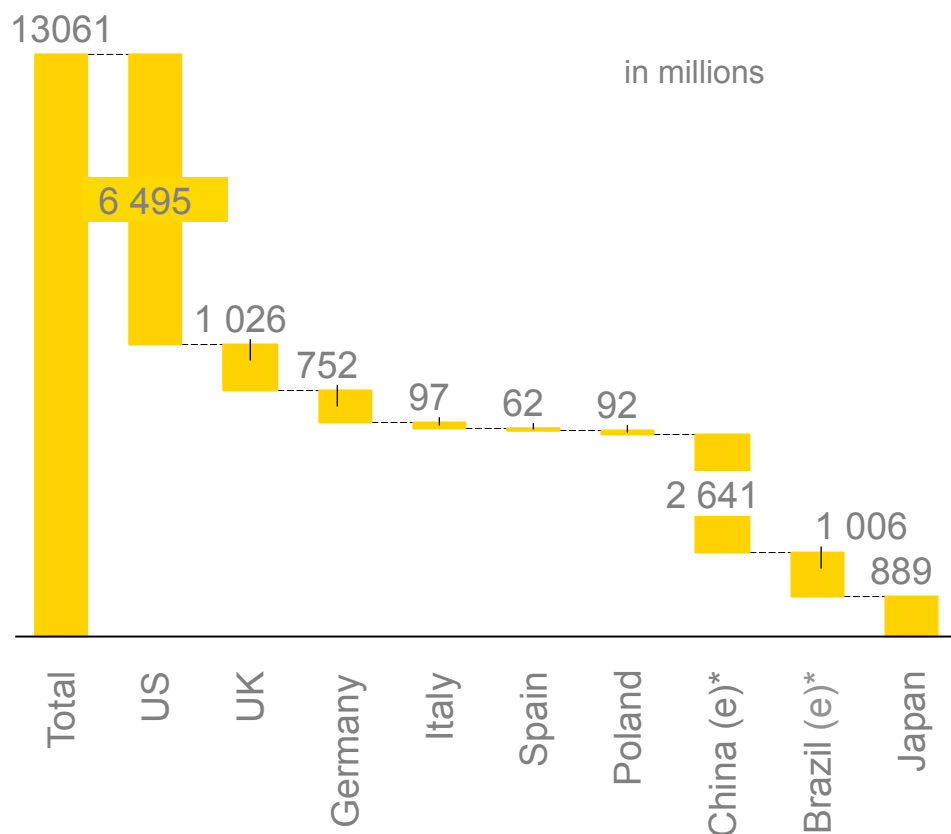
Exchange rate as of 31 Dec 2013 €1 = \$1.37

Source(s): EY estimates based on data from the International Video Federation 2014 - European Video Yearbook 2014, DEG entertainment 2014, iResearch 2014

In 2020, the worldwide market for VOD and SVOD services is estimated at 20 billion

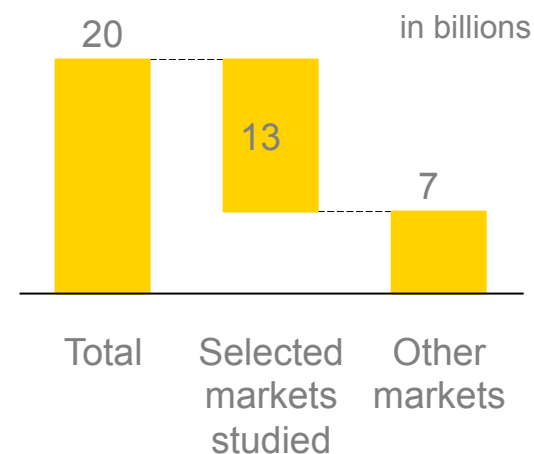


Estimate of consumer spending in markets studied in 2020



Estimate of worldwide consumer spending in 2020

- It is estimated that the countries studied cover 65% of the worldwide market
- The worldwide market for consumer spending on VOD and SVOD is forecast to be 20 billion by 2020

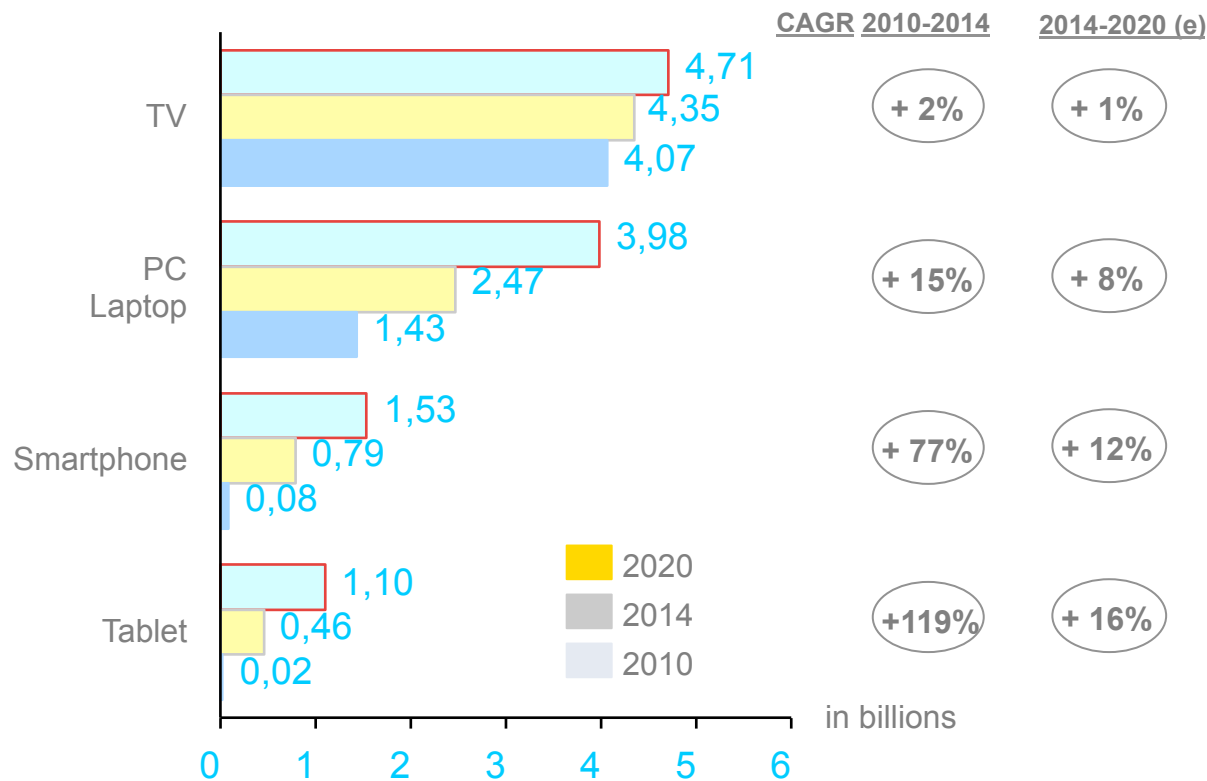


Source(s): EY estimates based on data from the International Video Federation 2014 - European Video Yearbook 2014, DEG entertainment 2014, iResearch 2014

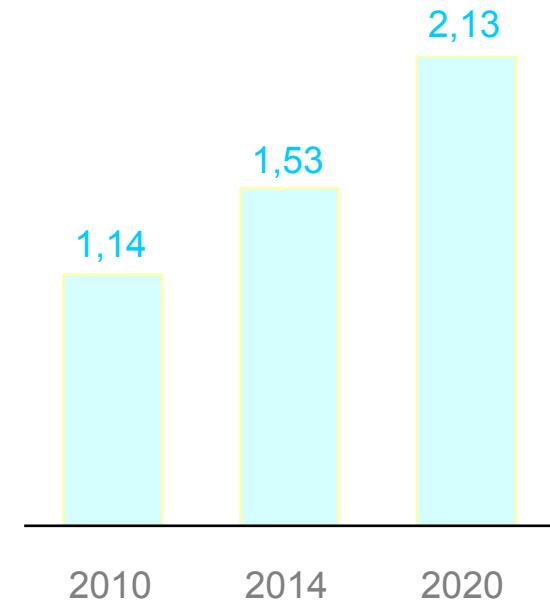


While TV remains the main way to access video content worldwide, mobile terminals have the fastest growth

Number of people watching video content worldwide, by platform, in billions
(2010, 2014, 2020)



Number of devices used to watch video content

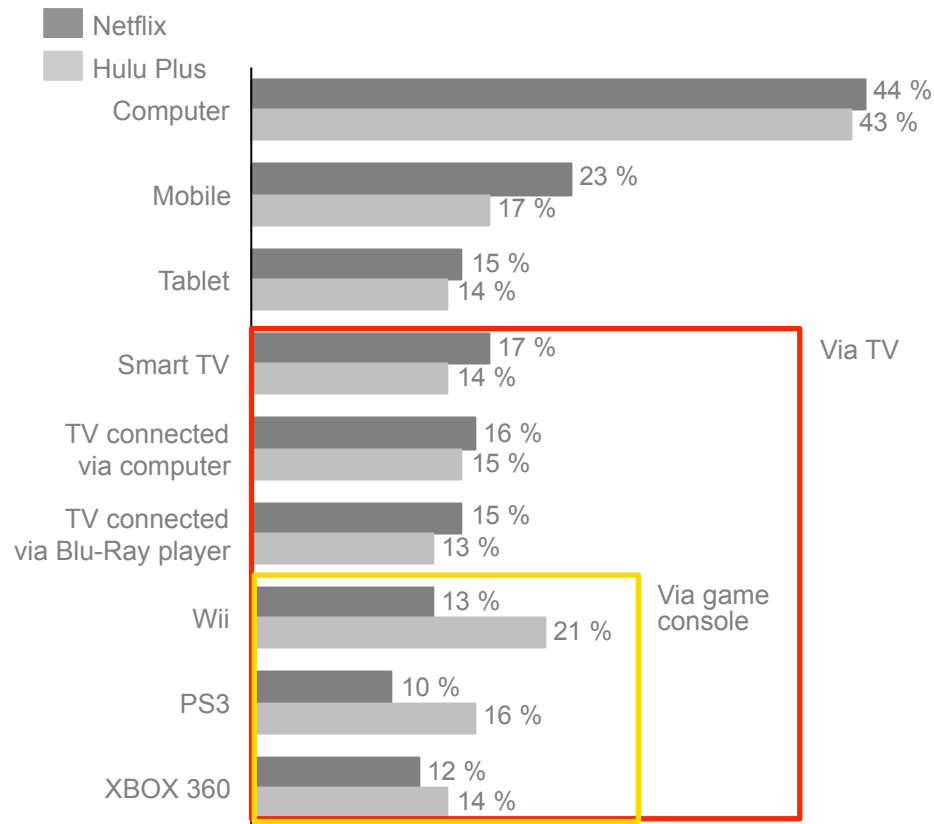


Source(s): Digital TV Research Multiscreen TV & Video Forecasts 2014



These trends are more pronounced among users of Netflix and Hulu in the United States, who are younger and more connected

Breakdown of screening devices among Netflix and Hulu users in the United States in 2013



Preponderant characteristics among users of video-on-demand services in the United States

- ▶ 18 – 34 years old
- ▶ AB+ (>\$100K)
- ▶ Has children (60% for SVOD users, 45% for TVOD users)
- ▶ Owns several digital devices: smartphone, tablet or game console
- ▶ Watches more linear television than non-users of on-demand services

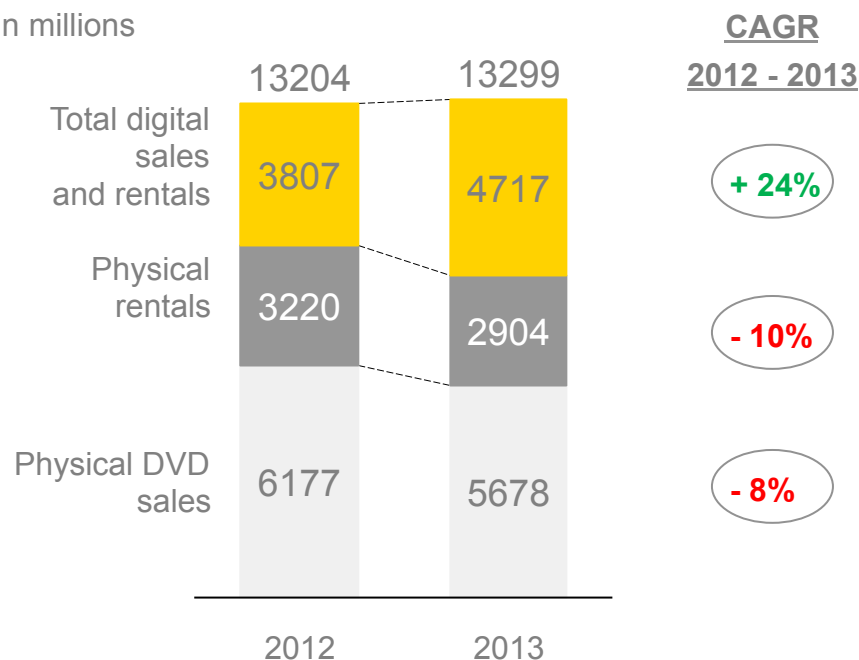
Note: The % is > 100 due to the use of several devices, based on a survey
Source(s): Nielsen Over The Top analysis, July 2013



The preponderance of digital is increasing in the video services market in the United States, where SVOD now accounts for more than half of the market

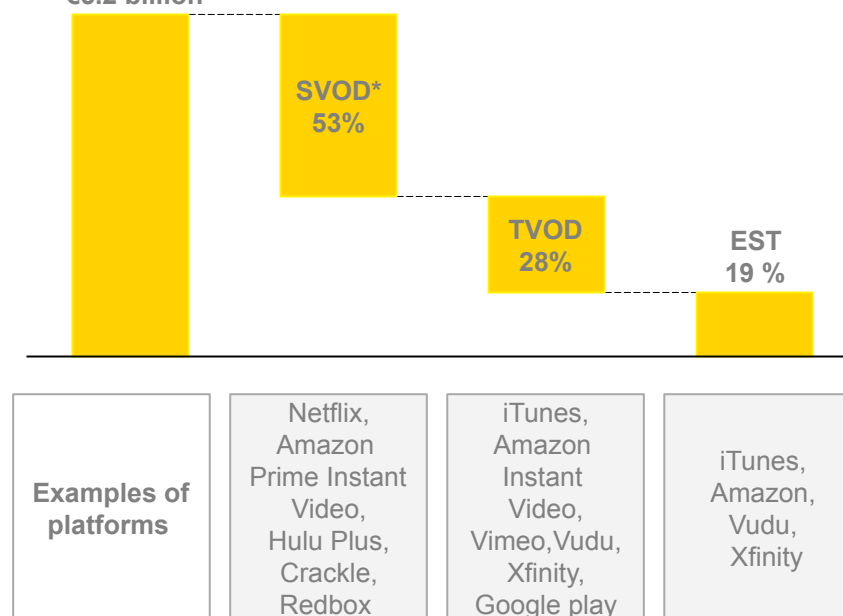
Change in spending on home entertainment in the United States

in millions



Breakdown of digital video services in the United States in 2014

Total digital estimate 2014
€5.2 billion



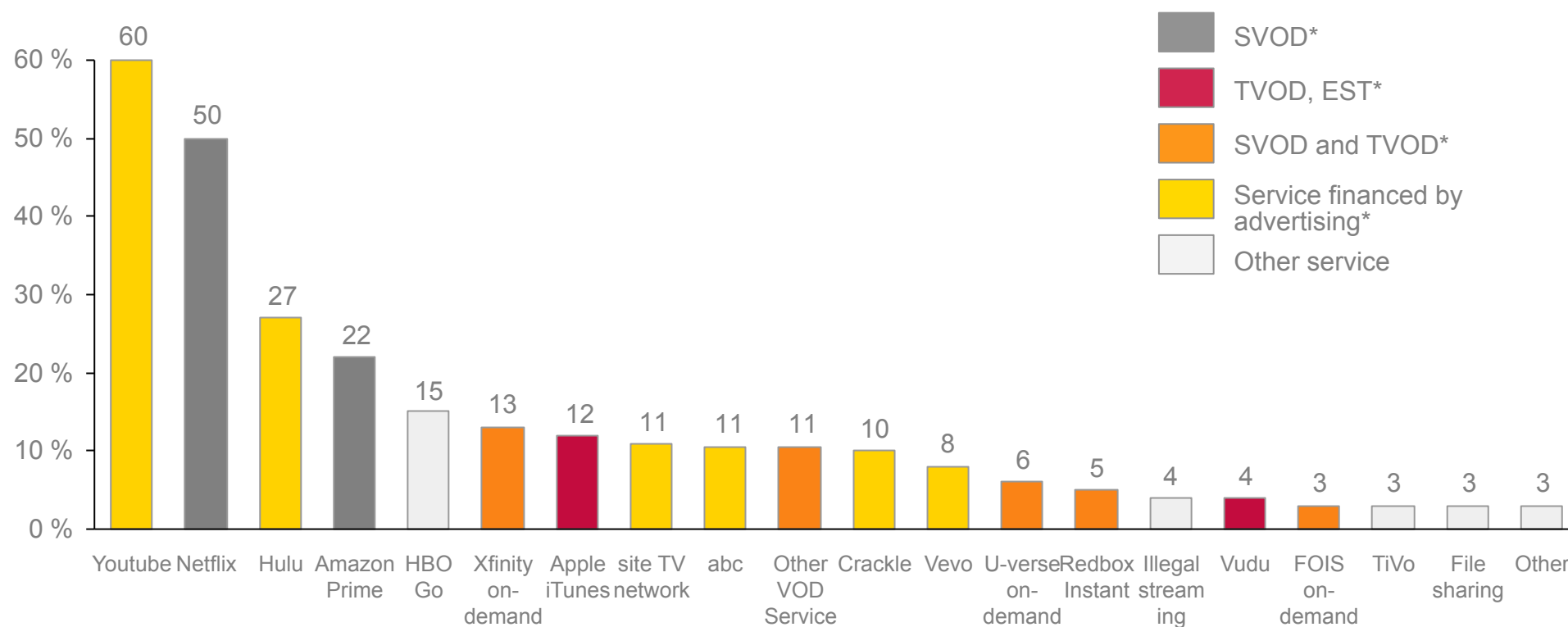
Note: Exchange rate as of 31 Dec 2013 €1 = \$1.37
Source: EY analysis based on DEG Report 2014

Note: * Only includes paying subscribers and does not include SVOD platforms providing others video services



Multiple video-on-demand services in the United States, comprising a wide legal offer

Use of each video-on-demand service in the United States in 2014, based on survey



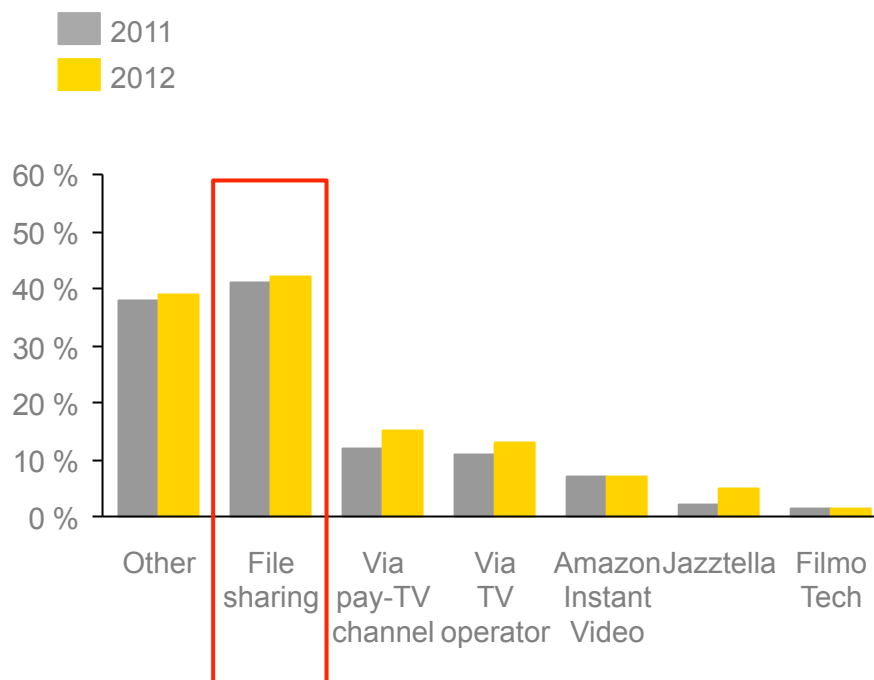
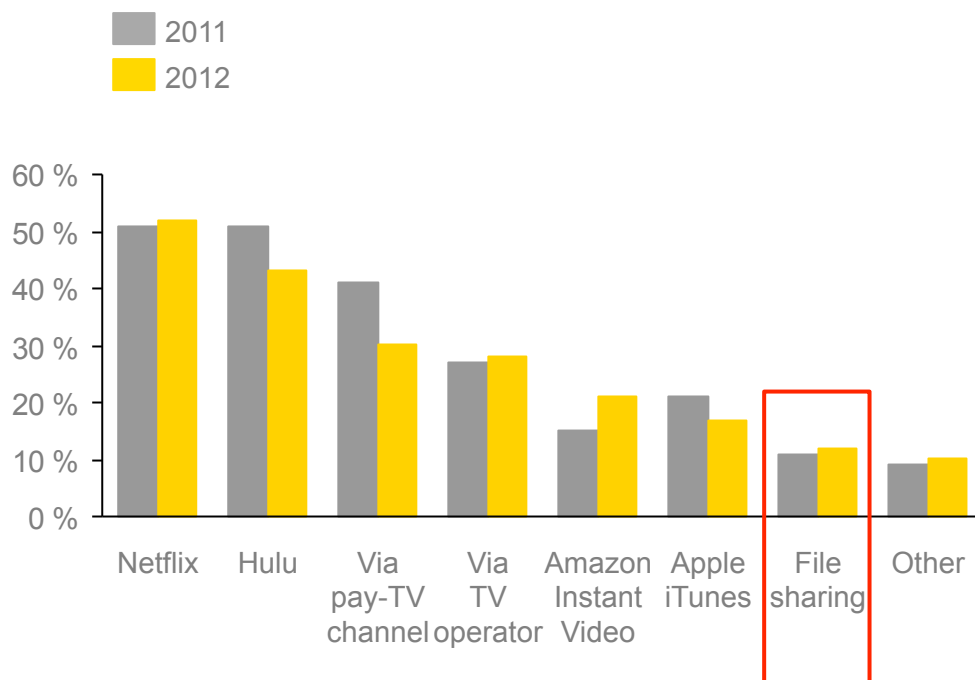
Source(s): * if a service offers several payment models, the color code refers to the service's predominant model
Ericsson ConsumerLab TV and Media 2014. Base 1,000 US consumers who watch videos at least once a month

In a country like Spain, where the legal offer is much less developed, the use of illegal systems is proportionally much higher than in the United States



video-on-demand services used in the United States, survey 2011-2012

On-demand services used in Spain, survey 2011-2012

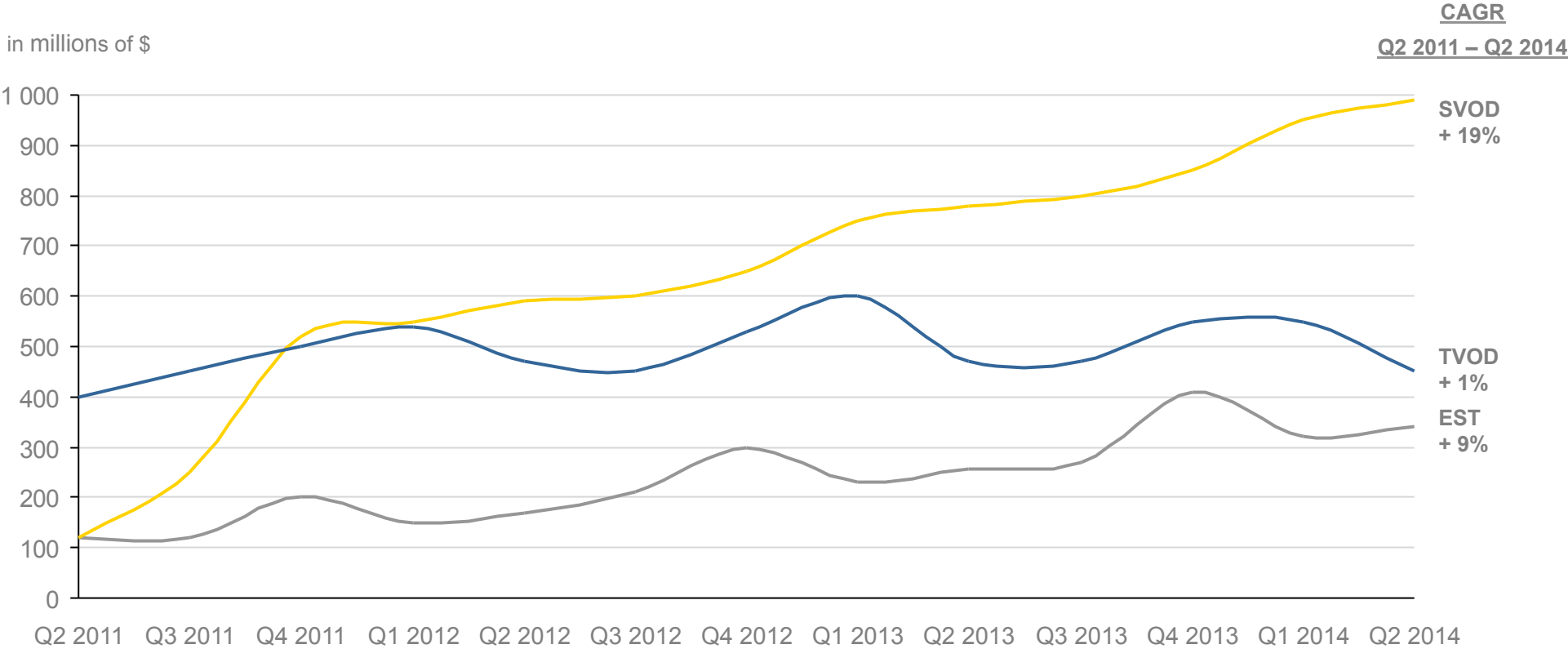


Base: users of an on-demand service several times per month
Source(s): Ericsson Consumerlab TV and Video 2012 & 2013



This growth of digital is driven by SVOD and EST services

Change in spending on video-on-demand services on different services in the United States



Source: DEG Report 2014

For all video-on-demand services, the main drivers of growth and differentiation depend on the catalogue: wide choice, exclusives, pre-launch events



The main drivers of growth for video-on-demand services

- ▶ **For SVOD**
 - ▶ An appetite for the exclusives offered by the major SVOD operators, notably in terms of original content (e.g. flagship series on Netflix)
 - ▶ An attractive price compared to a traditional cable subscription
 - ▶ Great simplicity of use (recommendation, prompting of “binge-watching”)
- ▶ **For EST and TVOD services, advance distribution negotiable with the studios**
 - ▶ *EST*: availability 2-3 weeks ahead of the DVD release, simultaneously with the theatrical release; e.g. early release for *Star Trek, Into the Darkness*
 - ▶ *TVOD*: access to film in theaters and on TVOD 2 before the theatrical release (“Mega Ticket”); e.g. Mega-ticket for the film *World War Z*: \$50, screening 2 days ahead, digital HD version, merchandising

The 5 leading reasons for subscribing to an SVOD service (US)

According to a survey carried out by GfK in 2014 among 2,700 subscribers

1. Having access to a wide catalogue of films (58%)
2. Having access to a wide catalogue of TV programs (series) (56%)
3. Having access to a catalogue of recent films (41%)
4. Watching several episodes in a row (42%)
5. Watching programs when you want (41%)

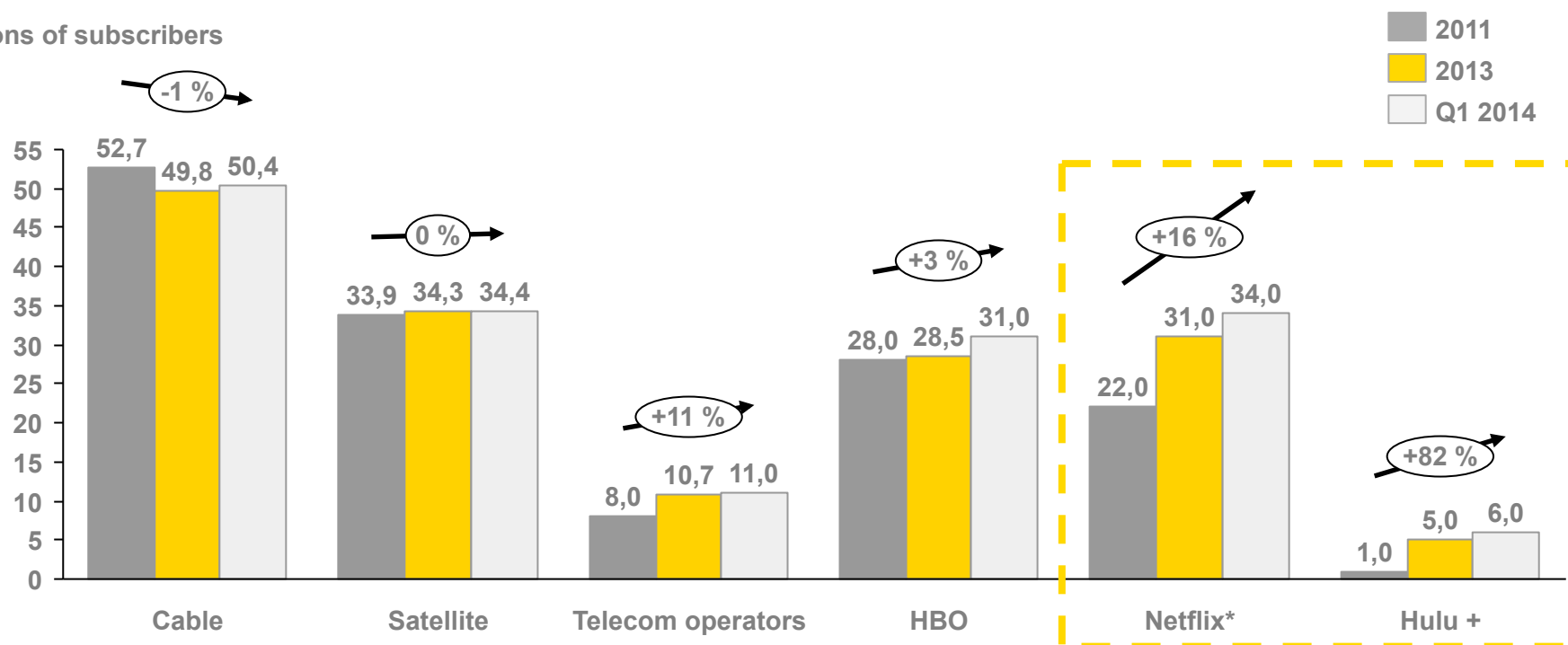
Source(s): iDATE 2014, GfK 2014

SVOD services gain subscribers, at the expense of the traditional pay-TV operators



Number of subscribers for the main pay-TV services in the United States, 2011- 2013

in millions of subscribers

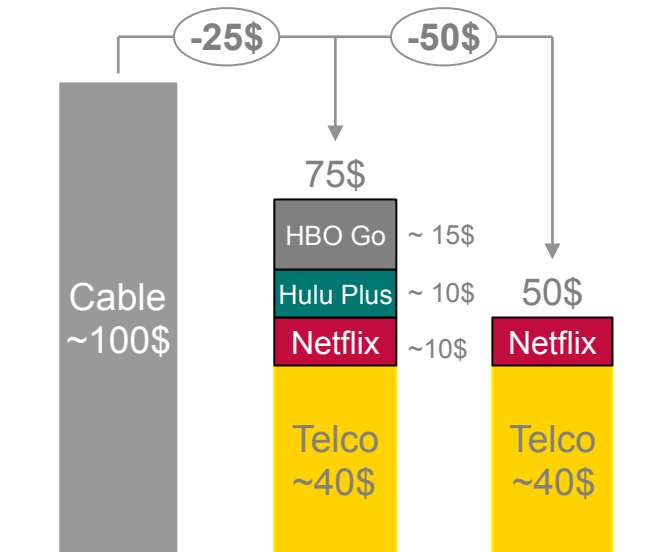


Source(s): The Companies and Leichtman Research Group, 2011-2014, sites of the various operators

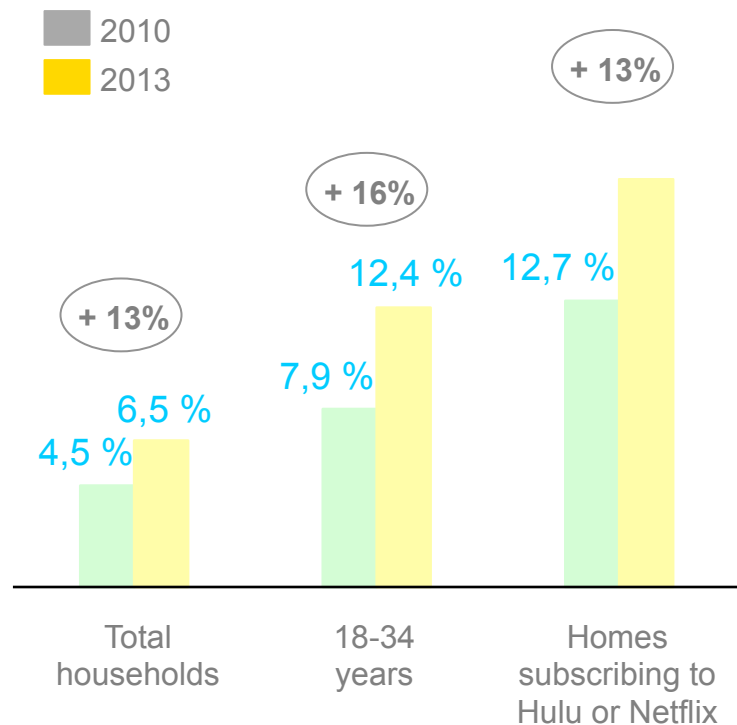


“Cord-cutting”, the most widespread phenomenon among 18-34 year-olds, stimulates the up-take of SVOD services

The cord-cutting phenomenon benefits SVOD services



Percentage of US households which are cord-cutters

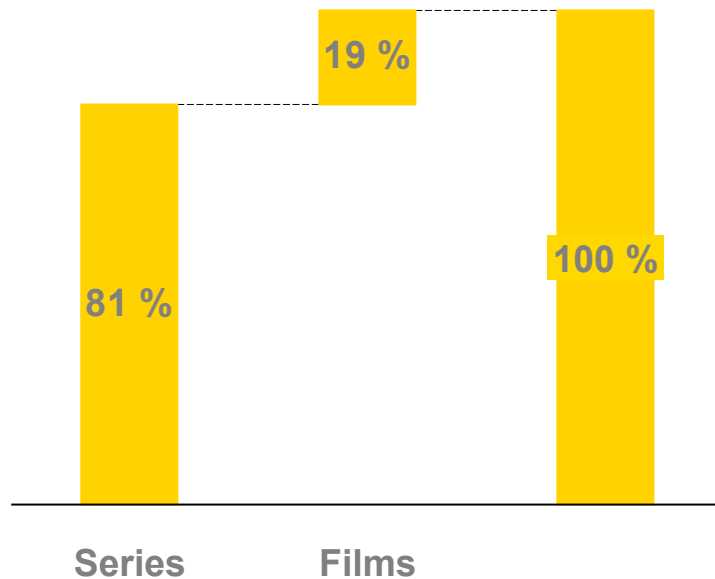


Source(s): Experian Marketing Services 2013



Users of SVOD services watch more series

Percentage of TV series of total programming watched on SVOD platforms in 2013



Top 10 most-watched content on SVOD platforms in the United States between Dec 2013 and March 2014

Titre	En % de téléchargement	
House of Cards	4,6	→ Exclusivité Netflix
Breaking Bad	4,3	
Dexter	3,8	
The Walking Dead	1,9	
Orange is the New Black	1,6	→ Exclusivité Netflix
Family Guy	1,3	
American Horror Story	1,3	
Sons of Anarchy	1,2	
How I met your mother	1,1	

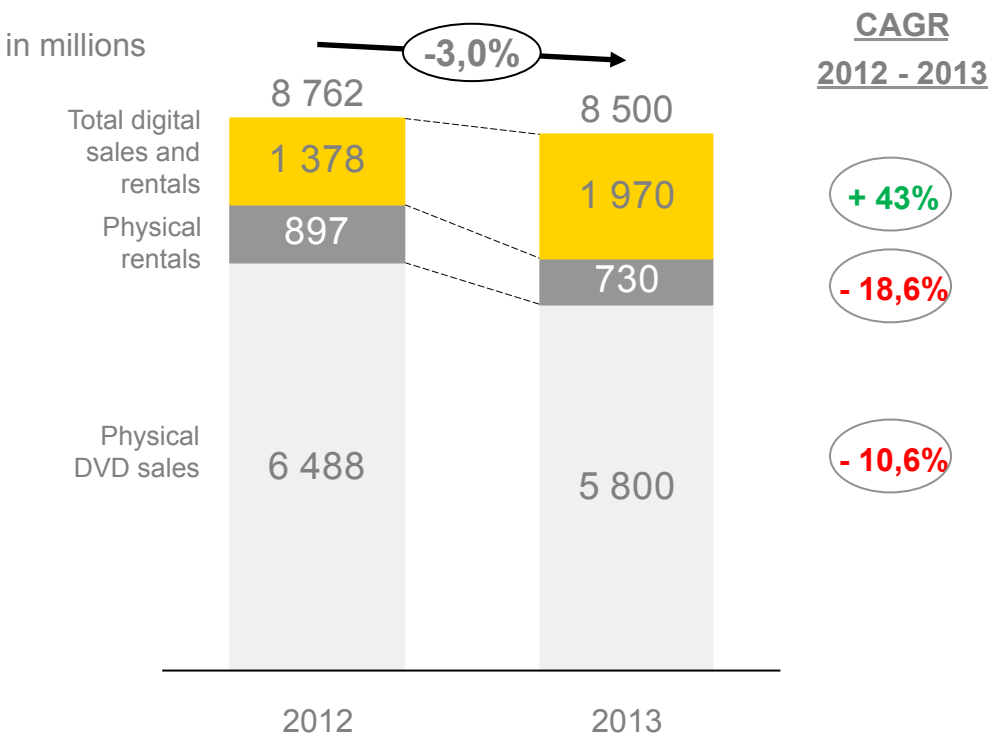
- This appetite for series and exclusive content is prompting US users to subscribe to several SVOD services
 - 1/4 of Netflix subscribers in the United States also subscribe to another SVOD service

Note: analysis of habits of 500 US subscribers to Netflix, Hulu Plus and Amazon Prime
Source(s): GfK 2014

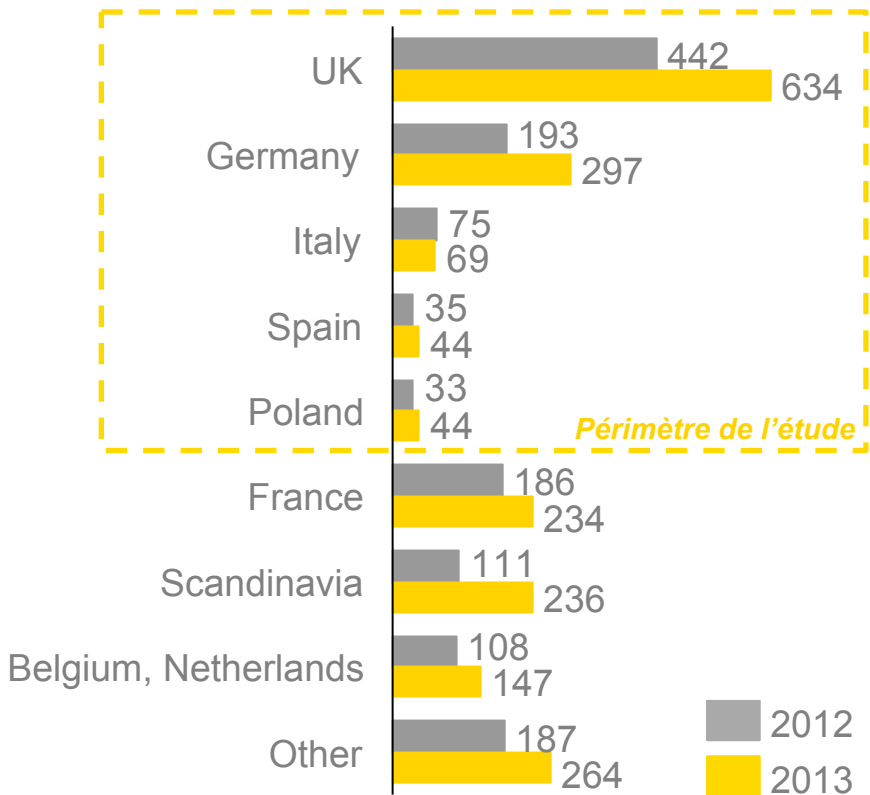


In Europe, spending on digital video services is growing but does not yet compensate for the fall in spending on physical video

Change in spending on home entertainment in Europe



Change in spending in video-on-demand services in Europe, in millions

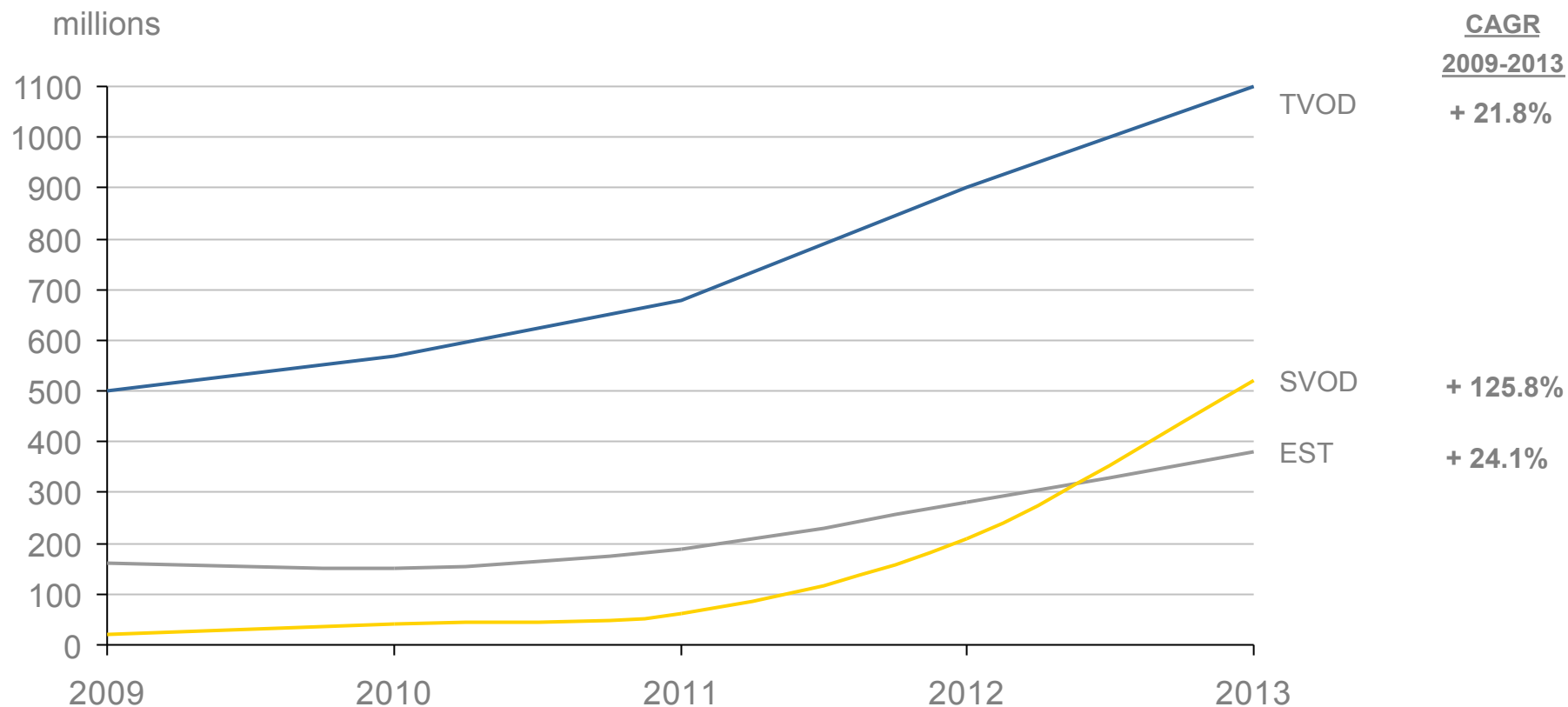


Note: * Scandinavia: Norway, Sweden, Finland, Denmark
Source(s): International Video Federation 2014 - European Video Yearbook 2014

While TVOD services have a larger market share,
it is SVOD services which are driving growth



Change in spending on video-on-demand for various services in Europe

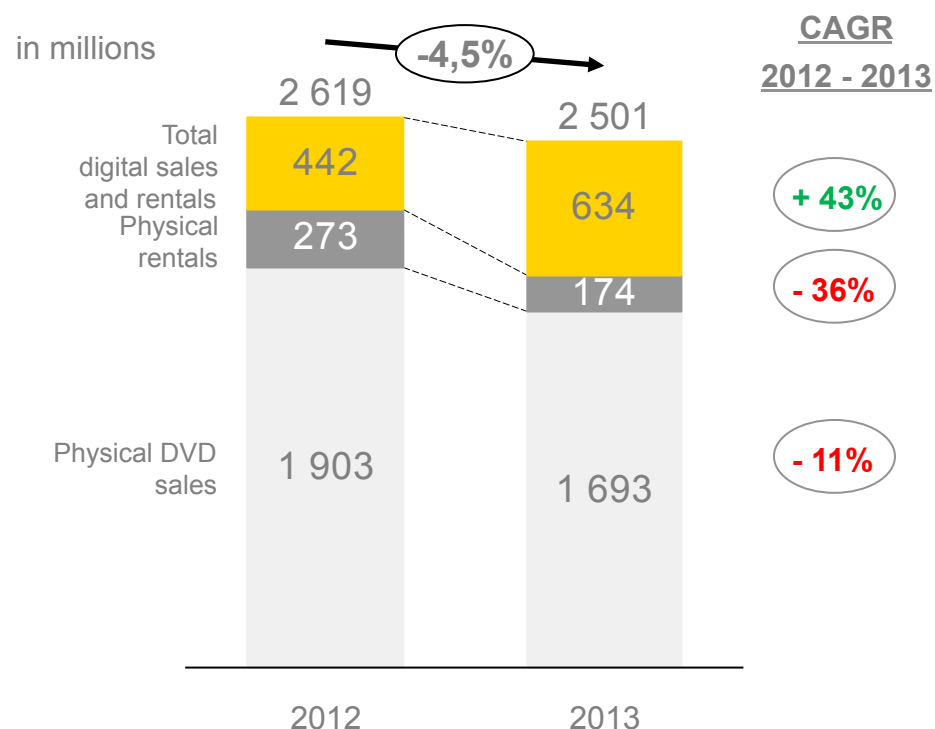


Source(s): International Video Federation 2014 - European Video Yearbook 2014 via IHS

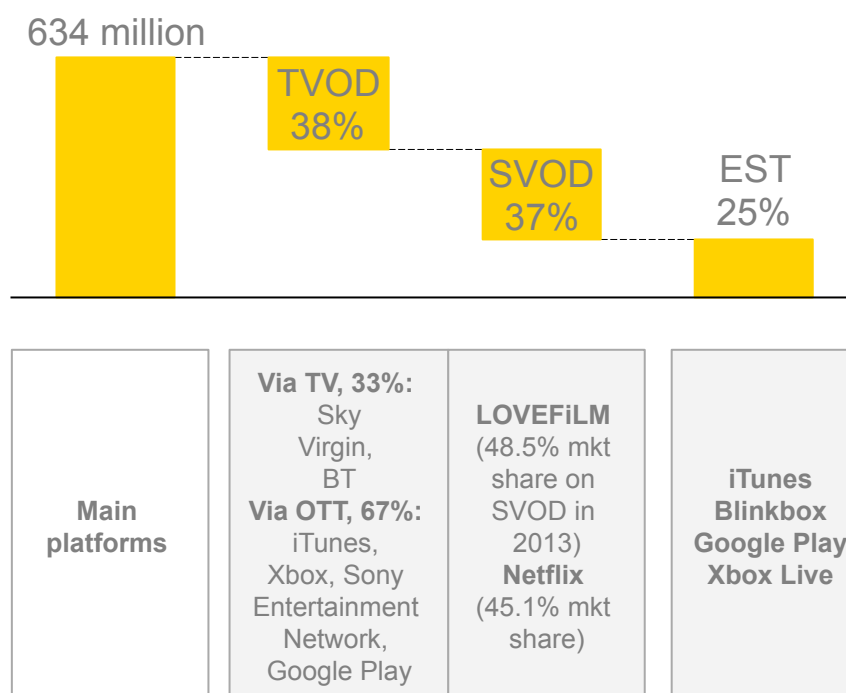
The UK, the biggest video market in Europe, is well down the road towards digital transformation



Change in spending on home entertainment in the UK



Breakdown of video-on-demand services in 2013



Source(s): BVA Yearbook 2014; International Video Federation 2014 - European Video Yearbook 2014



As in the United States, the main driver for growth in SVOD services is the breadth of the catalogue

Characteristics of the user of SVOD services in the UK

- ▶ Despite platforms putting the emphasis on TV series, movies remain the principal reason motivating subscriptions
- ▶ SVOD is no longer a niche phenomenon
 - ▶ 22% of over-18s say they subscribe to an SVOD service
 - ▶ 34% of 18-34 year-olds say they subscribe to an SVOD service
- ▶ A desire for “catalogue” series
 - ▶ In the top 10 most-watched series in the UK in 2013 were three “old” series: Prison Break, 24, Heroes

The 5 leading reasons for subscribing to an SVOD service (UK)

According to a survey carried out by GfK in 2014 among 2,700 subscribers

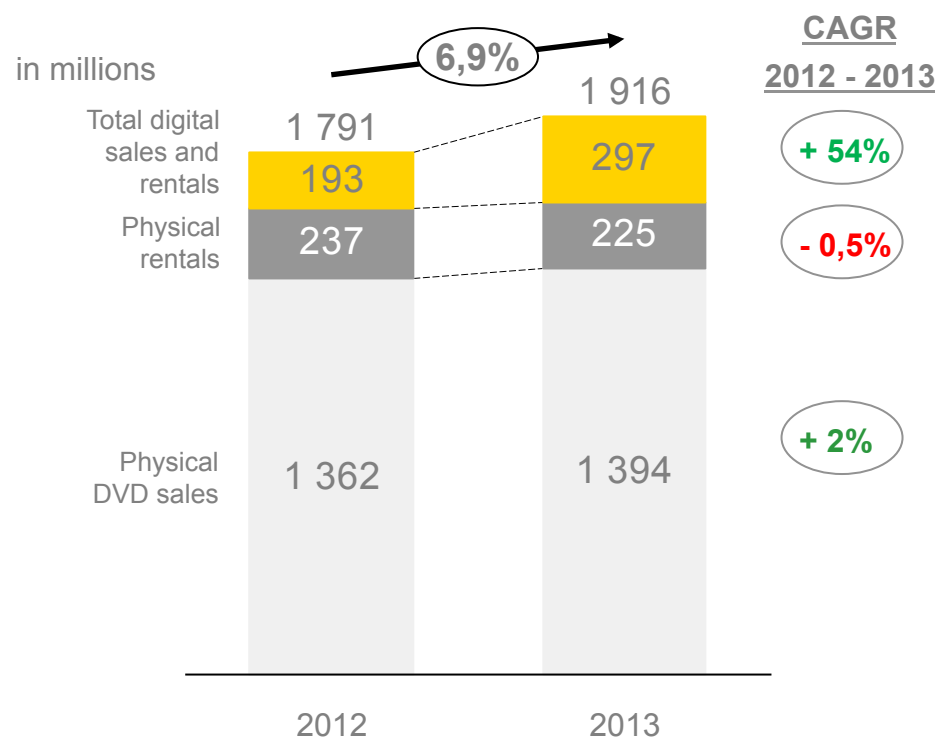
1. Having access to a wide catalogue of films (66%)
2. Having access to a wide catalogue of TV programs (series) (50%)
3. Having access to a catalogue of recent films (47%)
4. Watching programs when you want (40%)
5. Watching several episodes in a row (32%)

Source(s): SVOD Content Consumption , GfK 2014

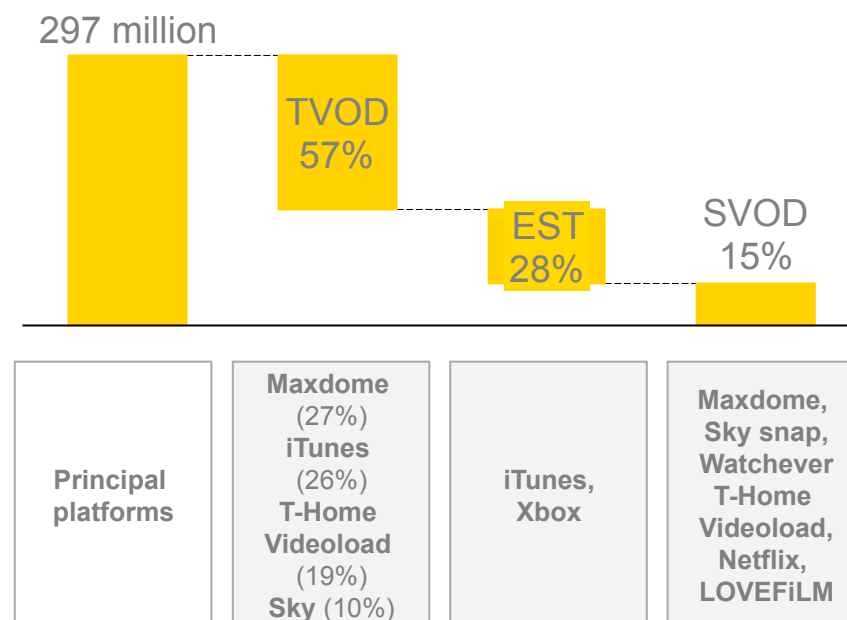
Germany, the second-biggest video market in Europe, recording strong growth in digital, still mainly driven by TVOD



Change in spending on home entertainment in Germany



Breakdown of video-on-demand services in 2013



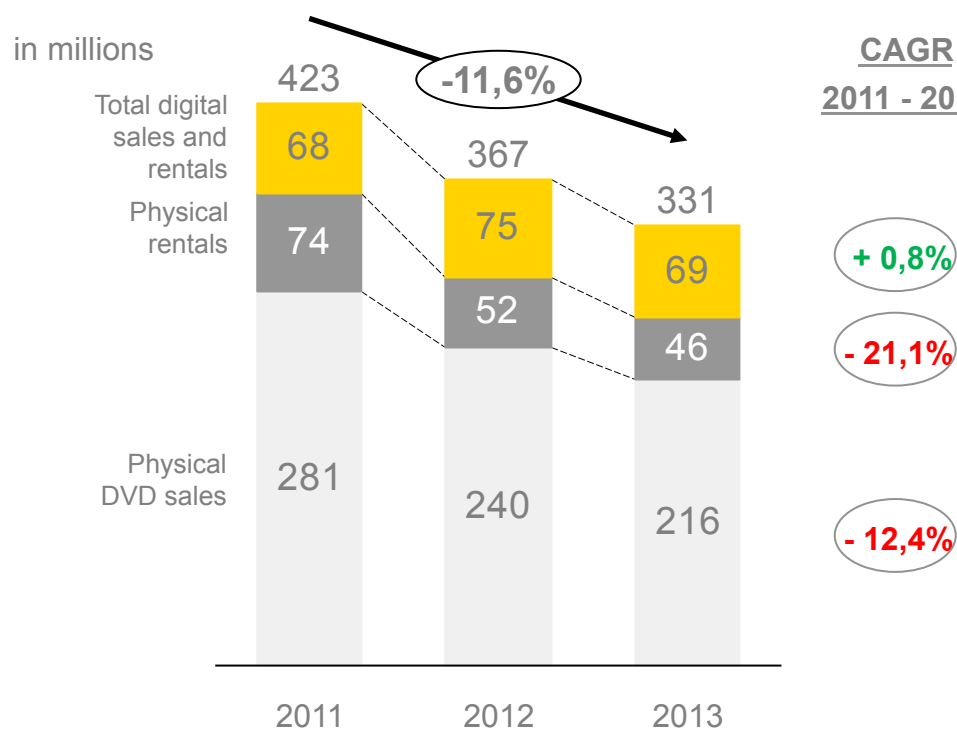
Source(s): International Video Federation 2014 - European Video Yearbook 2014



In Italy, growth in digital is almost zero in a crisis-hit economy

Change in spending on home entertainment in Italy

Main platforms



TVOD	SVOD	EST
Mediaset Premium Play, Sky on Demand, Chili TV, Cubovision, iTunes, MediaWorld, Blockbuster on Demand	Cubovision, Mediaset Infinity	iTunes, Xbox Video, Playstation Store, Chili TV

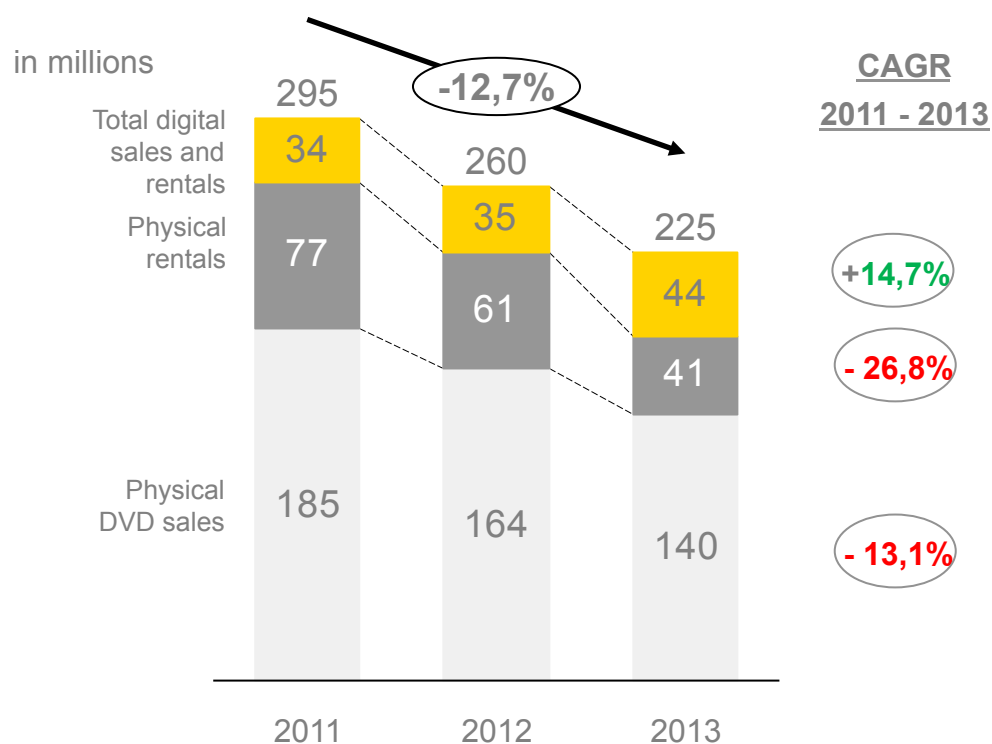
Source(s): International Video Federation 2014 - European Video Yearbook 2014; On-demand audiovisual markets in the European Union, European Commission, 2013

In Spain, the growth of digital has been muted in a country strongly affected by recession and the high level of piracy



Change in spending on home entertainment in Spain

Main platforms



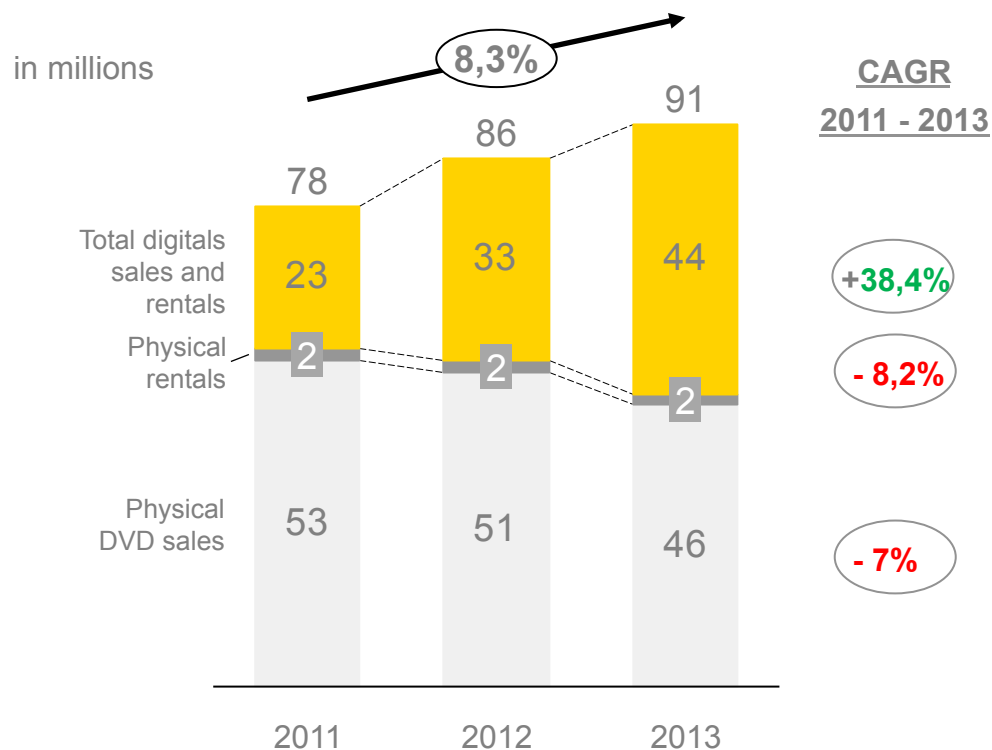
VOD TVOD & EST	SVOD
<p>Nubeox (Planeta), Yomvi (Canal+) ONO videoclub, Movistar TV (Telefonica), Jazztel, iTunes</p>	<p>Wuaki.tv (Rakuten), Youzee, Netflix</p>

Source(s): International Video Federation 2014 - European Video Yearbook 2014; On-demand audiovisual markets in the European Union, European Commission, 2013

The Polish market is weak in terms of value but represents major potential for growth, notably via OTT services



Change in spending on home entertainment in Poland



Main platforms

VOD	SVOD
<p>Cineman, Ipla, Iplex, Orange TV, Kinoplex, Strefa VOD, Onet (TVN) VOD</p>	<p>Onet (TVN), iplaFILM, AXN Now</p>

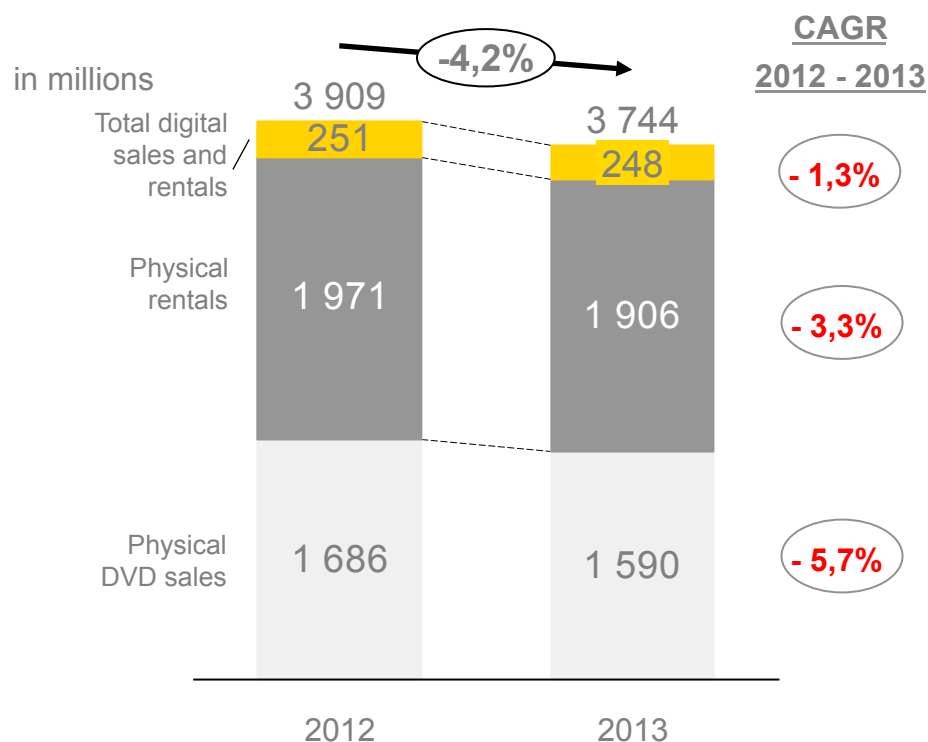
- ▶ Although TVOD services via television still account for 80% of the offers, OTT services saw growth of 106.3% in 2013 over 2012, for total revenue of 8.69 million in 2013

Source(s): International Video Federation 2014 - European Video Yearbook 2014; On-demand audiovisual markets in the European Union, European Commission, 2013

Japan, the world's second-biggest video market after the United States, is slow to embrace the transition to digital



Change in spending on home entertainment in Japan



Main platforms

SVOD	VOD TVOD & EST
<p>TBS, Hikari TV, Hulu, Netflix, J:COM on demand, d Video, Bee TV, Uula</p>	<p>TBS, Amazon instant Video, Hikari TV, J:COM on demand, iTunes</p>

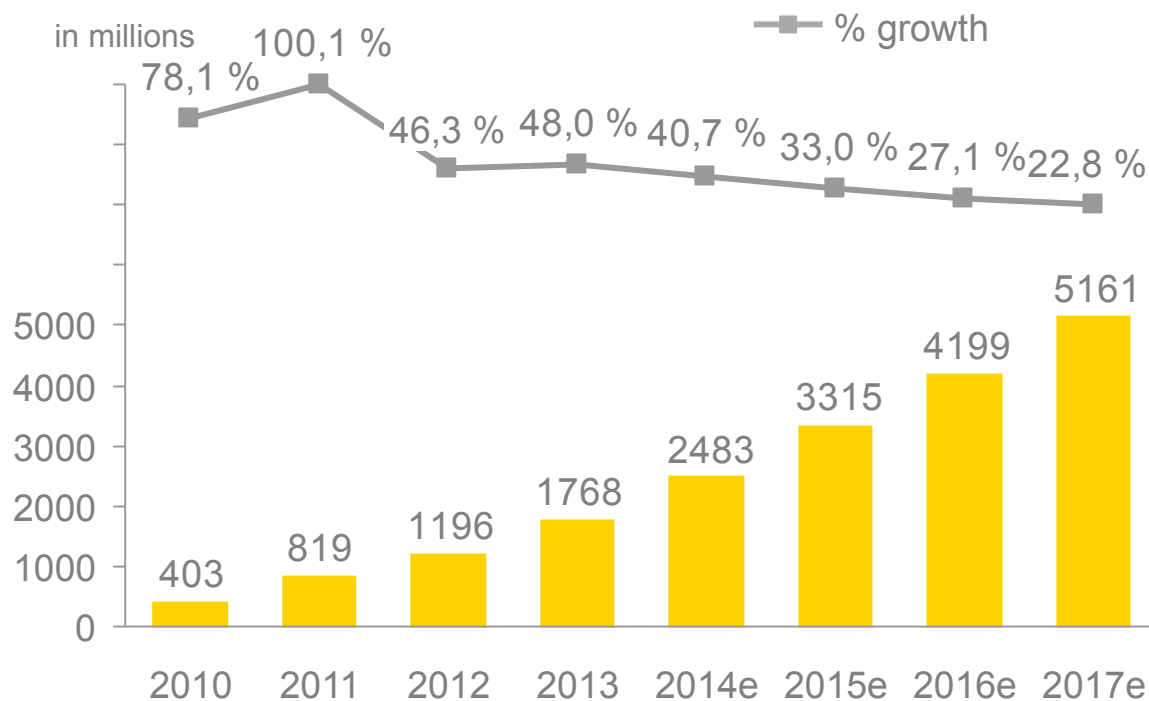
- ▶ Japan is historically the second-biggest video market after the United States
- ▶ Japan has the highest share of the physical rental market (51% of the total video market)

Source(s): International Video Federation 2014 – European Video Yearbook 2014; OTT Landscape in Japan, Kazu Shimura, January 2014



Revenues from online video services in China soar to reach 5.2 billion in 2017

Change in revenue in online video services in China

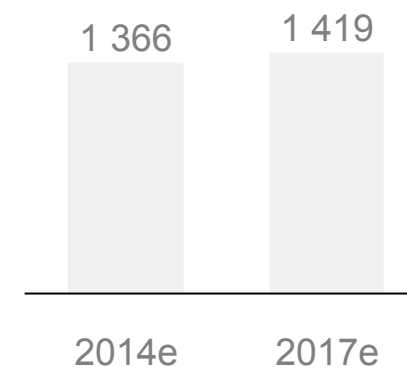


Note: exchange rate used 1 CNY = €0.13
Does not include revenues from telecoms operators from pay-TV
Source(s): iResearch, China Online Video Report 2014

Free video services, mainly financed by advertising

- ▶ 45% of revenues from online video came from advertising receipts in 2014
- ▶ This proportion is expected to reach 72.5% in 2017

Estimate of growth in consumer spend on video content, in millions

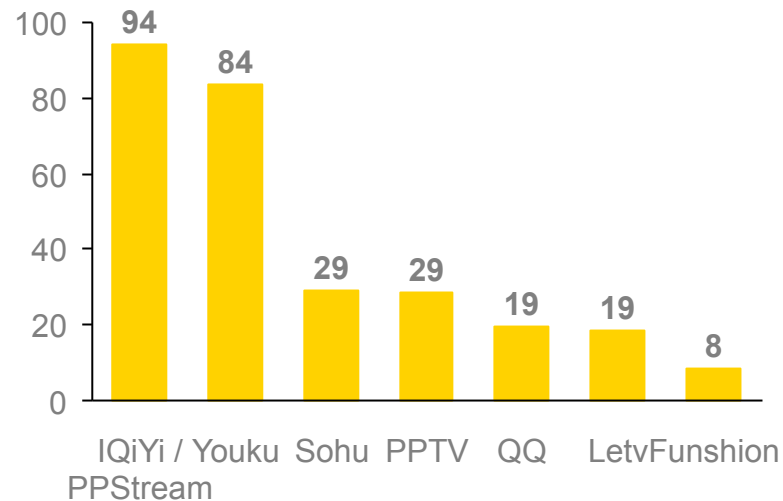




The most widely used video services platforms in China in 2014 were the free video platforms

Number of monthly users of Chinese video services in January 2014

in million of users



Some free video services are starting to develop a pay offer

- ▶ **Development of initiatives towards the production of own content and paying VOD services**
 - ▶ **IQiYi** (founded in April 2010 by Baidu), launched IQiYi Motion Pictures in 2014 (acquisition, production, distribution of films)
 - ▶ **IQiYi** cooperates with the Venice Film Festival for streaming of festival films online
 - ▶ **YoukuTudou** signed a cooperation agreement with StudioCanal in 2014 for online distribution of more than 50 films in its catalogue
 - ▶ **Tencent** (QQ) is developing its pay platform Hollywood 360 and has signed deals with HBO, Universal, Miramar, Lionsgate and Disney
- ▶ **Main factors slowing development**
 - ▶ Censorship and quotas imposed by the state
 - ▶ The high level of piracy and the wish to access content for free

Source(s): iResearch; Gigaom "Baidu's Idiyi overtakes Youku as China's most popular video service", March 2014

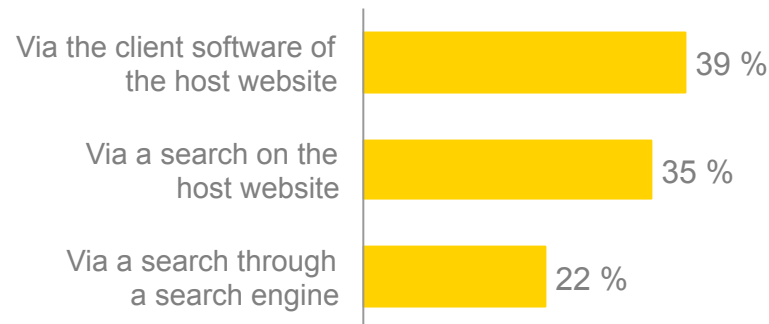
Consumers of audiovisual content in China mainly access video content for free via mobile



An increase in consumption of audiovisual content

- ▶ 632 million internet users in China in 2014 (+1.1% over 2013)
- ▶ 83.4% access internet via their cell phone
- ▶ The number of hours of weekly access to internet is 25.9h

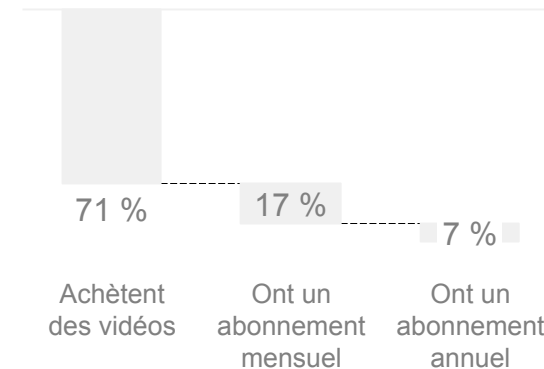
Search behaviors of Chinese internet video users in 2013



Consumer habits that tend towards the free model

- ▶ Only 11.7% of internet video users have paid at least once to watch a video

Habits of internet video users having already paid for content



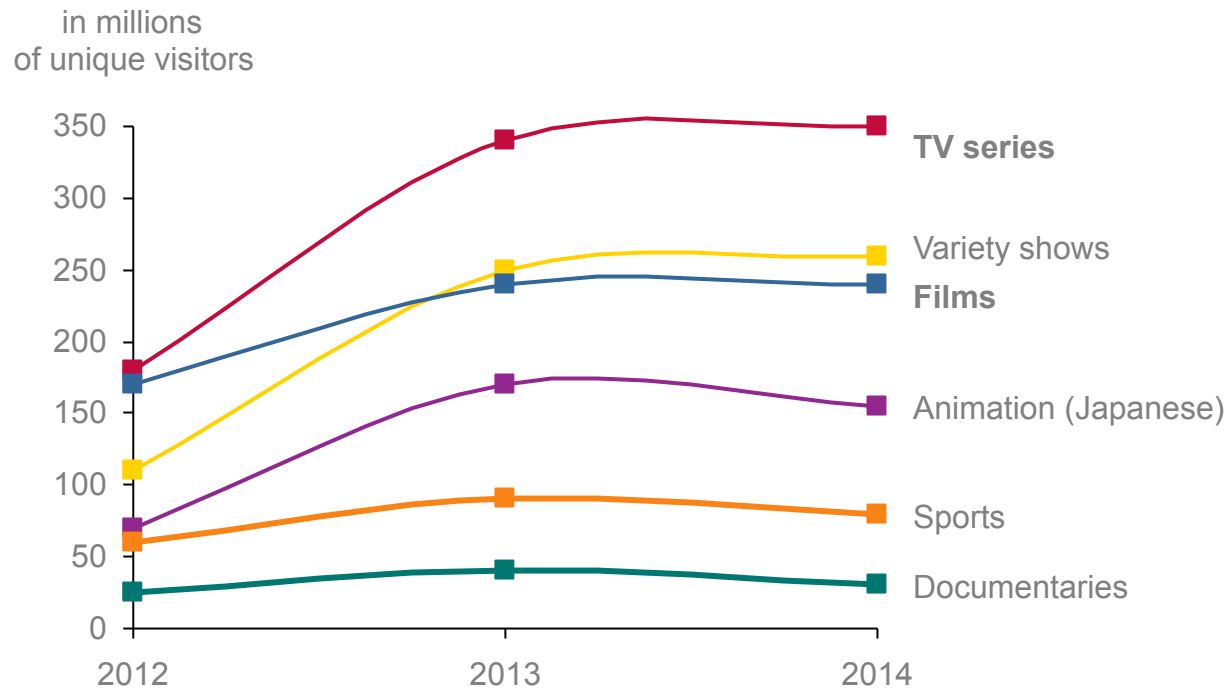
- ▶ The two main reasons for payment are access to more video content (for 51.7% of users) and the inability to find the same video as free content (for 40.7% of users)

Source(s): CNNIC 2013



Series and films make up the most-watched content on online video platforms

Number of monthly unique visitors for each type of online video content (January 2012 – March 2014)



An appetite for TV series

- ▶ Around 1,200 TV series were available on the main online video sites in 2013
- ▶ Drama and romantic series were the most popular, followed by comedies

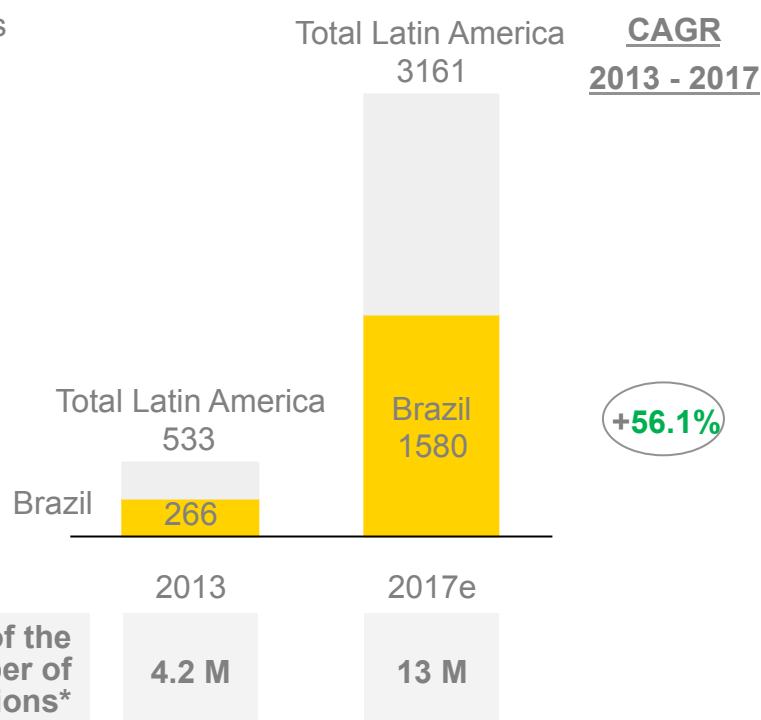
Note: sample of 400,000 homes, measurement of consumption habits over the long term
Source(s): iVideoTracker, May 2014.

Brazil, which accounts for half of the total Latin American market, expects to see revenue from video-on-demand services boom by 2017



Change in revenue from video-on-demand services in Latin America (2013 – 2017)

in millions



Main platforms

VOD
TVOD & EST

Telecine Play,
Muu,
Net Now,
Netmovies
Saraiva Digital Filmes,
Canal Brasil,
+ Combate

SVOD

Net Now,
Netmovies,
Globo TV,
Netflix,
Crackle,
Porta Curtas

► Main factors slowing development:

► Prevalence of piracy

In response to this threat, certain platforms (financed by advertising) have chosen to offer free content (e.g. Crackle)

► Access to broadband still limited

Only 20% of the 42 million internet users in Brazil have sufficient bandwidth to watch videos via streaming (>800kb/s)

Note: * a VOD or SVOD service, free or paying

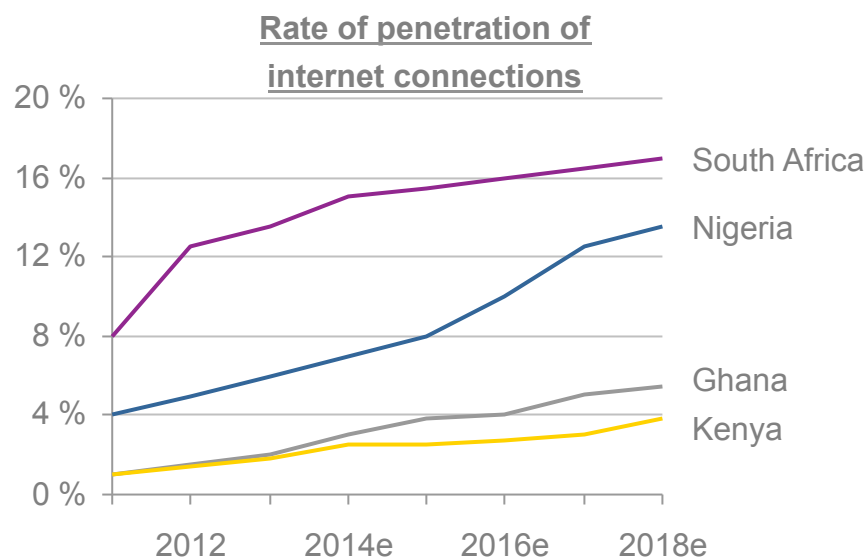
Note: data in US\$ converted at the exchange rate as of 31 Dec 2013, €1 = \$1.37

Source(s): Dataxis, May 2013

In Africa, the most promising markets for video-on-demand services are those with the highest rate of internet connection



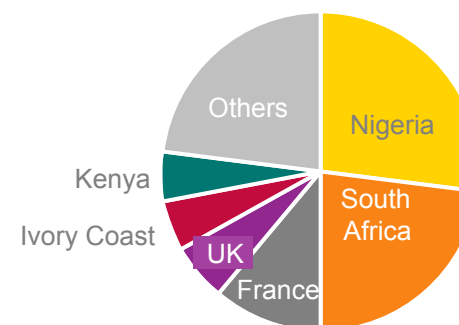
Increased penetration of internet services in Africa



- There is a major challenge in terms of transforming spending linked to physical piracy (through the purchase of pirate DVD) into legal spending on VOD platforms

Main platforms

Number of VOD/SVOD platforms in Africa by country of origin (total > 100 platforms)



VOD

Via pay TV: Dstv,
Via mobile:
 Mobile Fliks,
 Aflix,
 Afrinolly
Via OTT: 9flixs,
 Dodox

SVOD

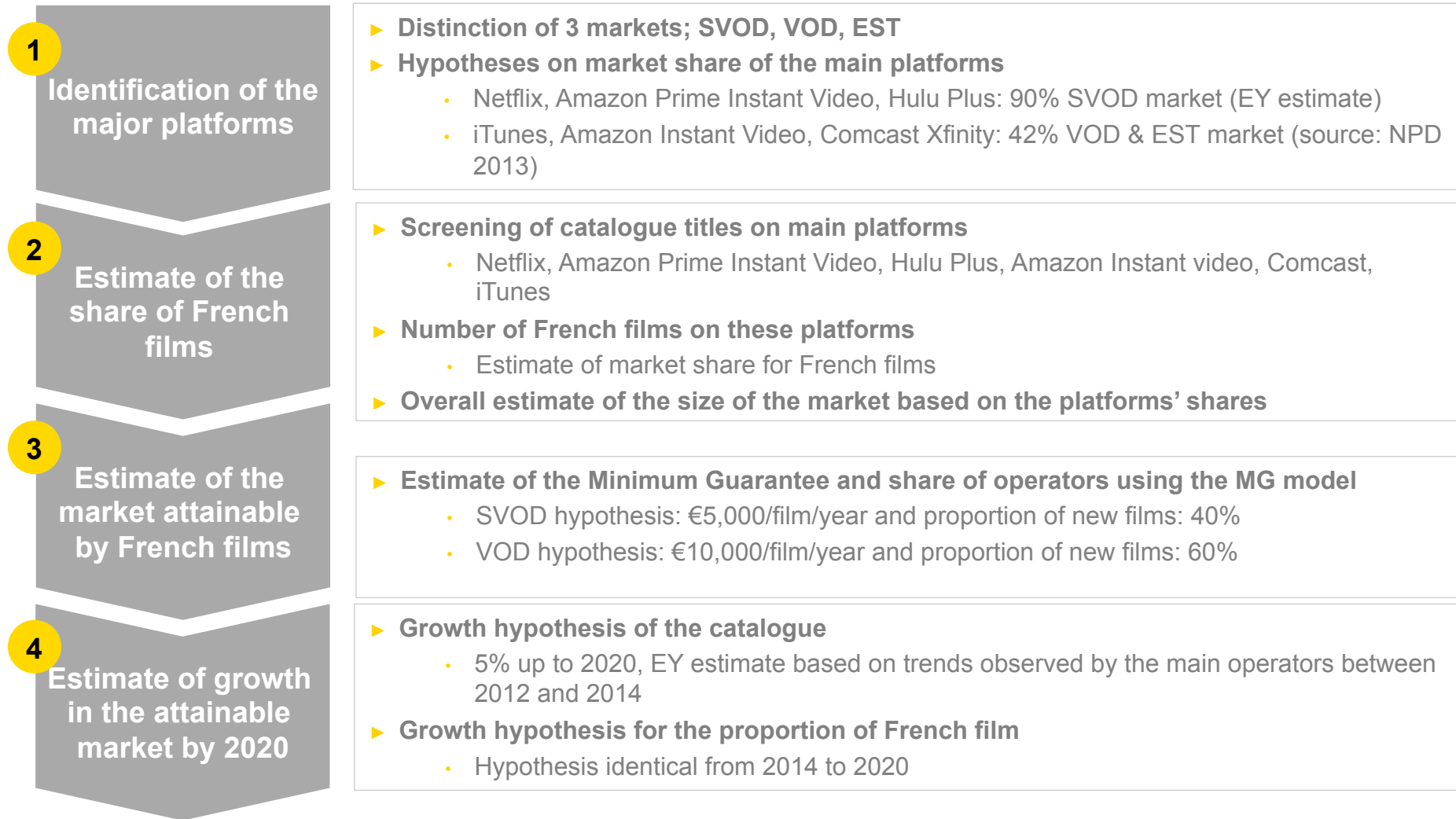
**Iroko TV,
 Wabona,
 Ibaka TV**

Source(s): Business Monitor International 2014; Balancing Act Report "VOD and Africa" 2014; Attali report on La Francophonie

Contents

- ▶ **Introduction**
 - ▶ **Estimate of the potential international market for French films on digital video-on-demand platforms**
 - ▶ **Economic sales models applied by rights holders**
 - ▶ **Recommendations**
 - ▶ **Appendices**
 - Analysis of uses of video-on-demand services
- Methodological notes

Bottom-up approach in the United States



2 Breakdown - estimate of market share of French films on platforms (2014)

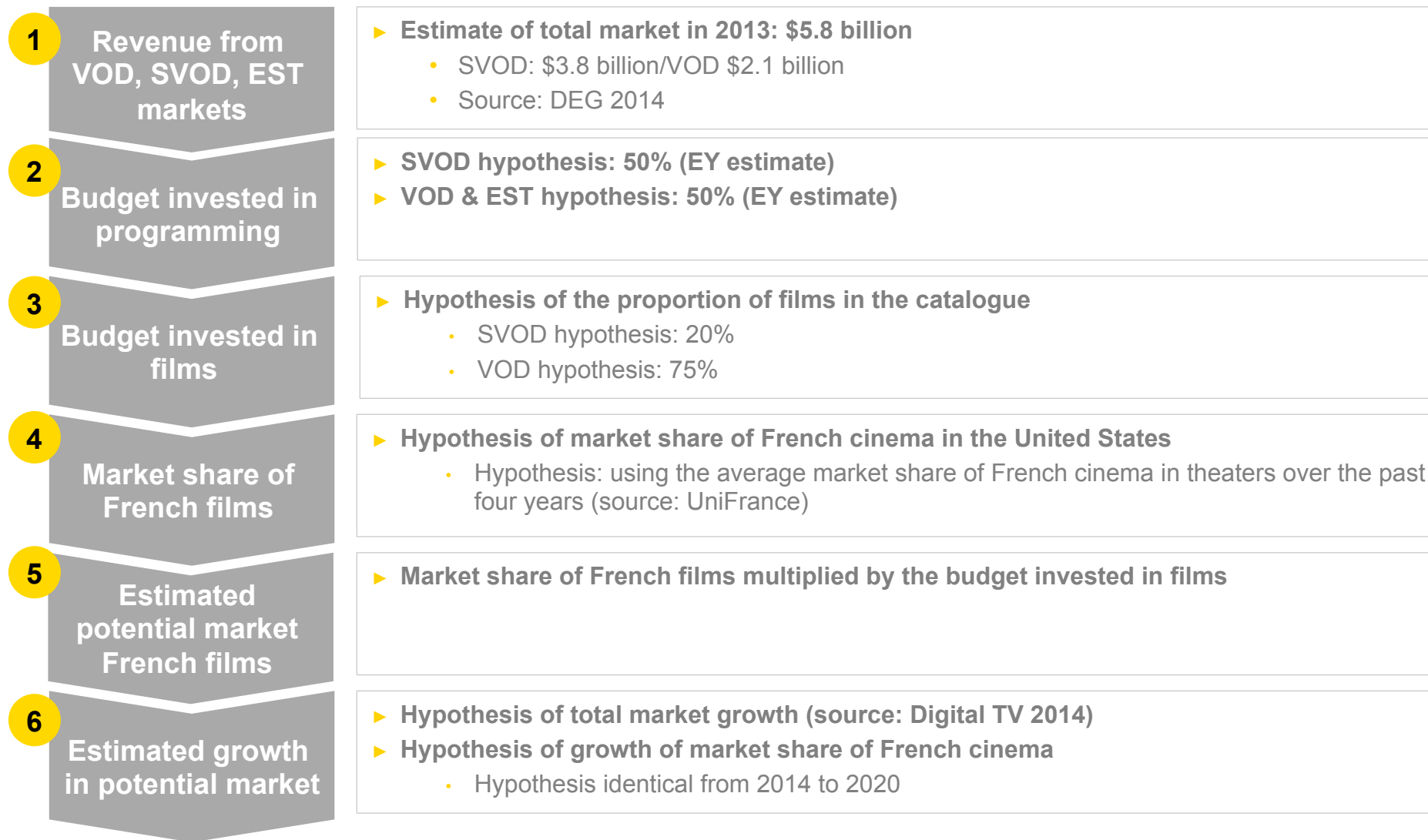
	Number of films	Number of French films	Market share of French films
NETFLIX	6,500	160	2%
HULU PLUS	4,000	182	5%
iTUNES	17,150	510	3%
AMAZON PRIME Instant Video	15,363	40	0.3%
AMAZON Instant Video	78,620	180	0.2%
COMCAST Xfinity	12,000	40	0.3%
French cinema in theaters			0.6% in 2013

2 Breakdown - estimate of French films on platforms

Method

- ▶ **Connection on US platforms**
 - Netflix, Amazon Prime, Amazon Instant Watch, Hulu Plus, iTunes, Comcast
- ▶ **Estimate of the number of titles**
 - Catalogue estimates: source, Kagan 2014
- ▶ **Estimate of the number of films vs TV series**
 - Catalogue estimates: source, Kagan 2014
 - Use of the ratio 1 series = 2.3 seasons, and 1 season = 15.8 episodes based on Netflix catalogue information 2011 (source: EY)
- ▶ **Number of French films**
 - Number of French films in the “foreign” catalogue
 - Number of French films responding to a search using the key word “French film”
- **Market share of French films**
 - Ratio of French films/number of films

Top-down approach in the United States





Penetration of French films on SVOD services in the UK

	Mkt share in SVOD sector	Number of films	% of films*	Number of French films	Share of French films
▶ NETFLIX	45.1%	2,344	14%	31	1.32%
▶ AMAZON PRIME ▶ LOVEFILM	48.5%	2,660	42%	107	4%

Note: the % of films is calculated on the total number of titles counting all the episodes of a series

Source(s): International Video Federation 2014 - European Video Yearbook 2014, EY analysis based on Netflix UK and Amazon Prime Instant Video UK catalogues in November 2014

Survey of the appetite for “European” cinema

Penetration of European films in catalogues

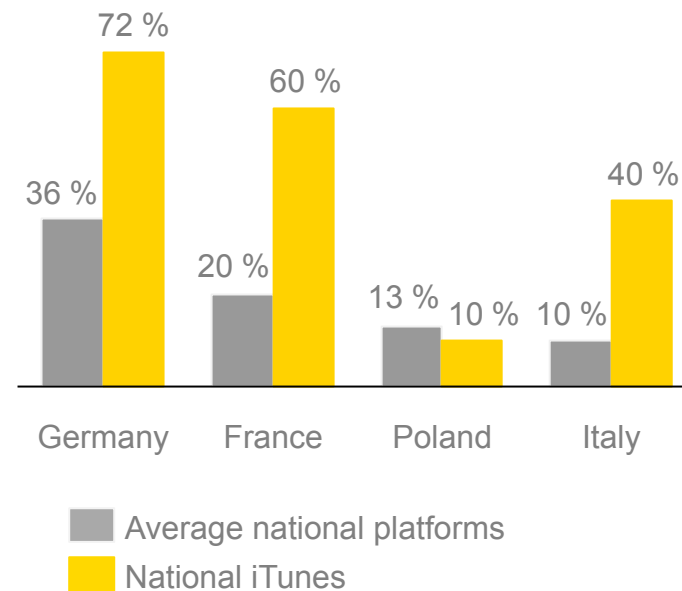
Study in the EU on the representation of European films in catalogues

- ▶ **Objective:** to analyze the presence of European films in the catalogues of the main VOD/SVOD platforms in European countries
- ▶ **Methodology:**
 - ▶ Constitution of a sample of 50 European films:
 - ▶ 25 “box-office” films, commercial hits (BB)
 - ▶ 25 award-winning films or those acclaimed by critics (EFA)
 - ▶ Films released between 1988 and 2012
 - ▶ Identification of 5 VOD/SVOD platforms by country and comparison of each national iTunes
 - ▶ Analysis of catalogues for the period July – September 2013
- ▶ **Limitations of the study:**
 - ▶ Using a sample of films does not represent the whole market
 - ▶ Selection of platforms and countries does not represent the whole of the European market

Main results

- ▶ **The European catalogue is richer on iTunes than on national platforms**

Average proportion of the sample available on national platforms and on iTunes

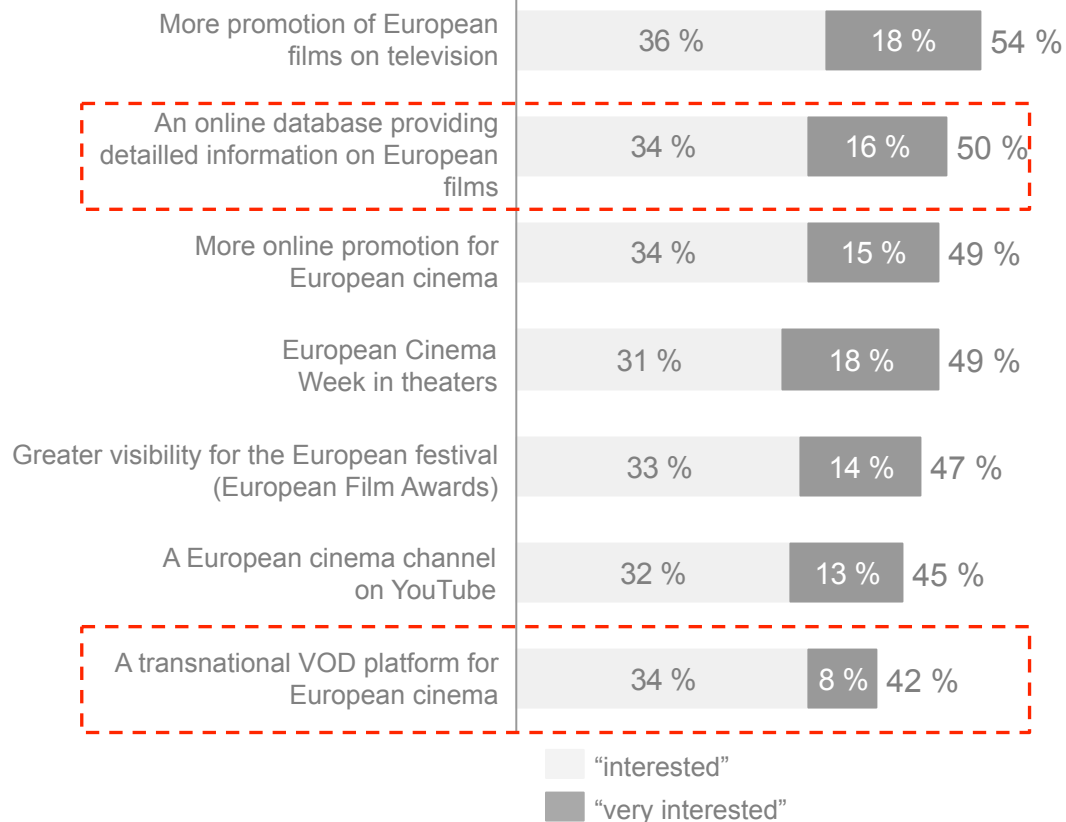


Source(s): On-demand Audiovisual Markets in the European Union

Survey of the appetite for “European” cinema

Study in the EU on the TV audience in Europe

Interest in possible marketing initiatives to boost European cinema



Main results

- ▶ An audience that is broadly interested in possible marketing initiatives in favor of European cinema
- ▶ Preponderant characteristics among people most interested by the development of European initiatives
 - ▶ 16 – 25 years old
 - ▶ A majority of women
 - ▶ Higher level of education
 - ▶ People with higher incomes are less interested by these initiatives

Note: survey carried out among the 97% who said they watch films out of a sample of 4,608 Europeans/ "European" film defined as a film that is seen outside its country of origin
 Source(s): A profile of current and future audiovisual audience – European Commission - 2012

Acknowledgments

- We would like to thank the experts consulted as part of this report for their contributions:
 - Sylvie Forbin – Director of Institutional and European Affairs, Vivendi
 - Marie Sellier – Head of Public Corporate Affairs & Intellectual Property, Vivendi
 - Julien Neutres – Consultant to the President, CNC
 - Georges Bermann – President, Partizan Films
 - Vincent Grimond – President, Wild Bunch
 - Alain Rocca – President, Universciné
 - Jérôme Chung – Co-founder, Under the Milky Way
 - Pierre-Alexandre Labelle – Co-founder, Under the Milky Way (United States)
 - Karim Ayari – CEO, Watchever (Germany)
 - Peiyi Jiang – Best TV (China)
 - Noriko Tezuka – Unifrance Film Tokyo (Japan)
 - Emilie Boucheteil – Audiovisual Attaché, French Embassy (Germany)
 - Brigitte Veyne – Audiovisual Attaché, French Embassy (China)
 - Audrey Guibert – Audiovisual Attaché, French Embassy (Brazil)

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2015 Ernst & Young Advisory.

All Rights Reserved.

In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and it is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com