

VIDEO MONETIZATION REPORT

Q2 2015

The New Primetime
is Anytime

FreeWheel

#FreeWheelVMR



The premium video ecosystem
continues its evolution in a
vigorous and upward direction

Freewheel

KEY OBSERVATIONS

With video ad views growing at a 32% rate year-over-year and video views at 25%, the premium video ecosystem continues its evolution in a vigorous and upward direction this quarter.

In exploring the trends in premium video in the U.S. this quarter, we noted the following key observations:

- Long-form on-demand and live content continue to drive growth, growing at 26% and 146%, respectively, year-over-year
- Nearly 40% of ad views came from outside of desktop and laptop environments, with over-the-top (OTT) devices and smartphones leading that growth
- Smartphones now account for greater than 1 in 5 video ad views reflecting triple digit growth over the last two quarters
- Consumption of premium video across dayparts does not show a dominating skew towards any particular hour, as viewers create their own custom primetimes
- MVPD apps have become increasingly popular venues for syndication, accounting for 4.5% of all Programmer ad views with 200% growth
- Programmers in Europe continue to almost exclusively monetize long-form on-demand content, which accounts for 89% of their total ad views

EXECUTIVE SUMMARY

The New Primetime is Anytime

The impressive evolution of premium video we've reported quarter-over-quarter and year-over-year since the inception of this report continues to make measurable strides in maturation across the industry with increased viewership, growth across all streaming devices, MVPD-authentication dominance, and robust advertiser demand.

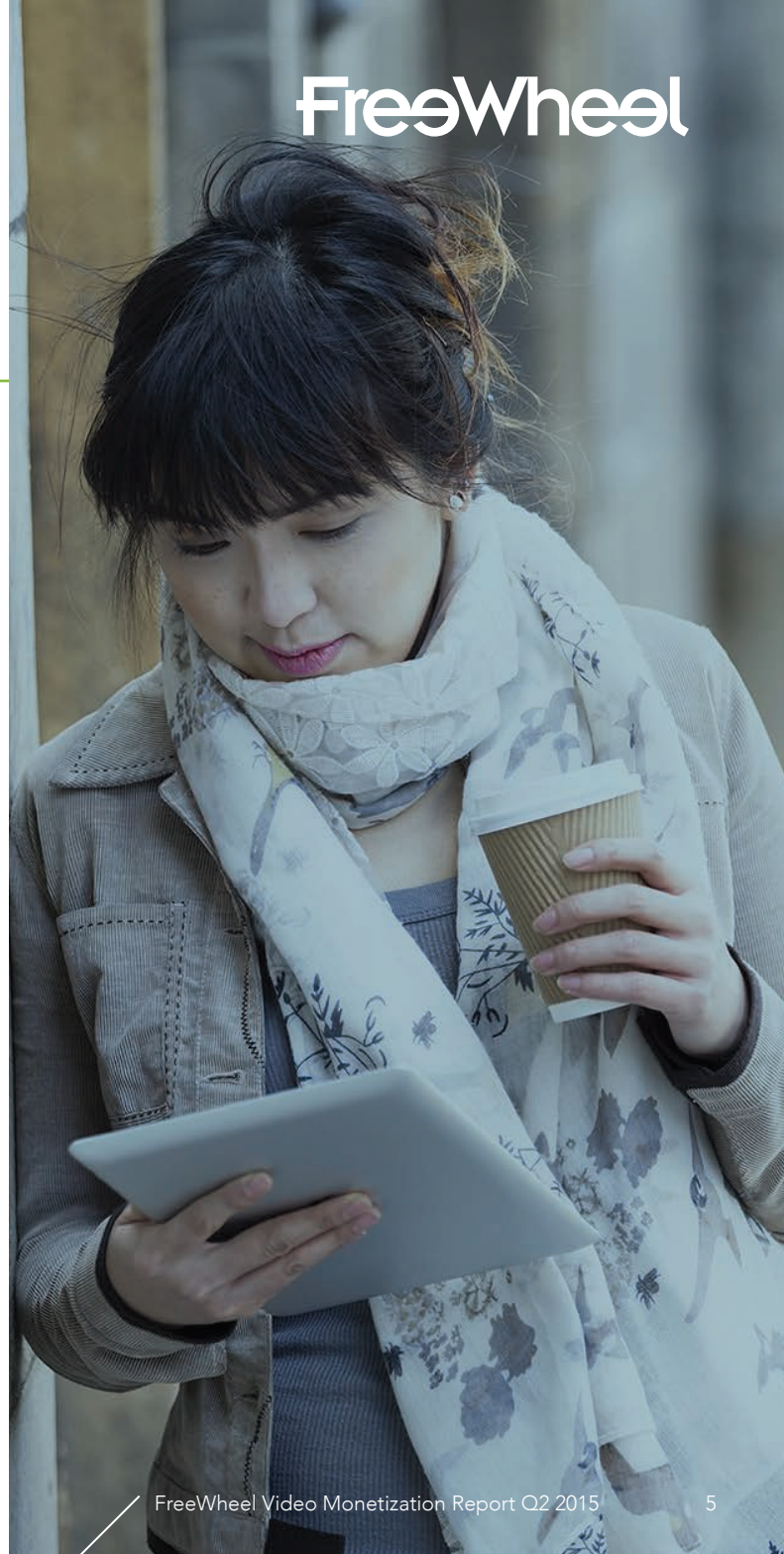
For the first time we report on how and when viewers are accessing premium video content throughout their daily behavior. For the most part, overall consumption remains consistent throughout the day with relative share shifting across content durations and device types as the day progresses. Based on this viewer behavior, with no single daypart occupying a majority share of viewing, this demonstrates that the new primetime is anytime.

Long-form on-demand and live streams are again the two fastest growing content dimensions, at 26% and 146% growth respectively, driving Digital Pure-Play Programmers ever closer to their Broadcast peers in ad impression volume. Over-the-top (OTT) streaming devices, which are most conducive to viewing long and live content, now account for 10% of video ad views, with 194% year-over-year growth in Q2 2015. The same phenomenal development is true for *TV Everywhere* adoption, with MVPD app viewership growing at 200% year-over-year. This, in turn, is reflected in viewer utilization, with 60% of Programmer long-form and live viewing coming via authenticated channels.

On the buy-side, top agencies and brands continue to increase their investment in

the premium video market with 94% of Programmers' ad views coming from direct sold deals. On their end, Programmers continue to push for greater monetization, increasing ad loads towards linear standards, without sacrificing viewer experience. This trend is especially true on ad loads for live content, with the average live content having 5.7 ads per break.

With 31 billion premium digital video views across the entire market this quarter, inclusive of the volume coming through FreeWheel, the *New Living Room* (anywhere, anytime, anyhow viewing) continues to take hold and firmly establish itself as a staple of premium video content consumption.



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CONTENT

If You Stream It, They Will Watch

Q2 2015 saw a 25% growth year-over-year in video views and a 32% growth in ad views [see chart 1]. Topping the record-breaking growth in Q1 2015 (40% and 43% respectively across video views and video ad views), in what is typically a soft second quarter was going to be a challenge. However, this quarter managed to exceed expectations with ad view growth stronger than any single quarter in 2014.

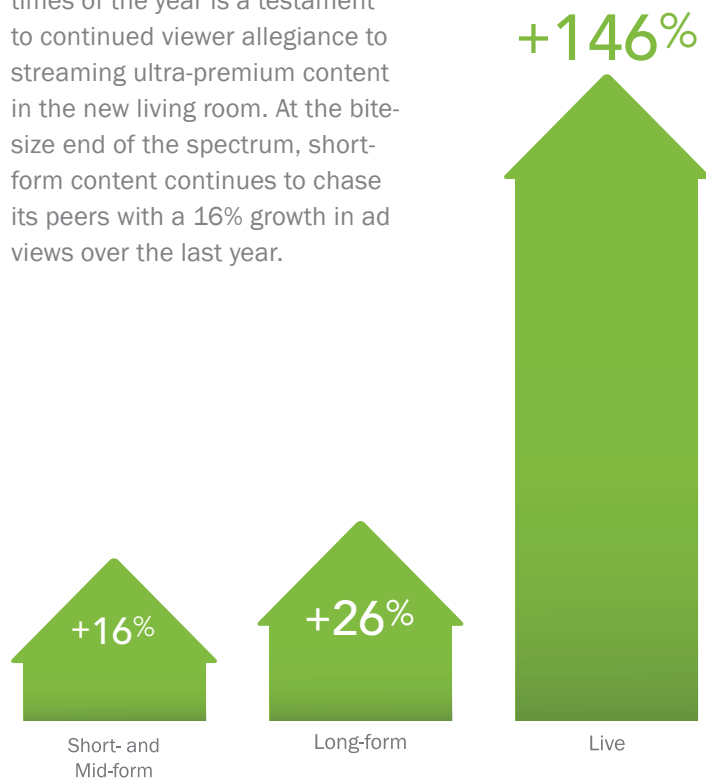


1 Ad and Video View Growth | Q2 2015 vs. Q2 2014

VIDEO
VIEWS

AD
VIEWS

In a continuation of past trends, long-form and live content were the main drivers of these positive metrics, at 26% and 146% year-over-year growth, respectively [see *chart 2*]. The impressive growth of live viewing across a quarter without the kind of major sporting events enjoyed at other times of the year is a testament to continued viewer allegiance to streaming ultra-premium content in the new living room. At the bite-size end of the spectrum, short-form content continues to chase its peers with a 16% growth in ad views over the last year.



2 Ad View Growth by Content Duration | Q2 2015 vs. Q2 2014

Building industry scale in premium digital video inventory ultimately depends on cultivating a diverse content mix among the following content lengths and types:

Short-form (0-5 min.)

video clips, music videos, made-for-web content

Mid-form (5-20 min.)

web series, extended clips, interviews

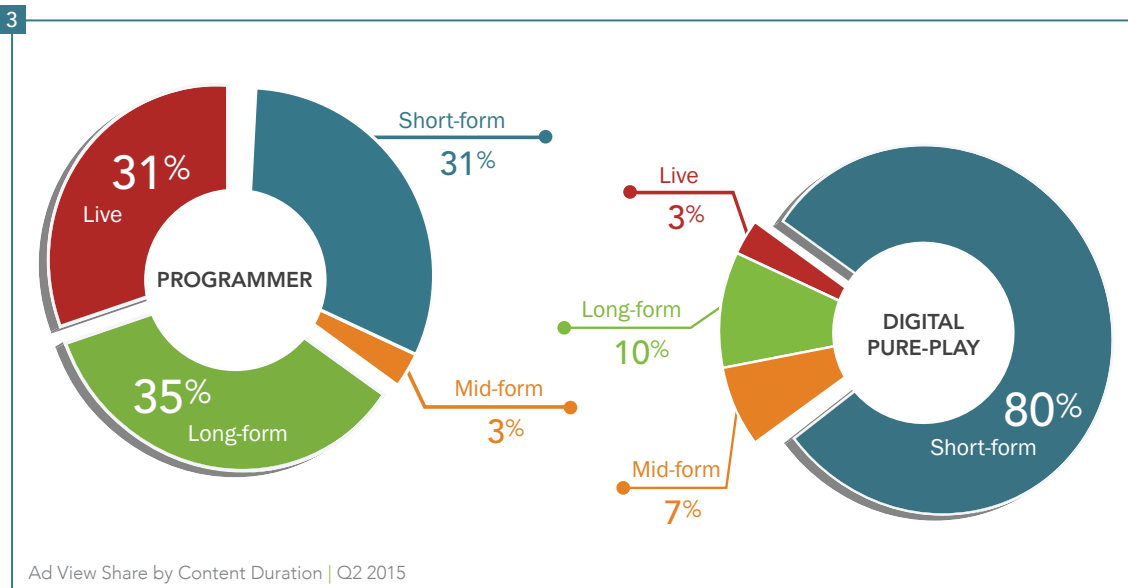
Long-form (20+ min.)

linear-style full-length programs, feature films

Live (All)

live simulcasts, sporting events

On the Publisher side, Programmers saw a massive 31% of their video ad views come from live viewing this quarter, bringing the summation of long-form or live consumption to 66% [see *chart 3*]. Still behind in biting into these ad-stuffed pie-pieces, Digital Pure-Play Publishers only saw 3% of their ad views coming from live and 10% from long-form content. Furthermore, while both saw similar top-line growth, video view growth outpaced that of ad views for Digital Pure-Play Publishers. As more hungry eyes are drawn to their ever-growing original programming and simulcast offerings, effective monetization for Digital Pure-Play Publishers will become key across all content types.



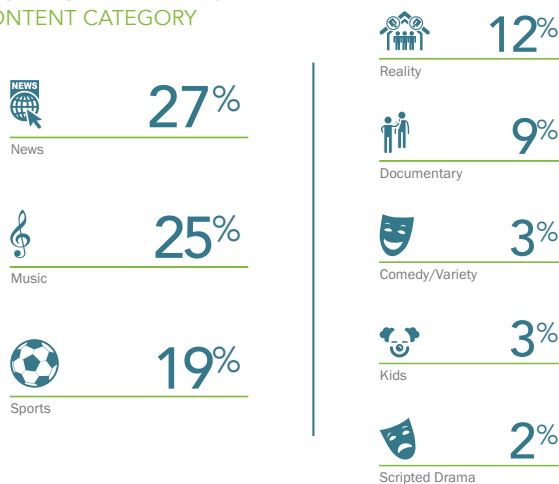
Genre Remix

Taking a closer look into viewer preferences this quarter, notable differences were observed in content category mix across and within content durations. Short-form content had the most breadth with music, news, and sports taking the top three ranks by share of ad views, each representing under a third of total ads [see chart 4].

Upon further delineation, the division in the “bite-size” class becomes more obvious between the under two-minute and the two-to five-minute segments. While the shortest clips skew towards news and sports, the longer content is dominated by music and entertainment, with each pair totaling 70% of ad views per segment [see chart 5].

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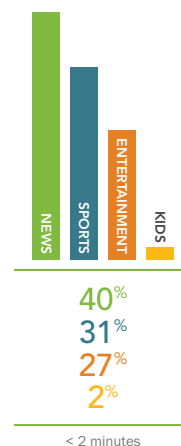
SHORT-FORM AD VIEW SHARE BY CONTENT CATEGORY



Ad View Share by Content Category | Short-form | Q2 2015

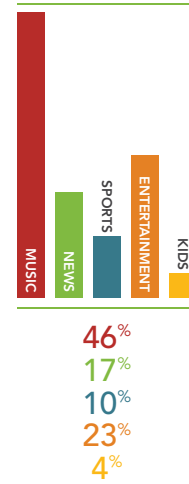
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Share of short-form volume
55%



< 2 minutes

Share of short-form volume
45%

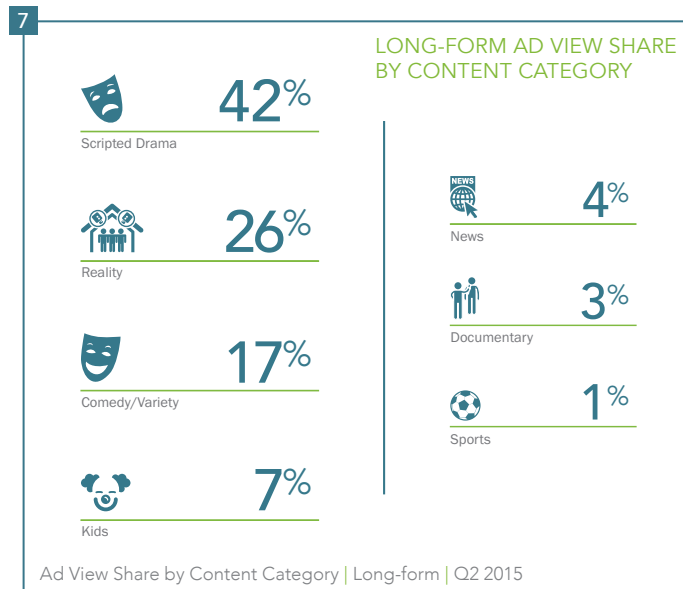
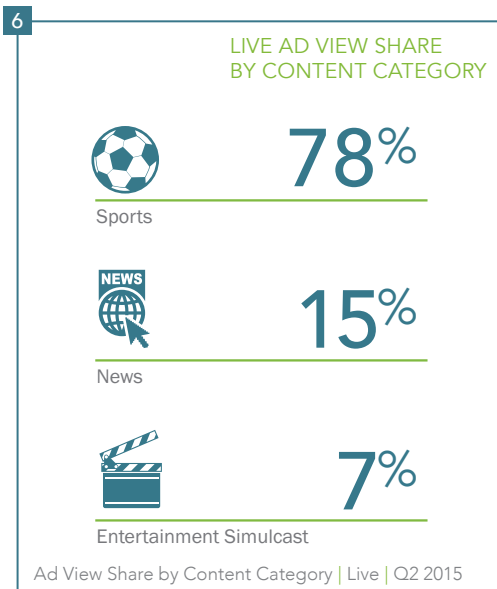


2-5 minutes

Short-form Ad View Share | Content Category Split | Q2 2015

As online news and lifestyle publications continue to embed shorter companion video clips and streams, traditional news consumption is evolving into a true multimedia immersive experience, and short-form content ad views are expected to grow. Sports content is concentrated at the two duration extremes, with viewers grabbing onto punchy game highlights or going straight for full-game live streams, which make up 78% of live viewing [see chart 6].

Across both long-form and live, premium video consumers are making it clear that they crave traditional TV-style programming, which in turn supplies the much sought after ultra-premium, high-CPM ad inventory. With almost 60% of ad views coming from drama and comedy on long-form content, the primetime favorites still reign supreme in the full-episode and movie category [see chart 7]. Entertainment simulcasts, while still dwarfed by sports and to a lesser extent news, continue to gain a foothold representing 7% of live streaming.



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DEVICE

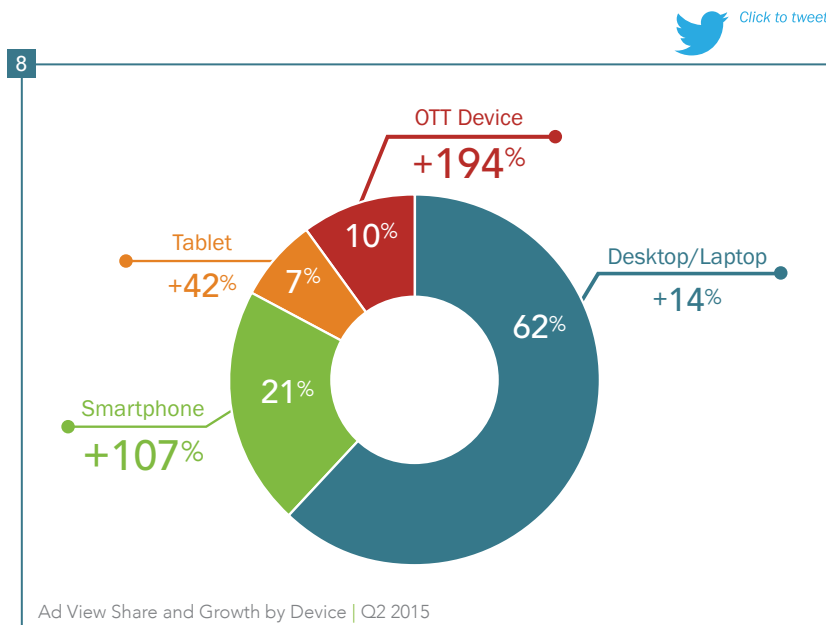


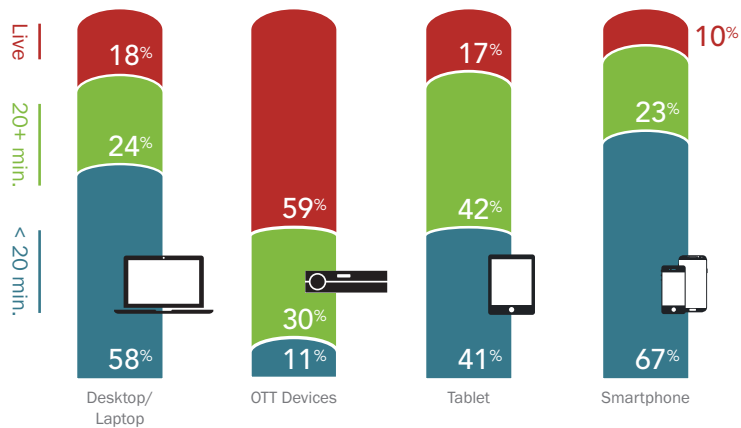
The More the Merrier

38% of monetization this quarter came from outside desktop and laptop environments. This growing share is driven by smartphones and OTT devices (Roku, Apple TV, Chromecast, gaming consoles, and Smart TVs) having yet another quarter of phenomenal growth at 107% and 194%, respectively [see chart 8].

Moreover, this quarter marks the first time that smartphones have surpassed 20% share of total video ad views, and also the largest single growth quarter for mobile on which we have reported. Tablet and desktop/laptop computers both demonstrated healthy double-digit growth rates and continue to play an essential part of the market.

This quarter marks the first time that smartphones have surpassed 20% share of total video ad views



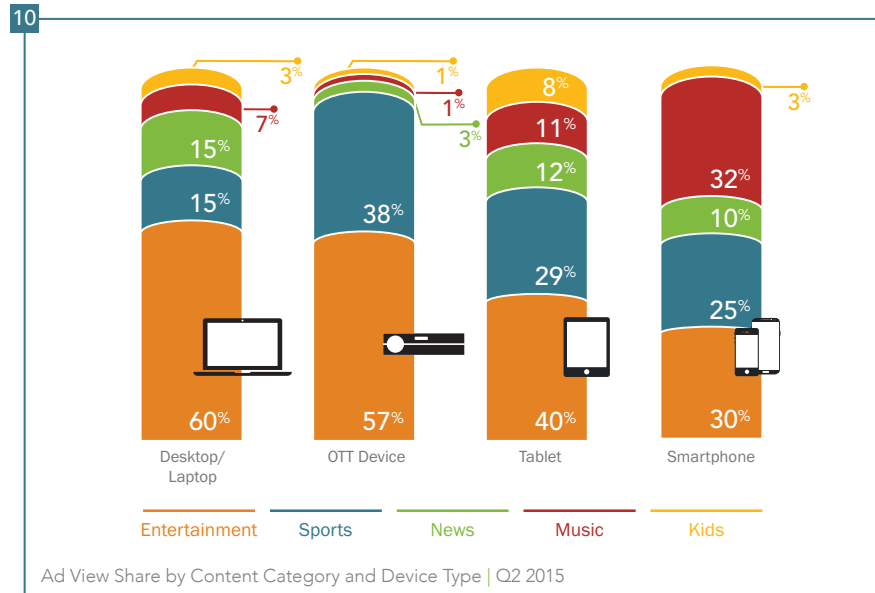


Share of Ad Views by Content Duration and Device Type | Q2 2015

Variety is the Spice of Life

Deep-diving into content consumption across devices, we found that both video duration and content category monetization differed across screens. Smartphone viewers were most likely to watch short-form clips, accounting for 67% of their video ad views, while tablets saw 42% of their ad views on long form content, the largest share for any device [see chart 9].

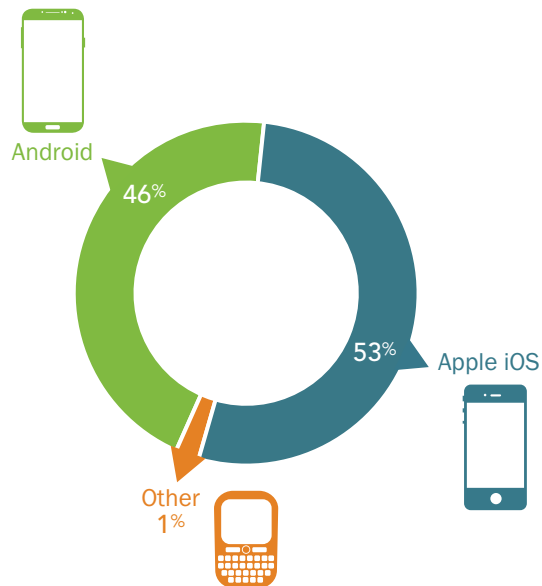
Entertainment consumption followed increasing screen size across the non-desktop environments, with 57% of OTT, 40% of tablet, and 30% of mobile video ad views coming on scripted and reality series [see chart 10].



While the largest variety of content is available on web based portals, OTT continues to be the most popular TV-style viewing device, with 95% of video ad views coming from the sports and entertainment categories, and 89% of monetization achieved across live and long-form content. Smartphones saw the largest share of music content consumption of any device, at 32% of video ad views, but still had a majority of monetization come from traditional TV content categories. Viewer preferences across platforms, in terms of content type and duration, is not driven purely by screen size or device portability, but rather by the convenience and configuration to lean-back linear-style viewing.



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Ad View Share by Smartphone Platform | Q2 2015

Looking across smartphones, the U.S. market is clearly governed as a two-party state. In Q2 2015, 53% of mobile video ad views originated on iPhones, up from 50% in Q1 2015, closely followed by Android devices at 46% [see chart 11]. Apple iOS is narrowly overtaking Android in U.S. device market share, according to *Kantar Worldpanel** research, driven by strong sales of the new iPhone 6. Apple also reported record third fiscal quarter sales of iPhones** and a higher rate of users switching to iPhones than in previous cycles***.

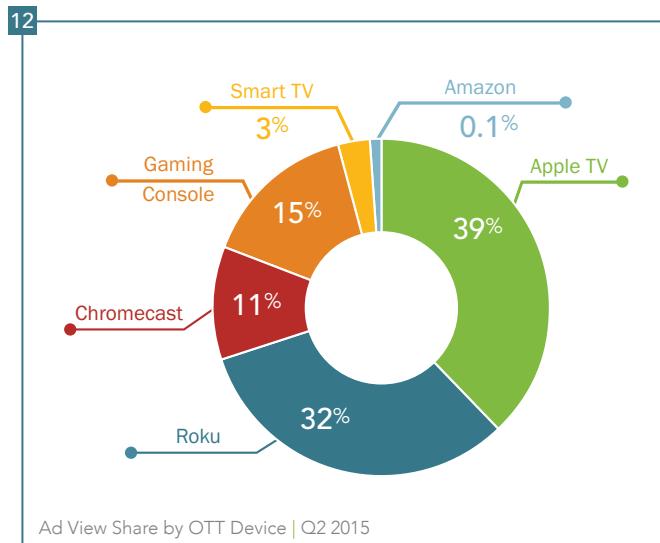
* Source: "Apple iOS leads US OS share for the first time since Q4 2012." Kantar Worldpanel ComTech, April 2, 2015. Accessed August 26, 2015.

** Source: "Apple Reports Record Third Quarter Results." Apple.com, July 21, 2015. Accessed August 26, 2015.

*** Source: "Apple Reports Record Second Quarter Results." Apple.com, April 22, 2015. Accessed August 26, 2015.



Finally, Q2 2015 marked a changing of the guard for the rapidly evolving OTT platform and device landscape. For the first time since we have begun reporting on this metric, Roku slipped into second place as Apple TV took a dominant 39% share of the total OTT video ad view market, up from 28% a year ago [see *chart 12*]. Apple TV can credit its fast rise through the ranks to the launch of multiple, and highly popular, applications for viewing content. Meanwhile, Chromecast lost a sliver share quarter-over-quarter, down to 11% from a Q1 2015 high of 12%. Smart TVs continue pushing forward slowly but steadily into the space, and now account for 3% of video ad views, up from 2% last quarter.



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SPOTLIGHT ANALYSIS DAYPART





Understanding when and how users access premium video content throughout their day can help drive more effective monetization and distribution. The following digital dayparts correspond to their traditional linear counterparts:

Early Morning

6:00 AM - 10:00 AM

Daytime

10:00 AM - 4:00 PM

Early Fringe

4:00 PM - 7:00 PM

Primetime

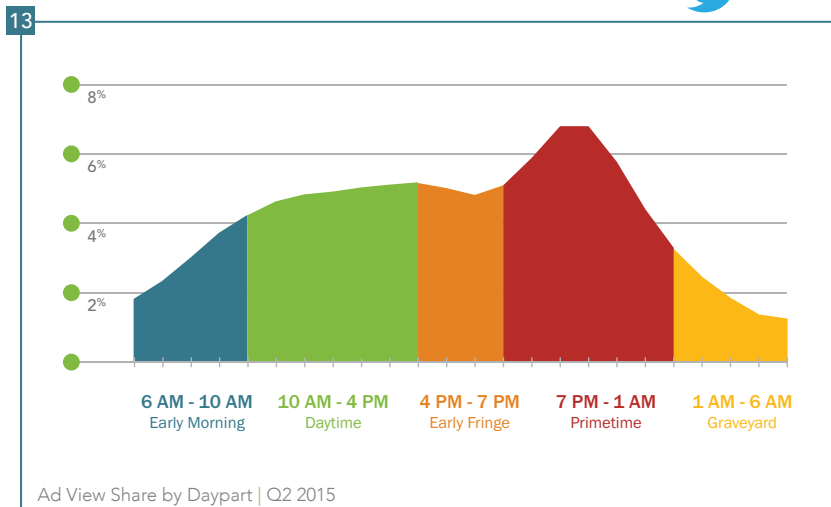
7:00 PM - 1:00 AM

Graveyard

1:00 AM - 6:00 AM

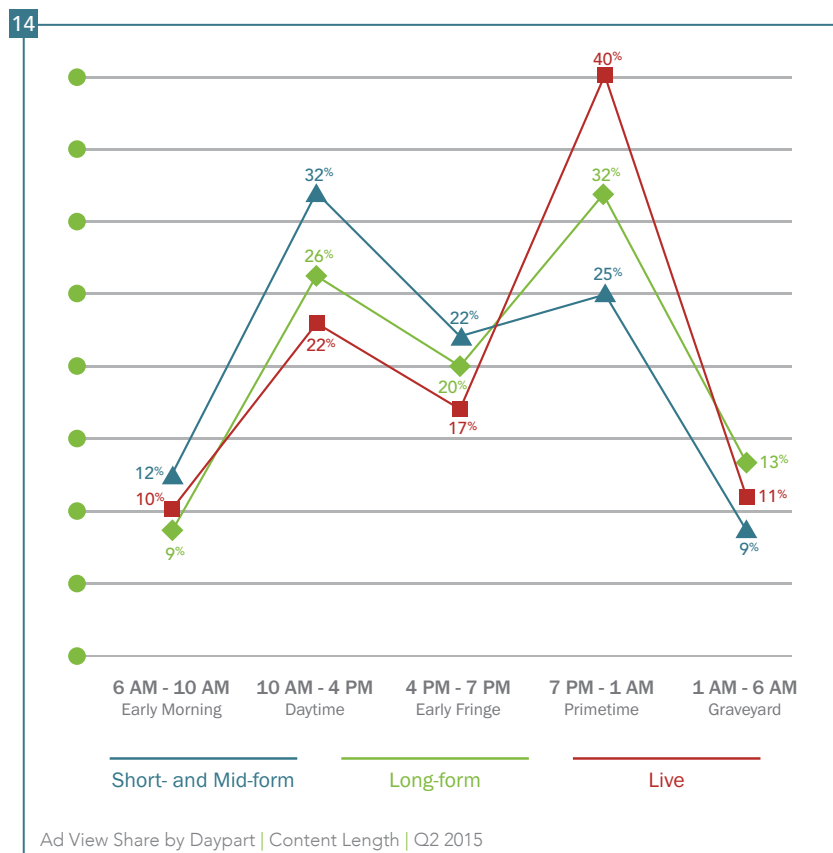
My Own Private Primetime

Although online viewers are tuning in consistently throughout the day, traditional consumption of premium video across daypart and content is mirrored in the digital environment. The daily share of Programmer ad views spikes in the evening, for example, as viewers are creating their own custom primetimes [see chart 13].



This trend is further revealed when we see that peak consumption of live and long-form content is concentrated in the primetime viewing hours, with long-form and live content each seeing greater than 30% of their total daily ad views coming

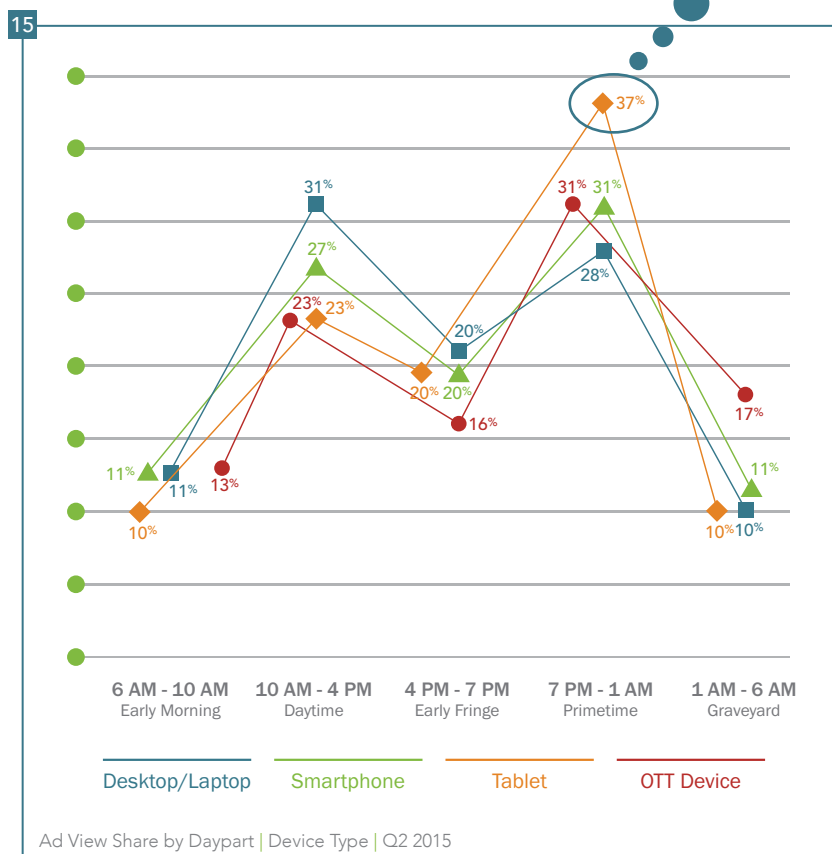
between the hours of 7:00 PM and 1:00 AM [see *chart 14*]. This behavior suggests that viewers are using on-demand viewing to expand their definition of primetime.



Content monetization also shifts across devices as viewers cycle between in- and out-of-home viewing. The clear inflection point between desktop and laptop devices to other screens happens during the early fringe period, coinciding with the afternoon commute, after which smartphones, tablets, and OTT devices all generate their highest hourly number of ad views [see chart 15].

For the most part, consumption of premium video content is relatively daypart agnostic, unlike linear television where there is a dramatic spike in ad views as we shift in to the traditional primetime window of 7:00 and 9:00 PM.

Driven largely by live and sports viewing



A man and a woman are looking at a laptop screen. The man is in the foreground, wearing a white shirt, with his hair in a bun. The woman is behind him, wearing a plaid shirt, with her hair in braids. They are both looking at the laptop screen with interest.

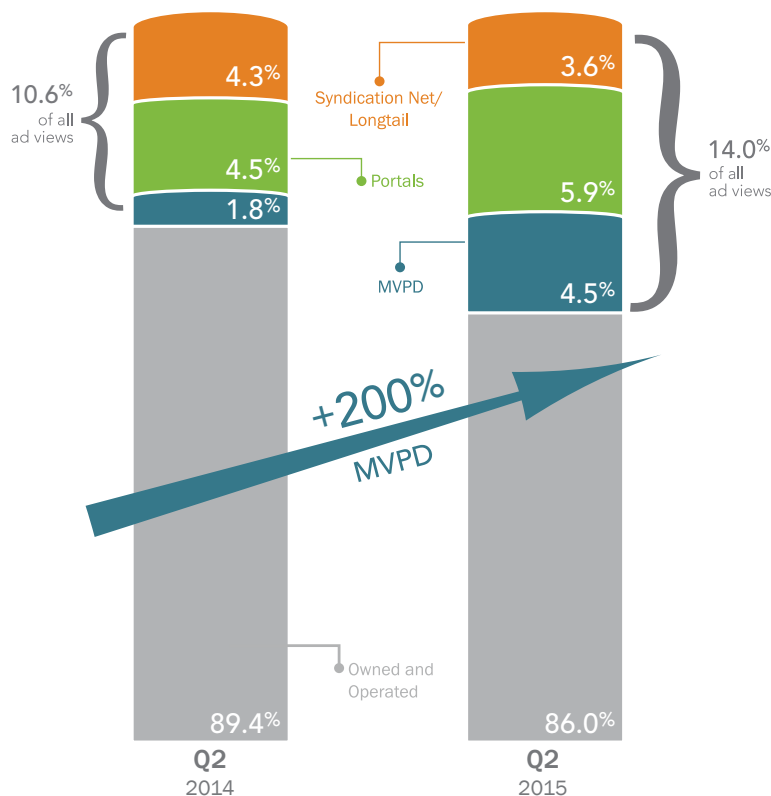
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DISTRIBUTION

I Want My MVPD

Video syndication (defined as viewing that occurs outside of a Publisher's Owned and Operated properties) continues to grow in importance as a strategic lever for Programmers, accounting for 14% of Programmer video ad views in Q2 2015, as compared to 10.6% a year ago [see *chart 16*]. Growth in Programmer syndication is largely driven by MVPD applications, which saw 200% year-over-year growth in ad views, and premium digital portals (such as AOL, Microsoft MSN, etc.). Nevertheless, viewers are still finding it challenging to navigate all of the varied *TV Everywhere* applications and sites, with Nielsen urging providers to simplify and streamline user experiences at their Television Critics Association Press Tour presentation in July 2015*.

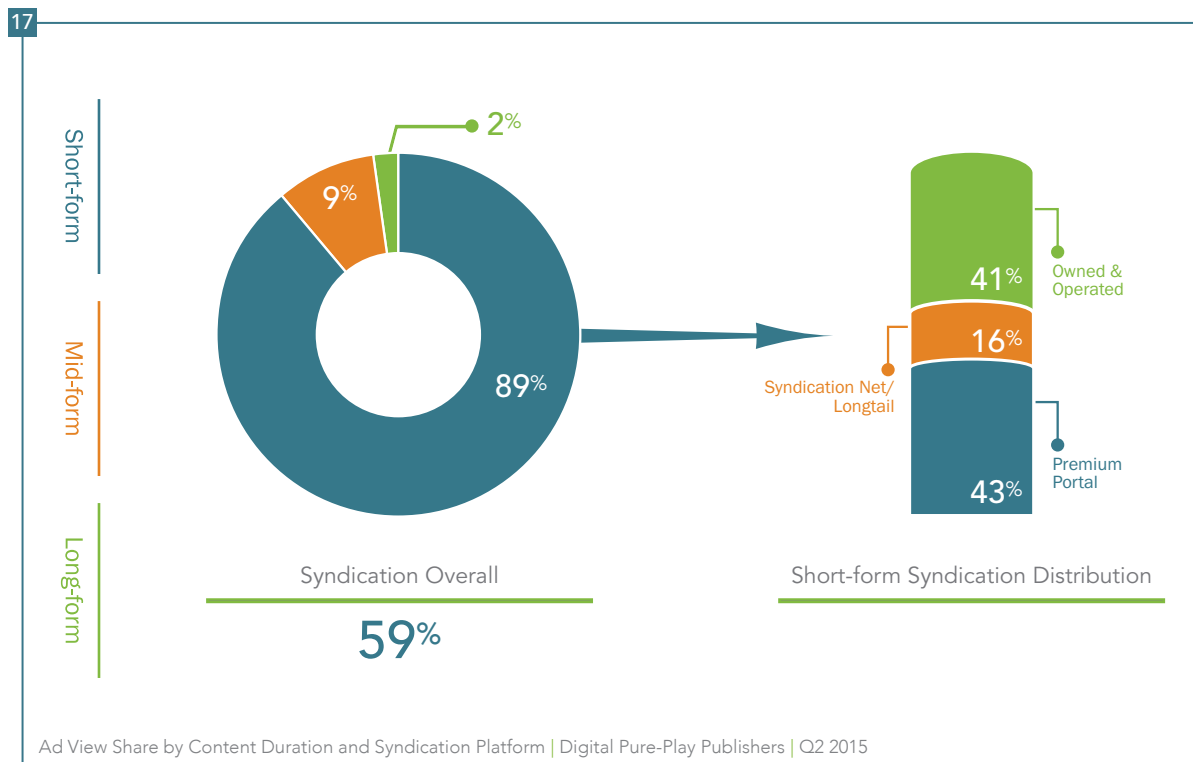
16



* Source: Lieberman, David, and Dominic Patten. "Deadline.com." *TV Everywhere Viewing Is Growing But Still Too Difficult To Access* – TCA, July 29, 2015. Accessed August 26, 2016. <http://deadline.com/2015/07/nielsen-tca-tv-everywhere-ratings-1201486818/>.

Ad View Share by Distribution Platform | Q2 2015 vs. Q2 2014

Unlike Programmers, syndication is a core business strategy for Digital Pure-Play Publishers, accounting for 59% of total video ad views [see chart 17]. Digital Pure-Play Publishers do not necessarily have the advantage of automatic brand name recognition for video content carry-over from linear channels like Programmers, leading them to push their content across multiple portals to gain exposure to a wider viewership. Digital Pure-Play Publishers focus syndication to drive volume across their leading short-form offerings, accounting for 89% of their overall syndicated content, of which 43% is monetized through premium portals where they are most likely to tap fresh audiences.

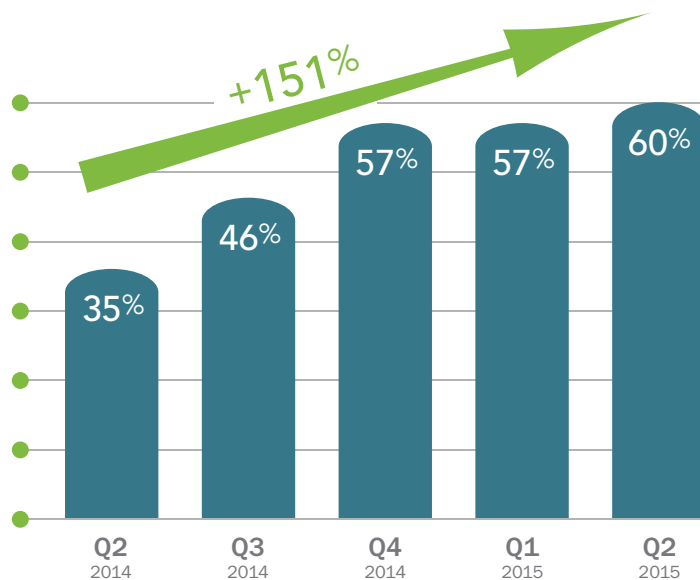


The Importance of Being Authenticated

The share of authenticated viewing (defined as viewing that occurs after viewers enter their MVPD subscription credentials) for long-form and live content accounted 60% of monetization this quarter, up from 35% in Q2 2014 [see *chart 18*]. Programmers made their first large leaps to gain the majority of authenticated viewing during the 2014 FIFA World Cup, and have since successfully maintained that user behavior across all platforms by putting more content behind the authentication wall and taking advantage of consumers who have located and saved their login credentials. The sustained triple-digit growth of

authenticated viewing, at 151% year-over-year this quarter, further illustrates the ever-growing preeminence of TV Everywhere offerings to providers and consumers alike, regardless of major tentpole events to draw them in.

18

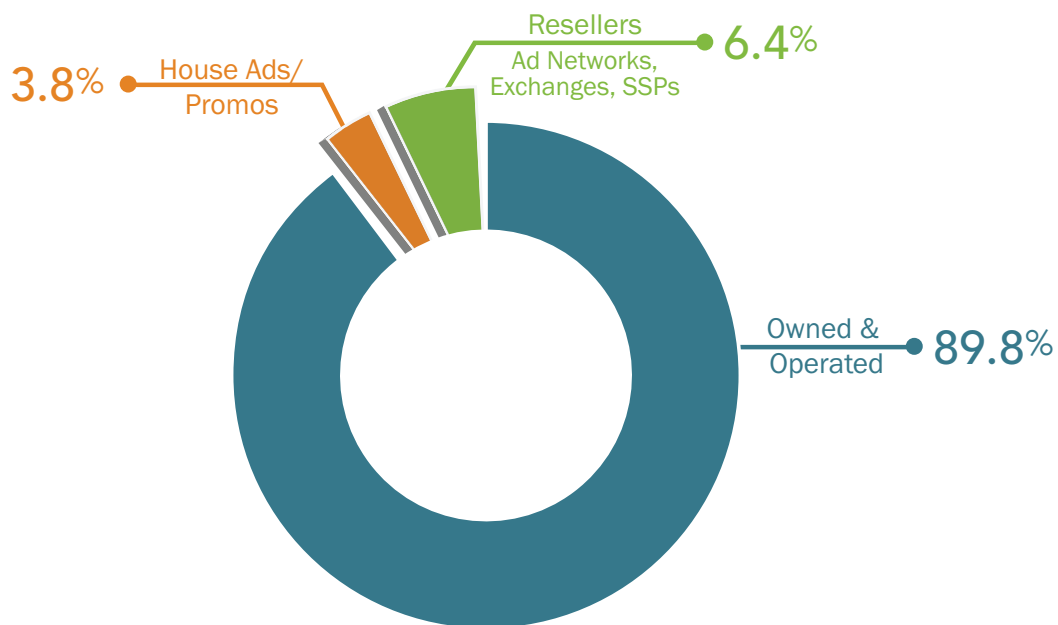


Long-form Authentication Rate and Growth | Q2 2015 vs. Q2 2014

Crossing the Finish Line

Linear Programmers sold 6.4% of their digital video ads through resellers across this quarter [see chart 19]. As not all resellers are created equal, with questions of content quality, viewability, traffic fraud, and brand safety unanswered, they do provide another avenue for content owners to address imbalances in demand and supply. On the whole, the supply-constrained nature of the premium video environment lends itself to limited reseller utilization. Programmers, however, will benefit by leveraging trusted partners who will facilitate the control, safety, and compliance essential for managing their inventory.

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Ad View Share by Reseller (Ad Network/Exchange/SSP) | Q2 2015

Programmers will
benefit by leveraging
trusted partners who will
facilitate control, safety,
and compliance

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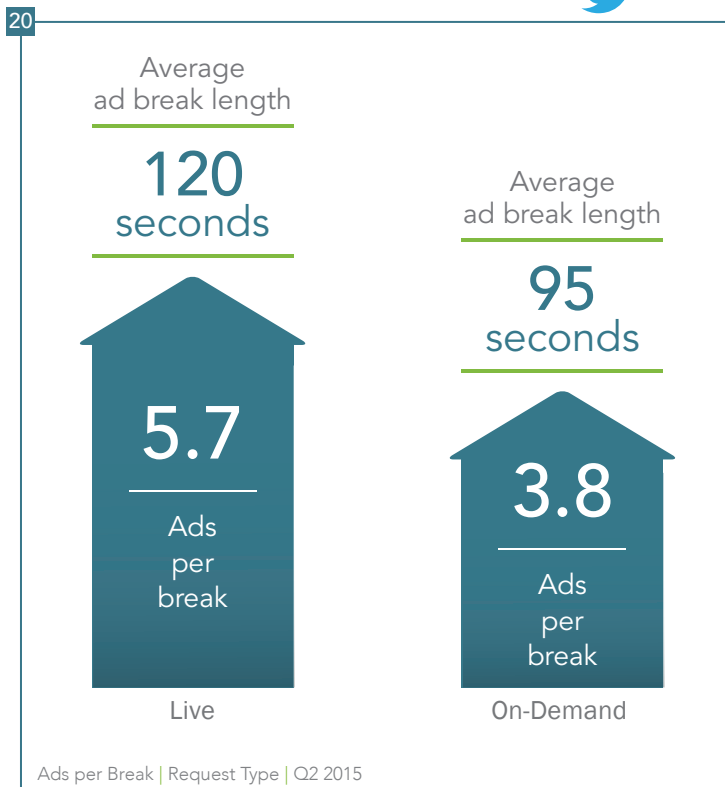
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VIEWER EXPERIENCE

More Bite Sized Ads

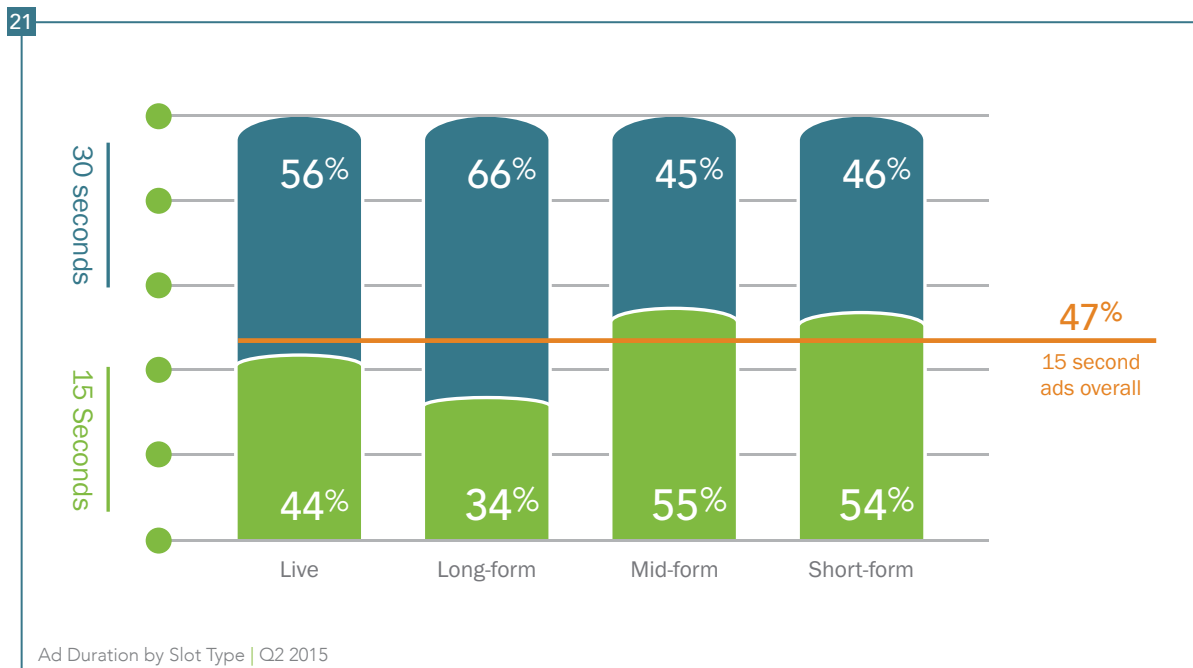
Digital Programmers are approaching linear ad loads across live environments with an average of 5.7 ads per mid-roll break lasting 120 seconds [see *chart 20*]. Live content tends to have longer ad breaks with heavier ad loads because its commercial break pattern is dictated by the linear stream, and proper monetization will prevent slates and lost ad opportunity.

On-demand content packs less of a punch with 3.8 ads at an average of 95 seconds per break, as Programmers are still wary of over saturating content viewers that have come to expect a lower ad load in the digital environment. Alternately, as the lines between linear and digital continue to blur, and digital grows as a whole, there will be a continued need for better optimization and planning towards television-style ad break patterns.



Shorter content durations lend to shorter creative: short- and mid-form content see about 55% of their creative at 15 seconds while long-form and live are skewed towards 30 second creative [see chart 21]. This demonstrates an understanding by content providers the need to improve the user experience, by matching

creative to content. Linear ad slots are designed for 30 second increments, but agencies are catching on to this growing truncated creative trend, and are starting to develop exclusive 15 second content to specifically meet digital demand.





Content providers
are improving user
experience by
matching creative
length to content

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The background of the image is a stack of electronic devices. At the top, there are several smartphones stacked on top of each other. Below them, a laptop is visible, showing its keyboard and trackpad. The entire image has a blue tint. The text 'FreeWheel' is in the top left, and 'ADVERTISING' is in a vertical bar on the right.

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ADVERTISING

Show Me the Money

The Consumer Packaged Goods (CPG), Retail, and Financial Services industries led advertiser verticals, each with 22%, 17% and 15% of the total monetization, respectively, this quarter [see chart 22]. These shares have remained relatively stable quarter-to-quarter, and largely reflect the composition of the linear television ad market. According to the IAB, Advertisers across the top industry verticals of Automotive, CPG, Retail, Financial Services, and Telecom report that they all plan to complement their broadcast and cable television spends with the digital avenues premium publishers offer.*

22



22%

Consumer Packaged Goods



17%

Retail



15%

Financial Services



12%

Auto/Gas/Manufacturing/Utilities



12%

Entertainment/Media



10%

Computing Products



6%

Telecommunications



6%

Other

Ad View Share by Advertiser Vertical | Q2 2015

* Source: IAB Digital Content NewFronts:
Video Ad Spend Study, April 2015

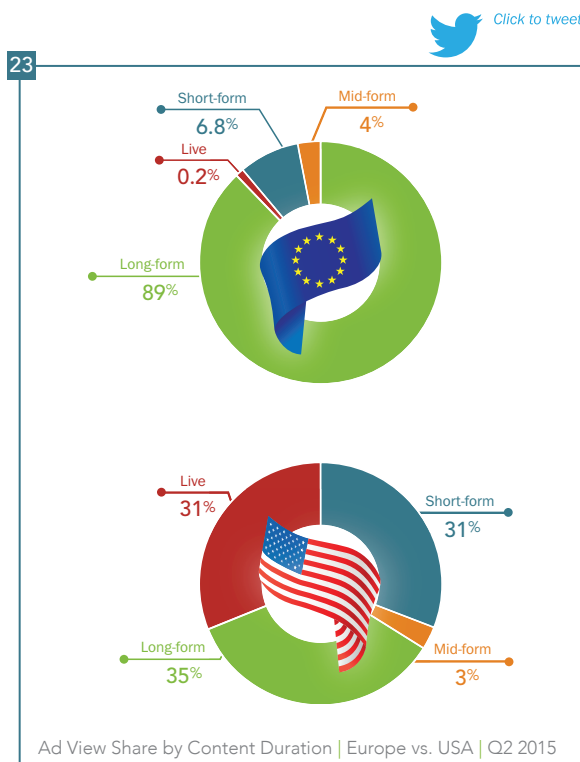
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EUROPEAN MARKET ANALYSIS



Liberal Access, Equal Quality, Fraternal Distribution

Looking over to Europe, Programmers almost exclusively monetize on long-form on-demand content, which accounts for over 89% of their total ad views. This is compared to just 35% for their American counterparts [see chart 23]. Additionally, European operators did not make significant shifts to capture more of the live market this quarter, and only saw 0.2%* of their dynamically served video ad views on live content, shrinking from 0.3% last quarter, a category in which U.S. Programmers saw an astounding 31% of their video ad views.



* Does not count linear ads stitched into live video streams. Includes only ads dynamically served by FreeWheel.

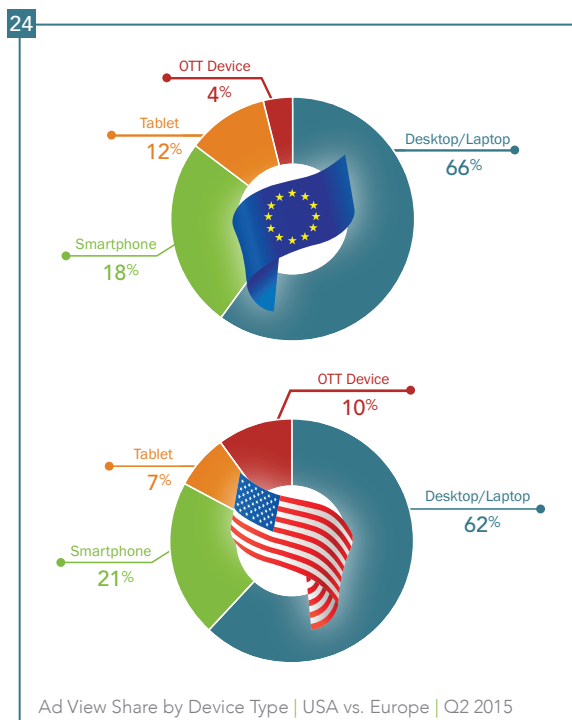


The similar breakdown of video ad view volume for both European and American Publishers points to the rapidly approaching consumption convergence of premium video content globally

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Three major reasons contribute to this oceanic divide between the two continents. First, digital sports in Europe is mostly sold as part of the linear TV bundle, so ads are pre-stitched into live streams. Second, the Dynamic Ad Insertion (DAI) tech stack is less mature in Europe and requires significant investment to build out. Third, European Programmers have not faced the same pressures on TV ad deals as U.S. Broadcasters.

In a promising note, the similar breakdown of video ad view volume across the four major device types for both European and American Publishers in Q2 2015 points to the rapidly approaching consumption convergence of premium video content [see chart 24].



ABOUT THIS REPORT

Massive shifts in consumer viewing habits, rapid changes in technology, and the importance of quality, premium content have created the new Premium Video Economy. FreeWheel's platform for video ad management and monetization powers the advertising businesses of the world's largest media companies, generating revenue for their ad-supported content on desktop, mobile, OTT, and traditional STB devices. The dataset used for this report is one of the largest available on the usage and monetization of professional, rights managed video content, and is comprised of over 125 billion video views in 2014.

The FreeWheel Video Monetization Report is released quarterly and highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content.

As part of this analysis, we grouped Publishers into two categories:

Programmers

- Programmers and Multichannel Video Programming Distributors (MVPDs) who generate the majority of their advertising revenue from linear TV services
- Offer diverse content mix on IP-based environments

Digital Pure-Play Publishers

- Generate majority of revenue from IP-based environments
- Aggregate third-party content and/or are developing original content

The *FreeWheel Video Monetization Report* is released quarterly and highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content

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