International Broadcaster
Digital Media Diversification Strategy

December 2012

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Executive Summary

ProSiebenSat.1 Case Study
Keshet Case Study
We have spoken to leading international broadcasters and concluded several digital diversification best practices.

Executive Summary

Broadcaster needs to adopt a 360 degree approach to online video content development...

...with a view to invest in adjacent digital assets that can generate synergy benefits.

- Expand into video-rich verticals
- Represent third party content
- Enter transactional VOD market
- Embrace multiplatform delivery

TV at Core

- Extend TV franchises through digital
- Examine media-for-equity opportunities
- Look at video-related verticals
- Partnership to enter casual gaming

Traditional broadcasters need to take calculated risk in digital investment.
We concluded that, historically, successful online video investments have taken 4 – 6 years to reach profitability.

Digital Diversification Investment Profile *(illustrative)*

- Top German premium video content portal that hosts all ProSiebenSat.1’s (P7S1) catch up content as well as UGC content uploaded by users
- P7S1 acquired 30% of MyVideo in 2006 for an undisclosed amount, and the remaining 70% for US$26 million
- Mako web portal, launched by Keshet Broadcasting in 2008, has become 3rd place amongst Israeli webportal within 4 years. It is expected to become profitable in FY13
- TVOD service launched by ProSiebenSat.1 (P7S1) in 2006 through a JV with an local ISP. It is now the largest TVOD player in Germany
- In 2010, the rest 50% of Maxdome was acquired by P7S1 for US$21.5 million

Source: Keshet, ProSiebenSat.1 media releases
Executive Summary

ProSiebenSat.1 Case Study
Keshet Case Study
ProSiebenSat.1 outperformed comparable broadcasters in Europe, through both of its diversification strategies.

**Prosiebensat.1 Group Revenue (€m)**

- **2009**: 2,372
  - Digital / Production: 295
  - FTA German: 1,698
  - CAGR: +10%
- **2010**: 2,601
  - Digital / Production: 312
  - FTA German: 1,867
  - CAGR: +6%
- **2011**: 2,756
  - Digital / Production: 344
  - FTA German: 1,937
  - CAGR: +6%

**Prosiebensat.1 Group EBITDA (€m)**

- **2009**: 590
  - Digital / Production: 58
  - FTA German: 458
  - CAGR: +34%
- **2010**: 787
  - Digital / Production: 70
  - FTA German: 631
  - CAGR: +6%
- **2011**: 847
  - Digital / Production: 82
  - FTA German: 666
  - CAGR: +6%

**EU FTA Broadcaster Relative Share Performance**

- **2010**: 379
- **2009**: 295

**Share price growth fuelled by advertising market recovery and strong performance in digital diversification.**

Source: ProSiebenSat.1 Annual Report
With a goal of 50% revenue independent of TV, P7S1 has established itself as one of the most successful FTAs diversifying into new media.

• Realising revenue growth will not exceed GDP growth, P7S1 starts to consider digital diversification from as early as 2000
• The current goal for ProSiebensat.1 is to generate approximately 50% of total revenues independently of the traditional TV advertising industry in Germany by 2015

**ProSiebenSat.1 Operation Contribution**

**Revenue Contribution (2011)**
- Digital: 11%
- Content Production: 2%
- FTA International: 66%
- FTA German: 20%

**EBITDA Contribution (2011)**
- Digital: 10%
- Content Production: 0%
- FTA International: 14%
- FTA German: 76%

**International Broadcaster Digital Revenue as % of Total Ad Revenue**

- M6 (2005): 4.9%
- M6 (2010): 8.0%
- P7S1 (2005): 6.8%
- P7S1 (2011): 11.0%
- TF1 (2011): 11.6%
- CBS (2009)*: 8.6%
- 7 (2011): 6.1%
- C4 (2010): 5.3%
- ITV (2011): 2.2%

Although online marketplace has contributed a significant portion of revenue, its EBITDA margin (4% - 5%) is significantly lower compared with digital media business (20% - 30%).

Failed to meet its target of 12.5% revenue deriving from digital in 2012.

Despite online marketplace's contribution, its EBITDA margin (4% - 5%) is significantly lower compared with digital media business (20% - 30%).

The current goal for ProSiebensat.1 is to generate approximately 50% of total revenues independently of the traditional TV advertising industry in Germany by 2015.
P7S1’s diversification included digital businesses across online advertising, paid VOD, games, music and ecommerce.

**Online Video**
- **Maxdome**: paid VOD service launched in 2006 through a JV with an ISP. It is now the largest TVOD player in Germany.
- **MyVideo**: fully acquired in 2007. MyVideo is the top German premium video content portal that hosts all P7S1’s catch up content as well as UGC content uploaded by users.
- Also sells video advertising on behalf of various third party websites.

**Leverage on TV Media**

**Content**

**Promotion**

**Media for Equity**

**Estimated Digital Revenue Split**
- Online Video: 22%
- Venture & eCommerce: 40%
- Games & Music: 39%

**Music**
- **StarWatch**: Launched in 2007, StarWatch is Germany’s second biggest domestic label.
- It currently manages 20+ artists and is looking to enter the live event ticketing market.

**Games**
- **Game Distribution**: assists third party publisher to distribute and market game titles.
- **Game Publishing**: acquired exclusive licences to distribute and operate online games across European countries (DC Universe Online, for example).
- **Aggregation Platform**: acquired multiple online free to play ‘casual game’ platforms.

**Ventures & Commerce**
- **SevenVentures**: digital VC fund that specialises in investing in early stage digital start-ups. Current has ~65 digital companies in its investment portfolio.
- In addition to typical cash-for-equity investment model, it also engages in media-for-equity deals that provides TV ad inventories to start-ups in exchange for equity.

Source: Company Reports
Established in 2006, P7S1’s pay VOD business, Maxdome, is now the leader in the video on demand market in Germany. Maxdome is Germany’s largest VOD library, backed by the content from ProSiebenSat.1.

In the first quarter of 2011, Maxdome recorded revenues of € 5.0 million and a net loss for the period of € 0.5 million.

Note: Active User is defined as users that stream at least 1 video per week.

Source: Prosiebensat.1 media releases, GfK Panel Service Germany.
Early mover advantage and large content library are amongst the factors contributing to Maxdome’s success.

**Maxdome Key Milestones**

**Service Launch**
- Maxdome was launched in 2006 as a joint venture between ProSiebenSat.1 and Germany’s second largest ISP, 1&1 (part of United Internet AG)
- 1&1 took care of bundling the service for their DSL customers while P7S1 mainly focused on the content library and on-air promotions via their TV channels

**Full acquisition**
- In December 2010, ProSiebenSat.1 acquired the remaining 50% of Maxdome from United Internet for €16.5 million, 6 million in cash in FY10, the rest deferred to FY14 (€ 8.2million if discounted)

**Key Success Factors**

**Early Mover Advantage**
- Launched in 2006, Maxdome is the first major TVOD player in the German market.
- The launch is 2 years ahead of iTunes, allowing Maxdome to build up its content library and subscriber base

**Large Content Library Backed by Own Production**
- Largest VOD library in Germany with 50k titles
- Capitalises on in-house content production and subsidies - provides exclusive access to ProSiebenSat.1 content prior to its broadcast on FTA
- Local content such as independent German films adds appeal to local audience
- Blockbusters from most major international studios

**Wide Reach and Flexible Payment**
- Provides all content models apart from premium pay TV
- Great flexibility for subscribers as all content is available on a transactional basis
- Aggressively integrating its services into many hybrid connected devices with the aim of being accessible to as many users as possible

**Accelerated growth since acquisition**
Since the full acquisition, Maxdome pushed aggressively while riding the mass adoption wave of connected devices

- **New blockbuster content deals:** Sony, Disney, NBC, FOX, Fremantle
- **New distribution deals:** Philips, Panasonic, Toshiba and Loewe
- **New mobile apps:** in the process of launching Maxdome apps on 14m smartphones and 2m tablets in Germany
- **New subscription model:** introduced SVOD subscription model that allows subscribers to access unlimited library content for €5 per month

Source: Prosiebensat.1 media releases
ProsiebenSat.1 Case Study

P7S1 has 48% share of online video ads in Germany, with more than half of the views from MyVideo

ProsiebenSat.1 AVOD Networks

Online TV Channel

Positioned as the aggregated video portal for premium video content in German

~ est. >400 million video views during 1H 2012 including UGC content

~ 100 million video views on mobile during 1H 2012

P7S1 Network

Branded TV catch up portal for individual channel / video online on online verticals

~ est. 500 million video views during 1H 2012

External Mandates

Sells premium ads for a variety of third party content sites

~ est. >400 million video views during 1H 2012 including UGC content

~ est. 500 million video views during 1H 2012

InStream video advertising market share in Germany (1H 2012)

- 23%
- 29%
- 48% P7S1 Sites
- IP Deutschland
  - ad sales agency for RTL (100% owned by RTL)
- Other

The three pillars of online video assets have an aggregated audience base of 26 million unique users and achieved 920m website video views in 1H2012 and 101m mobile video views

Source: Prosiebensat.1 media releases
Fully acquired in 2007, MyVideo has become the no.1 German video portal for premium content.

**MyVideo Monthly Unique Visitors (million)**

- P7S1 acquired 30%
- P7S1 took full control
- Push premium content

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitors (million)</td>
<td>3.6</td>
<td>6.6</td>
<td>5.8</td>
<td>8.6</td>
<td>7.9</td>
<td>8.3</td>
<td></td>
</tr>
</tbody>
</table>

FY09 active user data unavailable

**MyVideo Website Traffic**

- Annual Video Views (million)
- Monthly Visits (million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Views (million)</td>
<td>192</td>
<td>440</td>
</tr>
<tr>
<td>Monthly Visits (million)</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

Note: Active User is defined as users that stream at least 1 video per week.
Source: ProSiebenSat.1 media releases, GfK Panel Service Germany

ProSiebenSat.1 Group acquired 30% of MyVideo in 2006, with an option to take over full ownership at a later date.

In 2007, P7S1 acquired the remaining 70% for US$26 million.
ProSiebenSat.1 Case Study

Started as a UGC video portal, MyVideo has been transformed into a online TV channel for quality entertainment content

MyVideo Growth Horizon

2006 - 2008 2009 2010 2011 2012

Building popularity Transformation One Stop Entertainment ‘TV Anywhere’

UGC Video Portal

• Building popularity
• Mostly UGC content

Building Premium TV

• With best of UGC, music and TV

Best of TV & Music

• Extending professional content
• Short clips and full episodes

• Major video platform with a maximum of professional content
• In TV-quality

• Accessible on all Internet channels and devices

Source: ProSiebenSat.1 media releases
ProSiebenSat.1 Case Study

**MyVideo’s success is attributable to its strategy of positioning itself as a destination for premium video content**

<table>
<thead>
<tr>
<th>MyVideo Core Content Pillar</th>
<th><strong>TV Series / Shows</strong></th>
<th><strong>Music Videos</strong></th>
<th><strong>Movies</strong></th>
<th><strong>Web Channels</strong></th>
<th><strong>Live Shows</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Over 200 P7S1 series and shows – all on one platform</td>
<td>• Largest fully VOD licensed legal music platform</td>
<td>• Leading platform with over 1,600 free movies generating 1.3m video views per month</td>
<td>• Web-only premium channels (&gt;800) for most famous artists and brands</td>
<td>• 2 weekly web star live formats (more to come)</td>
<td></td>
</tr>
<tr>
<td>• Online-first airings of premium TV content</td>
<td>• Over 40,000 legal music videos and specials</td>
<td>• Exclusive previews of current box office movies</td>
<td>• Genre channels: games, comedy, sports, entertainment etc</td>
<td>• Web-only live TV events: games, sports and music, with gaming the mostly popular show</td>
<td></td>
</tr>
<tr>
<td>• 4.1m monthly video views</td>
<td>• 30.9m monthly video views</td>
<td>• 1.3m monthly video views</td>
<td>• 2.8m monthly video views</td>
<td>• 4.7m monthly video views</td>
<td></td>
</tr>
</tbody>
</table>

To date, MyVideo has a **library of >165,000 premium quality videos**. ProSiebenSat.1 differentiates itself from global video portals such as YouTube and Dailymotion by positioning itself as the go-to destination for premium online content. As a result, MyVideo is able to win the more valuable video views for advertising.
P7S1 operates a dedicated digital investment VC fund and operates media-for-equity investment scheme

SevenVentures Digital Investments

Media Investments

SevenVentures Operating Performance

<table>
<thead>
<tr>
<th>Revenues (EURm)</th>
<th>Impact on Group EBITDA (EURm)</th>
<th>Portfolio Size (# companies*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>42.0 2011</td>
<td>42.0 2011</td>
<td>42.0 2011</td>
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<td></td>
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<td>65.0 2012e</td>
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</table>

Notes: *Portfolio at end of year
Source: Prosieben Sat ‘SevenVentures’ presentation

- P7S1 enjoys a high degree of freedom in digital investment, as P7S1’s board recognise the risk of early stage digital companies (~ 1 in 10 in the investment fund will become successful)

- ProSiebenSat.1 bundles the group’s online investments under a venture capital fund named SevenVentures, which selectively invests in attractive digital businesses

- Apart from the usual cash for equity deals, the VC fund also operates two alternative models: media-for-equity and media-for-revenue - this involves companies being allotted advertising time in return for revenue or equity shares.
SevenVenture is moving its investment from media into ecommerce verticals as well as digital ecosystem

SevenVentures is aiming to increase level of involvement in the eCommerce space in order to further grow ROI

ProSiebenSat.1 have identified seven target segments most responsive and adjacent to TV media. In particular, its investment in travel verticals and online market places has proved to be very successful.
P7S1’s music business has been focusing on talent management but is now expanding into ticketing & streaming

Starwatch Growth Horizon

2006 - 2007 - 2008-09 - 2010-12

The Beginning

- Starwatch Music was created under MM Merchandising Media
- Became a music label and partnered with Warner Music

Growth Period

- Strong growth
- Became 2nd largest domestic label in Germany
- Roger Cicero became the first artist under Starwatch to reach platinum status

New Partners

- Renamed Starwatch Entertainment
- Started a live ticketing business and is expanding into broadcast & streaming
- Created TMA, a talent management platform

New Direction

- Partnering with major music labels to produce and distribute for the talent under its management
- Synergy from promoting artists through TV shows / TV ad time
- Expanding into digital by launching a live ticketing website
Recognising a large gamer base amongst its audience, P7S1 launched a gaming business that has achieved rapid growth.

### TV Channels Watched by Gamers

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ProSieben</td>
<td>51%</td>
</tr>
<tr>
<td>Sat.1</td>
<td>27%</td>
</tr>
<tr>
<td>kabel eins</td>
<td>16%</td>
</tr>
</tbody>
</table>

P7S1 recognises that 70% of all German gamers are watching P7S1 channels.

### P7S1 Gaming Business Growth Path

- **2008**: Acting as a distributor for other publishers
- **2009**: Double digit revenue growth
- **2010**: Launched ~20 titles, started first social gaming platform
- **2011**: 85% revenue growth
- **1H2012**: 143% revenue growth

- **Strategy**
  - Three digit revenue growth
  - Double digit revenue growth
  - Launched ~13 game titles
  - Acquired aggregation platform for online browser games
  - Continuously expanding online player base

### P7S1 Game Revenue by Geography (1H 2012)

- **Total Revenues**
  - Non-Germany: 55%
  - Germany: 45%
- **Paying users**
  - Non-Germany: 68%
  - Germany: 32%
- **Active Users**
  - Non-Germany: 77%
  - Germany: 23%

Note: Active User is defined as users that stream at least 1 video per week.
Source: Prosiebensat.1 media releases, GfK Panel Service Germany
ProSiebenSat.1 Case Study

ProSiebenSat.1 gaming has evolved from a pure distributor to a publisher, with a focus on online free-2-play games

ProSiebensat.1 Game Business Models

**Distribution**

*Distribution of third party games*

- Major Partners
  - EA
  - Bigpoint

**Licencing**

*Publisher of licenced games*

- Major Partners
  - SOE
  - Gazillion

**Aggregating**

*Acquiring online free to play games portal*

- Example Assets
  - burda:ic

- Acquired burda:ic, one of the leading European publishers of free online games. burda:ic's "alaplaya" games platform alone is used by around 7 million players.
- July 2012, EA games signed a deal with ProSieben to deliver free-to-play games to ProSieben’s gaming sites, such as browsergames.de, which has 1.8 million visitors a month.

ProSiebenSat has immersed itself in the gaming market. Its initial efforts at collaborating with producers has now detoured down an alternate route, with the company positioning itself to capture market share both at the distribution and direct consumer level, particularly in free-to-play online games.

Source: ProsiebenSat.1 media releases
P7S1 is now on track to reach a revenue growth target of €750 million, with digital responsible for ~33% of the total growth.

ProSiebenSat.1 Revenue Growth Projection (€ m)

- The €250m Digital adjacent growth will primarily come from:
  - online video: expand MyVideo into online TV channel, maintain leadership in paid VOD market
  - online games: growth from secured blockbuster titles and international media partnerships
  - ventures & ecommerce: focus on ecosystem building
  - music: expansion into ticketing/streaming

Already achieved 50% of digital revenue growth goal in mid 2012
Key Takeaways

**Early Mover Advantage**
- Investment in key growth areas early
- Both investment in Maxdome and MyVideo are ahead of competition, helping ProSiebenSat.1 to gain market traction

**‘Digital First’**
- ProSiebenSat.1 started to position digital as a part of its core growth strategy after recognising in early 2000 that growth in TV advertising market was slowing
- Set a revenue goal – ProSiebenSat.1 has a revenue goal: to generate 50% of total revenues independently of the traditional TV advertising by 2015

**Take Calculated Risk**
- By its nature, investment in digital start-ups is deemed to be risky – the board needs to be prepared to accept that, on average, only 1 in 10 will be very successful
- Develop deep expertise in digital investment in order to better assess and mitigate risks

**Leverage on TV Synergy**
- Generate synergy benefits from diversification business
- Leverage TV promotion power – P7S1 used its TV reach to promote its diversification businesses heavily and also exchanged it for equity

**Invest in Adjacent Digital Business**
- Investigated opportunities in adjacent businesses, particularly in marketplace
- ProSiebenSat.1 achieved reasonable success particularly in travel verticals
Executive Summary

ProSiebenSat.1 Case Study

Keshet Case Study
Keshet is a leading Israeli commercial FTA broadcaster, but operating in a TV ad market which has been stagnating.

### Estimated Israel TV Advertising Revenue ($USm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($USm)</th>
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<tbody>
<tr>
<td>2007</td>
<td>306</td>
</tr>
<tr>
<td>2008</td>
<td>348</td>
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<tr>
<td>2009</td>
<td>342</td>
</tr>
<tr>
<td>2010</td>
<td>359</td>
</tr>
<tr>
<td>2011</td>
<td>370</td>
</tr>
<tr>
<td>2012</td>
<td>348</td>
</tr>
</tbody>
</table>

**Source:** Zenith, Israel Audience Research Board

### Israel Commercial FTA Audience Ratings (Jun-12)

- **Keshet:** 42.1% (2007), 43.4% (2008), 43.2% (2009), 44.7% (2010), 48.5% (2011), 49.6% (2012)
- **Reshet:** 42.1% (2007), 39.8% (2008), 36.2% (2009), 37.5% (2010), 31.4% (2012)
- **Channel 10:** 15.8% (2007), 16.8% (2008), 25.1% (2009), 19.1% (2010), 14.0% (2011), 19.0% (2012)

**Source:** Zenith, Israel Audience Research Board
As such, Keshet has started aggressive digital expansion from 2008, with diversifications ranging from online verticals to ecommerce.

Leverage Content

Provide Expertise

Promotion

2008 Organic Expansion

2008 JV

• Mako web portal, launched in 2008, has secured the 3rd place amongst Israeli leading websites. The site reaches 40% of the population, 2.5 m people monthly
• Has a variety of digital assets covering various verticals ranging from music to fashion

2008 Acquisition

Online Verticals

Mobile Application Development

Online Website Directory

• Mako Mobile is a leading production and development house, specialising in the design and creation of mobile applications
• Mako Mobile also delivers various cellular services for all Keshet Broadcasting’s programming and online properties

• Jointly launched by Keshet and The Box, a internet advertising and technology company
• Screenz is an app development company that specialises in developing tailored interactive mobile apps/widgets that interact with TV content
• External clients includes ProSiebenSat.1, Disney, Fox

• Netex New Media offers the largest Hebrew-language website directory, which refers its visitors to content on other websites
• Acts as a hybrid search engine, Netex is a browser add-on app that enables personalised searches results for relevant Hebrew websites

• Launched in November 2010, Netex's Buy2 is now a leading daily deal service in Israel

Recognising the slow growth in the TV sector, Keshet started to establish its digital diversification strategy from 2006 and launched Mako in 2008. To date, it is estimated that 5% - 10% of Keshet's total revenue is from digital diversification.

Source: ProSiebenSat.1
By leveraging its TV content, Mako is able to break into the web portal market and become the 3rd largest player within 4 years.

Mako’s success is primarily driven by its ability to leverage its popular TV content – Mako is ranked the top destination for long form video content by traffic.

Video advertising represents a large portion of Mako’s revenue.
Mako also operates a variety of online verticals and mobile apps to attract Israeli audiences and promote its TV content

### Mako Online – Major Online Verticals

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FF</td>
<td>Fashion Forward is Israel's first online fashion magazine and the only Israeli website devoted entirely to fashion</td>
</tr>
<tr>
<td>N9</td>
<td>Nine Months is a dedicated online resource for expecting parents</td>
</tr>
<tr>
<td>BIP</td>
<td>BIP is a comedy website with a dedicated original content team</td>
</tr>
<tr>
<td>PZM</td>
<td>PZM is the largest soldier orientated site in Israel</td>
</tr>
<tr>
<td>Styleriver</td>
<td>Styleriver is an eCommerce site that specialises in fashion items</td>
</tr>
<tr>
<td>Ocheltov</td>
<td>Ocheltov is a leading food and recipes site</td>
</tr>
<tr>
<td>HIX</td>
<td>Collection of strange and interesting stories</td>
</tr>
<tr>
<td>Shironet</td>
<td>Shironet is an Israeli music lyrics site</td>
</tr>
</tbody>
</table>

### Mako Mobile Apps

- Produces and develops multiple mobile apps that complement Keshet's broadcasting assets
- Developed over 25 mobile apps in the last year
- The catalogue includes Mako apps, Keshet's shows and several designated content and games.

### Estimated Reach of Mako Mobile Apps

- **25%** Installed Mako Apps
- **75%** Not Installed

Keshet has many online assets that cover a wide range of verticals. Mako’s main news site has sections that link directly to these online assets, helping to promote smaller sub communities.

Keshet has been using mobile applications to promote TV content – according to Mako, some TV shows have achieved ~10% - 15% increase in viewership through tie-in mobile apps.
Based on its successful experience with mobile, Keshet launched Screenz to develop white label apps for 3rd parties

Screenz Business Model

- The success in promoting its own TV content through in-house developed mobile apps, prompted Mako to launch an app development business through joint venture with The Box, a international content and advertising company, in 2012

- Screenz helps media companies to develop and commercialise digital products with the primary focus on mobile and second-screens

- Recently formed a partnership with ICM Partners to establish The Venture, which will develop second-screen entertainment platforms, allowing users to experience traditional media in a more interactive way, by connecting them to one another on social media platforms

Example Work - TV Show Tie-ins

Play-Alongs:
Tie-in with quiz TV shows; tailor made app that allows users to play TV game shows with their Facebook friends

Animation Generator:
Tie-in with multiple TV franchises; app that allows users to film and record animation from any existing film or TV series for the fans to play with and make their own

Music Algorithm:
Tie-in with music channel; mobile app that creates audio/video greeting cards based on one input sound

Example Clients

Note:
Source:
**Netex New Media operate across both search and ecommerce space**

**Netex - Online Website Directory**
- A search engine tool that customises Google to offer personalisation options for searching Hebrew websites. To date, its web search tool has an installation base of over 3 million.
- Jointly owned by Keshet and Netex Corporation, a international internet navigation technology company. The cooperation saw Keshet provide television advertising for the company during its first three years and had an option to increase its share in the partnership at the end of 2010 for a further investment.

**Buy2 – Online Group Buy**
- Launched in 2010, BUY2 is Israel's largest daily deal site based on total Facebook friends and average revenue per deal.
- On August 3rd, 2011, BUY2 bought out competitor Deal Hayom (had ~7% market share at that time) for US$568,000.
- The success of Buy2 is partially attributed to the ‘free’ promotion on both Keshet’s poplar web portal Mako and its TV channels.

**Estimated Hebrew Search Market Share**
- 50% Netex
- 50% Others

**Estimated Israeli Group-buy Market Share**
- 25% BUY2
- 75% Others
Key Lessons from Keshet digital diversification case study

Key Takeaways

Be a digital leader in domestic space
- Closely observe successful overseas digital models and be one of the ‘first’ in the domestic market to roll out such models (Buy2)
- Provide a high degree of freedom for the digital division to experiment and develop new business models (Screenz) …
- …and share risk through JV if the project is deemed risky

Leverage TV Power
- TV content and promotional power are the key to drive diversification growth
- Expand upon the core attraction - video content – to build multiple verticals
- Keshet was able to use both its web portal and TV to promote its other digital businesses such as Buy2 to gain competitive edge

Leverage Mobile App
- Experiment with using second screen (mobile game tie-ins for example) to promote TV content
- Keshet has achieved success in promoting its TV show through ‘second screen’ media tie-ins. According to Mako, for some shows the ratings were boosted by ~10%
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