



# Our strategy

Delivering on our promises

# Three key trends shaping RTL Group's strategy

## 1 COMPETITION

Lower barriers to entry make launching new linear TV channels easier than in the past – resulting in ongoing fragmentation of the TV market, both free-to-air and pay-TV.

This fragmentation results in increasing competition for time and viewers – both linear and non-linear. Above all, fragmentation of audiences and devices in the digital world makes it more challenging to generate mainstream hits – blockbuster formats that reach mass audiences. But this also means that successful formats and exclusive content become more valuable.

## 2 CONVERGENCE

The rapid technological developments in devices have changed user behaviour in recent years, and led to significant business opportunities. Smartphone and tablet sales are on the rise. The highly anticipated media convergence is already a reality on these devices. Accordingly, TV no longer stands for television alone – it also stands for total video.

For advertising-financed content, the key question is: how do you measure, and ultimately monetise, mobile, second-screen and other alternative viewing habits? Advertisers crave better multiscreen measurement and targeting. Given the fragmented markets, and the ageing society, where young target groups are increasingly consuming video on a non-linear basis, there is a need to measure and compare success on all devices.

## 3 COMPLEXITY

Digitisation also increases the importance of technology – whether for aggregating content or for advertising sales. For example, a multi-channel network (MCN) needs user guidance, a recommendation engine and thumbnail optimisation, just as a linear TV channel needs perfect audience flow. Establishing high reach online translates into aggregating a number of small networks – this also leads to a more fragmented way of selling advertising, with an increasing number of intermediate players between the advertisers and publishers.

Additionally, TV shows and films are increasingly available on more services and devices, leading to a higher number of rights windows, which need to be considered or acquired. Producers and rights owners may also extract additional value from catalogue and library content.

# Three priorities for further growth

## 1 CREATE MUST-SEE TV



### What we said

**“Finding the new hits – both big and small – is a shared priority for both our broadcasters and our content production arm, FremantleMedia.”<sup>1</sup>**

**“We strongly believe in having our own exclusive formats that are shown only on our channels. As a consequence, we invest in development, starting our own initiatives.”<sup>2</sup>**



### What we achieved

Mediengruppe RTL Deutschland signed a deal with NBC Universal for the development of US procedural dramas as they consistently generate higher ratings than serialised dramas on free-TV channels in Europe

UFA Fiction and RTL Television produced and aired *Deutschland 83*, with FremantleMedia International handling international distribution (sold to 20 channels and platforms)

Vox broadcast its first commissioned drama series: *Club der roten Bänder* – scoring ratings 75 per cent above the channel's average



### What's next

Further strengthen the development of local fiction and factual entertainment formats (for example: Vox has commissioned a second series of local fiction series *Club der roten Bänder*)

Further investments in live events and sports rights (for example: M6 has secured the rights to 11 matches, including the final, of Uefa's Euro 2016 tournament)



Club der roten Bänder



Euro 2016 on M6

**“Strengthening the creative pipeline – and ultimately improving the profit margin – of FremantleMedia requires targeted investments in new talents, genres and geographical areas.”<sup>3</sup>**

FremantleMedia continued to increase its creative diversity, by investing in these companies:

- Corona TV (scripted; UK)
- Wildside (high end drama; Italy)
- Fontaram (scripted; France)
- Naked Entertainment (entertainment and factual entertainment; UK)
- No Pictures Please (factual programming; the Netherlands)
- Kwai (fiction; France)
- Full Fat TV (factual entertainment and feature formats; UK)
- Man Alive Entertainment (entertainment and factual entertainment; UK)

FremantleMedia continues its strategy to pursue bolt-on acquisitions and talent deals (for example: in January 2016, FremantleMedia announced that it acquired a 51 per cent majority stake in Abot Hameiri, a leading Israeli production company specialising in entertainment formats, scripted reality and drama)

Grow profit margin of FremantleMedia back to 10 per cent



Deutschland 83

<sup>1</sup> Annual Report 2014, page 15, <sup>2</sup> Annual Report 2014, page 9, <sup>3</sup> Annual Report 2014, page 9



SCAN TO MEET THE RTL DIGITAL HUB

## 2 GROW AUDIENCES



### What we said

“We always want to be where our audiences are – and so we want RTL Group to become a global force in online video.”<sup>4</sup>



### What we achieved

In 2015, RTL Group gained a total of 105 billion video views, up 188 per cent from 36.4 million in 2014

Based on Comscore figures, RTL Group has become the leading player in the YouTube environment

RTL Group ranked among the top 4 global players in online video

FremantleMedia

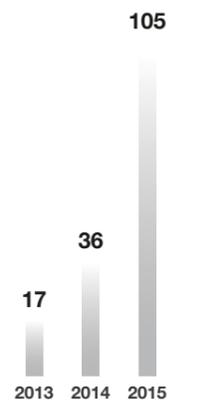
- founded dedicated digital studios such as TinyRiot! and Shotglass Media
- invested in online video with the leading European MCN, Divimove
- partnered with Vice Media to create the food channel Munchies



### What's next

Capture the growth of long and short-form non-linear usage

- Expand distribution of RTL Group's catch-up TV services
- Invest in digital content, build and buy non-linear brands to attract young audiences



Growth of online video views (in billion)

“We continue to pursue opportunities to solidify our market position and to expand and strengthen our family of channels portfolio in order to drive growth and address the opportunities of market fragmentation.”<sup>5</sup>

New linear TV channels launched in 2015:

- RTL Crime, RTL Passion, RTL Living in Croatia
- RTL Z in the Netherlands
- Mega and Atrseries in Spain

Launch of two new free-TV channels in Germany, RTL Plus and Toggo Plus

Geographic expansion: invest into attractive and complementary broadcast assets



RTL Z is a new free-to-air news and business channel in the Netherlands

<sup>4</sup> Annual Report 2014, page 17, 5 Re-IPO prospectus, page 201

## 3 CAPTURE THE VALUE OF DIGITAL



### What we said

“To better monetise our rapidly growing digital reach will require new skills and resources – skills like aggregation and production of short-form video, and in advertising technology.”<sup>6</sup>



Children's network HooplaKidz



### What we achieved

BroadbandTV acquired YoBoHo, a digital media company that specialises in creating original content globally for kids. YoBoHo operates the leading children's network on YouTube called HooplaKidz

In 2015, RTL Group companies produced more than 700 hours of original content for digital platforms

Golden Moustache produced its first 'feature film': *Les Dissociés*

RTL Group invested in ad tech, with SpotX, Clypd and Videoamp



### What's next

Mediengruppe RTL Deutschland to acquire Smartclip, one of the most innovative companies in online video advertising<sup>9</sup>

Converge advertising sales and build new offers (for example, RTL Group's international advertising sales house, IP Network, has launched a new international digital sales unit, which now represents Style-Haul and has signed a first multimarket deal with Beats)

Continued investment in product development at SpotX, for example into data-based cross-screen campaign measurement

RTL Group's investments in advertising technology



“Competing with the global internet giants, we will make the best use of our assets. This requires closer co-operation across broadcast, content and digital.”<sup>7</sup>

In June 2015, RTL Group founded the RTL Digital Hub in order to bundle and foster collaboration between RTL Group's newly acquired assets

SpotX launched joint ventures in Germany and the Netherlands

Manage and measure cross-screen video usage

Closer collaboration between SpotX, Clypd and VideoAmp

“We are confident that these digital businesses will reach such scale over the next three years that they will become one of the growth drivers of RTL Group's total revenue.”<sup>8</sup>

In 2015, RTL Group's digital revenue increased by 72.2 per cent to €508 million

We expect that our digital revenue will continue to grow strongly by double-digit rates in 2016 and beyond

<sup>6</sup> Annual Report 2014, page 19, 7 Annual Report 2014, page 20, 8 Annual Report 2014, page 10, 9 Subject to approval from the Federal Cartel Office