Outlook

The Australian Entertainment & Media Outlook

The COVID-19 edition

2020
2024

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Introduction

Welcome to the Australian *Entertainment & Media Outlook 2020-2024*, the 19th edition published by PwC Australia.

Like everything in 2020, this year's *Outlook* is a little bit different. Amid the pandemic-induced economic shock in Australia, the entertainment and media industry is rapidly transforming. While some changes are likely temporary, COVID-19 has brought the future forward as shifts in consumer habits and advertising investment amplify and accelerate existing trends, and forge new opportunities for consumers, media and entertainment companies alike.

This year's Outlook focuses on the impact of COVID-19 on consumption habits, consumer revenue, and advertising revenue across 12 segments, and the industry as a whole. The Outlook presents three possible paths of recovery and their implications.Specifically, the three scenarios that we have mapped this year are as follows:

- **Positive:** A more rapid return to pre-COVID advertising and consumer expenditure, opening of international borders and minimal ongoing negative impact from the pandemic.
- **Gradual:** Approximately 18-24 months of recovery, with modest return to pre-COVID trajectory, depending on structural impacts of the pandemic on the specific sector within the industry
- **Negative:** Primarily linked to health factors, this scenario is based on a number of factors including an ongoing international lockdown, negative business sentiment and delayed vaccine implementation.

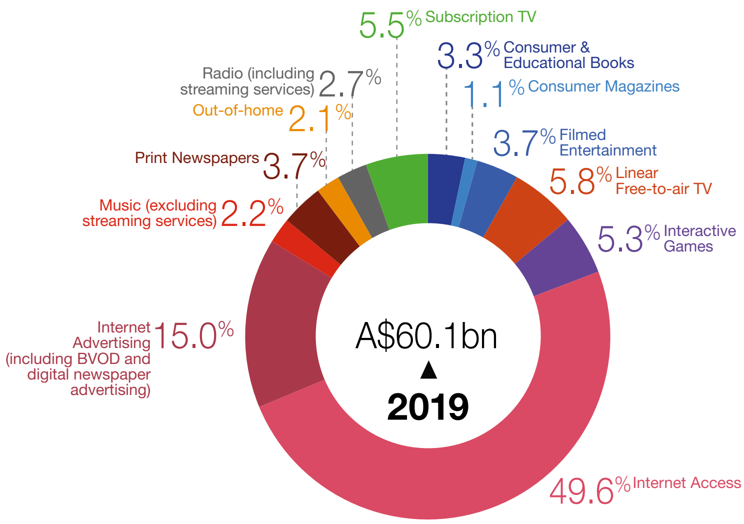
After the challenges of COVID-19, the Australian entertainment and media industry is set to contract in 2020.

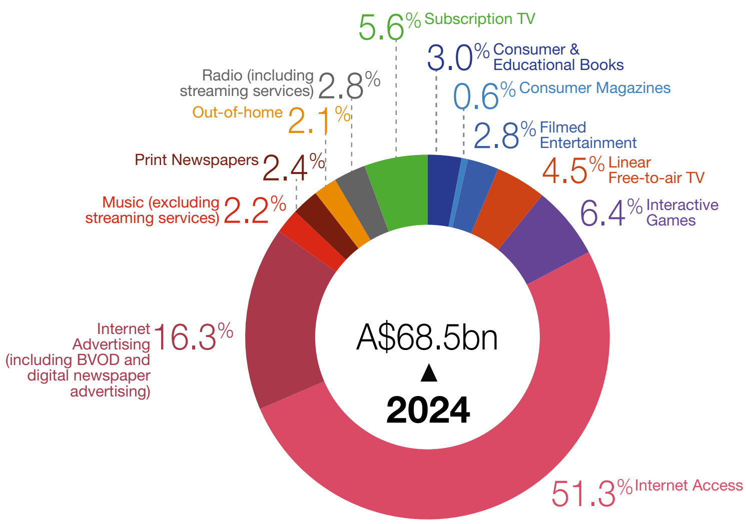
Australian entertainment and media revenue is set to fall nearly 4.46 percent, or more than A$2.681b in 2020. Advertising revenue will fall 11.3 percent, due to several structural and COVID-19 driven headwinds, including:

- A reduction in advertising and marketing investment due to increased economic pressure;
- Some brands' limited ability to supply, serve or operate, driving a reduction of investment for categories such as Travel, and;
- Entertainment and media companies' increasing tendency to monetise their content via direct to consumer revenue, rather than advertising.

Depending on the route of recovery, we forecast that advertising will not exceed 2019 figures until 2022, although it is expected that some channels will emerge relatively unscathed compared to others. The below graphs outline the 2019 market share for each of the 12 segments, and the 2024 forecasts.

Entertainment and media industry revenue and share by sector, for 2019 (actual) and 2024 (forecast).





While the industry has grappled with change, its relative resilience and ability to bounce back lies in the fact that demand from the end user - the consumer - has not waned.

While COVID-19 has triggered disruption – both positive and negative – across most of the segments, it's clear that the entertainment and media industry's underlying strengths and appeal to consumers remain as strong as ever, and consumer demand for entertainment and media products and services has not waned. We are seeing consumers and businesses adapt in parallel, and the industry is reconfiguring in order to meet this new shape of demand. The ongoing challenge for entertainment and media companies lies in capturing their share of consumer attention, and the subsequent monetisation of these audiences.

There are six drivers of industry change which are reconfiguring the market to meet, and subsequently monetise, this demand.

While there will still be challenges for entertainment and media companies as we move beyond the pandemic, the digital migration that it has accelerated will generate opportunities in all segments – and not only for those whose offerings were already primarily digital, and thus have benefited from its impacts to date.

PwC sees six key drivers of industry change, which existed pre-COVID-19 to varying degrees, but have been accelerated or transformed by its impact.

Consumption behaviour continues to shift as the available choice for content expands, and Australians' adoption of digital consumption and behaviour has been accelerated by COVID-19.

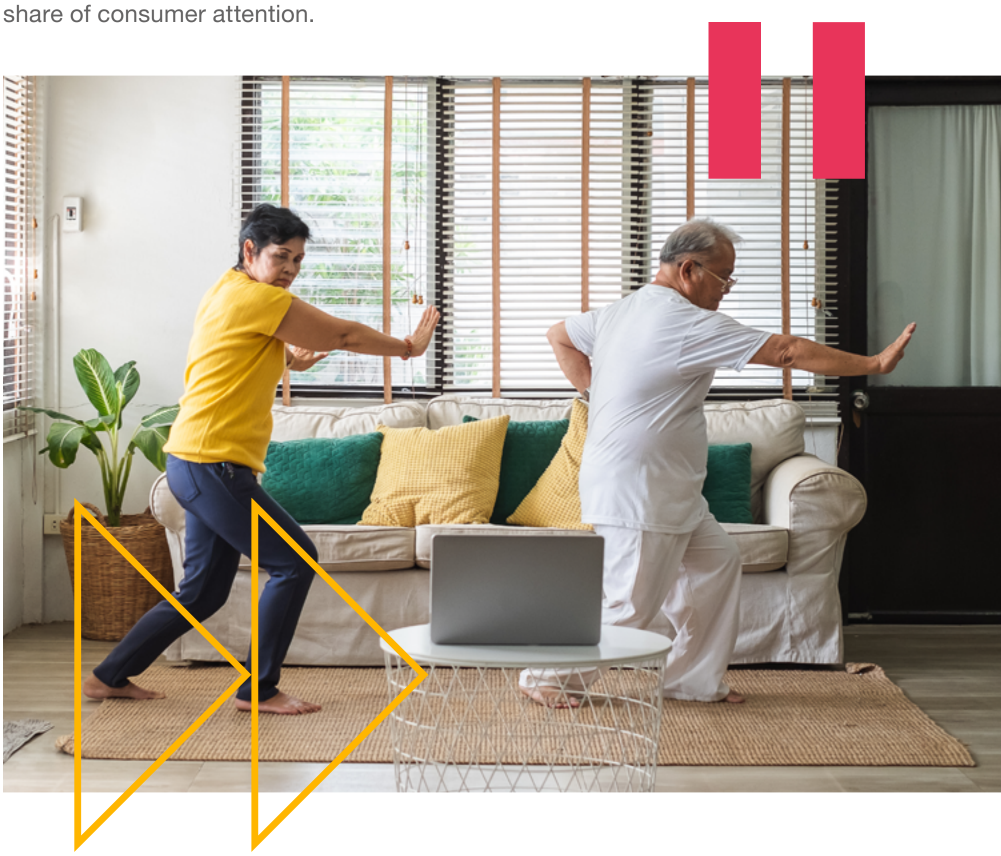
COVID-19 had a dramatic and abrupt impact on our consumption of media. Media channels that are generally consumed within the home have fared well, while out-of-home media and entertainment saw mass declines in consumption as a consequence of environmental factors. In cases where the changes to consumption habits were caused by a sharp decrease in availability and accessibility, we expect that the change will be temporary, as consumers revert to pre-COVID-19 and largely unaffected consumption behaviours.

We expect lasting change, however, for channels that have benefited from the acceleration of digital adoption and the use of digital media as a means of social and personal connection. Given the presence of the pandemic will not significantly affect consumers' ability to access these means of entertainment, we expect that these new, accelerated behaviours are more likely to stick.

As consumption habits continue to evolve, the global industry is experiencing a major shift, as consumer revenue outstrips advertising revenue in the forecast period, perhaps for good. This trend is gaining traction in Australia.

In the Australian market, consumer revenue has been driven by the proliferation of newly available subscription-based entertainment and media businesses, such as Netflix, Kayo, Stan, Disney+, Apple TV+, YouTube Premium, Binge and Amazon Prime, as well as a rise in Australians paying for news content. At the same time, advertising revenues have been impacted by COVID-19 as advertiser confidence declined and certain categories' need for advertising reduced due to a lack of supply.

We expect growth in consumer revenue throughout the forecast period, as incumbent media companies continue to diversify their product offerings, pursuing ad-free models, and new players enter the market and command their share of consumer attention.



We expect to see this trend continue to play out as incumbent media companies continue to diversify their product offerings, pursuing ad-free models, and new players enter the market and command their share of consumer attention. Subscription-based models are likely to be appealing to the new generation of consumers who have been brought up to view advertisements as an annoyance, to be skipped or avoided, and who are increasingly demanding personally-curated, individualised and on-demand experiences. These consumers are proving that they are willing to pay; amid the pandemic, Netflix saw its global subscriptions surge to almost 193 million by July 2020, up 15.6 percent from 167 million subscribers at the end of 2019.[1]

As the subscription-based entertainment and media business models evolve and mature, both the quality of products and depth of these direct-to-consumer relationships will be key to gaining and maintaining a competitive advantage.

The battle for consumer attention will remain crucial to win, as media companies with the largest audiences will continue to gain share of both advertisers' and consumers' wallets.

A proliferation of new platforms, channels and formats is continuing to dilute media companies' share of consumer attention, meaning advertisers must be more savvy about their usage of channels to deliver reach - a primary and important objective for most advertisers. Advancements in advertising-funded channels' collection and application of data has facilitated a shift to audience-led planning, allowing advertisers and media planners to place advertisements across various channels which leverage robust data sets, in order to ensure the audience they are reaching has a high proportion of the target audience. As pressure on budgets continues, advertisers will prioritise suppliers who can reach audiences at scale, and with credible data offerings. This will allow them to leverage volume discounts, drive ease of transaction, and limit the cost to execute, thus driving efficiency from their investment.

In parallel, consumers will favour entertainment and media products whose scale affords them the ability to invest in and thus personalise content for its audience. Consumers are willing to pay, but only if the content resonates with them and they can consume as much as they want. More than ever, media companies must look beyond those with whom they compete for advertising revenue, and redefine their competitive set to include all platforms and companies that command consumer attention.

After a period of mergers and deals to increase the scale and sophistication of media companies' networks, COVID-19 has spurred a refinement to operating models, and a relentless focus on businesses' core.

In order to deliver scale, media companies have increasingly pivoted to operate across networked environments – across channels and various geographic markets – rather than being organised around one core channel, location or capability. In recent years, this has been helped by the relaxation of media consolidation laws. Financial pressure from COVID-19 has shifted this trend to divestments, and the shedding of some business lines and assets that are no longer considered "core".

The reduced mergers and acquisitions activity in the last year doesn't mean that scale doesn't matter. Scale helps to make content work in a consumer-oriented market, and is a major competitive advantage to secure advertising revenue. But, a return to acquisitions and investments at scale may be a while off; expect to see a wave of consolidation post-COVID-19. We expect to see a continued trend towards divestment of under performing assets, and the market should react positively to those with low debt, high liquidity and secure access to capital.

As the battle for scale and sophisticated data application increases, we expect to see ongoing regulatory change related to privacy, data integrity and the responsible use of AI.

The entertainment and media world continues to face persistent challenges surrounding regulation and trust. Concerns surrounding anti-competitive scale, data protection, privacy, and the accuracy of public information remain top of mind.

The spur that the pandemic has delivered to digital behaviours among consumers has boosted the fortunes of the technology platforms. In the three months ending in June 2020, Apple, Amazon, Facebook and Alphabet all reported a surge in earnings. In August, Apple became the first publicly-traded US company to hit a market capitalisation of US$2 trillion. This uplift from the pandemic wasn't just limited to US-based players; in July 2020, a rally in Chinese social media giant Tencent's shares saw it overtake Facebook as the seventh most valuable company in the world.

As these businesses gain power, the public and political scrutiny has increased. This has been compounded in an environment where the relative power of other media companies, as measured by their share of advertising revenue, is declining. In an effort to restore the power balance within the entertainment and media landscape, we expect new and revised regulation surrounding the distribution of news content, content quotas for local free-to-air and pay TV providers, and regulation to address and mandate ethical and compliant storage, management and treatment of data.

The industry will experience a continued and increased focus on efficacy and measurement, as pressure on advertising budgets is sustained, and businesses require evidence of advertising's impact.

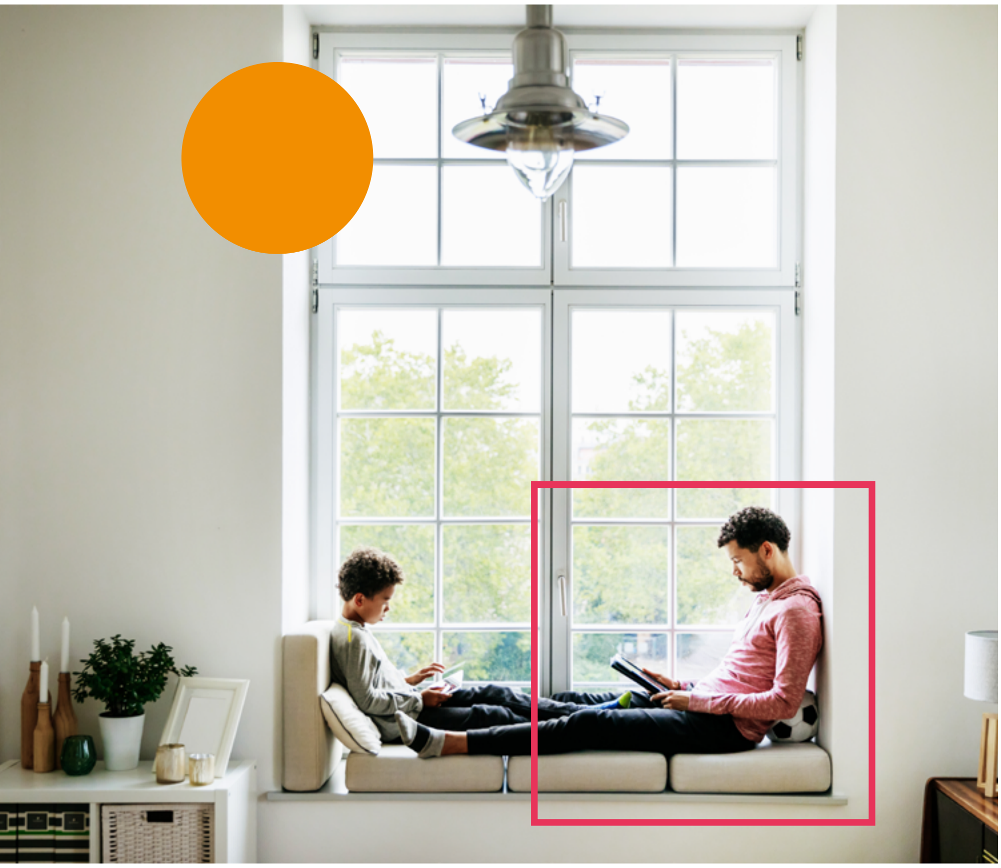
Central to advancements in data collection and utility will be media companies' ability to use this data to provide advertisers with robust measurement of the impact and efficacy of paid advertising.

There is significant evidence that investment in brand-led advertising messages are crucial to the long-term growth of brands. Despite this, in the short to medium term, we expect that advertising placements without short-term, direct and attributable linkage to commercial outcomes may be de-prioritised by organisations seeking a quick return.

Growth is available, and the future success of entertainment and media companies will rely on their ability to capture demand, and ultimately, monetise it.

Even before COVID-19, the pace of digitisation, changes in consumption, and innovation in the Australian entertainment and media industry was dramatic and accelerating. COVID-19 has opened the throttle still further, accelerating change across most segments.

As the industry reconfigures, growth is available, and the entertainment and media industry is in the enviable position that ultimately, demand for the core product - entertainment and media - has not waned. Rather, the business models that support the monetisation of this demand are under pressure, and the commercial opportunity isn't equally distributed. And therein lies the challenge; outsized opportunities are available in the segments that are growing more rapidly, but prospects are shrinking in segments that are lagging, and COVID-19 has dramatically accelerated the timeframes that the lagging segments have to transform.



If COVID-19 has taught humanity anything, it's that we cannot control or predict *everything*. With this in mind, and as we await some sense of normality as time progresses, we will be tracking and monitoring the health and the rebound of the industry, with close attention to key indicators, including:

- Trends and shifts in consumption behaviour, with a specific focus on which new behaviours stick, and which new habits are forgotten as quickly as they were adopted as the world returns to a pre-COVID-19 "normal";
- The ongoing migration of consumer attention into non-advertising supported channels, and consumers' willingness to pay for these services as restrictions ease;
- The extent to which advertising and marketing investment follows consumption patterns;
- The media ownership landscape, including both the divestment of non-core products and legacy businesses, and acquisition driving individual scale and further market consolidation; and
- The sophistication of measurement systems, an issue ripe for sorting, and one that we believe will be key to securing competitive advantage within the advertising landscape for years to come.

We hope that you enjoy our 19th (and special) edition of the Australian *Entertainment & Media Outlook*. We hope to return to our normal report next year to share stories of an industry that has found new paths to recovery after an unprecedented year of disruption and change.

Internet access

COVID-19 has demonstrated the value of a reliable and nationally deployed NBN network, with a dramatic increase in traffic as a result of people learning and working from home, and an increased use of streaming video and audio services.

In June 2020, NBN Co completed its nationwide Multi Technology Mix (MTM) wholesale access network deployment, meaning that Australia now has over 99 percent of the population with broadband access. This puts the country in a select group of nations that have virtually all citizens connected with a form of fixed broadband access, whether fibre, terrestrial wireless or satellite. As at September 2020, 7.7 million homes and businesses had been connected to the NBN access network through a phone and internet provider.[2]

Notwithstanding the disruption and increases in daytime network usage of over 90 percent during the pandemic, based on a pre-COVID-19 baseline,[3] the percentage of households with high-speed access continues to climb steadily. However, whilst connectivity has improved, download and upload speeds experienced by consumers are still behind compared to other advanced nations.

Hence, the current technology mix leaves many cohorts of Australians experiencing slower download and upload speeds, and so there is more work to be done in the coming years to close the speed gap between Australia and peer nations, by investing in continuous technology upgrades. NBN Co has recently released its 2021 corporate plan, which outlines plans in bringing forward the next phase of network investment to help meet future demand for higher speed broadband services.[4]

Deployment of 5G in Australia continues to take shape.

5G is currently being introduced across the country, focusing on cities and CBDs initially, and with handsets in the early stage of uptake. It is expected that the 5G deployment journey will take up to ten years, given the high capital expense involved, the range of regions to be covered, and the need for new sites in CBD and suburban areas.

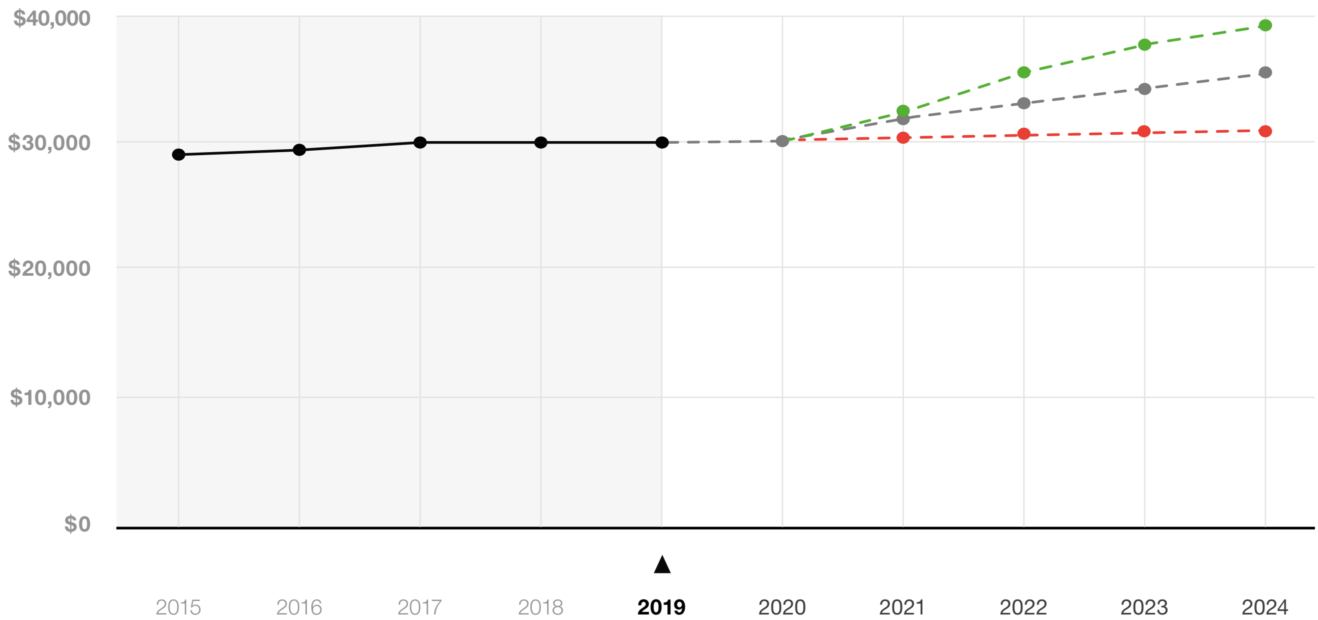
Australia held an auction for 3.6GHz spectrum for 5G in December 2018 with Telstra, Vodafone/TPG, Optus and Dense Air winning spectrum blocks. The government plans to sell spectrum at 26GHz for wireless broadband services, including 5G, in early 2021.[5]

Federal and State Governments are focused on increased coverage and capacity in areas where coverage is still limited - for example in New South Wales, Queensland and Victoria - to cover blackspots, but also to enhance rural and regional coverage.

Some states are pursuing funding strategies to enhance regional connectivity, to empower local communities and small and medium-sized businesses. For example, as part of the Regional Digital Connectivity program, the NSW Government has committed $100m to "deliver a metro-level internet service to regional communities and businesses, with improved price, quality of service and speed", known as the Gig State project.[6] This is part of a wider $400m programme to improve regional mobile connectivity in the state. These programs complement federal programs to connect mobile blackspots, and also target areas prone to bushfires and other natural disasters, to ensure greater resilience of communications in times of need.

Australia's geography and dispersed population will continue to present significant challenges to high speed broadband development. However, given new technologies, business and funding models, there is tremendous scope to bring accelerated digitisation to Australia's regions, as well as a wider range of customer choice.

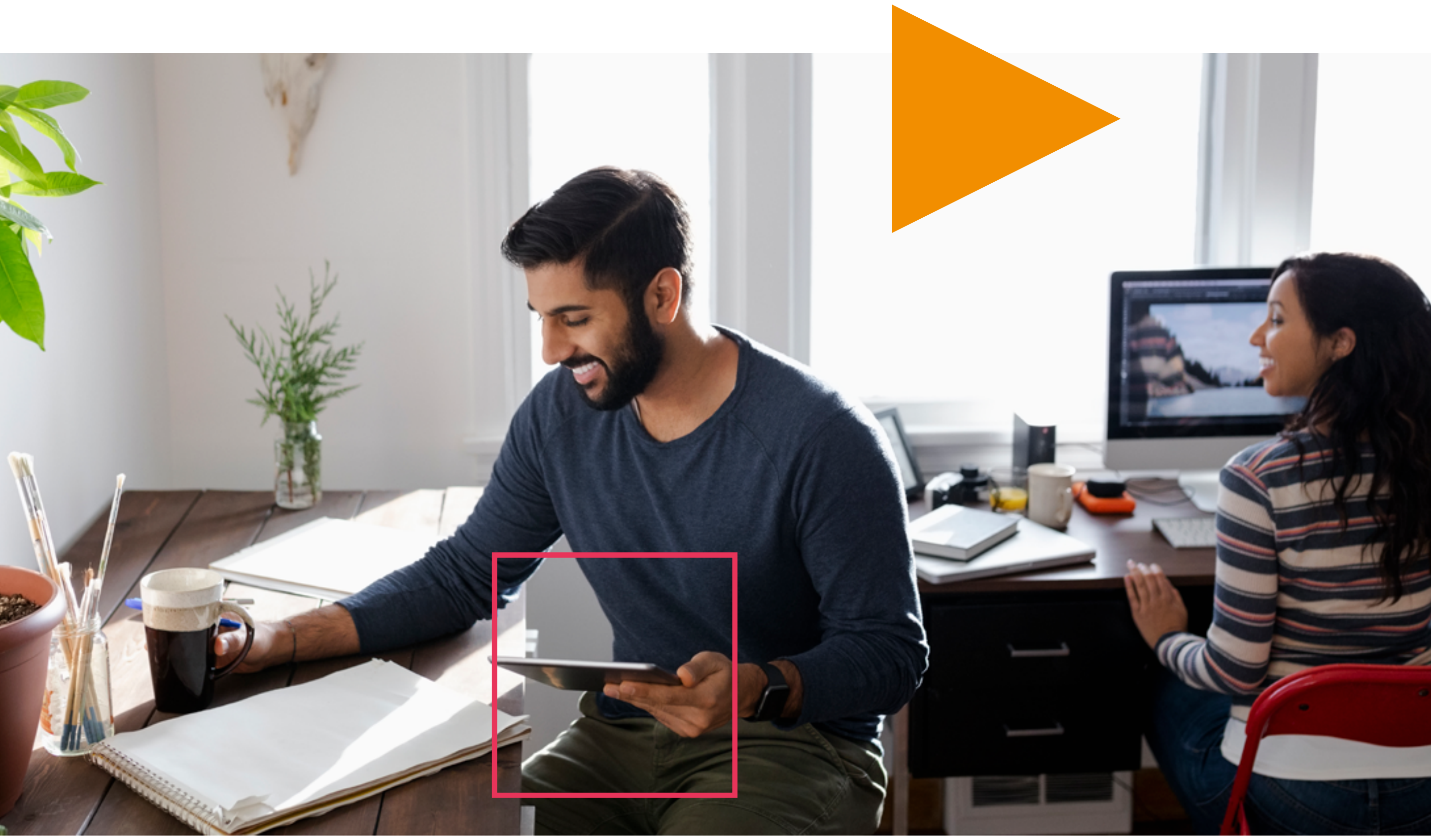
Total internet access market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+3.38%**

**2015 - 2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative



Filmed entertainment

The film industry was one of the hardest hit by COVID-19, with local large-scale production all but stopping, and cinemas closed for extended periods at the height of the pandemic, drastically reducing year-on-year box office and advertising revenues.

Global blockbusters dominated box office pre-COVID-19.

In 2019, Disney's *Avengers: Endgame* was the number one film in Australia, grossing US$59m, but there was only one Australian title in the top-thirty films of the year - *Ride Like A Girl*, the biopic of the first female jockey to win the Melbourne Cup. Underlining the appetite for studio blockbusters, two titles released in 2019, *Avengers* and *The Lion King* are already ranked number three and four in the all-time Australian box office lists.

COVID-19 all but shut the industry for months, as production halted and new releases appeared on over the top (OTT) platforms.

Total cinema revenue (including box office and advertising) contracted sharply in 2020 with the outbreak of COVID-19, and there has been a severe flow on effect for the Australian film industry.

In the forecast period, box office revenue was A$1.229b in 2019 and is set to fall to A$990m by 2024. While it is believed consumers will still want to see the blockbusters on a big screen, the experimental release of recent titles direct to streaming platforms - such as *Mulan* and Pixar's *Onward* on Disney+ - demonstrate the additional pressure felt by the industry as consumer habits evolve and distribution methods change.

Local titles had 3.3 percent share of Australian box office revenue in 2019: 59 Australian titles competed with 694 foreign films for screens.[7] It is worth noting that there is a concerted effort - both from a budget and investment perspective - to increase the number of Australian productions in development to ensure that Australian stories and productions remain a feature of the local film sector.

Cinema groups continue to evolve their offerings to create superior customer experiences, as the competition for consumers' time spent with video content heats up.

Compared to other developed markets, cinema ticket prices remain relatively high in Australia, and the pricing strategy post-COVID-19 - along with health and safety measures - will have an impact on how quickly people return to cinemas, given their increased use of at-home services in the period.

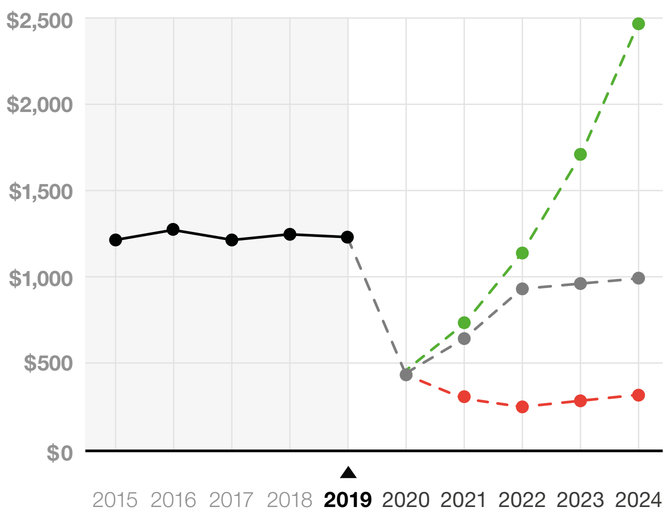
Additional cinemas were planned to be built and the total number of screens is set for a modest rise from 2,332 in 2019 to 2,360 in 2024, representing a 0.2 percent CAGR. It remains to be seen if the COVID-19 crisis has delayed or modified the plans of the major cinema groups. Cinema groups continue to evolve their model to create superior customer experiences beyond the now entrenched 'gold class' premium services with enhanced seating, sound, and food and beverage services that make for a much more tailored and premium experience.

The cinema and film industries are expected to fight their way back from crisis with government support and industry ingenuity.

One upside of the COVID-19 crisis has been the identification of Australia as a 'safe' place for productions to be filmed, given the relatively low infection rates, and the ability for states to create production 'bubbles' that keep crew and cast in safe locations. The accessibility and appeal of regional film locations and services has also gained momentum since the crisis, with new film production facilities being explored in locations such as in the Ballina/Byron Bay region through a combination of government, private and local funding.

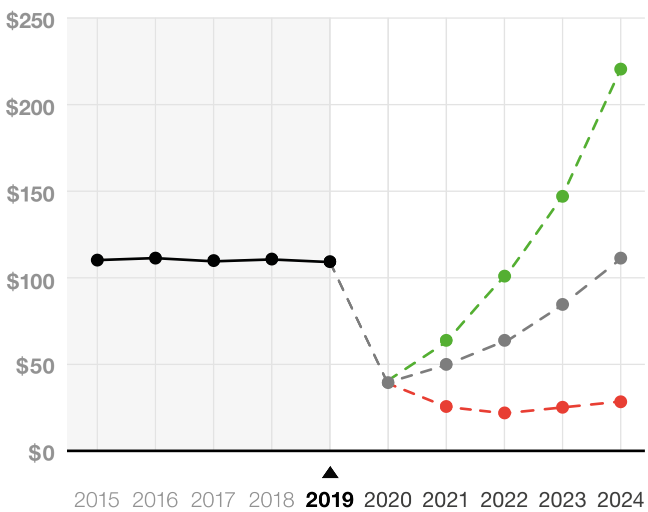
Attracting international productions to Australia has been further enhanced through the Australian Government's $400m investment increase to the Location Incentive Scheme to attract foreign film and television productions to Australia over the next seven years.[8] When coupled with the COVID-Support Fund from Screen Australia, and a further $50m available through the government-funded Temporary Interruption Fund, the Australian film industry is set to fight back with the return to production as quickly as circumstances allow.

Box office spend (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-4.23%**

Cinema advertising market (A$ millions)

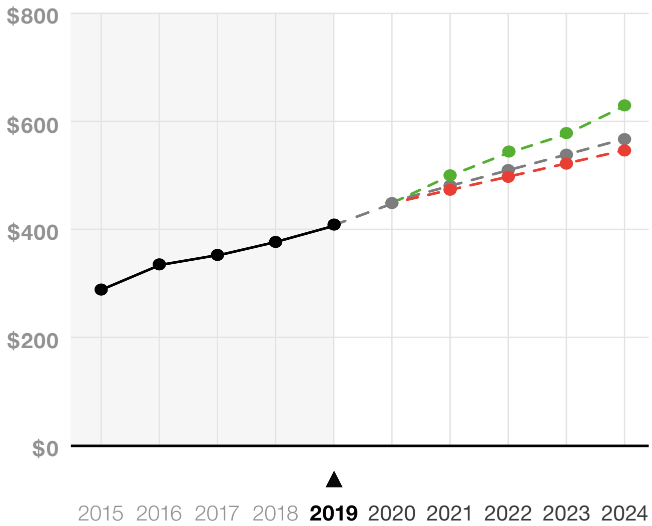


CAGR 2019-2024 based on gradual recovery trajectory: **+0.02%**

Legend — Positive — Gradual — Negative

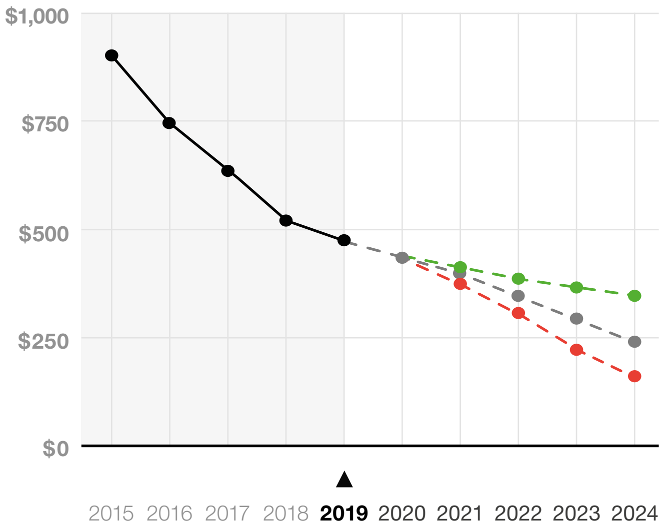
**2015 - 2018 figures have been updated to reflect recently available market information*

Transactional VOD market (A$ millions)



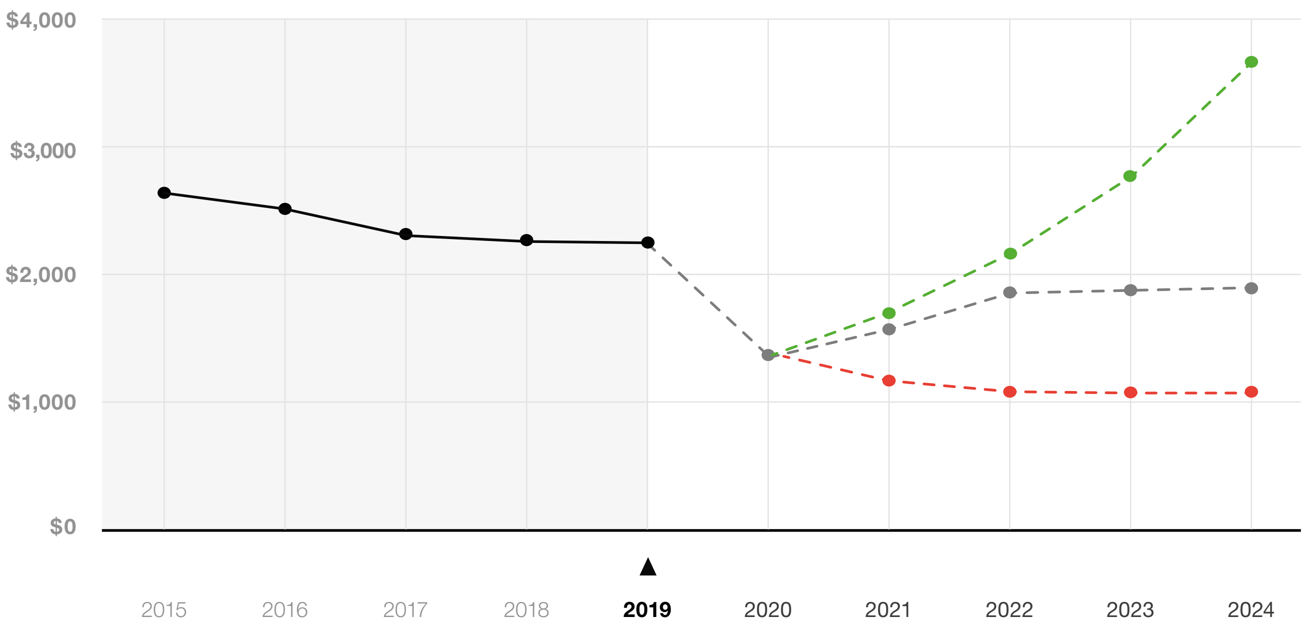
CAGR 2019-2024 based on gradual recovery trajectory: **+6.71%**

Physical sell-through market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-13.22%**

Total filmed entertainment market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-3.24%**

**2015 - 2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative

Free-to-air TV

2020 has been a challenging year for broadcast television, adjusting to a rapidly changing and volatile advertiser and viewing schedule driven by COVID-19. Sport, a key driver of the free-to-air television (FTA) schedule was significantly impacted in 2020, and restrictions meant that production elements of key shows and international dramas were impacted or placed on hold.

The accessibility and trust placed in broadcast TV brands meant that despite these challenges, viewership remained strong throughout COVID-19, particularly for news and local reality programs. Sport, once back on air, has also engaged audiences, despite the many changes to both the schedules and format. Advertising revenue was not able to match this viewing trend as a result of advertisers going off air and shrinking marketing budgets overall to combat COVID-19 business impacts.

Overall, the total FTA advertising market declined 4.6 percent in 2019 followed by a 13.9 percent forecast decline in 2020 based on the mid-point forecast scenario. Broadcast Video on Demand (BVOD) remains a key growth driver and is continuing to experience strong growth in consumption overall, resulting in a 27.5 percent increase in forecast advertising revenue in 2020 based on the mid-point forecast scenario.

COVID-19 will continue to impact broadcast television into next year in terms of content and sport schedule and related viewership patterns. Allowing for COVID-19 scenarios, and for structural headwinds, Linear FTA advertising revenue is forecast to decrease 2.48 percent CAGR to 2024 based on the mid-point forecast scenario. BVOD will offset this decline, and is forecast to increase 24.87 percent CAGR to 2024, resulting in a total broadcast television market CAGR of -0.41 percent based on the mid-point forecast scenario.

COVID-19 drove increased FTA viewership at the beginning of the pandemic, driven largely by news content.

Television grew as the primary medium for news consumption amongst Australians during COVID-19, with 51 percent[9] of Australians citing the medium as their "main source of news", up from 39 percent prior to the pandemic. FTA saw an 11 percent[10] increase in audience consumption in the week commencing 16 March 2020, coinciding with the Federal Government's initial announcements to place restrictions on outdoor and indoor non-essential gatherings, and this viewing pattern for news has continued across the pandemic.

Average weekly cumulative reach of Linear FTA (including subscription TV) for the period January to June 2020 was extensive but relatively flat year-on-year, with 18.42 million Australians reached weekly, slightly down from 18.75 million during the same period in 2019. However, people spent more time with the medium throughout the same period, with the total hours consumed on FTA (linear) for the same period growing 2.2 percent year-on-year.[11 12]

It is important to balance these trends against an environment of significant schedule disruption caused by live sport going off air, a mainstay of the schedule for the Seven and Nine Networks, with winter sporting codes particularly impacted. Viewing and advertiser support has rebounded as the codes have come back on air.

Competition continues to rise from other in-home entertainment services such as Subscription Video on Demand (SVOD) services, particularly in drama, and the streaming services' increase in reality programming content is to be watched closely. Equally challenging is the competition from other video offerings from social media platforms including Facebook, Instagram, TikTok, Twitch and YouTube.

BVOD has experienced strong consumption growth year-on-year, driven primarily by the continued popularity of reality show formats.

The average total monthly hours consumed on BVOD increased 30.9 percent year-on-year for the period January to June 2020. Consumption increased on all devices (mobile, PC/Laptop, Tablet, Connected TV), but this was most notable on Connected TVs, which saw an increase of 55 percent from the same period year-on-year.[13 14]

Top performing shows on BVOD include reality television franchises such as *Married at First Sight, Masterchef, Love Island and Big Brother.*[15]

Despite strong audience results for FTA, ongoing pressure on advertising budgets - accentuated by COVID-19 - has driven a forecast 13.9 percent decrease in total advertising revenues for the sector in 2020 based on the mid-point forecast scenario.

Linear TV advertising revenue declined in 2019 to A$3.489b and is expected to contract more rapidly in 2020 due to COVID-19 to A$2.934b. Linear TV accounted for 95.5 percent of overall TV advertising revenue in 2019, but as a result of forecast decline to 2024, and the parallel growth of BVOD, is predicted to account for 86.0 percent of the overall television market in 2024 based on the mid-point forecast scenario.

Future growth will depend on the BVOD platforms' ability to offset declines in FTA audiences, and the networks' ability to monetise these audiences.

As consumers' choice of on-demand video content rapidly increases, and off the back of the acceleration of digital behaviours as a result of COVID-19, the BVOD services' continued investment in both their content catalogues and platform usability will be key to future growth. We expect to see the BVOD market in Australia continue to mature, with new content and series being added to the platforms to fill the catalogue as the market continues to converge and compete with SVOD offerings.

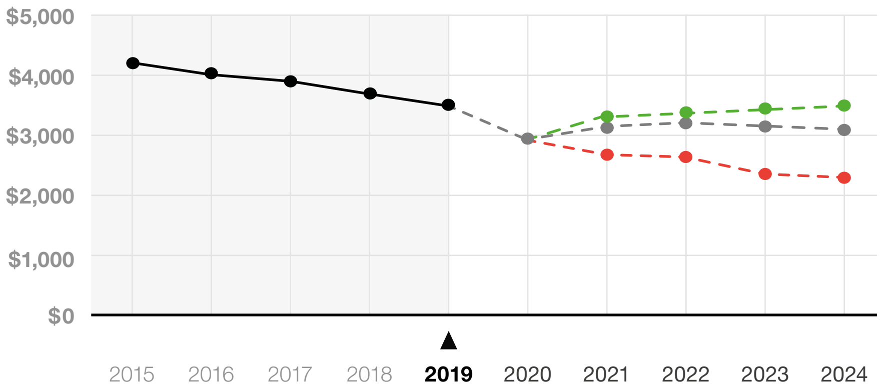
As consumption grows and the product matures, we expect to see the continued increase in BVOD advertising revenues. Advertising on the BVOD platforms has brought new opportunities for advertisers to buy advertisements based on location and demographic data, with user sign-on profiles often required to log in and view free content online. This has allowed the TV networks to sell their inventory in a way that is similar to how online inventory is sold, thus allowing them to more effectively compete with advertising budgets that have migrated online.

As the consumption of BVOD services continues to rise, the ability to buy and measure total television consumption - across all platforms and screens - will be increasingly important to advertisers.

The industry has announced the development and release of two tools to facilitate ease when buying and measuring consumption across screens, which are critical to the future growth of the sector. Nielsen and OzTam are working together to launch Virtual Australia (VOZ), a measurement tool which seeks to measure TV viewing across all screens, and as a result, provide both linear and online ratings with demographic data across all connected devices. VOZ released its first data set in February 2020, and has stated that daily data will be available from late 2020.

In December 2019, the television industry announced that VOZ data will feed into 9Galaxy technology to power a Demand Side Platform (DSP). This will provide media buyers with the opportunity to buy and optimise reach across television content on all platforms and screens, including FTA, BVOD and live streaming. The technology is expected to be released to the market in mid-2021.

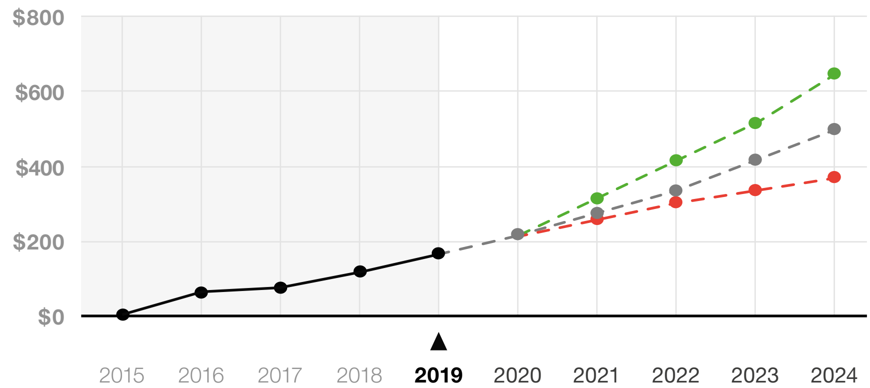
Linear TV market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-2.48%**

**2015 - 2018 figures have been updated to reflect recently available market information*

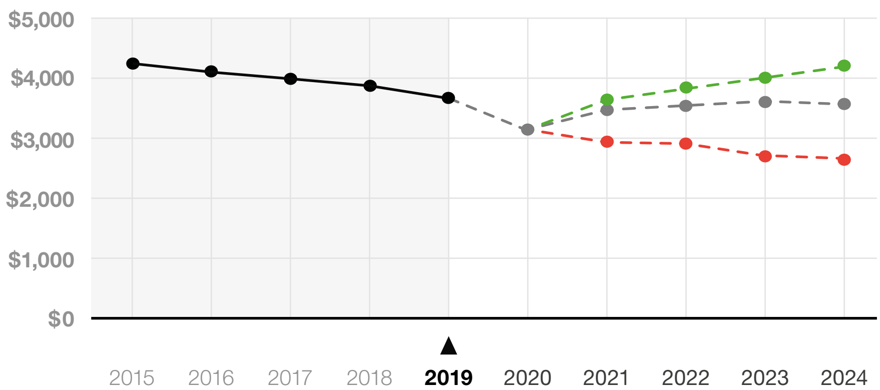
Broadcast Video on Demand (BVOD) market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+24.87%**

**2018 figures have been updated to reflect recently available market information*

Total free-to-air (FTA) advertising market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-0.41%**

**2015 - 2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative

Interactive games and esports

Interactive games and esports have prospered during COVID-19, with people looking for alternative forms of entertainment during lockdown periods, and whilst their favourite sporting codes were on hiatus. Whether or not the games and esports industry sustains the same momentum as life returns to normal will be dependent on the extent to which they are able to retain the audiences they have gained through ongoing product innovation and accessibility. In 2019, the interactive games and esports market was worth A$3.175b, and this is expected to grow at a 6.87 percent CAGR to 2024 based on the mid-point forecast scenario, driven by app-based games and esports.

With total video games and esports revenue of A$3.175b in 2019, Australia is one of the highest per capita spenders on video games in the world.

One contributor to the success of the video games market in Australia is the relative high cost of video games, which are among the highest priced in the world. An increasing number of publishers and platform-holders have expressed a desire to reduce these price discrepancies as they are increasingly difficult to justify in the era of digital distribution.

Gaming consoles are continuing to evolve via upgrades to hardware, and despite a surge in physical console sales since the pandemic began, app-based games will drive the most revenue growth for the sector.

Console games have traditionally been the cornerstone of the video games market in Australia. The console market is dependent on regular hardware updates to deliver higher-quality experiences and maintain consumer interest. The largest recent hardware launch was of the Nintendo Switch, which has enjoyed strong sales since its 2017 appearance, and has reignited interest in the portable console market previously thought to be near-moribund in the face of the growth of smartphone-based games.

Meanwhile, Sony and Microsoft have continued to release incremental upgrades to their existing home consoles. Both have now gone one step further announcing the launch of the PlayStation 5 and Xbox Series X respectively, which will come in both traditional and digital formats. These upgrades have been mooted for some time and early indications are that the enhanced user experience will justify the hefty price tag for avid gamers.

While the value of the traditional gaming market has continued to grow, app-based mobile games have been a significant driver of growth in the Australian video games market in recent years. Mobile gaming revenue accounted for 31.7 percent of total video games consumer revenue in 2019.

Higher smartphone ownership (though this market is now essentially saturated), more capable devices, and better monetisation strategies have all contributed to greatly increased revenue from mobile games, but the phase of rapid expansion is coming to an end.

There is little room for incremental growth in the addressable market of smartphone-owners in Australia. There is a sense that the mobile games market has begun to be over-reliant on a handful of mega-earners like *Clash of Clans* and *Game of War*, which have now been on the market for many years. However, in-game microtransactions continue to fuel growth, with revenue forecast to grow to A$1.565b in 2024 based on the mid-point forecast scenario.

COVID-19 introduced new audiences to esports with the introduction of new esports events to satisfy Australians' desire for sport content prior to the creation of player 'bubbles'.

With a long held passion for live sport, the closure of sporting venues and halting of major sporting competitions across the world starved Australian audiences of their regular sporting fix. Adapting quickly to the situation, a number of sports were able to follow the lead of global brands such as FIFA, MotoGP, NASCAR and the NBA, by hosting esports events between players from rival teams and codes, streaming them online for audiences to watch early in the crisis and before player 'bubbles' were established.

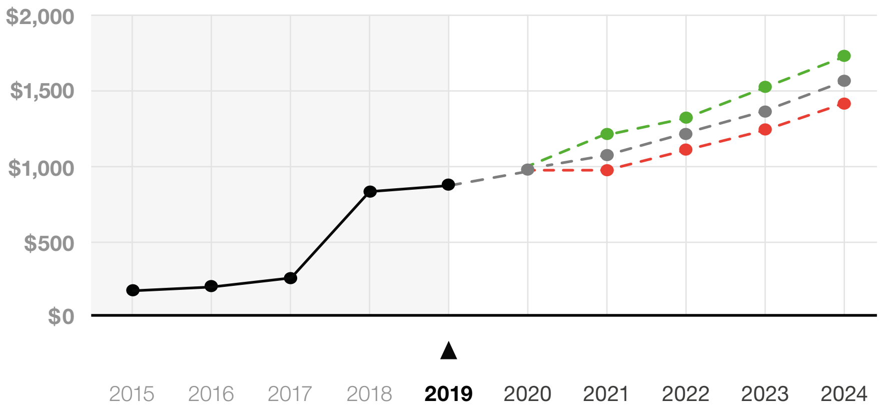
One of the most significant esports events in Australia during the height of the pandemic was the introduction of the *V8 Supercars All Stars Eseries*, taking drivers from the track into synchronised simulators. The event brought esports to a new audience on broadcast television, with high production values. This sort of innovation will not only broaden the reach of traditional sports, but also reinforce the legitimacy of esports in the entertainment landscape.

While esports have continued to grow through COVID-19, future growth is expected to be at a slower rate than in many markets of a similar size.

Australia's total esports revenue was A$5.0m in 2019, comparable to other mid-tier markets in Mexico, Brazil and Spain. Despite significant recent growth (revenue was just A$1.0m in 2015), Australia's esports market is now growing at a slower rate than many markets of a similar size, at a 11.13 percent CAGR based on the mid-point forecast scenario, but is still expected to reach A$8.0m by 2024. When compared to other forms of media and entertainment, a double-digit CAGR is still a strong result for this sector.

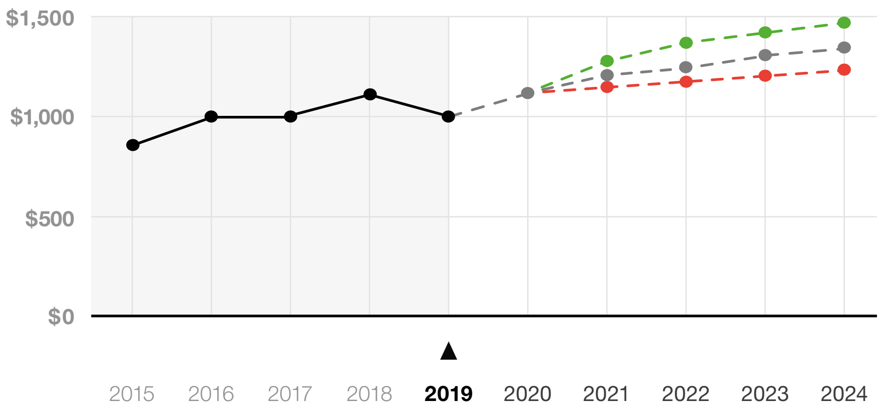
ESL is very active in the Australian market, organising an ongoing series of competitions under the ESL AU & NZ Championship umbrella, and putting on two now-regular high-profile esports events: the *Melbourne Esports Open* (which, as well as attracting sponsorship from the likes of McDonald's and JB Hi-Fi, also enjoys significant support from the City of Melbourne) and the Intel Extreme Masters in Sydney, which features a *Counter-Strike: Global Offensive* tournament with a prize pool of US$250,000.

Total online/microtransactions revenue (A$ millions)



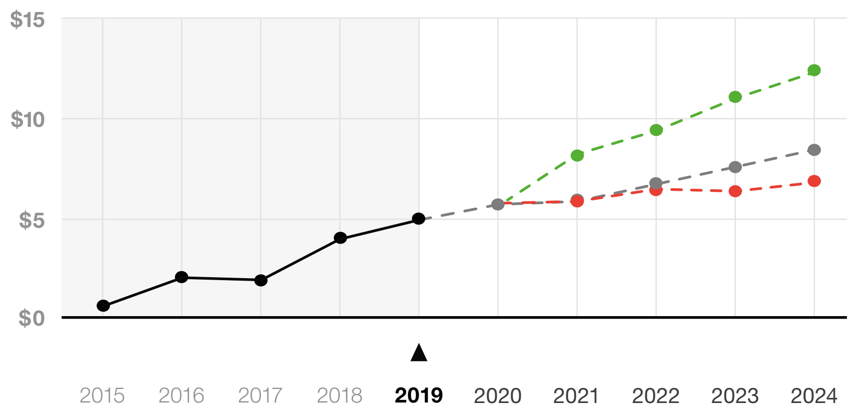
CAGR 2019-2024 based on gradual recovery trajectory: **+12.07%**

Mobile game revenue (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+6.02%**

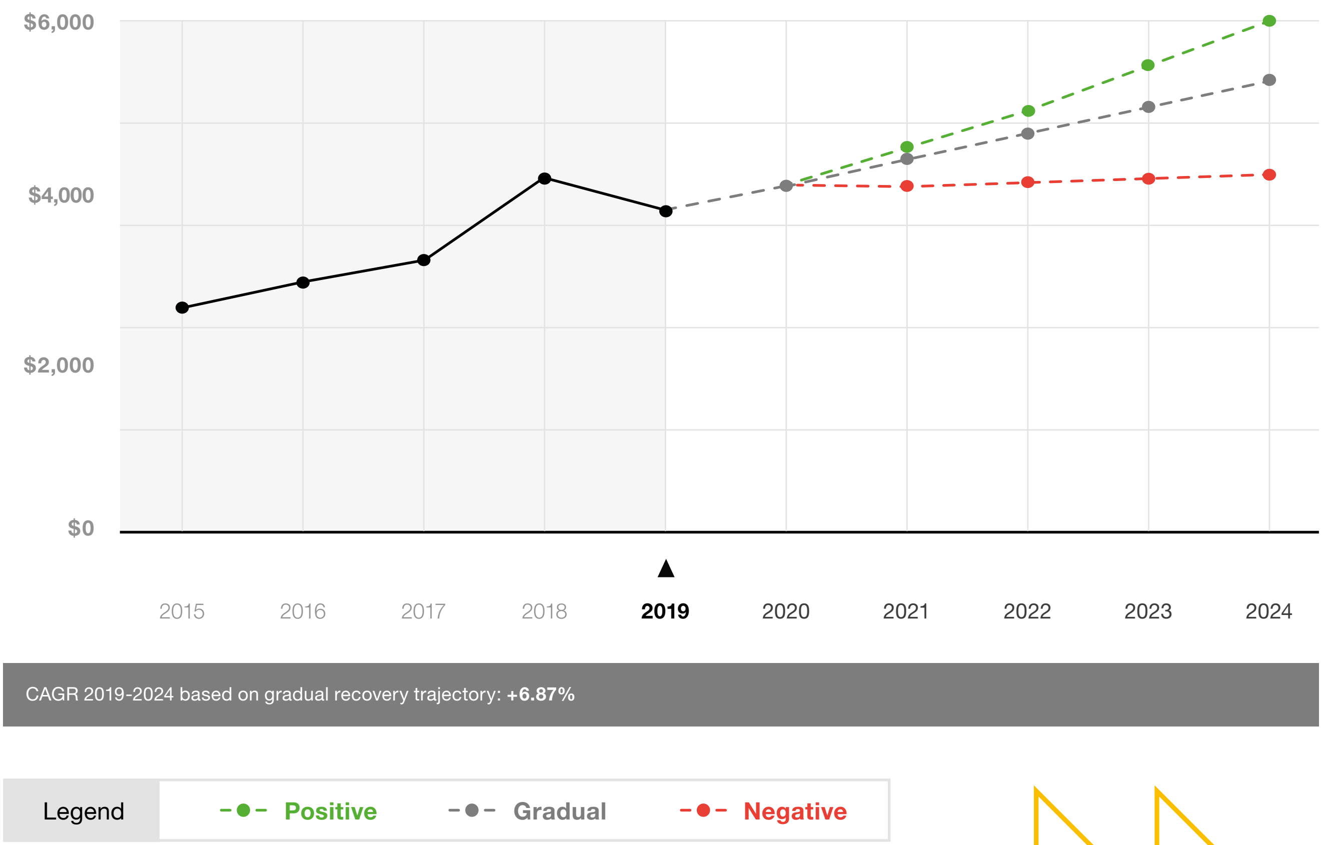
Total esports market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+11.13%**

Legend	Positive	Gradual	Negative

Total interactive games and esports market (A$ millions)



Internet advertising

Overall, the internet advertising market in Australia has experienced a period of slower growth due to COVID-19, with revenues forecast to remain relatively flat at 0.8 percent in 2020. Despite this, the pandemic has accelerated bifurcation, with some platforms and formats gaining share, and some falling victim to the negative impacts of COVID-19.

The market is predicted to recover steadily, with a predicted CAGR of 4.38 percent over the next five years based on the mid-point forecast scenario.

Social distancing and lockdowns across the country have further advanced Australians' consumption of digital products, allowing the online advertising market to increase its share of advertising revenues.

COVID-19 has accelerated the evolution of media consumption, pulling forward digital disruption that would have occurred in future years. The benefit of this accelerated adoption has provided armour for the industry in a relatively soft advertising market.

Video has been particularly resilient, with local Broadcast Video on Demand (BVOD) services and YouTube[16] (globally) reporting an increase in advertising revenues for the quarter ending June 2020.

While online video - whether on YouTube, Facebook, Twitch or BVOD - has had a very strong year, classifieds advertising has recorded the strongest decline, likely due to decreasing consumer confidence as a result of the economic environment. Advertisers are continuing to trade programmatically across all available formats, with this method of buying reaching a peak in the June quarter, throughout which 44 percent of all advertising on content sites was bought programmatically, versus 41 percent bought from agencies using insertion orders (IOs).[17]

Not everyone within the digital advertising landscape is a winner, though; the dynamics of the two-speed market have accelerated, as traditional media organisations pursue aggressive digital transformation strategies in order to compete more effectively with the technology players.

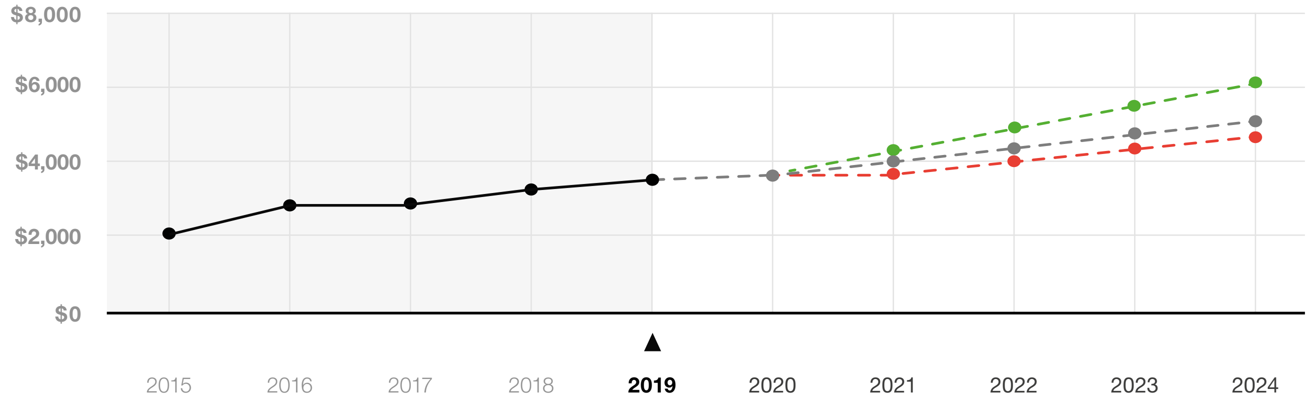
Amongst a small few, technology platforms have reaped the rewards of more time spent with digital beyond the stability of advertising revenue; in the three months ending in June 2020, Apple, Amazon, Facebook and Alphabet all reported a surge in earnings, and in August, Apple became the first publicly-traded US company to hit a market capitalisation of US$2 trillion. Similarly, newer entrants such as TikTok are recording strong growth in advertising revenues, albeit from a smaller base.

Not everyone has benefited commercially from this shift in consumption, with the big getting bigger, and the bifurcation of the industry being accelerated. As a result, incumbent media outlets and Australian online publishers are rapidly pursuing digital transformation, partly in order to boost digital advertising revenue to make up for shortfalls in traditional format advertising revenue.

Despite stability in advertising revenue and strong financial performance from the technology players, it has not been a year without its challenges. Specifically, the Australian Government has sought to "create a level playing field",[18] calling for Facebook and Google to pay publishers for news content.

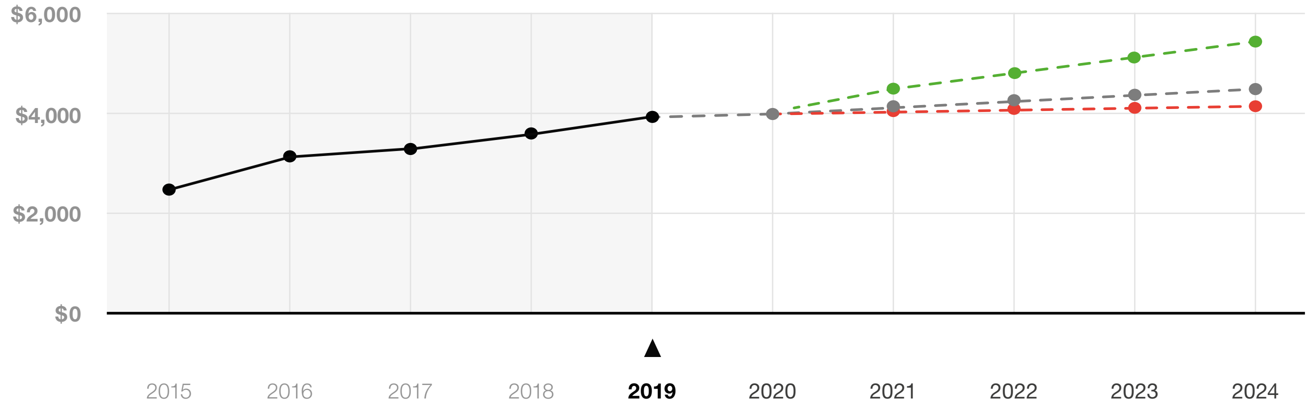
Amid ongoing concerns surrounding the future of independent journalism due to financial pressures that publishers are experiencing, the ACCC has drafted a code that would require Google and Facebook to compensate content providers for the articles that appear on their platforms. The responses from both digital players has been swift and direct, with Google releasing an Open Letter to Australians, citing that the proposed changes will "[put] the Google services [Australians] rely on at risk",[19] and Facebook stating that they "will reluctantly stop allowing publishers and people in Australia from sharing local and international news on Facebook and Instagram".[20]

Internet advertising (display) market (A$ millions)



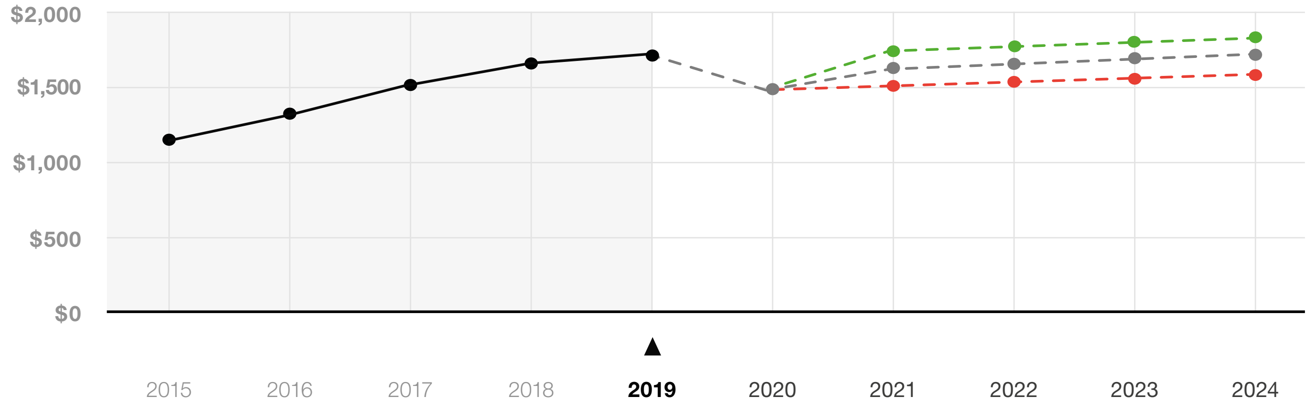
CAGR 2019-2024 based on gradual recovery trajectory: **+7.65%**

Internet advertising (search) market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+2.80%**

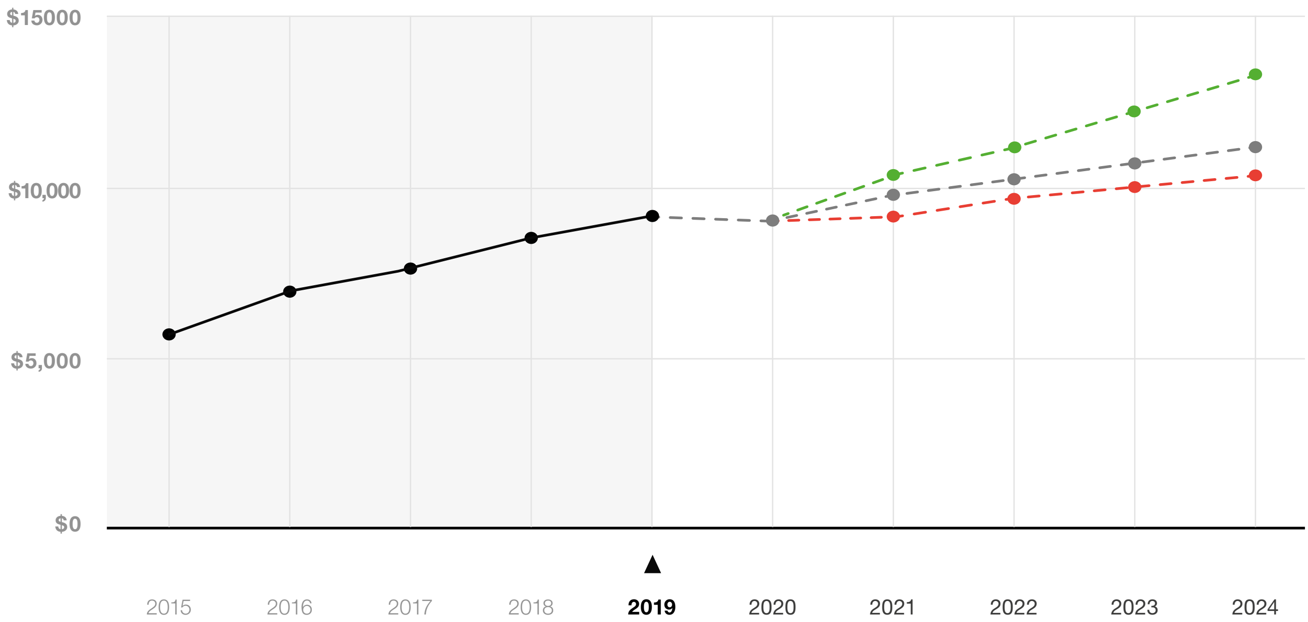
Internet advertising (classifieds) market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+0.46%**

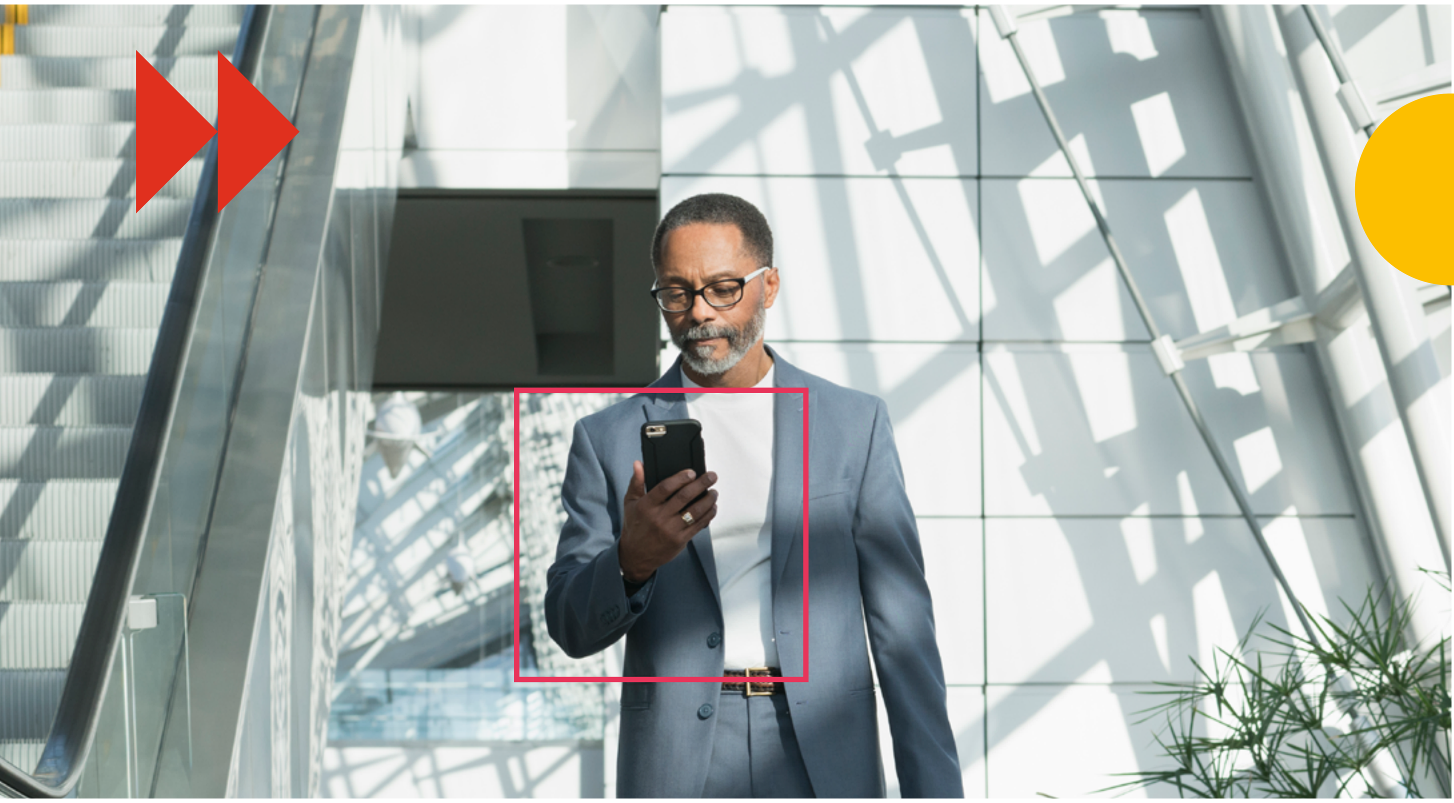
Legend: Positive | Gradual | Negative

Total internet advertising market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+4.38%**

Legend	Positive	Gradual	Negative



Consumer magazines

There is perhaps no sector to experience such transformative change during 2019 and 2020 in Australia as the magazine industry. Ownership changes, accelerated decline in advertising revenue due to COVID-19, and the reduction in supply due to the subsequent closure of titles has reshaped the industry, with many industry spectators predicting that the once glossy, highly profitable industry will never look the same again. Total consumer magazine revenue is predicted to decrease from A$663m in 2019 to A$381m in 2024 at a -10.50 percent CAGR based on the mid-point forecast scenario. This decline will be driven by both a continued decline in advertising and consumer revenue.

Changes aplenty: In the three months from May to July 2020, Pacific Magazines merged with Bauer, and Bauer was then acquired by Mercury Capital.

In 2019, Seven West Media entered into an agreement with Bauer Media to sell off its Pacific Magazines publishing arm,[21] which would bring together a large number of the country's most popular magazine titles under the one umbrella in an effort to consolidate and futureproof its growth in an increasingly competitive market. It is reported that the merger gave Bauer control of between 85 and 90 percent of the magazines market in Australia.[22] The ACCC raised concerns regarding the proposed acquisition, but cleared the acquisition in March 2020. The sale of Pacific Magazines to Bauer was completed in May 2020[23] for a final price of A$40m in cash consideration and A$6.6m in advertising revenue in Bauer titles over a three year period, at which point the unforeseeable impact of the global pandemic had started to set in.

These changes occurred against the backdrop of relative stability from the other major magazine publisher, News Corp Australia, which publishes a range of specialist titles and content websites such as taste.com.au.

Changes in ownership and the resulting restructures drove the mass closure of titles, set to further erode revenue due to decreased supply.

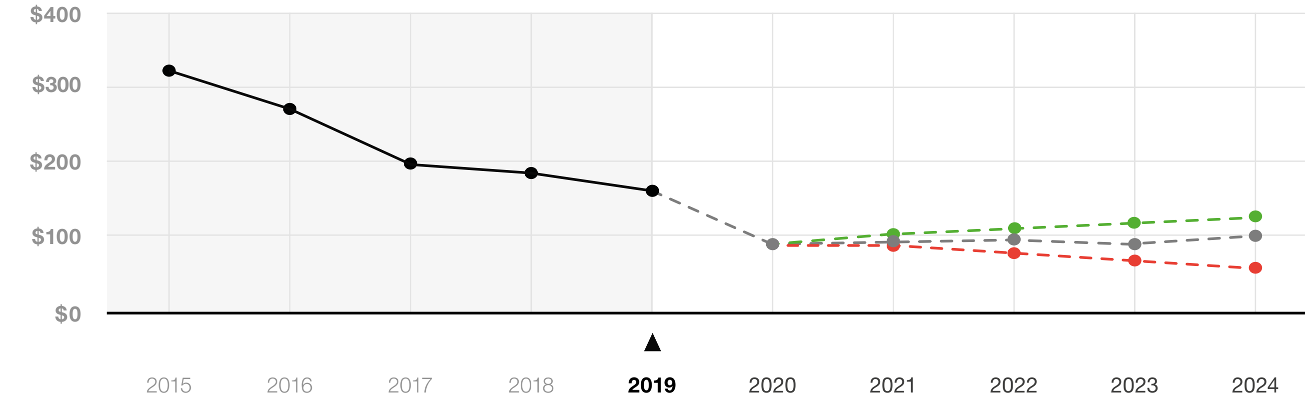
COVID-19 accelerated the trend of decline in the magazine sector with pressure on advertising budgets, and inactivity from industries with affected supply as a result of the pandemic (such as Travel). To counter the effects of declining revenue, Bauer has closed a number of its consumer magazine titles including *Harper's Bazaar, Elle, InStyle, Men's Health, Women's Health, Good Health, NW* and *OK!*, unfortunately resulting in the loss of staff from across the organisation.[24]

The future of the industry remains unclear, but post-COVID-19 recovery will rely on leveraging the strength of existing brands, and diversifying revenue through digital channels.

In September 2020, Mercury Capital announced[25] a rebrand of Bauer to Are Media. Whilst the strategy for the business remains to be seen, the closures of titles indicates a more focused approach on key, high performing titles, with strong brands enabling the ability to monetise the product beyond print. This monetisation may be realised through product extensions and brand collaborations, extending the revenue opportunities into other media formats (for example TV and digital), and other product categories such as retail.

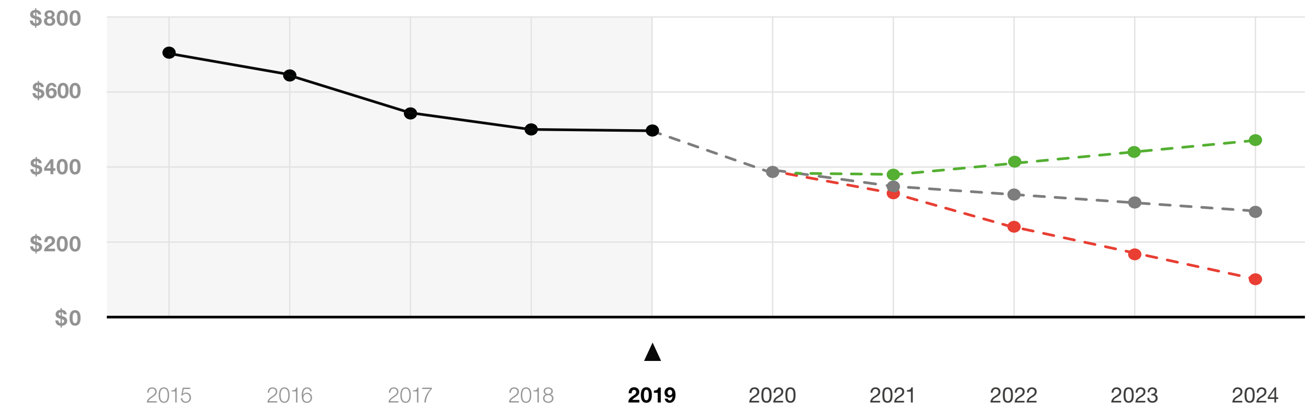
Further, the magazine industry may look to evolve through increased digitisation of existing properties, including a renewed focus on direct to consumer and subscription models, in line with movement in the broader entertainment and media industry.

Consumer magazine advertising market (A$ millions)



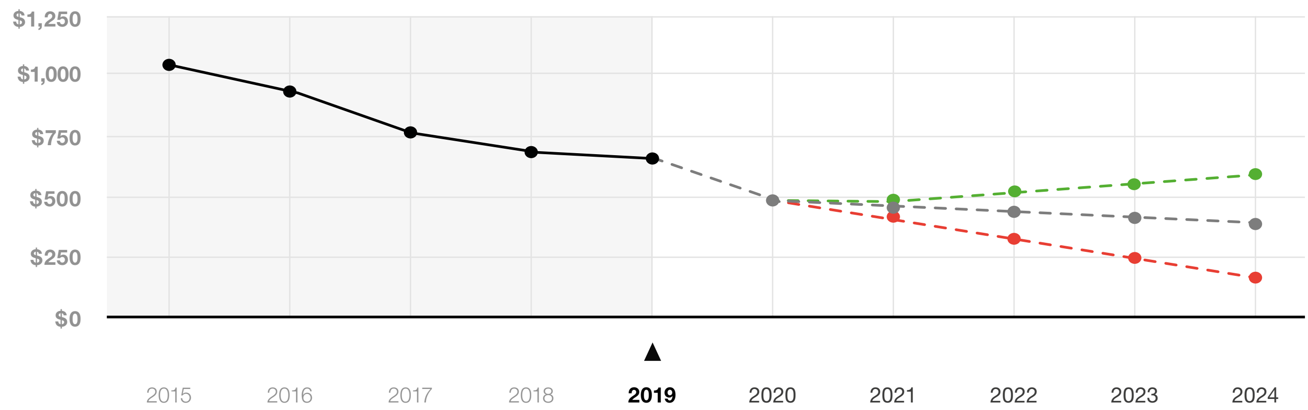
CAGR 2019-2024 based on gradual recovery trajectory: **-11.73%**

Consumer magazine circulation market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-10.09%**

Total consumer magazine market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-10.50%**

Legend	Positive	Gradual	Negative

Consumer and educational books

The Australian book industry continues to hold its share of consumer attention and spending, with ongoing development of consumer ebooks and modest growth in the audio book segment, driven by a strong market push by brands including Amazon-owned Audible.com.

The Australian consumer book market was worth A$1.979b in 2019 and is expected to be worth A$2.063b in 2024, which is a CAGR of 0.84 percent based on the mid-point forecast scenario.

The fastest-growing segment is predicted to be consumer ebooks, with revenue of A$395m in 2019 rising to A$430m in 2024 – a modest CAGR of 1.67 percent based on the mid-point forecast scenario. Print/audio revenue growth will be more modest, with a CAGR of 0.62 percent for the forecast period based on the mid-point forecast scenario. In 2019, print/audio revenues accounted for 80 percent of the market, with ebook revenues standing at 20 percent. By 2024 this will have shifted only slightly; print/audio will make up 79 percent of revenue, and ebooks 21 percent.

Physical bookstores remain important in Australia and Amazon is not yet dominating the consumer book market, having only started selling physical books from a local .au site in Australia in December 2017. Australian company Booktopia, founded in 2004, is currently the country's largest online bookseller and expanded its offering in 2020 with the purchase of the Co-op Bookshop from administrators[26] following the 'collapse' of its core product range - over-the-counter academic textbooks.

Audiobooks are growing in popularity, with research[27] from Audible Australia showing that more than 6.6 million Australians listen to audiobooks, and that 55 percent of millennials listen to audiobooks and/or podcasts instead of music.

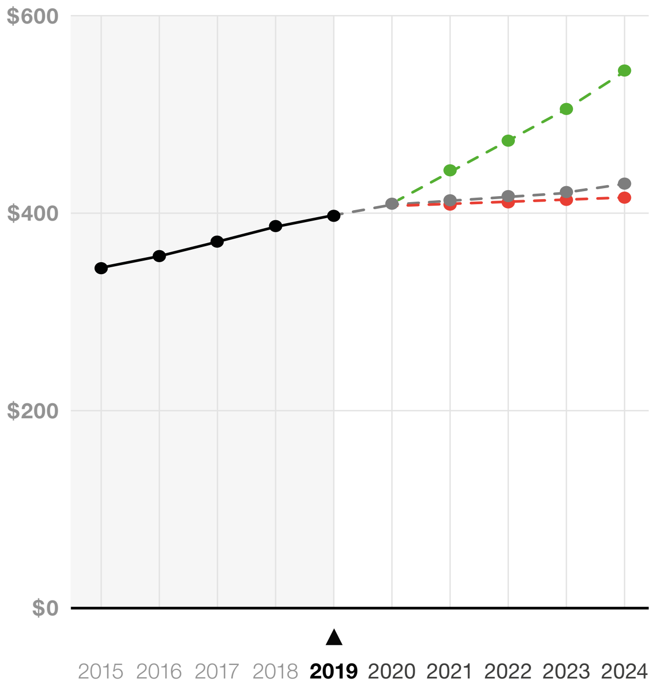
Audible have been active in market advertising their offering using local identities including comedian Celeste Barber, to reinforce key product benefits tactically during COVID-19, as well as more strategically when positioning their product against other 'listening' products such as radio, podcasts and music. While growing modestly, the sustainability of the growth in this part of the market will be largely reliant on the evolving consumption habits of consumers who are becoming spoilt for choice in what they listen to and when.

Local authors continue to build local and global profiles.

Australian readers like to celebrate homegrown talent, and this is reflected in some of the trends in fiction. Australian crime fiction has been increasing in popularity since the 2016 publication of Jane Harper's *The Dry*. In November 2019, the Australia Council sent four Australian crime writers (Robert Gott, Emma Viskic, Jock Serong and Sulari Gentill) to the US to promote Australian crime writing.[28]

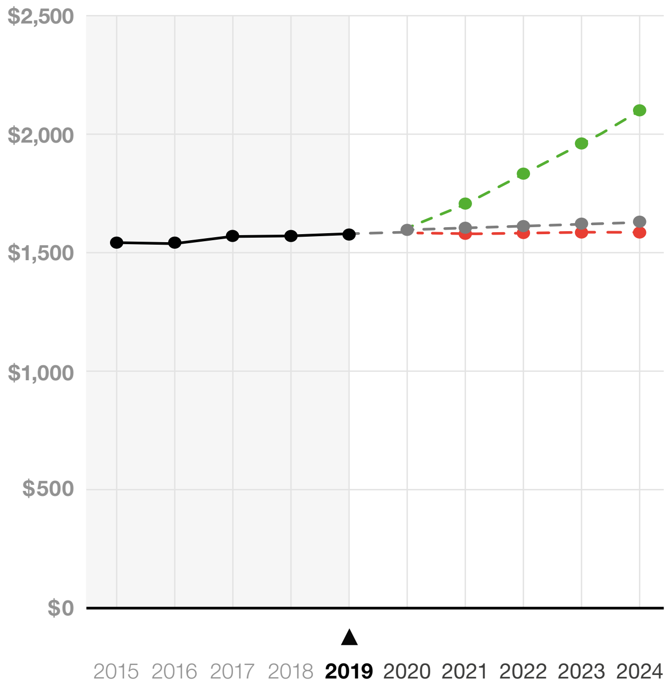
Australian authors have also seen success in other areas. Trent Dalton's coming-of-age novel *Boy Swallows Universe*, originally published in 2018, was a 2019 bestseller and won the Book of the Year prize alongside three other awards at the 2019 Australian book industry awards. It is set to be adapted into a TV series by Joel Edgerton. There was also increased interest in indigenous culture in 2019, with books written by Aboriginal or Torres Strait Islander authors performing well in bookstores.

Digital books market (A$ millions)



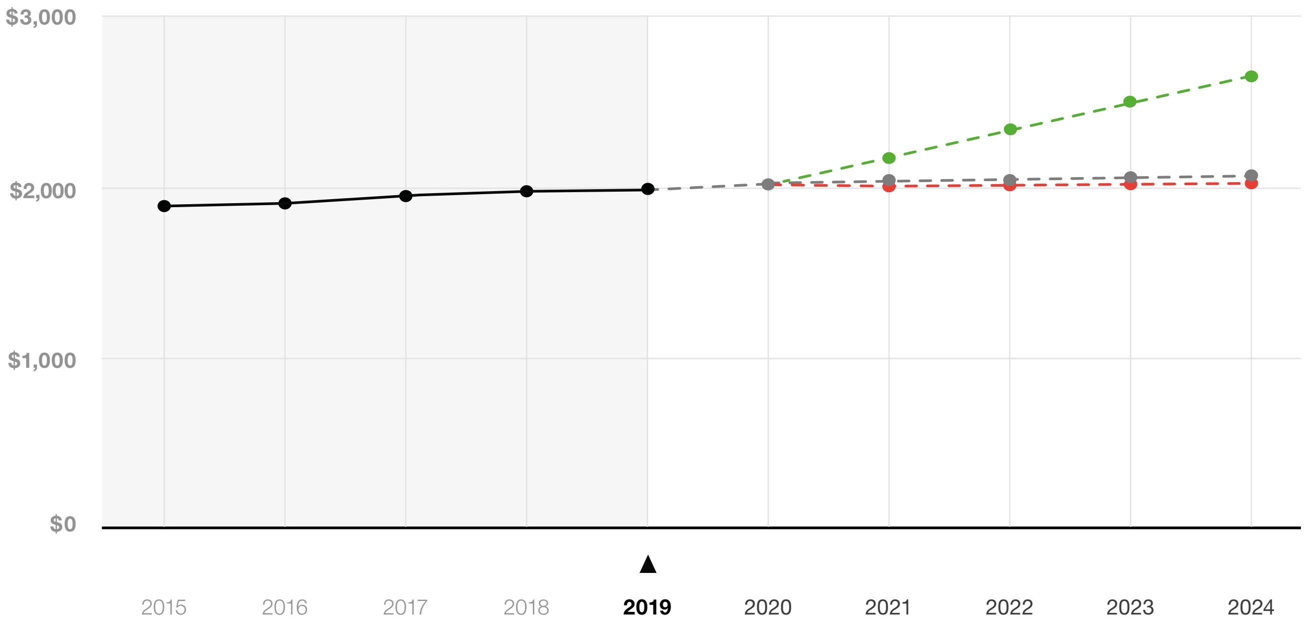
CAGR 2019-2024 based on gradual recovery trajectory: **+1.67%**

Print/Audio books market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+0.62%**

Total consumer book market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+0.84%**

Legend	Positive	Gradual	Negative

Newspapers

After a period of decline in the printed distribution of newspapers, the Australian newspaper landscape during COVID-19 continues to change rapidly with advertising revenue declines driving the closure of printed titles, and an industry-wide focus on digital transformation and the monetisation of the valuable digital news formats.

Being a source of trusted news content continues to be a critical focus for this sector and an essential part of their value proposition for readers who now get much of their 'news' from social media platforms.

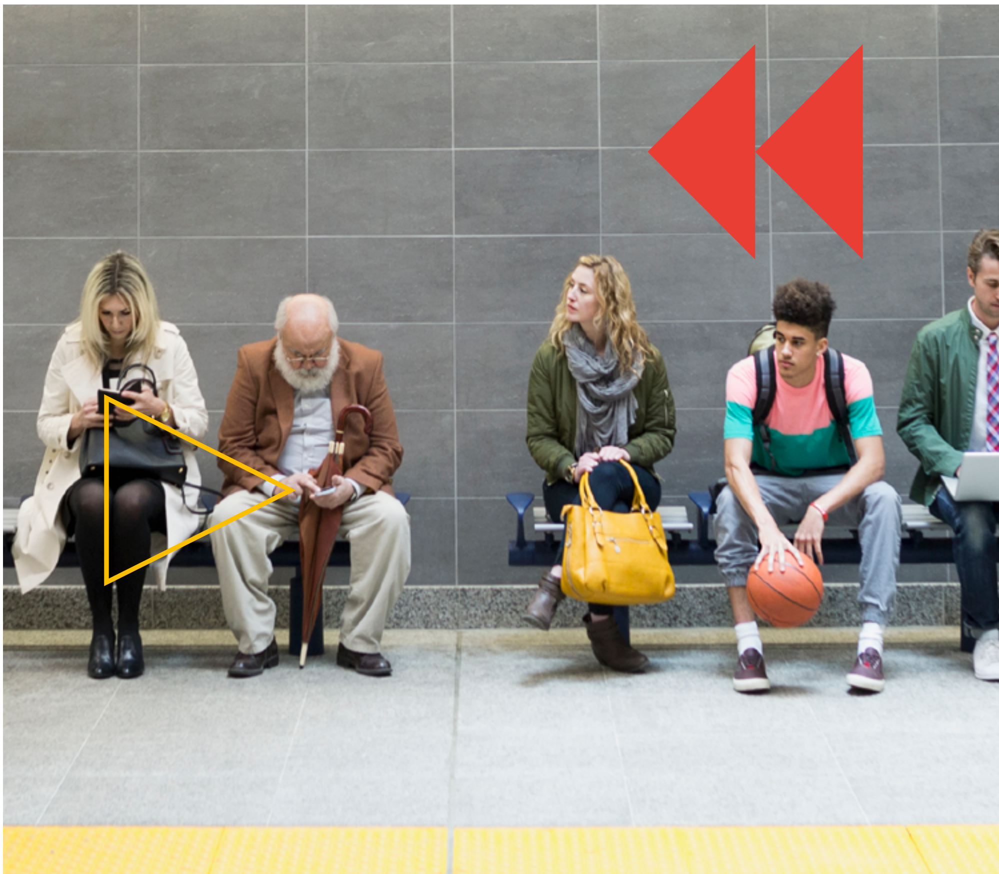
Total newspaper revenue will fall from A$2.653b in 2019 to A$2.235b in 2020, with the increase in revenues from digital subscriptions helping to offset the declines in print.

COVID-19 has driven record-breaking news consumption amongst Australians, with digital news consumption surpassing print.

For the 12 months ending March 2020, Australian news media outlets have recorded their strongest readership since Enhanced Media Metrics Australia (EMMA) began recording consumption in 2013, with an average of 18.2 million or 96 percent of Australians being reached via news platforms.[29]

This has been driven primarily by digital consumption, with Nielsen reporting that Australians have spent almost the same time consuming online news content between the months January to August 2020 as they did for the whole year in 2019,[30] and ABC News websites consistently delivering the highest unique audience throughout the bushfires and then the pandemic.[31]

In order to satisfy Australians' requirement for news updates regarding the ongoing pandemic, many local news publishers offered free coverage of the COVID-19 pandemic via live and regularly updated blog posts.



In response to declining revenue, the industry has focused on efficiency programs to adjust to the new environment.

News Corp recently announced the acceleration of their digital transformation program with a total of 112 community and regional print newspapers, which have been most affected by structural headwinds, ceasing to be printed. Of these, 36 will close altogether, and 76 will remain as online mastheads.[32] News Corp are not alone in their efficiency programs; in May, Buzzfeed announced the permanent closure of its Australian operations,[33] and in July, Australian Community Media (ACM) executive chairman Antony Catalano announced the closure of four print centres,[34] securing a deal with News Corp to use each other's printing networks to drive economies of scale. Major players have reported redundancies across their network to further combat declining revenues and adjust to the impact of COVID.

In June, Australian Associated Press (AAP) newswire was sold by previous owners including News Corp and Nine to a group of philanthropists with a common "desire to protect media diversity in Australia through ensuring the long-term sustainability of AAP newswire and its provision of independent, quality journalism on issues that should matter to all Australians".[35] In September, just one week after AAP launched a crowdfunding appeal to sustain the newly turned not-for-profit company, the Morrison Government announced a $5m grant as part of its Public Interest News Gathering (PING) program, ensuring fact-based and independent journalism remains accessible to Australians across the country.[36]

2020 has seen a renewed focus on growth strategies via the acceleration of digital transformation. The ability of the news media outlets to successfully convert newly acquired digital news audiences to subscription models will also be central to future growth.

Concurrent to these efficiency programs has been a renewed and relentless focus on digitisation, including Nine's restructure which was implemented "to better service the needs of our clients in a more integrated fashion across television, digital, publishing and radio",[37] News Corp's "focus on acquiring digital subscribers and audience, while right-sizing our business to be digital first",[38] and ACM's move to bundle print and digital advertising via realestateview.com.au listings in key property markets.[39]

Based on current forecasts, digital subscription revenue is expected to grow from A$304m in 2019 to A$364m in 2020, and by 2024, is predicted to continue growing to A$535m, at a CAGR of 11.93 percent based on the mid-point forecast scenario.

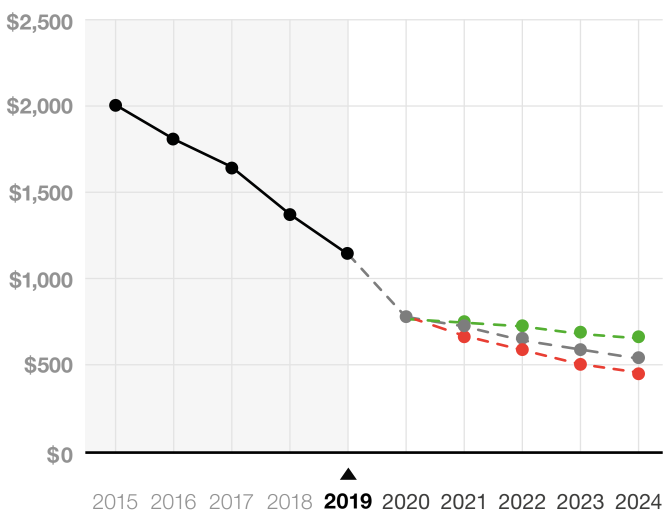
The New York Times has set the global precedent for the sector, growing its digital subscription base from 600,000 to 5.7 million between 2012 and 2020 after pursuing a relentless focus on premium-content, including launching new products such as NYT Cooking, Wirecutter (a product review site), and New York Times Crossword.[40]

The future distribution of news via social media platforms remains to be seen. The impact of the tech giants on the news media took centre stage in July 2019, when the Australian Competition and Consumer Commission (ACCC) published its final report regarding the digital platforms inquiry.[41] More recently, the Australian Government has announced a code that would require Google and Facebook to compensate content providers for the articles that appear on their sites.[42]

The original ACCC report made 23 recommendations to increase regulation of digital players, with the intention of improving media competition and data privacy. Other recommendations included taxpayer funding for local journalism, and making tax-deductible any donations to not-for-profit organisations engaging in public-interest journalism.

Following the report, and amid ongoing concerns surrounding the future of independent journalism due to financial pressures that publishers are experiencing, the ACCC has drafted a code that will require Google and Facebook to compensate content providers for the articles that appear on their sites. The responses from both Google and Facebook has been swift and direct, with Google releasing an Open Letter to Australians, citing that the proposed changes will "[put] the Google services [Australians] rely on at risk",[43] and Facebook stating that they "will reluctantly stop allowing publishers and people in Australia from sharing local and international news on Facebook and Instagram".[44] Globally, many countries are watching this ongoing debate with interest as it goes to the core of the value proposition for both the news companies and the digital platforms.

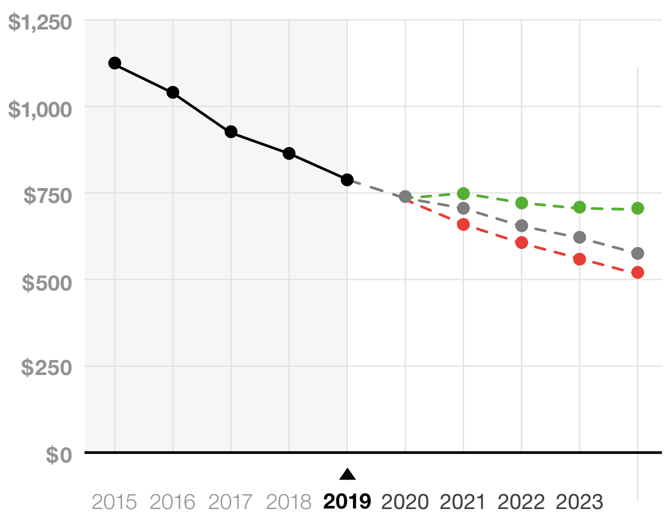
Print newspaper advertising market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-14.43%**

**2018 figures have been updated to reflect recently available market information*

Print newspaper circulation market (A$ millions)

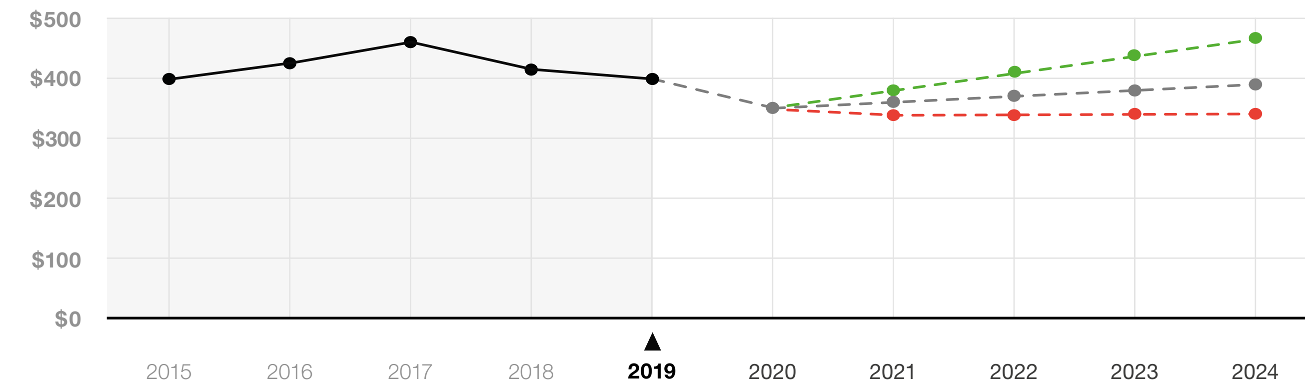


CAGR 2019-2024 based on gradual recovery trajectory: **-5.94%**

**2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative

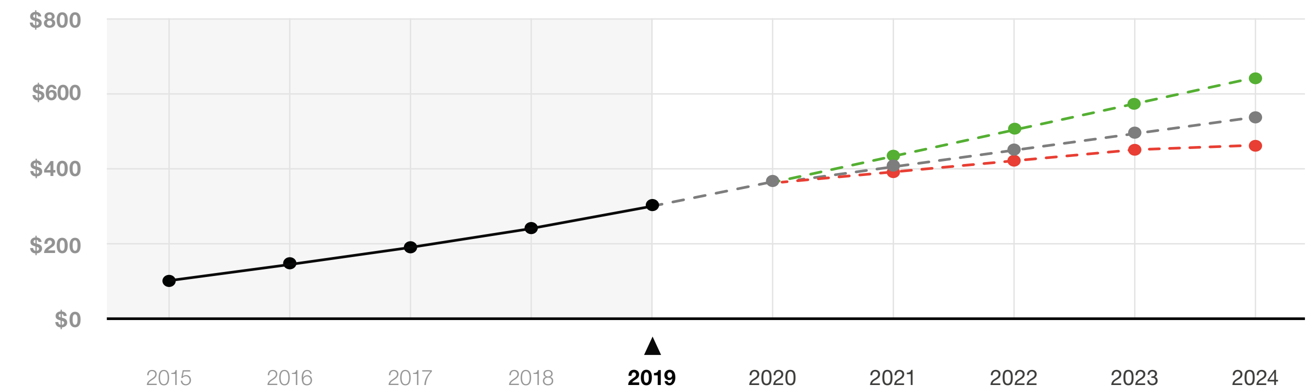
Digital newspaper advertising market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-0.04%**

**2018 figures have been updated to reflect recently available market information*

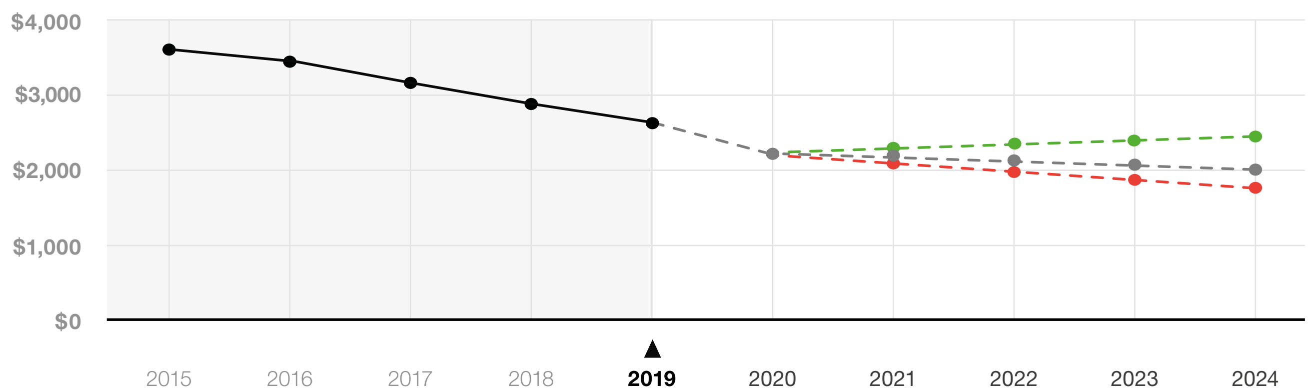
Digital newspaper circulation market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+11.93%**

**2018 figures have been updated to reflect recently available market information*

Total newspaper market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-5.12%**

**2018 figures have been updated to reflect recently available market information*

Legend — Positive — Gradual — Negative

Music

Whilst digitally distributed music including streaming has grown, COVID-19 has brought the live music industry to a grinding halt, with live concert events banned for prolonged periods, and no clear indication of when international touring will recommence. While local acts have innovated through the use of streaming services, the live entertainment ecosystem of ticketing, venue, touring, merchandise and music sales has been significantly disrupted and will need support to recover to its prior growth trajectory.

Australia's total music market was at A$1.818b in 2019. As consumers continue to embrace a variety of music-streaming brands, that figure is expected to rise to A$2.319b in 2024, increasing at a rate of 4.99 percent CAGR based on the mid-point forecast scenario.

The Australian live music scene is undergoing transformation, with ownership changes amongst key players.

The live music and entertainment sector underwent significant changes and consolidation in 2019 - even before the onset of COVID-19 and its devastating impact on this part of the industry. AEG Presents bought a 50 percent stake in Michael Gudinski's Frontier Touring Company and, separately, Michael Chugg's Chugg Entertainment formed a joint venture with Frontier. In October 2019, Silverlake Investments purchased Australian-based global entertainment, ticketing and data business TEG[45] for what is believed to be in excess of A$1b, showing the value of the integrated offering of the TEG Group across multiple forms of entertainment and ticketing offerings.

Live Nation and TEG's TEG Dainty are among the power players in a live market worth A$862m in 2019, with the ability to attract significant acts to Australian shores.

The live music sector was severely disrupted with the onset of COVID-19, with live music and entertainment all but shut down, and future ticket sales impacted by uncertainty as to when events will recommence.

The live entertainment industry was severely impacted by restricted movement and social distancing measures, and ticket sales were stymied by an uncertain touring schedule with border closures and quarantine requirements effectively putting a temporary hold on any touring acts from overseas. Current forecasts anticipate a revenue fall for the live music industry of ~90 percent in 2020, a number that will only recover once the global borders are opened to touring acts.

Streaming has provided some compensation for the music market amid COVID-19, and it is now the largest driver of industry revenues.

Music-streaming has become the pumping heart of the industry, and as COVID-19 continues to drive an acceleration in digital behaviours, it has become a vital pillar to defend revenues in the sector throughout 2020. As of June 2020, Spotify has accumulated 138 million premium subscribers globally, with monthly active users up to 299 million, having increased subscription penetration in all regions.[46]

In 2015, revenue related to the digital distribution of music (including downloads and consumer spend on music streaming services) was A$336m. That figure rose to A$882m in 2019, and is expected to surge to A$1.44b by 2024, with a forecast of 10.31 percent CAGR based on the mid-point forecast scenario.

Partly due to the growth of streaming, Australia's recorded music market is stable, notwithstanding the dramatic impact on live performance.

Australia's music scene continues to push new acts into the global charts, none bigger in 2019 and 2020 than Tones and I, whose hit single *Dance Monkey* ruled the UK singles chart for 11 weeks, a record for a female solo artist. The single topped the charts in no less than 20 territories and enjoyed top-five success in the US.

A handful of hotly anticipated Australian albums arrived in 2020, including albums by Tame Impala and 5 Seconds of Summer. 5 Seconds of Summer's first three albums all charted at No. 1 in the US, a feat never achieved before by an Australian group. Released in March 2020, their fourth studio album reached number 1 in Australia and the UK, and fell just short of the top spot, reaching number 2 in the US.

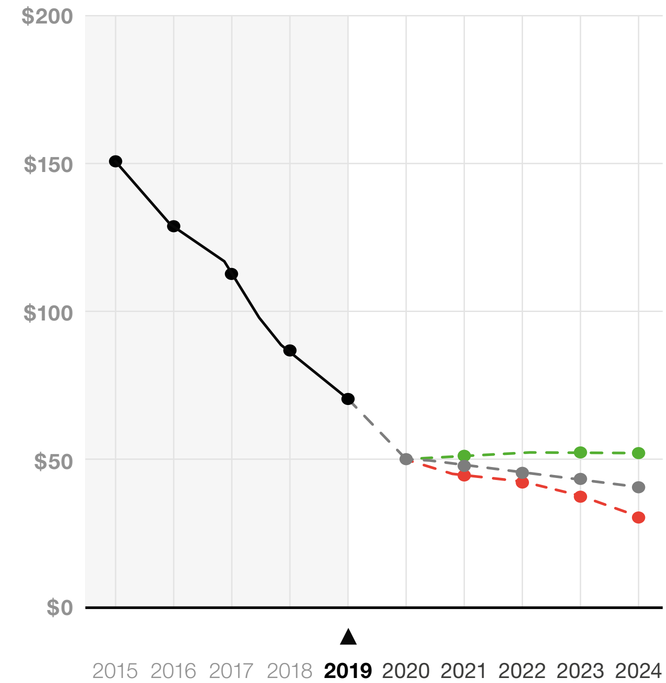
The physical distribution of music was worth A$74m in 2019, down from A$89m the previous year, with the decline forecast to continue for years to come. By 2024 the physical distribution of music in Australia is expected to be worth A$39m, after decreasing at a -11.82 percent CAGR, based on the mid-point forecast scenario.

During COVID-19, innovation has been shown by local bands and entertainment companies who have used technology to reinvigorate the sector in a challenging environment.

This includes using streaming technology to host live concerts. Bands such as Powderfinger, Hot Dub Time Machine, and smaller artists are using platforms such as Facebook, YouTube and Twitch to broadcast special events live, adapting to the environment and finding new ways to share a live experience for fans. While it is no replacement for the sweaty mosh pits at The Hordern Pavillion in Sydney or The Palace in Melbourne, it has continued to create a connection with audiences that should hopefully translate to a gradual return to normal for concert ticket sales as venue restrictions are lifted.

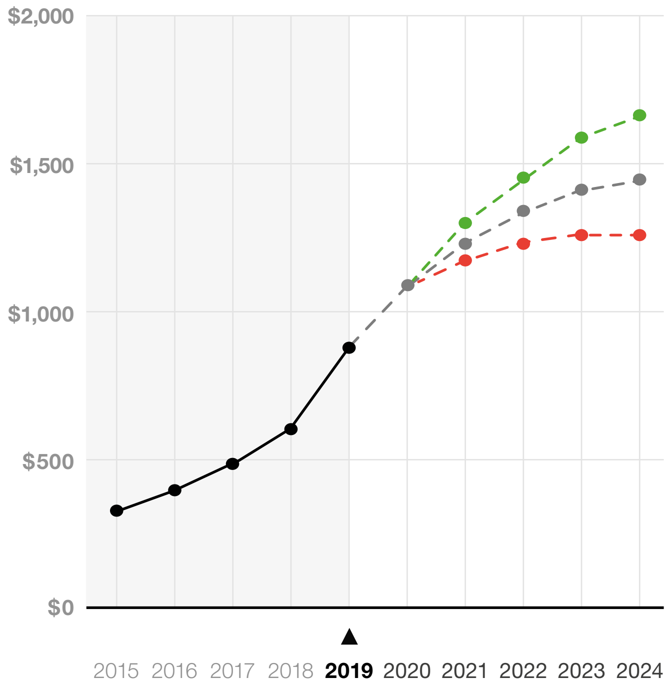
With a prolonged absence of international acts, the Australian music industry will have the opportunity to showcase more local talent to new audiences who are likely to be looking for a live music experience in person as soon as it is feasible.

Physical distribution music market (A$ millions)



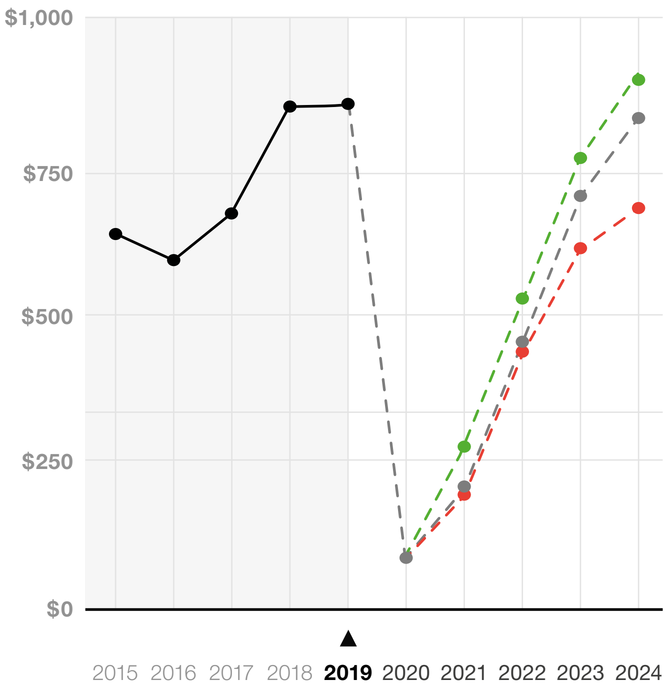
CAGR 2019-2024 based on gradual recovery trajectory: **-11.82%**

Digital distribution music market (A$ millions)



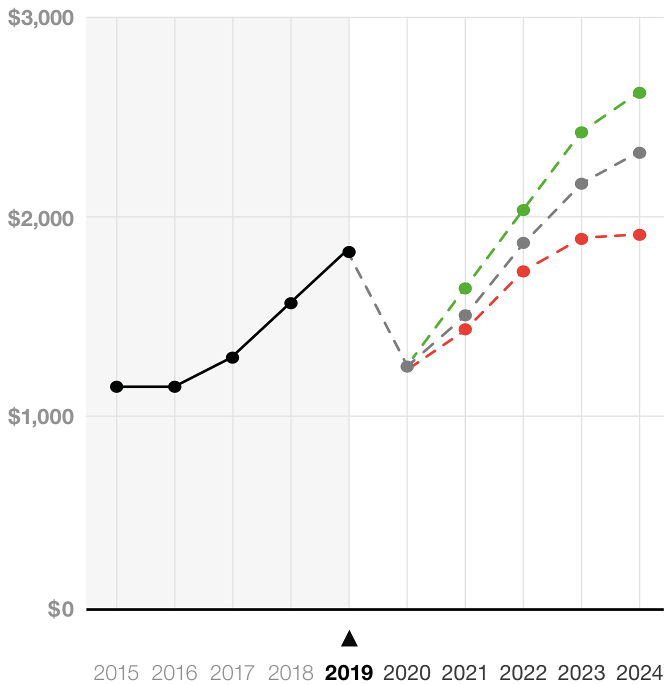
CAGR 2019-2024 based on gradual recovery trajectory: +**10.31%**

Live music market (A$ millions)



CAGR 20192024 based on gradual recovery trajectory: **-0.55%**

Total music market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: +**4.99%**

Legend	Positive	Gradual	Negative

Out-of-home

Following a long period of strong and sustained growth for the out-of-home (OOH) industry, driven primarily by the digitisation of inventory which both increased supply and demand for the OOH medium, COVID-19 lockdowns and restricted movement across Australia has heavily impacted consumption and subsequently impacted revenues and OOH companies' financial performance.

Social distancing, lockdowns and restricted movement across Australia have had an unforeseeable impact on the reach of OOH, in turn, reducing its ability to be monetised.

One must look no further than the name of this medium to determine why its growth trajectory has been abruptly halted by COVID-19. In an advertising market increasingly focused on reach, and a society facing continued urbanisation and population growth, no one predicted an immediate future where OOH would face a decline in consumption. In May, oOh!media announced that the COVID-19 restrictions drove a 50 percent decrease in daily audience both locally and globally across all of its formats combined.[47]

As a result of declining consumption, it is forecast that advertising revenue will decline 44.3 percent in 2020, driven primarily by declines in revenue for the April and June quarter.

By necessity, the market has switched its focus from consolidation in ownership and growth through continued digitisation and improvements in product, to defence tactics.

Just as the market was beginning to settle after a period of mass consolidation and ownership changes, including oOh!media's acquisition of rival Adshel, APN's acquisition by JCDecaux, and the purchase of QMS by private equity firm Quadrant (and its success in securing a 10 year contract with the City of Sydney after a long competitive tender process), the decrease in incoming revenue has shifted the industry's focus on investments in product to reducing the cost base and driving operational efficiencies in an effort to protect company value. In March, oOh!media went into a trading halt to raise capital to "improve the company's financial flexibility and liquidity",[48] while JCDecaux withdrew their 2019 dividend proposal in order to "both strengthen [their] liquidity and enhance [their] financial flexibility".[49]

Despite significant environmental challenges as a direct result of COVID-19, the OOH industry is well positioned to bounce back, with audience targeting, programmatic trading ability and the sophistication of measurement capability all central to driving future demand.

The recent growth within OOH has been heavily reliant on digitisation of assets, which stimulated an increase in both supply and demand for this medium. Australia's OOH providers have invested heavily in their digital OOH infrastructure, aided by decreasing manufacturing costs for LED displays, which have made the economics of operating digital out-of-home (DOOH) installations steadily more favourable. Given the market is heavily digitised, this lever for growth will not be as effective in the future as it has been in the past.

Key to the reboot of the OOH industry will be advancements in audience targeting, and the medium's subsequent ability to trade its inventory programmatically. While DOOH technology currently allows for more sophisticated targeting based on factors such as time, weather and context, a focus on business processes and sales platforms is required to fully take advantage of these new developments.

Programmatic OOH presents a strong opportunity for marketers to reach a more qualified audience in real time, and key players are best placed to develop strong programmatic offerings by capitalising on their economies of scale granted through previous consolidation within the industry. It too, however, requires a focus on business process and technological advancement to enable growth. The success of the OOH industry in capturing incremental investment through advancements in programmatic trading will be contingent on its observation and mitigation of issues faced by the internet industry.

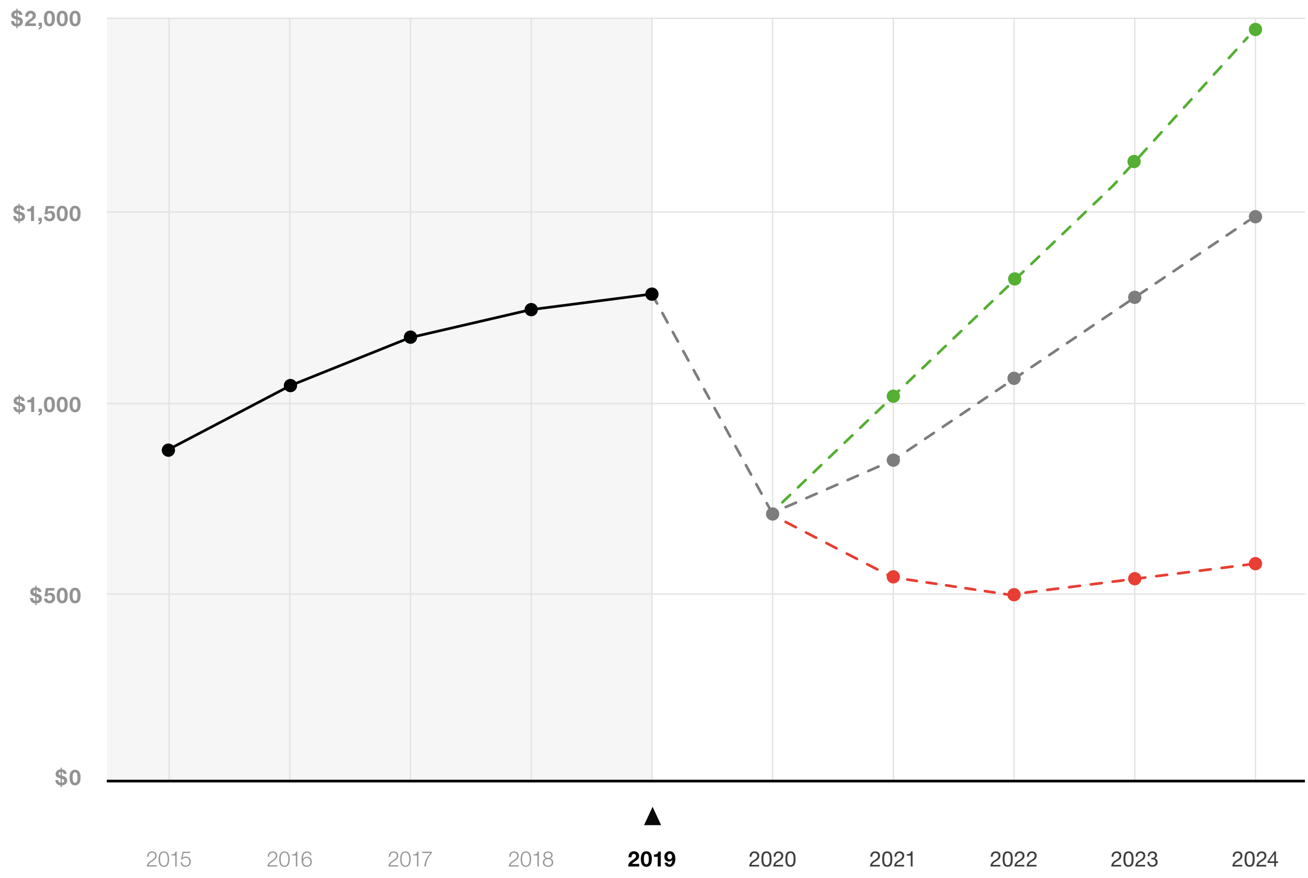
The recovery from the impacts of the COVID-19 pandemic and longer-term sustainable growth within the OOH sector will rely on the sophistication of the industry's measurement system, MOVE (Measurement of Outdoor Visibility and Exposure). In order to effectively compete within an increasingly digital advertising landscape, the measurement methodology must evolve from reporting a demographic's 'Opportunity to See' and 'Likelihood to See' based on static measurement figures, to offering real-time and 'Actual' reach results. This is especially true in a market where advertising investment will be continually scrutinised as the economy recovers from the shock caused by COVID-19.

While advertisers deferred or cancelled their investment in OOH, it's not all doom and gloom. The industry made good use of its inventory by promoting community-focused messages and providing value to citizens throughout the pandemic.

In July, oOh!media used its assets to promote Kind July for the second year, alongside "Stay Strong Victoria" messaging across digital assets as the state faced ongoing lockdown restrictions.[50] In September, oOh!media partnered with STATION, a Melbourne-based gallery, to exhibit artworks across Victoria, in an effort to both support citizens and the Arts sector.[51]

JCDecaux used its inventory to thank the essential workers who continue to tend to their assets during the ongoing pandemic, and in September, partnered with R U OK? Day to build an interactive billboard which dispensed information about how to respond when a person tells you that they are not okay.[52]

Total OOH market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+2.34%**

Radio

Radio's role as a 'resilient companion medium' was maintained through much of the lead up to COVID-19, given the need for people to access up to date and trusted news during the summer bushfire season, then regional floods before the pandemic took hold.

The combination of reduced commuting time and the suspension of audience measurement during the pandemic created challenges for the radio sector. The sector will need all aspects of its product mix - broadcast, streaming and podcasts - to help drive a recovery from the advertising contractions brought about by COVID-19. Podcast growth has been a driver for the industry in 2020, fueled by greater access to content in both services and devices.

Australia's total radio market came in at A$1.609b in 2019 and is expected to have contracted by 10.6 percent in 2020. A return of radio growth may be prolonged as key audiences within the Drive timeslot will be slow to return, but revenues will be buoyed by streaming and podcasting which are predicted to reach A$807m in 2024, a 11.55 percent CAGR based on the mid-point forecast scenario.

Through to the beginning of 2020, radio listening had been a resilient method of audio consumption and was encouraged by the spread of digital commercial radio broadcasting. Alas, the marketing was negatively affected by COVID-19, with significant audience declines as key commuter audiences exited the market under work from home conditions.

The onset of COVID-19 impacted the radio sector in multiple ways: the disruption of consumption habits, the curtailing of audience measurement, and a soft advertising market meaning advertising budgets, to the extent still available, have been refocused largely to digital media.

At the height of the pandemic, in-person surveying for audience measurement by GfK was put on hold with surveys 3, 4 and 5 cancelled, though the latter was replaced by GfK's Radio Pulse e-diary survey of a smaller (2,240 person)[53] sample covering May to June listening. The core audience in Breakfast and Drive were often not commuting to work and therefore, the opportunity to listen was moved to the home environment, where there are competing demands for attention. While the true impact of the pandemic on terrestrial radio will not be known until 2020 reporting is completed, initial in-year estimates showed up to 27 percent contraction in advertising revenues year-on-year to September 2020.

While there have been numerous challenges during 2020, the suite of products available to the radio segment (including streaming and podcast) provides the sector with a multipronged recovery opportunity.

In response to increased time spent at home, in September, Commercial Radio Australia (CRA) partnered with Google to make 350 Australian AM, FM and DAB+ digital radio stations, including all commercial radio, ABC and SBS stations, available via voice command on Google Nest speakers and displays.

A gradual return of commuters to work will drive prime time radio audience and ratings, providing a reason for advertisers to return to the medium, though the timing of this is likely to be prolonged given the changes to many workers' home and flexible working conditions.

Audio streaming in Australia continues to be dominated by Spotify, with the streaming service growing its podcast offering in 2019 and 2020 through purchases of a range of content from Gimlet Media to Joe Rogan as the battle for content and user attention shifted from music artists to podcasts. According to Edison Research, 60 percent of Spotify users in Australia subscribe to the paid service, up from 47 percent in 2019.[54]

Australia has some of the highest rates of podcast listening in the world, with podcasts no longer a niche product, and now reaching a much wider audience.

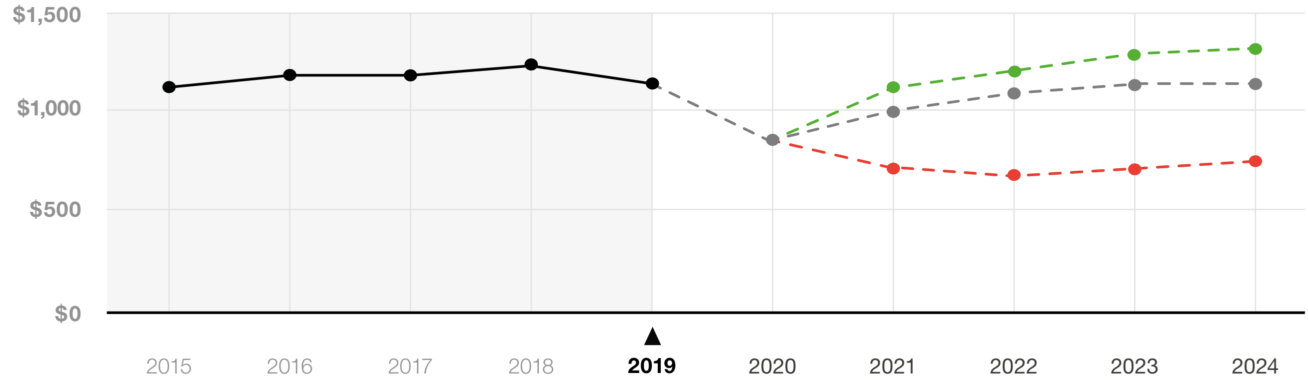
The Australian podcast market is growing rapidly, with monthly downloads up to 48.7 million in September 2020 compared to 13.2 million in October 2019.[55] This growth trend will continue throughout the forecast period, as listener numbers are expected to continue to increase, as the proliferation of content and smart speakers continues.

A number of factors have made podcasts especially successful in Australia. It is one of a number of countries to benefit from sharing a language with other, larger markets, which ensures a greater depth of content is available to podcast listeners than the country could produce on its own. Specifically, access to the world's largest podcast producer in the US is a major advantage. Many of the most popular podcasts in Australia are produced overseas, notably long-running staples like the US-produced *The Joe Rogan Experience* and *Stuff You Should Know*. But locally produced podcasts are also growing; terrestrial radio show catch-ups are proliferating, news and current affairs such as *The Squiz* and true crime series such as *The Lighthouse* and *Teacher's Pet* also continue to prove popular.

Podcast advertising is becoming increasingly sophisticated as traditional direct-response advertisements give way to targeted, dynamically-inserted advertising. Podcast producers' access to detailed audience analytics is improving, especially since the launch of iOS podcast analytics in 2018, as well as the growing use of analytics-rich platforms like Spotify and Acast. This can be expected to lead to further improvements in measurement and targeting in the coming years.

While the return of audiences and new products and services provide strong opportunities for the audio industry, the sector will need to find new ways to attract advertisers by increasing ease of transaction, targeting and measurement. The challenges posed by COVID-19 to advertisers has driven more confidence in the digital options available, and as such, radio will need to continue to develop systems to remain competitive.

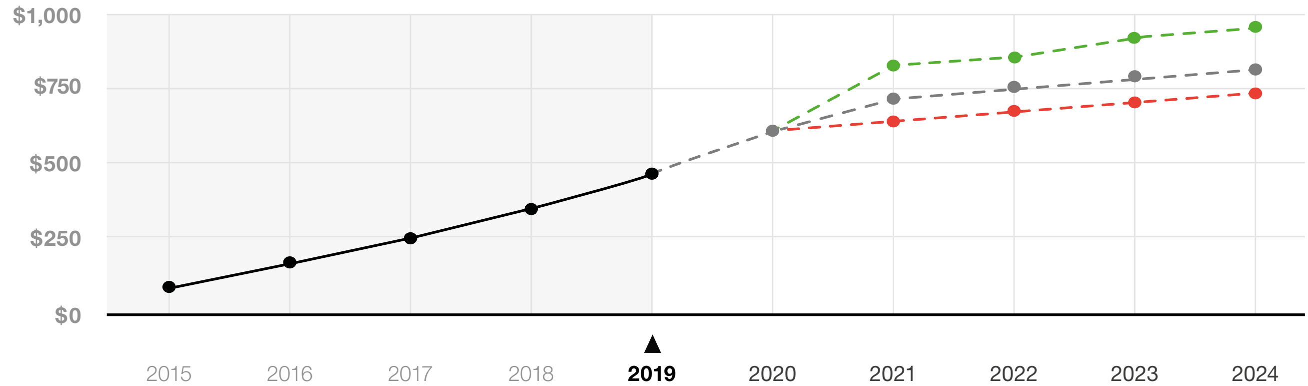
Terrestrial Radio market (A$ millions)



CAGR 20`9-2024 based on gradual recovery trajectory: **+0.03%**

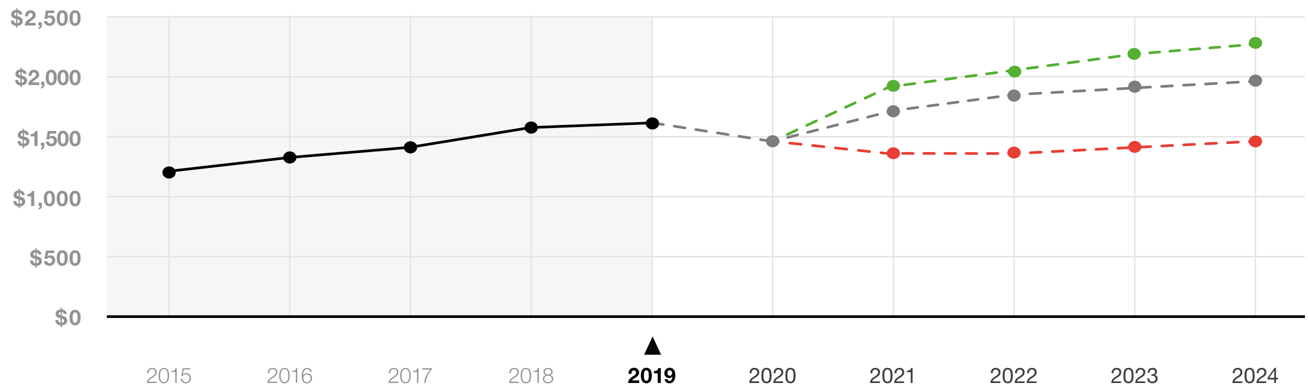
**2015 - 2018 figures have been updated to reflect recently available market information*

Streaming/Internet radio including podcasts market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+11.55%**

Total radio market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+3.93%**

**2015 - 2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative

Subscription TV

With the plethora of global and increasingly local streaming services now available, the subscription television market is rapidly changing consumption behaviour and expectations of Australian viewers. COVID-19 has only accelerated this trend, with consumer revenue forecast to surpass advertising revenue in the global market in the next five years.

The entrance of new platforms and services, and the continued investment in new content, will drive subscription-led growth, with revenues forecast to grow at a 3.1 percent CAGR to A$3.846b in 2024, based on the mid-point forecast scenario.

Since June 2018, the Australian Subscription Video On Demand (SVOD) market has rapidly expanded with new entrants including Amazon Prime, AppleTV+, Disney+, and more recently Foxtel's Binge, as the arms race for content heats up.

In an increasingly competitive market, the SVOD services have a common strategy to secure the best and most attractive global and local content on their platforms. This comes through both the investment in and subsequent development of original content, as well as distribution deals with existing networks with deep catalogues of new and archival content.

In November 2019, Disney+ entered the SVOD market, exclusively offering content from Disney, Pixar, Marvel, Star Wars and National Geographic, which was previously housed across Foxtel and Stan.[56] In May 2020, Foxtel launched Binge, which boasts content deals with Warner Bros, Sony and the BBC, and also offers subscribers a wide range of popular movies and documentaries.[57]

Stan, owned by Nine, has announced plans to produce 30 'original' shows per year for the next five years, including both locally and internationally produced content.[58]

Despite the growing options, the platforms saw strong uptake; Roy Morgan reported that from February to May 2020, the number of Australians with subscription television in the household increased 5.9 percent.[59]

An increase in availability of platforms and the onset of COVID-19 resulted in strong uptake in subscriptions, with Roy Morgan reporting that 15.7 million Australians reported at least one television subscription service in the household at an average pricepoint of around $9.99 or less per month per streaming service.

According to Roy Morgan, Netflix continues to be the most popular platform, followed by Foxtel,* with 13.2 million and 5.5 million Australians citing they have a subscription within their household to these services respectively. Foxtel has reported that sport has been a driver of its success, with sports subscribers across the Foxtel premium platform and Kayo totalling almost 2 million[60] combined, although with growth driven via the streaming service at the expense of the traditional set top box/ satellite service.

Despite conceding its catalogue of Disney content, Stan has seen strong results, with Stan reporting approximately 500,000 new subscribers for the financial year, up from 1.7 million for FY19 to just over 2.2 million.[61]

The video industry is likely to reach a tipping point in the forecast period, with subscription TV consumer revenue outstripping free-to-air TV advertising revenue as consumers are increasingly willing to pay for personalised content bundles and experiences.

As the SVOD industry in Australia recruits new subscribers, it increases its capacity to invest in content, thus increasing its catalogue and the resulting ability to personalise its offering, which consumers are demanding more and more.

Personalisation relies on scale; the scale of a consumer base renders it sufficiently cost-effective to give rise to the creation of highly accurate content discovery and recommendation engines such as those offered by Netflix and Amazon Prime.

Notwithstanding COVID-19 impacts to production schedules, the year has seen a significant strengthening of catalogues across the streaming services with a range of anticipated 'originals' combined with a significant expansion of documentaries.

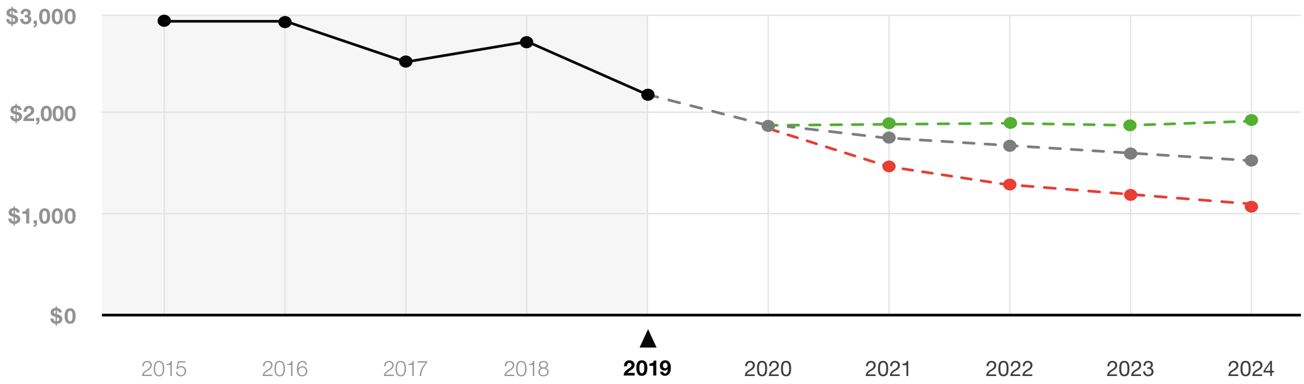
As out of home entertainment substitutes re-enter household budgets, review of the number of streaming services may occur for some consumers. In the event that domestic services are not able to offer compelling content versus global competitors, they may need to explore different levers to maintain customers, for example, through advertising funding.

Australian Subscription TV price table:

Service	Price	Free trial period
Amazon Prime	$6.99/month	30 days
Apple TV+	$7.99/month	7 days
Binge	From $10/month	14 days
Disney+	$8.99/month or $89.99/year	7 days
Fetch TV	From $6/month	None
Foxtel (box)	From $49/month	None
Foxtel Now	From $25/month	10 days
Netflix	From $10.99/month	None
Stan	From $10/month	30 days

** Includes a traditional Foxtel subscription, Foxtel Now and/or Kayo. Binge would have had a very minor influence on the data due to the timing of the analysed period and date of Binge release*

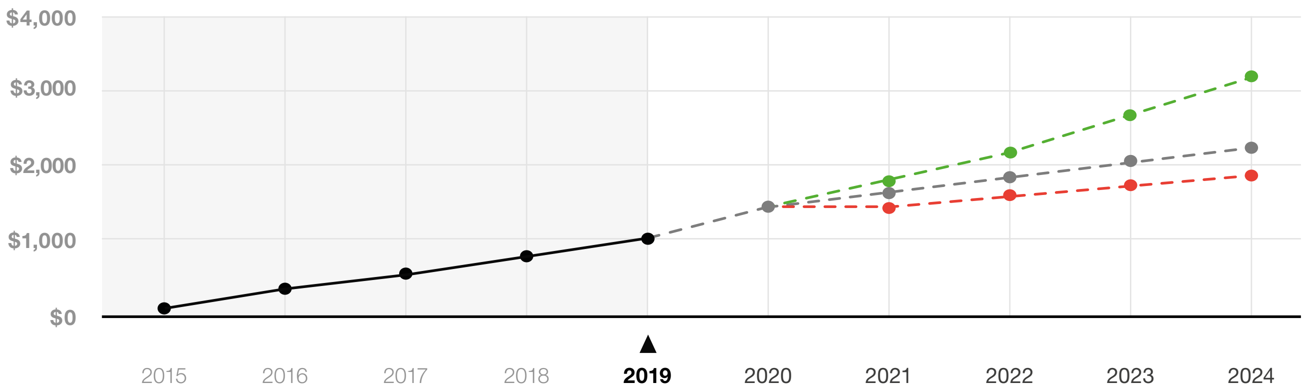
Premium box delivered (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **-6.88%**

**2017 - 2018 figures have been updated to reflect recently available market information*

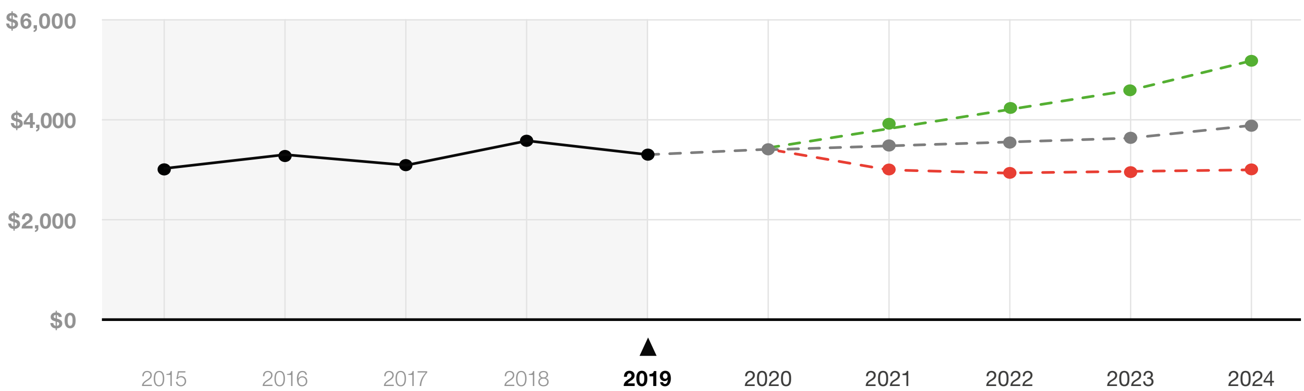
Subscription Video on Demand (SVOD) market (A$ millions)



CAGR 2019-2024 based on gradual recovery trajectory: **+16.15%**

**2016 - 2018 figures have been updated to reflect recently available market information*

Total Subscription TV market (A$ millions)



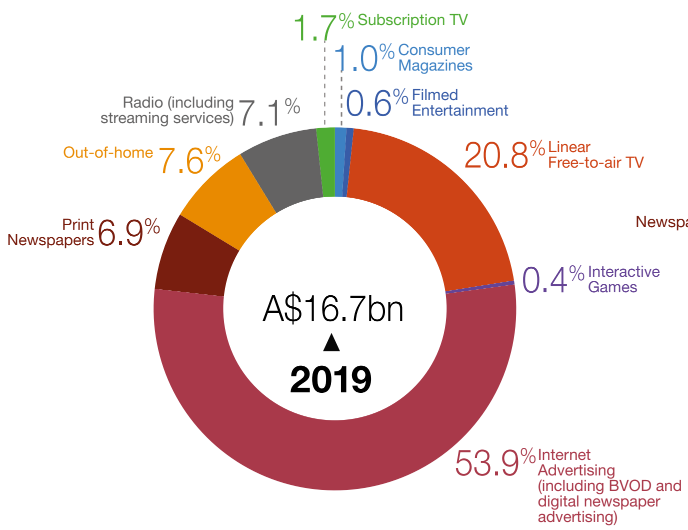
CAGR 2019-2024 based on gradual recovery trajectory: **+3.10%**

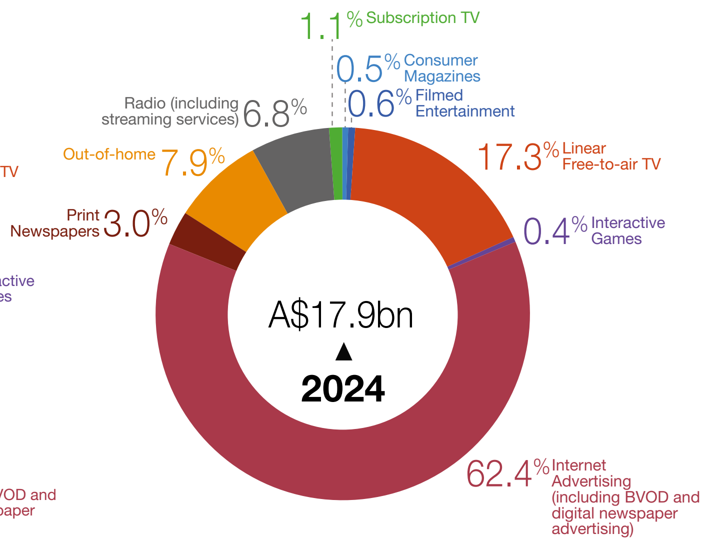
**2016 - 2018 figures have been updated to reflect recently available market information*

Legend	Positive	Gradual	Negative

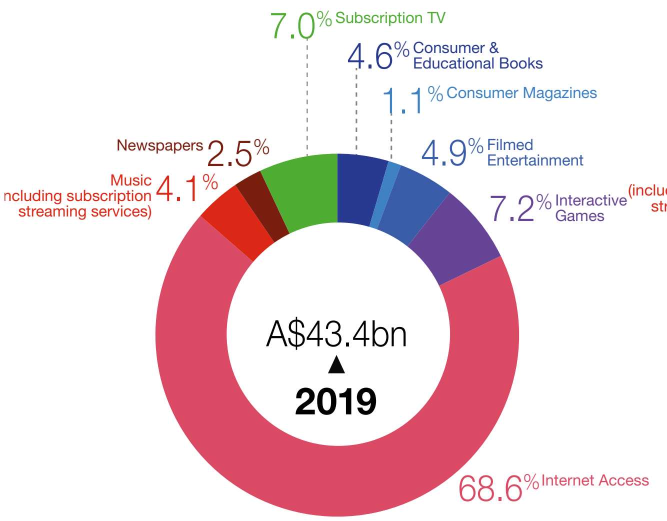
Current and forecast market share data

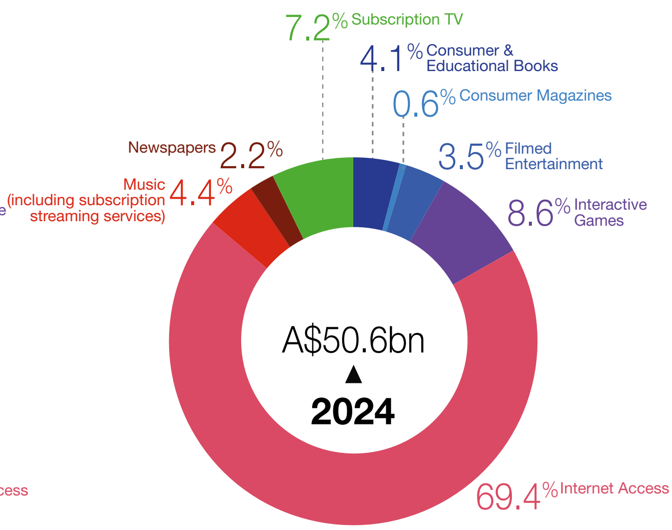
Total Australian advertising market, for 2019 (actual) and 2024 (forecast)





Total Australian consumer spending, for 2019 (actual) and 2024 (forecast)





Market definitions

Consumer & educational books
Print/audio books and ebooks for the consumer and education markets.

Consumer magazines
Physical and digital magazines for consumers, both advertising and circulation spending.

Filmed entertainment
Consists of several revenue streams including box office (ticket sales), cinema advertising and home entertainment - both physical (sell-through and rented DVDs) and transactional video-on-demand (TVOD) (sell-through and rented, for example via video-on-demand services).

Free-to-air television (FTA)
Advertising revenue generated by free-to-air television, it includes advertising on broadcast channels as well as "broadcast on demand" or BVOD services.

Interactive games & esports
Consumer revenue including PC (physical and digital), console (physical and digital), online (e.g. massively multiplayer online (MMO/social games) and mobile (casual games played on a smartphone or tablet including free games with in-app purchasing). Handheld console games expenditure is included in the console category. Esports revenue is included in the total market. Video game advertising revenue is also covered and comprises B2B revenue from brands built into games, e.g. via product placement. It excludes advertising delivered dynamically via the internet.

Internet access
Consumer expenditure paid for accessing the internet, via mobile networks or fixed broadband networks.

Internet advertising
Advertising expenditure for paid search, display and classifieds, with video advertising broken out as a subset of display. Search and display includes mobile internet advertising.

Music
Consists of consumer expenditure on physical and digital recorded music and live music tickets. Digital music includes downloads and consumer spend on music streaming services.

Newspapers
Physical and digital newspapers, both advertising revenue and circulation spending. Newspaper inserted magazines (NIMs) are included in print advertising. Includes digital newspaper advertising, which also sits in Internet Advertising under 'general display'.

Out-of-home (OOH)
Advertising expenditure on outdoor media, both static and digital. Categories include billboards, street furniture (e.g. bus shelters), transit, retail, place-based media and sports arenas.

Radio
Advertising expenditure on terrestrial and internet radio. Podcasting revenues are included in the total market.

Subscription television
Consists of several revenue streams including consumer expenditure on premium subscription television services (e.g. Foxtel cable/satellite and Fetch), characterised by linear channels and a box which records content. Also consists of consumer subscription fees for subscription video-on-demand (SVOD) services such as Stan, Netflix and Amazon Prime delivered through a browser, App or aggregator such as Apple TV, or Telstra TV. Advertising revenues from premium services.

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Key contacts and contributors

Contacts

CMO Advisory

Justin Papps
Partner
justin.papps@pwc.com

Technology, Media and Telecommunications Consulting

Laurence Dell
Partner
laurence.dell@pwc.com

Mike McGrath
Partner
Mike.mcgrath@pwc.com

Mohammad Chowdhury
Partner
mohammad.t.chowdhury@pwc.com

Suzie Blinman
Partner
suzie.blinman@pwc.com

Strategy& Consulting

Chris Bartlett
Partner
chris.bartlett@pwc.com

Economics and Regulatory

Jeremy Thorpe
Chief Economist
jeremy.thorpe@pwc.com

Assurance

Sue Horlin
Partner
susan.horlin@pwc.com

2020 Outlook Steering Committee

Chris Bartlett
Partner
chris.bartlett@pwc.com

Dan Robins
Director
dan.robins@pwc.com

Genevieve Reynolds
Senior Manager
genevieve.reynolds@pwc.com

Hayley Niven
Manager
hayley.e.niven@pwc.com

Jeremy Thorpe
Chief Economist
jeremy.thorpe@pwc.com

Juliet Hardman
Senior Manager
juliet.Hardman@pwc.com

Justin Papps
Partner
justin.papps@pwc.com

Laurence Dell
Partner
laurence.dell@pwc.com

Mohammad Chowdhury
Partner
mohammad.t.chowdhury@pwc.com

Suzie Blinman
Partner
suzie.blinman@pwc.com

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Prepared and edited by:

PricewaterhouseCoopers
One International Towers
Watermans Quay Barangaroo NSW 2000
+61 (2) 8266 0000
www.pwc.com.au

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