



August 6, 2018

DEG: The Digital Entertainment Group today released its Mid-Year 2018 Home Entertainment Report compiled by DEG members, tracking sources and retail input. *

Home Entertainment Spending Rises 9% in Second Quarter 2018 To \$5.6 billion

Digital Sales Up 23% to \$4.2 billion; EST Rises 10% Despite Fewer Theatrical Titles

Sales of Ultra HD Product Doubles in First Half of 2018 from Year Earlier

Consumer home entertainment spending rose 9% in the second quarter of 2018 due to strong digital sales, video on demand and streaming subscriptions. Consumers continued to embrace 4K Ultra HD technology with purchases of TVs, players and discs, doubling their purchases of product to enjoy in the advanced format at home.

Among the highlights:

- Total U.S. home entertainment spending reached \$5.6 billion in the quarter, up 9% from \$5.1 billion in the year-earlier period. In the first six months of the year, total spending rose 9% to more than \$11.2 billion, from \$10.3 billion in the comparable period of 2017.
- Digital sales were again the driving force, with total spending, including streaming, rising 23% from the same period in 2017.
- Electronic sell-through (EST) spending climbed 10% compared to a year earlier, led by a 13% jump in theatrical EST. Results came even though fewer major theatrical titles were released in the quarter on home entertainment platforms, with total box office 20% less than that of films released for home viewing in the year-earlier period.
- Theatrical Video on Demand also was strong, rising nearly 25% as iVOD rose 24% from the year earlier period.
- Subscription streaming remained strong, rising 31% from the second quarter of 2017.
- More than 8 million 4K Ultra HD TVs sold in the first half of 2018, bringing the total number of U.S. households to 38 million. Approximately 1.7 million Ultra HD Blu-ray playback devices sold in the first half of the year (including game consoles). Growth of 4K Ultra HD content is expanding rapidly, with 344 4K Ultra HD titles available representing more than \$100 million in consumer spend for the first half of the year. There are also 473 4K titles available digitally. The DEG estimates that there are more than 125 million HDTV households representing all U.S. households.

If you would like to discuss the DEG's Mid-Year 2018 Home Entertainment Report, please contact the DEG at 424-248-3809.

* Please note, these numbers are preliminary. Final numbers will be available in early September. Please contact the DEG for an updated version.

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DEG REPORT: US CONSUMER SPENDING BY FORMAT 2018 MID-YEAR									
U.S. Consumer Spending									
(\$ in millions)	Q1-2017	Q1-2018	YOY	Q-2 2017	Q-2 2018	YOY	First Half 2017	First Half 2018	YOY
Sell-Thru									
Sell-Thru Packaged Goods All	\$ 1,177.91	\$ 1,058.93	-10.10%	\$ 1,130.50	\$ 887.73	-21.48%	\$ 2,308.41	\$ 1,946.65	-15.67%
Sell-Thru Including EST	\$ 1,749.76	\$ 1,682.64	-3.84%	\$ 1,630.83	\$ 1,440.45	-11.67%	\$ 3,380.59	\$ 3,123.09	-7.62%
Rental									
Brick & Mortar	\$ 107.10	\$ 87.97	-17.87%	\$ 100.01	\$ 81.62	-18.38%	\$ 207.11	\$ 169.59	-18.12%
Subscription (Physical Only)	\$ 122.85	\$ 99.75	-18.81%	\$ 117.08	\$ 93.84	-19.85%	\$ 239.93	\$ 193.59	-19.31%
Kiosk	\$ 356.92	\$ 278.97	-21.84%	\$ 325.13	\$ 289.23	-11.04%	\$ 682.05	\$ 568.21	-16.69%
Total Rental (excluding VOD)	\$ 586.88	\$ 466.69	-20.48%	\$ 542.22	\$ 464.70	-14.30%	\$ 1,129.09	\$ 931.39	-17.51%
Total Rental (including VOD)	\$ 1,163.06	\$ 1,018.29	-12.45%	\$ 1,054.59	\$ 986.18	-6.49%	\$ 2,217.65	\$ 2,004.47	-9.61%
Digital									
Electronic Sell-Thru (EST)	\$ 571.86	\$ 623.71	9.07%	\$ 500.33	\$ 552.73	10.47%	\$ 1,072.18	\$ 1,176.44	9.72%
VOD	\$ 576.18	\$ 551.60	-4.27%	\$ 512.37	\$ 521.48	1.78%	\$ 1,088.56	\$ 1,073.08	-1.42%
Subscription Streaming (SVOD)*	\$ 2,305.91	\$ 2,971.98	28.89%	\$ 2,416.80	\$ 3,157.94	30.67%	\$ 4,722.71	\$ 6,129.92	29.80%
Total Digital	\$ 3,453.95	\$ 4,147.29	20.07%	\$ 3,429.50	\$ 4,232.15	23.40%	\$ 6,883.45	\$ 8,379.44	21.73%
Total U.S. Home Entertainment Spending	\$ 5,218.73	\$ 5,672.91	8.70%	\$ 5,102.22	\$ 5,584.57	9.45%	\$ 10,320.95	\$ 11,257.48	9.07%
Box Office in Billions	\$2.55	\$3.59	40.99%	\$ 3.04	\$ 2.42	-20.40%	\$5.59	\$6.01	7.57%

*SVOD data sourced from IHS Markit (technology.ihs.com). Disclaimer: The data is not an endorsement and reliance is at a third party's own risk.

Disclaimer: This report contains information compiled from sources that the DEG believes have accurately reported such information, but which the DEG has not independently checked or verified. As such, the DEG does not warrant its accuracy or reliability. The report is not intended to provide investment or securities advice.