PREMIUM VIDEO: A Bundle of Growth

Q3 2018
#FreeWheelVMR
The FreeWheel Video Monetization Report highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content.

The data set used for this report is one of the largest available on the usage and monetization of professional, rights-managed video content worldwide, and is based off of census-level advertising data collected through the FreeWheel platform.
A Bundle of Growth

**IN Q3 2018, MULTICHANNEL VIDEO PROGRAMMING DISTRIBUTOR (MVPD) IP-ENABLED PLATFORM AD VIEWS** grew 87% year-over-year, helping propel the full U.S. market to growth of 26%. Europe also saw solid ad view growth of 19% despite some U.S. based publishers acting cautiously in light of GDPR. We examine these and other quarterly trends in this report, enjoy the read!

**MVPDs Drive Premium Video Growth in the U.S.**

Publishers, operators and the supporting ecosystem enabled more content via MVPD IP-enabled platforms and set-top-boxes, as well as through aggregator portals, to drive growth in Q3 2018. Syndicated ad views comprised 40% of all ad views and grew by 31%, outstripping the growth of ad views on owned and operated (O&O) platforms.

Taking a closer look at syndication, IP-delivered MVPD ad views have scaled rapidly, with a growth rate of 87% YOY. The offerings of traditional cable companies eclipsed virtual MVPD ‘skinny bundles’ with 78% ad view share versus 22%, though virtual MVPD ad views grew 147%, almost double the rate of traditional MVPDs.

**CHART 1**

**Top Line Growth and Break-Out of Ad Views by Syndication Platform, U.S.**

**Q3 2018**

<table>
<thead>
<tr>
<th>Distribution Type</th>
<th>SYNDICATED</th>
<th>OWNED &amp; OPERATED</th>
<th>Syndication Platform</th>
<th>MVPD (IP PLATFORMS)</th>
<th>MVPD (STB PLATFORMS)</th>
<th>PORTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakdown</td>
<td>40% +31% YOY</td>
<td>60% +19% YOY</td>
<td>MVPD (IP PLATFORMS)</td>
<td>25% +87% YOY</td>
<td>41% +11% YOY</td>
<td>34% +38% YOY</td>
</tr>
<tr>
<td>Breakdown</td>
<td>78% +75% YOY</td>
<td></td>
<td>vMVPD</td>
<td>22% +147% YOY</td>
<td>78% +75% YOY</td>
<td></td>
</tr>
</tbody>
</table>
Q3 2018 SUMMARY

Live content tends to over-index on MVPD platforms and constituted 59% of total ad views, versus a 33% share across all platforms. 67% of total MVPD IP-enabled viewing is via over-the-top (OTT) devices, which is exactly the kind of lean-back and engaged viewing advertisers are seeking. The smartphone accounts for 68% of long-form MVPD-syndicated ad views, further emphasizing the device’s versatility and ubiquity.

Live content ad views grew strongly year-over-year, even though they garnered a slightly smaller share than previous quarters due to fewer marquee sporting events like the Super Bowl. Ad views against clips declined by 20% despite clip video views continuing to grow, suggesting moves by inventory owners to limit the amount of ads placed against short-form content.

Smartphone and OTT device growth outstripped all other devices at 63% and 45% respectively, marking them out as the platforms viewers are trending towards. The combined ad view share of both devices now makes up 60% of all ad views.
Continued European Growth in Light of GDPR

Europe saw strong double-digit growth in Q3 with ad views up 19% and video views increasing 11%. However, post GDPR, U.S. publishers have sought to protect themselves from reputational and legal risk by limiting their distribution efforts in Europe for the time being. European-based publishers and operators have dedicated greater resources to being GDPR ready, supporting overall market growth.
Monetization of live content saw the largest boost as premium publishers tapped into new revenue sources on their O&O content across all devices, +44% year-over-year. Live content saw a boost this quarter as a result of the final stages of the FIFA World Cup playing out at the start of Q3. Full-episode content continued to dominate the market across all devices in Europe and grew +17%. Nonetheless, clips’ ad views increased in volume and remain an important part of the monetization mix, +5% year-over-year, as premium publishers leveraged partnerships with regional newspapers and portals to extend reach in Europe.

Europe remains a highly fragmented market with high growth in ad views seen for both OTT devices and smartphones and a further squeeze on desktop share. The big screen (OTT and STB combined) is growing as the top medium for engaging audiences at scale and as a result achieved a combined share of 34%.

Be on the lookout for the FreeWheel VMR: Q4 2018 which will take a comprehensive look back at the whole of 2018, laying out the key events and trends that defined the year. We look forward to bringing you these insights and more as we move into 2019.
Q3 2018

Core Observations:
U.S.

The Most Definitive Data
Available on Premium Video
CORE OBSERVATIONS: U.S. / OVERALL MARKET

**CHART 9**
Total Video Start and Ad View Growth, U.S.
Q3 2017 vs. Q3 2018

+18% VIDEO VIEWS
+26% AD VIEWS

**CHART 10**
Ad View Composition and Growth by Content Duration, U.S.
Q3 2017 vs. Q3 2018

- **CLIPS (0-5MIN.)**
  - Q3 2017: 20%
  - Q3 2018: 11%
  - -20% YOY

- **FULL-EPISODES (5+ MIN.)**
  - Q3 2017: 57%
  - Q3 2018: 56%
  - +27% YOY

- **LIVE**
  - Q3 2017: 23%
  - Q3 2018: 33%
  - +56% YOY

#FreeWheelVMR / Q3 2018 / FREEWHEEL VMR
CHART 11
Ad View Composition and Growth, by Device, U.S.
Q3 2013 — Q3 2018

CHART 11 - EXPANDED
Ad View Composition by Device, U.S.
Q3 2015 — Q3 2018

<table>
<thead>
<tr>
<th>Device</th>
<th>Q3 2015</th>
<th>Q3 2016</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop</td>
<td>52%</td>
<td>36%</td>
<td>28%</td>
<td>16%</td>
</tr>
<tr>
<td>OTT</td>
<td>13%</td>
<td>22%</td>
<td>29%</td>
<td>41%</td>
</tr>
<tr>
<td>STB VOD</td>
<td>6%</td>
<td>16%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>19%</td>
<td>17%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Tablet</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>
CORE OBSERVATIONS: U.S. / DISTRIBUTION

CHART 12
Format Composition by Device, Ad Views, U.S.
Q3 2018

Desktop
- 33% Desktop
- 38% OTT
- 29% STB VOD

OTT
- 3% CLIPS (0-5MIN.)
- 49% FULL-EPISODES (5+ MIN.)
- 48% LIVE

STB VOD
- 100%

Smartphone
- 19% CLIPS (0-5MIN.)
- 45% FULL-EPISODES (5+ MIN.)
- 36% LIVE

Tablet
- 12% CLIPS (0-5MIN.)
- 61% FULL-EPISODES (5+ MIN.)
- 27% LIVE

#FreeWheelVMR / Q3 2018 / FREEWHEEL VMR 10
Share and Growth of Ad Views by Syndication Platform, U.S.
Q3 2018

**Syndicated**
+31% YOY

**Owned & Operated**
+19% YOY

**Total Volume of Ad Views, U.S.**

**Breakdown by Channel**

- **MVPD (IP PLATFORMS)**: 25% +87% YOY
- **MVPD (STB PLATFORMS)**: 41% +11% YOY
- **PORTALS**: 34% +38% YOY
CHART 14
Share and Growth of Direct and Programmatic Monetization, U.S.
Q3 2018

Direct
84%
+13% YOY

Programmatic
16%
+43% YOY
CHART 15
Average Number of Ads per Mid-Roll Break, Full Episodes, U.S.

**Q3 2018**

- **95s BREAK DURATION**
  - **3.9**

**Q3 2018 by Device**

- **DESKTOP**: 3.8
- **OTT**: 3.9
- **SMARTPHONE**: 4.0
- **TABLET**: 4.0

**Distribution of Ads per Mid-Roll Break**

- **1-2 ADS**: 21%
- **3-4 ADS**: 48%
- **5+ ADS**: 31%
CORE OBSERVATIONS: U.S. / AD EXPERIENCE

CHART 16
Ad Completion Rates by Ad Unit and Content Duration, U.S.
Q3 2018

- **Pre-Roll**
  - Full-episode: 88%
  - Live: 83%
  - Clips: 78%

- **Mid-Roll**
  - Full-episode: 98%
  - Live: 98%

CHART 17
Ad Repeat Frequency per Stream by Content Format, U.S.
Q3 2018

- **Full-Episode**
  - No repetition: 88%
  - 1 repetition: 63%
  - 2+ repetitions: 18%

- **Live**
  - No repetition: 19%
  - 1 repetition: 18%
Q3 2018

Core Observations: Europe

The Most Definitive Data Available on Premium Video
CORE OBSERVATIONS: EUROPE / OVERALL MARKET

**CHART 18**
Total European Video Ad View Growth, European and U.S. Publishers
Q3 2017 vs. Q3 2018

**CHART 19**
Total European Video Ad View Growth, European Publishers
Q3 2017 vs. Q3 2018

**CHART 20**
Total European Video Ad View Growth, U.S. Publishers
Q3 2017 vs. Q3 2018

+16% AD VIEWS

+19% AD VIEWS

-21% AD VIEWS
Ad View Composition and Growth by Content Duration, Europe
Q3 2017 vs. Q3 2018

Q3 2017
- Clips (0-5 min.): 14%
- Full-episodes (5+ min.): 83%
- Live: 3%

Q3 2018
- Clips (0-5 min.): 14% (+5% YOY)
- Full-episodes (5+ min.): 82% (+17% YOY)
- Live: 4% (+44% YOY)
CHART 22
Ad View Composition and Growth, by Device, Europe
Q3 2015 — Q3 2018

CHART 22 - EXPANDED
Ad View Composition by Device, Europe
Q3 2015 — Q3 2018

<table>
<thead>
<tr>
<th>Device</th>
<th>Q3 2015</th>
<th>Q3 2016</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop</td>
<td>54%</td>
<td>35%</td>
<td>33%</td>
<td>29%</td>
</tr>
<tr>
<td>OTT</td>
<td>10%</td>
<td>24%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>STB VOD</td>
<td>0%</td>
<td>6%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>29%</td>
<td>15%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Tablet</td>
<td>7%</td>
<td>20%</td>
<td>15%</td>
<td>14%</td>
</tr>
</tbody>
</table>
CORE OBSERVATIONS: EUROPE / CONTENT & DISTRIBUTION

CHART 23
Format Composition by Device, Ad Views, Europe
Q3 2018

- Desktop
  - CLIPS (0-5MIN.): 23%
  - FULL-EPISODES (5+ MIN.): 70%
  - LIVE: 7%

- OTT
  - CLIPS (0-5MIN.): 14%
  - FULL-EPISODES (5+ MIN.): 85%
  - LIVE: 1%

- STB VOD
  - FULL-EPISODES (5+ MIN.): 100%

- Smartphone
  - CLIPS (0-5MIN.): 20%
  - FULL-EPISODES (5+ MIN.): 76%
  - LIVE: 4%

- Tablet
  - CLIPS (0-5MIN.): 8%
  - FULL-EPISODES (5+ MIN.): 86%
  - LIVE: 6%
Share and Growth of Ad Views by Syndication Platform, Europe
Q3 2018

Total Volume of Ad Views, Europe

- **84%**
  - Owned & Operated
  - +17% YOY

- **16%**
  - Syndicated
  - +13% YOY

Breakdown by Channel (Like for Like Volume Growth)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATOR</td>
<td>92%</td>
<td>91%</td>
</tr>
<tr>
<td>AGGREGATOR</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>LONG-TAIL</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

+12% YOY
+40% YOY
-12% YOY
Author Bios

Hasan Iqbal is a Senior Manager in FreeWheel’s Business Advisory practice and helps clients generate insights through data-backed analyses. His areas of expertise include market benchmarking and analysis, revenue strategy, and scaling of organizational capabilities. Prior to FreeWheel, Hasan was a strategy consultant with PwC Strategy & where he advised media and technology companies.

Rebecca Rangeley is the Head of Business Insight for our International Business. In this role, she works across Comcast Technology Solutions (CTS) and Freewheel, using data analysis to support customer decision making and investments for clients. Prior to FreeWheel, Rebecca managed the Digital Insight Team at Sky Media in the U.K., delivering insights to drive Sky U.K.’s advertising revenue for VOD, online and mobile applications.

Esra Akturk is an Associate on the Advisory Services Team. In this role, she provides clients with strategic and tactical guidance on how deliver maximum value to their businesses using the Freewheel product suite. Prior to Freewheel, Esra worked in ad operations at Disney ABC Television Group where she managed and optimized digital campaigns to ensure that client KPIs were met.

Xu Yao is a Senior Analytics Consultant on Advisory Services team. He works across FreeWheel client base to achieve initiatives around ad product design and testing, viewer ad experience assessment and ad integration audit. He also provides clients with tactical guidance on leveraging FreeWheel’s data products. Xu is particularly passionate about leveraging FreeWheel’s rich dataset to help client unveil insights and drive stronger business outcome.

Haley Glazer is a Consultant on the Advisory Services team, working with media clients to deliver industry benchmarking, network optimization and reporting and analytics enhancements. Prior to FreeWheel, she worked in ad sales research and corporate analytics at Scripps Networks Interactive and iHeartMedia, and is currently pursuing her Master’s Degree in Data Science.

Special thanks to: Terra Mrkulić, David Dworin and Raj Katta
Glossary

**AD COMPLETION RATE**
Measures the percentage of ads that were completed once started.

**AD VIEW**
An impression that is accrued after the first frame of an ad is displayed.

**AGGREGATOR/PORTAL**
An aggregator site for premium video content, for example Youtube, MSN or Hulu.

**AVOD**
Advertising video on demand business model.

**CONTENT VERTICAL**
Content genre, e.g. news, entertainment, sports.

**DEAL ID**
Unique deal identifier of a programmatic transaction that can be used to match advertisers and publishers directly.

**DIRECT-SOLD**
Advertising deals made directly between a publisher and an advertiser.

**DYNAMIC AD INSERTION (DAI)**
Process of dynamically inserting ads into a content stream, such that different ads can be inserted into the same ad break.

**FREEWHEEL COUNCIL FOR PREMIUM VIDEO (FWC)**
Serves the interests of those in the premium video industry through leadership positions, research, and advocacy to promote the premium video economy.

**IMPRESSION**
Occurs each time an ad is displayed. Synonymous with “ad view”.

**INVENTORY**
An ad opportunity. A piece of inventory is filled by an ad impression.

**LINEAR**
Traditional broadcast, cable, or satellite television.

**LONG-TAIL**
Small scale/niche content aggregators.

**MID-ROLL**
An ad break that occurs in the middle of content.

**MULTICHANNEL VIDEO PROGRAMMING DISTRIBUTOR (MVPD)**
Provides pay TV services delivered either through broadcast satellite or cable TV. Examples include Comcast and Verizon.

**NEW LIVING ROOM**
The same high-quality TV content that was traditionally consumed in the living room is experienced today by the same audience through a multitude of screens and locations.

**OPERATOR**
Provides pay TV services in Europe, functioning similarly to MVPDs in the U.S. Examples include Sky U.K. and SFR.

**OVER-THE-TOP (OTT)**
Viewing content delivered over an internet connection. Typically seen as OTT Device, which includes devices like Roku, Apple TV, Connected TVs, etc.

**OVER-THE-TOP DEVICE (OTT DEVICE)**
Viewing content delivered over an internet connection on a TV streaming device, including devices like Roku, Apple TV, Connected TVs, etc.

**PRE-ROLL**
An ad break that occurs before content starts.

**PREMIUM VIDEO**
Video content that is professionally produced, rights managed, and limited in supply.

**PROGRAMMATIC**
The use of automation software or managed services to execute an advertising deal.

**PROGRAMMER**
U.S. publishers that generate the majority of their advertising revenue from linear TV services and offer a diverse content mix in digital environments as well.

**PUBLISHER**
Producers or syndicators of content. Can be programmers or digital pure-plays.

**SET-TOP BOX VIDEO ON DEMAND (STB VOD)**
Accompanies a cable/broadcast/satellite setup. Contains a cable input and outputs to a TV. Integrations via FourFronts STB VOD and Canoe Phase III.

**SIMULCAST**
A digital stream of a live event that is simultaneously broadcast on linear TV.

**SYNDICATION**
Viewing that occurs outside of a publisher’s Owned and Operated properties or primary platforms TV.

**EVERYWHERE (TVE)**
Apps that allow viewers to access content over the internet by logging in with their MVPD subscription credentials.

**VIDEO START**
Accrued after the first frame of video content is displayed. Formerly referred to as video view.

**VIRTUAL MVPD**
Digital-only cable alternatives that offer access to both live and on-demand premium video content for a subscription fee. Sometimes referred to as digital-MVPD (dMVPD).