

# Film Industry Market Overview

24 August 2023



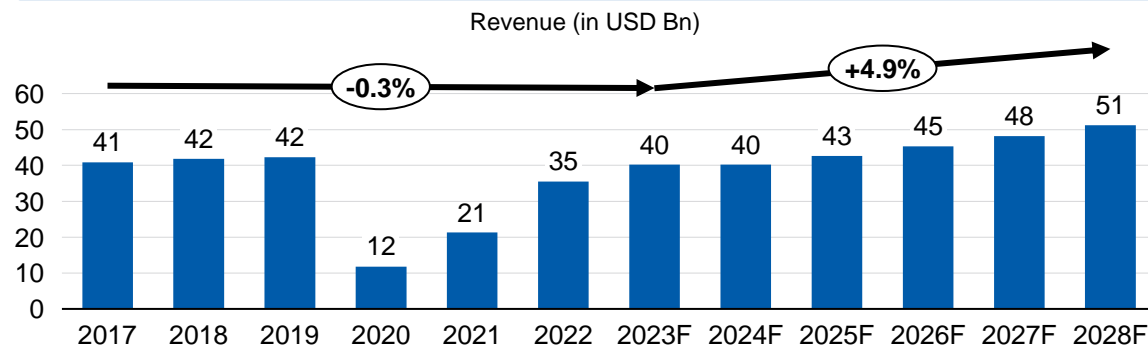
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# Cinema Market Overview

The cinema market is experiencing moderate growth globally at a rate of 4.9%, while in Indonesia, it is growing at a rate of 6.5%, driven by the increasing disposable income, new cinemas and strong film trends

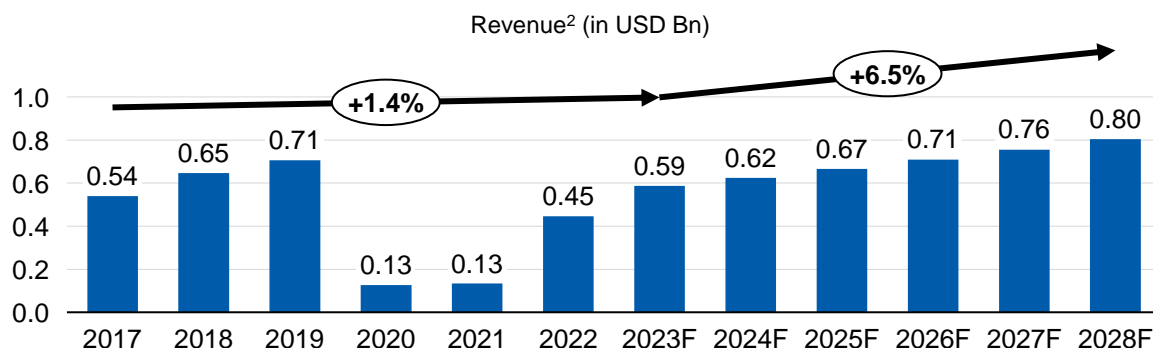
## Global Cinema Market is Growing with 4.9% CAGR from 2017 to 2028



Source: EY M&E Industry Trend 2022, Statista

The global theatrical and home entertainment market rebounded in 2021, reaching \$99.7 billion in consumer spending and surpassing 2019's value, according to The Motion Pictures Association. The growth is expected to increase by 6% from FY22F-28F.

## Indonesia Cinema Market is Growing with 6.5% CAGR from 2017 to 2028



Source: XXI, Statista, EY analysis

In the long run, there will be an increase in growth between 2023F-2028F due to Indonesia's economic recovery and population growth. However, the rising popularity of Over-The-Top (OTT) platforms poses a threat to the cinema industry in the future.

## Market Opportunity & Growth

- 1 Global market opportunity of the film industry is USD 51 Bn by 2028F with CAGR of 4.9% from 2023F to 2028F
- 2 Indonesian market opportunity of the film industry is USD 0.8 Bn by 2028F with CAGR of 6.5% from 2023F to 2028F

## Indonesia Cinema Market Key drivers

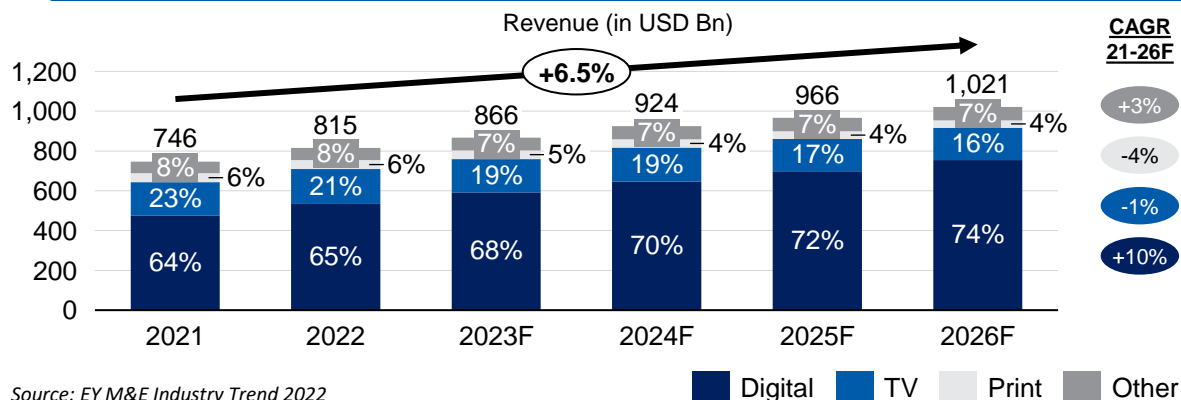
- 1 **Increasing Disposable Income of the Population**
  - In the 22-28 period per capita income is expected to grow at 3,1% in Indonesia, translating into a 2,5% growth p.a. in per capita yearly entertainment budget
  - Higher entertainment budget will be driving demand for cinema tickets and spending
- 2 **Opening of New Cinemas and Renovations**
  - The number of cinemas has increased from 191 in 2016 to 357 in 2022 – 96% located in malls – and it is expected to continue to expand following an additional 84 mall openings by 2028
  - Mall refurbishments and renovations of existing cinemas drives expansion of number of seats available and a more premium studio mix impacting average ticket price
- 3 **Strong Domestic and International Film Trends**
  - The cinema industry is poised for a boost in 2023 with strong international and domestic films, including *The Hunger games*, *The Nun 2*, *The Expendables 2* and *Danur 4*.
  - This trend extends into 2024 with anticipated hits like *The Lord of the Rings: The War of the Rohirrim*, *Kungfu Panda 4*, and *The Lion King*, drawing substantial crowds to Indonesian cinemas.

Note: 1) 1 USD = 15.000 IDR, 2) Includes ticket, F&B and advertisement

# Advertisement Market Overview

M&E industry has experienced a shift that digital media starts to catch up with traditional media

## Global Advertisement Market is Growing with 6.5% CAGR from 2021 to 2026F



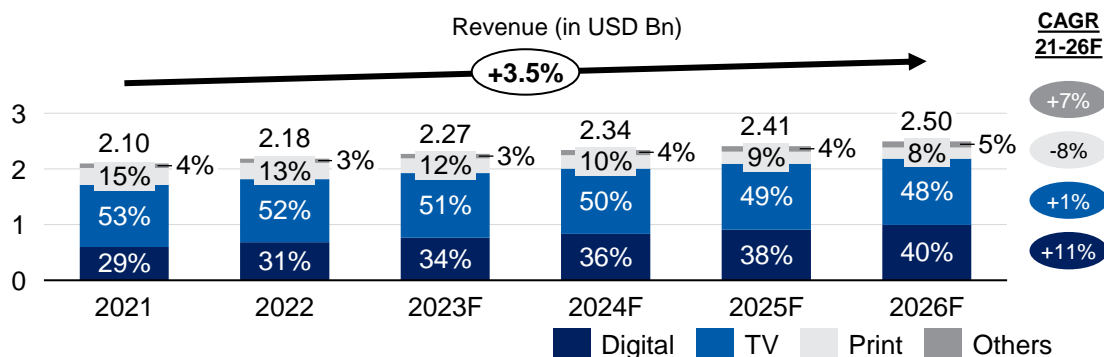
## Market Opportunity & Growth

- 1 Global market opportunity of the advertisement is USD 1,021 Bn by 2026F with CAGR of 6.5% from 2021 to 2026F
- 2 Indonesian market opportunity of the advertisement is USD 2.5 Bn by 2026F with CAGR of 3.5% from 2021 to 2026F

## Indonesia Advertisement Market Key drivers







- 1 **Increasing OTT consumption**  
In 2021, OTT consumption increased by 40% to 3.5 billion hours per month from the previous year's 2.5 billion hours.
- 2 **Rising number of viewers/subscribers**  
Significant increase is forecasted in the number of subscribers of OTT VOD with CAGR of 19.4% in FY21-24
- 3 **Increasing internet speed**  
Expansion of 4G network and faster bandwidth across the nation, as well as the introduction of 5G network in Indonesia led the OTT market growth, especially for SVOD. Several recent mergers have also contributed to the acceleration of internet speed, such as the integration of IndiHome and Telkomsel which expedited the IndiHome internet connection.

## Indonesia Advertisement Market is Growing with 3.5% CAGR from 2021 to 2026F





# Overview of collaborations of OTT Platforms and Production Houses

OTT Platform		Production House (PH)	Genre	Notable Original Titles	Viewership and Performance	Key Takeaway
International	NETFLIX		Western, Thriller, Mystery,	<b>Stranger Things</b> (Season 1-4) – Series	<ul style="list-style-type: none"> <li>Season 4 has 1,35 Bn hours and 286 Mn households watching during the first 4 weeks</li> <li>Nominated for many awards including Grammy, and Primetime Emmy Awards</li> </ul>	<ul style="list-style-type: none"> <li>International and regional OTT players have formed numerous collaborations with production houses to create specific content genres</li> <li>Certain OTT players, such as Disney and Vidio, have established their own production houses and leverage them to produce original content</li> <li>Content produced for OTT platforms mostly consists of series and shows that are not available in cinemas</li> </ul>
			Korean, Action, Thriller	<b>Squid Game</b> - Series	<ul style="list-style-type: none"> <li>1,7 Bn hours viewed in the first 4 weeks, making it the most watched series on Netflix</li> <li>Won Golden Globe and Primetime Emmy Awards</li> </ul>	
	Disney+		Western, Adventure	<b>The Mandalorian</b> (Season 1-3) – Series	<ul style="list-style-type: none"> <li>Season 2 was streamed 140 Mn hours within the first 8 weeks</li> <li>Nominated and won awards such as Grammy</li> </ul>	
			Western, Superhero	<b>Loki</b> – Series	<ul style="list-style-type: none"> <li>Streamed 90,3 Mn hours during the first 6 weeks of release</li> </ul>	
Regional	WeTV		Indonesian, Romance	<b>Layangan Putus</b> - Series	<ul style="list-style-type: none"> <li>Earned highest views at 15 Mn views/day</li> <li>5 Bn follows on TikTok and trending #1 in 15 countries in WeTV</li> </ul>	
			Indonesian, Romance	<b>My Lecturer, My Husband</b> (Season 1-2) – Series	<ul style="list-style-type: none"> <li>Highest views of 2,9 Mn views/day</li> <li>Made WeTV #1 Top OTT Apps in Indonesia in December</li> </ul>	
	Vidio		Indonesian, Romance	<b>My Nerd Girl</b> – Series	<ul style="list-style-type: none"> <li>18,1 Mn plays (4,1 Mn watchers) in 2022</li> </ul>	
			Indonesian, Romance	<b>Married with Senior</b> - Series	<ul style="list-style-type: none"> <li>11,9 Mn plays (3 Mn watchers) in 2022</li> </ul>	

 Affiliated PH  Non-affiliated PH

# Industry trends

## Media industry trends: value chain shifts, local content demand, ad opportunities, partnerships, IP utilization

important players shifting their position along the value chain to expand their business

Increasing consumer demand for locally produced content

Opportunities in advertising

Partnership Model

Leveraging intellectual property through sequels, multichannel distribution, merchandise, and others

**Netflix as OTT players create its own film (Netflix original series) by Acquired Albuquerque Studios in 2018.** The studio has served as the primary filming location for many of Netflix's original movies and shows, including **Stranger Things season four Season 4 (2022)**, which successfully generated **1.3 billion hours of views** making it its biggest English TV season ever. In addition, **Discovery and WarnerMedia merged to create Warner Bros. Discovery**, resulting in **expanded business with over 200,000 hours of programming and more than 100 brands**.

OTT players lease local content from local Production House to boost its revenue and subscribers i.e. **Wetv local content drove 71% of new user consumption on WeTV in 2021**, a strong indication that local titles play an outsize role in influencing consumer's decision to pay for content. WeTV originals Antares and Layangan Putus (both produced by MD Entertainment) were top streamed first titles. Similarly on **Disney+ Hotstar, acquired local movies drove 45% of first title consumption**, led by MD's The Heaven None Missed 3.

In the 2015 **James Bond film "Spectre,"** Mercedes-Benz vehicles were prominently featured, including the Mercedes-AMG GT sports car and the GLE Coupe SUV. This product placement helped to increase brand recognition and **drive sales for Mercedes-Benz**. According to a report by Business Insider, the product placement in "Spectre" generated an **estimated \$35 million in media value for Mercedes-Benz**.

In 2021, **Disney+ Hotstar partnered with Telkomsel** to offer affordable subscription packages to consumers. Telkomsel provided a package for Rp 39,000 per month or Rp 199,000 per year. Around 350,000 Telkomsel customers purchased Disney+ Hotstar subscription packages during that period. Additionally, **Vidio.com has formed a partnership with Axiata's XL**, providing free services since February 2022 and offering bonus Vidio Platinum subscriptions to XL, XL PRIORITAS, and AXIS customers.

- ▶ **Sequels and Franchises:** Companies can generate revenue by creating sequels and franchises for their intellectual property. For example, Marvel's cinematic universe has grossed over \$22 billion worldwide as of 2021.
- ▶ **Use content for various video formats such as movies, series, and cartoons:** "Kung Fu Panda" movies (3) grossed over \$1.8 billion worldwide. DreamWorks followed up with "Kung Fu Panda: Legends of Awesomeness" TV series (3 seasons, 80 episodes) based on the same character.
- ▶ **Multichannel Distribution:** By distributing intellectual property across multiple channels, companies can maximize revenue and reach a wider audience. For instance, Disney's release of Mulan on Disney+ through PVID generated an estimated \$33.5 million in revenue in its opening weekend, on top of its box office sales.
- ▶ **Merchandise:** Monetizing intellectual property through merchandise can provide additional revenue streams. For instance, the Harry Potter franchise has generated over \$7 billion in merchandise sales since its inception.
- ▶ **Theme Parks:** Creating immersive theme park experiences around intellectual property can generate revenue from ticket sales, merchandise, and food and beverage sales. For example, the Wizarding World of Harry Potter theme park generates an estimated \$260 million in annual revenue.
- ▶ **Video Games:** Branching out into video games allows companies to reach a different audience and generate additional revenue. For example, the Assassin's Creed franchise has sold over 155 million copies worldwide as of 2021, generating over \$10 billion in revenue for Ubisoft.

# Value Proposition

1

## High content variety and has been consistently outperforming the market

MD Pictures boasts a diverse content portfolio, comprising 167+ films and 17+ series spanning various genres. Their films continue to consistently outperform the market. After a successful box office run in 2022 with the release of KKN (the highest grossing title in the history of Indonesia), their streak continues in 2023 with the release of Sewo Dino. Once again dominating the box office, Sewo Dino secures its place at the top of the 2023 box office chart and becomes the 7th highest-grossing film of all time up until May 2023.

2

## MD using is able to monetize its IP Continuously

MD utilizes its intellectual property to generate continuous revenue by customizing the release strategy to maximize sales and viewership based on financial viability. This includes tailoring the cinematic release window and OTT platforms accordingly.

3

## One of the largest production house company for movie and series

In 2022, MD Pictures is producing 12 films for theatrical and digital release (e.g., Ku Kira Kau Rumah, Garis Waktu, I Need You Baby, KKN di Desa Penari, Ivanna, Naga Naga Naga, and Mendarat Darurat) and 4 series (e.g., 17 Selamanya, My Lecturer My Husband 2, Antares 2, and Kupu-Kupu Malam)

4

## MD Pictures is a one-stop production house generating hits local digital contents

MD Picture operates from creative development (exploration of ideas, IP acquisition & investment, developing script, and budgeting), pre-production, production, and postproduction (visual & audio editing, marketing, and distribution) and has secured multi-years licensing with major platforms such as Disney Hotstar+, Netflix and WeTV