

# Strategy

The international media industry is experiencing a major transformation, with huge opportunities for those who are prepared to shape the future.

To successfully transform RTL Group's business, two factors are particularly important. One is higher reach – combining linear and non-linear – which requires investments in content, marketing and a state-of-the-art streaming platform. The second is better monetisation of audience reach – via targeting and personalisation or

recommendation – which requires investments in advertising technology and data.

RTL Group's Board of Directors and Executive Committee have defined a strategy that builds upon three priorities:

- 1 Strengthening the Group's **core** businesses.
- 2 Expanding RTL Group's **growth** businesses, in particular in the areas of streaming, content production and technology.
- 3 Fostering **alliances and partnerships** in the European media industry.

## Core

### Strengthening RTL Group's families of channels

Wherever attractive opportunities arise, the Group **aims to consolidate** across its existing European broadcasting footprint – including through mergers and acquisitions – to create strong families of channels. The strategic rationale is about scale, pooling resources and creativity to compete with global tech platforms in the respective national markets. Instead of larger consolidation moves it requires higher investments in exclusive, local content to boost the growth of RTL Group's streaming services. It requires strengthening the Group's national and international ad sales businesses with its multi-client business as well as fostering distribution partnerships. And it requires investments in tech and data, streaming technology and addressable TV advertising.

In France, Groupe Bouygues, RTL Group, Groupe TF1, and Groupe M6 decided to abandon their plan to merge **Groupe TF1** and **Groupe M6** in September 2022, due to far-reaching demands from the French competition authority. In the Netherlands, the merger process of **RTL Nederland** and **Talpa Network** was stopped in January 2023, since the Dutch competition authority informed both parties that it will not approve the proposed merger. The parties regret that the authorities did not take into account the speed and extent of the changes in the French and Dutch media landscapes and the impact of these changes on local media companies.

In July 2021, RTL Deutschland acquired the outstanding 50 per cent of the shares in **Super RTL** from its previous joint venture partner, The Walt Disney Company. RTL Group's shareholding in Super RTL is now 100 per cent.

In January 2022, **RTL Deutschland fully acquired Gruner + Jahr's (G+J) German publishing assets and brands** from Bertelsmann<sup>17</sup>. As of 1 January 2022, G+J contributes popular and trusted brands such as *Stern* and *Geo* to RTL Deutschland. The combination further strengthens RTL Deutschland's position as partner of choice for Germany's creative talent and will boost the

growth of its streaming service RTL+, with investments in local content, positive entertainment and independent journalism, as well as technology and data. In February 2023, RTL Deutschland announced a reorganisation of its publishing business to focus on its core brands *Stern*, *Geo*, *Capital*, *Stern Crime*, *Brigitte*, *Gala*, *Schöner Wohnen*, *Häuser*, *Couch*, *Eltern*, *Chefkoch*, *Geolino* and *Geolino Mini*. Other brands will be sold or discontinued. RTL Deutschland will invest €80 million in its publishing business by 2025, €30 million thereof in the expansion of the paid offer Stern+ with complementary content from *Stern*, *Geo*, *Capital* and *Stern Crime*. The potential synergies of the transaction (Adjusted EBITA run-rate impact) are estimated at around €75 million per year, to be fully realised by 2025.

At the end of March 2022, RTL Group closed the sale of **RTL Belgium** to the Belgian media companies DPG Media and Groupe Rossel. In June 2022, RTL Group confirmed the close of the transaction to sell **RTL Croatia** to Central European Media Enterprises (CME).

Building and extending families of TV channels has been key to addressing increasing audience fragmentation and competition in a digital, multi-channel world, with the overall goal of maintaining or growing RTL Group's audience shares and net TV advertising market shares in the various countries. In past years, RTL Group's families of channels have been extended by **digital channels**, including Nitro, RTL Up, Vox Up, 6ter, and RTL Z.

Another focus for strengthening the Group's core business in broadcasting is to increase non-advertising revenue, by **further growing the revenue from platform operators (distribution revenue) and intensifying distribution partnerships**. RTL Group aims to receive a fair remuneration for its brands and programmes from the major distribution platforms – cable network operators, satellite companies and internet TV providers – for services such as high-definition TV channels, streaming platforms and digital pay channels.

<sup>17</sup> €210 million was already paid in 2021. The following Gruner + Jahr assets are not part of the transaction and will remain with Bertelsmann: DDV Mediengruppe (Sächsische Zeitung), Territory, ApplLike Group and G+J's 25 per cent shareholding in Spiegel Gruppe; on 1 April 2022 RTL Deutschland also fully acquired 50 per cent of Deutsche Medien-Manufaktur (DMM)

### Investing in content

In 2022, RTL Group spent around €4 billion on content, combining the programming spend of its broadcasters and the productions of its global content business, Fremantle.

Exploring all possible ways to develop and own new hit formats while continuing to grow the Group's investments in premium content is key to strengthening RTL Group's core businesses.

Investment in local, exclusive content – including the **rights for live sports events** – strengthens both RTL Group's linear TV channels, streaming services and its news and magazine formats. The following deals strengthen the Group's linear channels, helping to attract male audiences, and playing an important part in gaining new paying subscribers for RTL+ in Germany and Videoland in the Netherlands.

RTL Deutschland is home of the **Uefa Europa League and Europa Conference League**. In March 2023, it announced the renewal of the broadcasting rights for the seasons 2024/25 to 2026/27 and it additionally sub-licences the exclusive rights to 17 **Uefa Euro 2024 matches** from Deutsche Telekom. In addition, RTL Deutschland broadcasts half of all football matches of the **German national team** in the Uefa Nations League until 2028, and the **European Qualifiers** for both the Fifa World Cup 2026 and Uefa Euro 2028. In 2022, RTL Deutschland acquired the rights to broadcast all **National Football League (NFL)** matches including the Super Bowl until 2028 – starting from the 2023/24 season.

RTL Nederland acquired the rights to broadcast certain **Uefa Champions League** matches, starting with the 2021/22 season, for a period of three years. This is complemented by other sports rights such as the **Dakar motor sports series** until 2027 and the **Glory kickboxing fights** until 2024. Groupe M6 holds the rights to the **Uefa Europa League and Europa Conference League** for the 2022/23 and 2023/24 seasons, and is the official broadcaster of the **French national team**. In 2022, Groupe M6 acquired for the first time the free-TV rights of the **Uefa Champions League finals** in 2025, 2026 and 2027. The channel shares free-TV rights for 25 matches of the **Uefa Euro 2024** with TF1 and will also exclusively broadcast 18 matches of the 2023 **Rugby World Cup** in France.

### Managing the portfolio

RTL Group's management continuously reviews the Group's portfolio. In the past five years, RTL Group sold several non-core assets in Europe such as the football club Girondins de Bordeaux and the website MonAlbumPhoto in France, the home entertainment and theatrical distribution company Universum Film in Germany, the Vancouver-based digital video network BroadbandTV (BBTV), the US ad-tech company SpotX, the US-based mobile entertainment company Ludia and the US software and data company for media measurement, VideoAmp.

These disposals are consistent with RTL Group's strategy to focus on growing its European digital businesses in the areas of streaming and advertising technology, alongside the Group's global content business, Fremantle.

## Growth

### Building national streaming champions

RTL Group is building national streaming champions in the European countries where it has leading families of TV channels. Making the most of the Group's competitive advantage in local programming, these streaming services will complement global services such as Netflix, Amazon Prime and Disney+.

The strategy is rolled out through services such as RTL+ in Germany and Hungary, Videoland in the Netherlands and 6play in France.

RTL Group's services have gradually introduced a **hybrid business model** – consisting of various price packages. Lower-priced or free packages are predominantly or fully financed by advertising. The various premium price packages include, for example, several parallel streams on various devices, the live signal of RTL TV channels in HD quality and premium content bundles including the programmes of the Group's linear TV channels in the respective countries, plus premium content either exclusively produced or licensed from third parties.

At the end of December 2022, RTL Group registered **5.488 million paying subscribers** for its streaming services RTL+ in Germany and Hungary and Videoland in the Netherlands, up 44.3 per cent year on year (end of December 2021: 3.804 million).

The rapidly growing German streaming service was rebranded as **RTL+** in November 2021 and, on average, provides more than one original per week. In 2022, RTL+ was expanded to a cross-media entertainment service, comprising video, music and podcasts, which is a unique selling proposition in the German-speaking market.

As a consequence of these increased investments in RTL+ and following the strong growth of the Group's streaming services, RTL Group **raised its streaming targets** in November 2021 and will therefore grow:

- its **annual content spend** in RTL+ in Germany and Hungary and Videoland in the Netherlands to around €600 million by 2026
- the number of **paying subscribers** for RTL+ in Germany and Hungary and Videoland in the Netherlands to 10 million by the end of 2026
- its **streaming revenue** to €1 billion by 2026
- with the aim of reaching **profitability** by 2026. The peak of the investment (streaming start-up losses) is expected in 2022, with €233 million.

In November 2020, **RTL Deutschland** and **Deutsche Telekom** announced a **strategic partnership** to integrate the RTL streaming service RTL+ Premium within Deutsche Telekom's TV offer, Magenta TV. Since then, price plans for both Magenta TV Smart and Magenta TV Smart Flex have included RTL+ Premium with no additional fee for customers.

In March 2021, **RTL Deutschland** and **Sky Deutschland** announced an agreement for closer collaboration in the areas of streaming and content. **RTL+ Premium** has been available for an additional premium on the **Sky Q platform** since June 2021. In August 2021, RTL Deutschland also expanded its partnership with **Vodafone** in the areas of programme offerings, streaming and addressable TV advertising.

Groupe M6's streaming service **6play** is the ad-funded streaming service in France with 24.5 million active users. In October 2022, Groupe M6 launched 6play Max, a paid subscription video-on-demand version of 6play, developed by Bedrock. Within this subscription users can watch the available content without advertising, in full HD and including download features.

In November 2022, **RTL Hungary** launched its streaming service **RTL+**. The new service offers exclusive local content, which is a unique feature on the streaming landscape in Hungary, and is also based on the technology of Bedrock, RTL Group's streaming tech company. The previous services, RTL Most and RTL Most+, were integrated into RTL+ under the subscription packages RTL+ Light and RTL+ Active. Therefore, RTL+ has three models: a paid model without advertising, a TV subscription model, and a registration-based advertising-funded model.

### Expanding RTL Group's global content business, Fremantle

RTL Group's content business, Fremantle, is one of the world's largest creators, producers and distributors of scripted and unscripted content. Fremantle has an international network of teams across production and distribution, operating in 27 countries, being responsible for around 12,000 hours of programming per year, and distributing content worldwide.

Fremantle targets full-year revenue of €3 billion by 2025. To reach this goal and keep up with the increasing demand for content, RTL Group is investing significantly in Fremantle – both organically and via acquisitions – in all territories across **drama and film, entertainment and documentaries**.

Fremantle pursues three strategic goals:

- **Protect and grow the core:** Maintaining its position as a leading producer and distributor of quality programming by nurturing established brands such as *Idols*, *Got Talent* and *Farmer Wants a Wife*, while investing in creating new formats and brands and expanding the client base with global streaming platforms such as Netflix and Amazon Prime.
- **Grow drama, film and documentaries:** Fremantle has made a series of investments in talent and labels, to grow its drama, film and documentary business, being the best choice for talent. The company has strengthened its European footprint, expanded its scripted business in Latin America and invested in several production companies focused on documentaries with aims to become a leading producer of high-end documentaries.
- **Diversify the business with a portfolio approach** by exploiting new monetisation models such as direct-to-consumer and FAST channels. Fremantle has launched several FAST channels in the US such as Jamie Oliver, Baywatch, America's Got Talent, currently available on different platforms and has an ambitious plan to leverage its global footprint to grow the business internationally.

Given current market trends, drama series are key for RTL Group's expansion plans for both its streaming services and its global content business, Fremantle.

Fremantle continues to invest in high-end productions to **accelerate its growth in drama series, films and documentaries**. With a number of acquisitions – including Miso Film in Scandinavia, This is Nice Group in the Nordics, Wildside and Lux Vide in Italy, Kwai in France, Abot Hameiri and Silvio Productions in Israel, Dancing Ledge Productions, 72 Films and Wildstar Films in the UK, Passenger and Fabel in the US, Eureka in the US and Australia, and Element Pictures in Ireland – Fremantle has created a global network that now comprises 21 production sites.

Fremantle also bought minority stakes in a number of new production companies to secure first access to their creative talent and output. Working with world-class storytellers is key to Fremantle's scripted strategy. Fremantle – together with broadcasters and streaming platforms – delivered over 100 scripted productions including high-end-series, daily dramas and films in 2022.

As a result of this strategy, Fremantle generated 35 per cent of its total revenue in 2022 from drama and film productions.

#### Investing in technology and data

Combining key success factors of TV advertising – such as high reach, brand safety and emotional storytelling – with data and targeting offers significant growth potential for RTL Group's largest revenue stream: advertising. Addressable TV will grow available inventory, attract new advertisers and deliver higher CPMs.

RTL Group's largest unit, RTL Deutschland, is responsible for the Group's ad-tech business, **Smartclip**. The objective is to create an open ad-tech platform, based on the technology developed by Smartclip and tailored for the needs of European broadcasters and streaming services. Accordingly, RTL Deutschland will invest further in evolving and growing the Smartclip platform.

In May 2022, RTL Group's European ad-tech business, Smartclip, fully acquired the French ad-tech company **Realytics** – an acquisition that complements RTL Group's ad-tech stack. Realytics systematically analyses the impact of TV advertising on advertiser websites and ensures data availability for digital ad decisioning.

The tech platform for RTL Group's streaming services is built by **Bedrock**, a French technology company. A common platform allows RTL Group to bundle its investments in streaming technology. The Bedrock platform serves Groupe M6's streaming service, 6play, Videoland in the Netherlands, and RTL+ in Hungary.

With its European ad-tech businesses, RTL Group made significant progress in building an open European ad-tech platform and in tapping into the high-growth market of addressable TV (ATV) advertising. In 2021, it was predicted that in Germany alone, the market for addressable TV advertising was expected to grow to more than €500 million by 2025. Based on this prediction RTL Deutschland was expected to generate approximately €200 million in ATV advertising revenue by 2025. However, the macroeconomic environment in the past two years, the slower technical distribution of connected smart TV devices and set top boxes, and the acceptance of addressable TV advertising of advertising clients delayed the market growth. RTL Group now expects that RTL Deutschland will generate approximately €200 million in ATV advertising revenue by 2027, two years later than previously planned.

## Alliances and partnerships

In competing with the global tech platforms, new alliances and partnerships between European media companies have become increasingly important.

In autumn 2019, RTL Group's management started to promote new partnership opportunities – all based on the philosophy of bundling European broadcasters' resources to establish open and neutral platforms. RTL Group offers these partnership opportunities in areas such as advertising sales, advertising technology, streaming technology, content creation and data.

### Driving international advertising sales

One key development for RTL Group's largest revenue stream – advertising – has been the increased demand from advertisers and agencies for global ad-buying opportunities. Consequently, RTL Group is expanding its **international advertising sales** to give international advertisers and agencies easy access to the Group's large portfolio of TV and streaming services, digital video company and advertising technology, in a brand-safe environment.

In February 2022, RTL Group announced its decision to combine its fully-owned businesses RTL AdConnect, G+J iMS and the media division of Smartclip to create an international advertising sales champion called **RTL Ad Alliance**. RTL Ad Alliance will provide international advertisers with simplified access to a unique portfolio of media brands across TV, digital video, radio/audio, online, mobile and print.

### Building one-stop sales houses for cross-media campaigns

Ad Alliance, launched in Germany in 2016, offers high reach to advertisers and agencies, and is a one-stop-shop for the development of cross-media solutions and innovative advertising products. Its portfolio spans television, radio/audio, print, and digital. Ad Alliance is the only sales house in Germany that offers complex, all-media campaigns from a single source. After the sales house Media Impact (Axel Springer) became a partner of the German Ad Alliance for its digital inventory in January 2020, the companies agreed to intensify their partnership and expand their advertising sales cooperation to Media Impact's print titles, such as *Bild* and *Welt*, from January 2021. Together, the platforms of Ad Alliance reach 99 per cent of the German population. Ad Alliance remains open to additional partners.

RTL Nederland followed the German example by building an integrated advertising sales network for the Dutch market, also called Ad Alliance. The **Dutch Ad Alliance** integrates the sales activities of RTL Nederland, BrandDeli, Adfactor and Triade Media, and is also open to new partners.