

Strategy

The international TV 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 – creating national media champions

Wherever attractive opportunities arise, the Group **aims to consolidate** across its existing European broadcasting footprint, including through mergers and acquisitions to create national cross-media champions. The strategic rationale is about scale, pooling resources and creativity to compete with global tech platforms in the respective national markets. It is about higher investments in exclusive, local content to boost the growth of the Group's streaming services. And it is about investments in tech and data and, in particular, addressable TV advertising. Hence, the following consolidation steps will create significant value for all shareholders through significant synergies.

In May 2021, Groupe TF1, Groupe M6, Groupe Bouygues and RTL Group announced they had signed agreements to enter into exclusive negotiations to merge the activities of **Groupe TF1** and **Groupe M6** and create a major French media group. The merger project was unanimously approved by the Boards of the four groups concerned. In July 2021, Groupe Bouygues and RTL Group signed agreements relating to the merger following the favourable opinions of the employee representative bodies. The completion of the transaction remains subject to conditions precedent, in particular the authorisations of the competent authorities¹⁹ and the general meetings of the shareholders of Groupe TF1 and Groupe M6. The potential synergies (Adjusted EBITA run-rate impact) are estimated at between €250 million and €350 million per year, to be fully realised by 2026. The transaction is expected to close at the beginning of 2023.

In June 2021, **RTL Group** and **Talpa Network** announced that they had signed agreements to merge their broadcasting and affiliated media businesses in **the Netherlands** and create a strong Dutch cross-media group. The merger will allow the combined group to step up investments in local content, streaming, technology and data, offering Dutch audiences the broadest spectrum

of high-quality entertainment and reliable information programmes. Both the Dutch creative industry and advertising market will benefit from the ambitious long-term strategy pursued by RTL Group and Talpa Network. The transaction is subject to approval from the competent authorities. The potential synergies of the merger (Adjusted EBITA run-rate impact) are estimated at between €100 million and €120 million per year, to be fully realised by 2025. The transaction is expected to close in the third quarter of 2022.

In June 2021, RTL Group announced that it had signed a definitive agreement for the sale of **RTL Belgium** to the Belgian media companies DPG Media and Groupe Rossel. The transaction – with total cash proceeds of €250 million – is subject to regulatory approvals and is expected to close at the end of March 2022. With this sale, RTL Group enables consolidation for other market participants.

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 for €213 million on a cash-free and debt-free basis²⁰. The potential synergies of the transaction (Adjusted EBITA run-rate impact) are estimated at around €100 million per year, to be fully realised by 2025. As of 1 January 2022, G+J contributes popular and trusted brands such as *Stern*, *Brigitte*, *Geo*, *Capital*, *Schöner Wohnen*, *Eltern* and *Art* 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, independent journalism, technology and data. A joint

¹⁹ The antitrust authorities (Autorité de la Concurrence) and media regulator (Autorité de Régulation de la Communication Audiovisuelle et Numérique)

²⁰ 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

editorial team with more than 1,500 journalists creates a journalistic powerhouse to deliver reliable news, investigative reports and features in all genres across TV, audio and print.

In February 2022, RTL Group announced that it had reached an agreement with Central European Media Enterprises (CME) for the sale of **RTL Croatia**. The total consideration to be paid at closing amounts to €50 million. In addition, RTL Group will benefit from royalties under a long-term trademark license agreement with CME. The transaction is subject to regulatory approvals and is expected to close in the second quarter of 2022.

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 keeping RTL Group's audience shares and net TV advertising market shares in the various countries stable or growing them. In recent 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**. RTL Group aims to receive a fair revenue share 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.

Investing in content

Every year, RTL Group invests around €3.5 billion in 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 are 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 and streaming services. For example, in January 2020, RTL Deutschland won the full and exclusive rights to broadcast and stream the Uefa Europa League and the newly established Uefa Conference League, starting with the 2021/22 season, for a period of three years. In March 2021, RTL Deutschland and Deutsche Telekom agreed on the sub-licensing of exclusive rights to 17 Uefa Euro 2024 matches, as part of the companies' strategic partnership, announced in November 2020. The agreement covers the broadcast of 14 group phase

matches, two round-of-16 matches and one quarter-final to be broadcast exclusively on free-to-air TV on RTL Television and live streamed on RTL+. These deals strengthen two of RTL Deutschland's linear channels – RTL Television and Nitro – and will play an important part in attracting new paying subscribers for RTL+.

RTL Nederland also acquired the rights to broadcast certain Uefa Champions League matches, starting with the 2021/22 season, for a period of three years.

Streamlining RTL Group's portfolio

RTL Group's management continuously reviews the Group's portfolio of assets. In the past four years, RTL Group sold several non-core assets in Europe such as the football club Girondins de Bordeaux and the website MonAlbumPhoto in France, and the home entertainment and theatrical distribution company Universum Film in Germany. In North America, the Group sold its digital businesses below due to limited synergy potential with its core businesses.

- In October 2020, RTL Group completed the sale of its digital video network BroadbandTV to BBTV Holdings Inc. for €102 million in cash.
- In April 2021, RTL Group sold its interests in SpotX to the US ad-tech company, Magnite. Since the announcement of the transaction on 5 February 2021, RTL Group exercised an option to increase the cash component of the transaction and received US-\$640 million (€587 million) in cash and 12.37 million shares of Magnite stock.
- In September 2021, Fremantle completed the sale of its 100 per cent shareholding in Ludia Inc. to US-based mobile entertainment company, Jam City, for US-\$165 million (€146 million) in cash.
- In January 2022, RTL Group sold its entire shareholding in VideoAmp, a US software and data company for media measurement, for US-\$104 million (€92 million) in cash.
- 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.

Increasing operational efficiency

Management continuously assesses opportunities to reduce costs and to reallocate resources to growth areas such as its streaming services. In December 2020, RTL Deutschland announced that it would free up resources for significant additional investments in streaming content, technology and data by reallocating budgets as well as through cost savings. The programme was implemented in the course of 2021, the cost savings will target overhead and structural costs such as events and travel, including personnel.

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 either through stand-alone services such as RTL+ in Germany and Videoland in the Netherlands, or through national partnerships such as Salto in France.

RTL Group's stand-alone services will gradually adopt a **hybrid business model** – consisting of various price packages. Lower-priced or free packages are predominantly 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.

On 31 December 2021, RTL Group registered **3.804 million paying subscribers** for its streaming services RTL+ in Germany and Videoland in the Netherlands – up 73.8 per cent year-on-year (31 December 2020: 2.189 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+ will expand to a cross-media entertainment service, comprising video, music, podcasts, audio books and e-magazines, which will be 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+ and Videoland to around €600 million by 2026 (previous target: around €350 million by 2025).
- ...the number of **paying subscribers** for RTL+ and Videoland to 10 million by the end of 2026 (previous target: between 5 and 7 million paying subscribers by the end of 2025).
- ...its **streaming revenue**, to €1 billion by 2026 (previous target: at least €500 million by 2025).
- with the aim of reaching **profitability** by 2026 (previous target: Adjusted EBITA breakeven by 2025). The peak of the investment (streaming start-up losses) is expected in 2022, with around €250 million.

In July 2020, RTL Nederland announced a **new hybrid model for Videoland**, adding an entry subscription model at a lower price including advertising, and a Plus subscription model enabling concurrent streams. This strategic step has opened up Videoland to advertising clients of the Dutch Ad Alliance.

In November 2020, **RTL Deutschland** and **Deutsche Telekom** announced a **strategic partnership**. The partners integrated the RTL streaming service RTL+ Premium within Deutsche Telekom's TV offer, Magenta TV. Since then, the 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. As part of the agreement, Sky exclusively sub-licenses Formula One free-to-air rights to RTL Deutschland for the 2021 and 2022 seasons.

In June 2021, **RTL Nederland** and **T-Mobile** in the Netherlands announced that Videoland will become part of T-Mobile's new Unlimited & Entertainment proposition. The new offer gives customers access to both Videoland Plus and Netflix Standard as well as unlimited 5G data, calling and SMS in the T-Mobile network in the Netherlands with an attractive price advantage.

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 more than 25 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 will invest significantly in Fremantle – both organically and via acquisitions – in all territories across drama and film, entertainment and factual shows and documentaries.

Fremantle pursues three strategic goals:

- Maintaining its position as a leading producer and distributor of quality programming by **nurturing established brands** such as *Idols*, *Got Talent* and *The Farmer Wants a Wife*, while investing in creating new formats and brands.
- **Diversifying its portfolio**. Fremantle has made a series of investments in talent and labels, to strengthen its capabilities in the scripted, entertainment and factual genres, and in building a new client base with global streaming platforms such as Netflix and Amazon Prime.

As part of Fremantle's growth plan, it established a new global documentaries division in May 2021 to significantly grow the company's high-end documentary business. Fremantle has already announced the production of a number of premium documentaries including *Arctic Drift*, *Veleno: The Town of Lost Children*, *Kingdom of Dreams* and *Phat Tuesdays*. Further growth drivers include the production of feature films such as *The Hand of God* and taking the opportunity of new monetisation models.

- **Maximising its global network** by increasing scale in strategic markets. The company has strengthened its Scandinavian and southern European footprint and expanded its scripted footprint in Latin America, Sweden, Norway and Spain.

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.

Since 2012, Fremantle has invested heavily in high-end productions, to **accelerate its growth in scripted series**. With a number of acquisitions – including Miso Film in Scandinavia, Wildside in Italy, Kwai in France, Abot Hameiri in Israel and This is Nice Group in the Nordics – Fremantle has created a global network that now comprises 20 production sites for drama series.

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 81 scripted productions across drama, film and soaps in 2021.

As a result of this strategy, Fremantle generated 29 per cent of its total revenue in 2021 from drama productions and expects this share to grow further over the coming years.

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. Market studies predict that addressable TV could account for 30 to 50 per cent of all TV advertising spend in Europe in the long term.

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 October 2021, RTL Group announced a comprehensive cooperation with the advertising technology company Amobee, to strengthen both companies' ad-tech businesses in continental Europe. As part of **TechAlliance**, RTL Group and Amobee will establish a jointly owned sales and services company for the ad-tech services of Amobee and Smartclip in Europe. The TechAlliance offering will also use Yospace's technology solutions. The agreement is subject to regulatory approvals and expected to close in the first half of 2022. TechAlliance will give advertisers programmatic access to the addressable TV inventory of broadcasting partners from RTL Group and Smartclip.

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, the French subscription service Salto, Videoland in the Netherlands, and the RTL streaming services in Belgium and Hungary.

Within the area of data, the open log-in standard **NetID** was developed by the European NetID Foundation and initiated by RTL Deutschland, ProSiebenSat1 and United Internet. The standard offers a single sign-on that can be used on numerous German websites, and which already has a reach of more than 35 million users.

In 2021, We Are Era launched the **Social Intelligence Hub**, pooling its data-driven services for brands, broadcasters, NGOs and platforms. It will offer partners psychographic and demographic insights and analyses covering communities across all social networks plus deep social listening insights about online conversations.

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 via RTL AdConnect

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 sales house, RTL AdConnect**, 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. To be more relevant in all key European markets, RTL AdConnect's portfolio also encompasses leading partners such as ITV in the UK, RAI in Italy and DPG Media in Belgium. Thanks to these partnerships, RTL Group is one of the only media companies in Europe that can **offer advertisers pan-European digital video campaigns**. In January 2022, RTL AdConnect entered into a partnership with NBCUniversal, which opens up new advertising opportunities for marketers across Europe, the US and Asia. NBCUniversal will represent RTL AdConnect's premium Total Video European portfolio to its clients based in China and the US, providing them with strong reach and powerful advertising solutions, including the

leading TV channels and digital platforms from RTL AdConnect's media partners in Germany, France, the UK, Belgium, the Netherlands and Luxembourg. 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. The new unit 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.