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DEG's Year-End 2012 Home Entertainment Report, compiled with data by DEG members, tracking sources and retail input.

Home Entertainment Moves Toward Growth in 2012 -- Consumer Spending Tops \$18 Billion For 11th Consecutive Year

**Electronic Sell-through Spending Jumps 35 Percent for the Year
Adoption of Blu-ray Disc Accelerates As Spending Rises Nearly 10 Percent**

Resilience, adaptability and innovative delivery channels characterized the home entertainment industry in 2012. Total consumer spending on home entertainment topped \$18 billion for the year. The industry's highest margin businesses, Blu-ray Disc, electronic sell-through (EST), and video on demand (VOD), continued to grow during every quarter of the year. Further, in just over a year since its launch, UltraViolet has achieved significant milestones in industry and consumer adoption and is rapidly becoming an integral part of the home entertainment landscape. The increased availability of content, along with a broader range of UltraViolet-enabled services and platforms in the marketplace, contributed to an enormous boost in EST spending for the year.

Among the highlights for 2012:

- Blu-ray Disc spending rose nearly 10 percent for the year. Consumers have clearly adopted Blu-ray as the standard for home entertainment viewing, with spending on Blu-ray catalog titles jumping 25 percent for the year.
- Consumers also increasingly online casino purchased their entertainment via EST. Consumer spending on EST climbed 35 percent compared to 2011. Total digital distribution spending, EST and VOD combined, grew 28 percent for the same period. Total digital now accounts for nearly 30 percent of the domestic home video market, up from 19 percent compared to 2011.
- Consumers embraced UltraViolet as a substantial number of new titles became available. To date, more than nine million UltraViolet accounts have been created, more than double the number as of June 2012, and 8,500 UltraViolet-enabled titles are now available from nine major content providers: Anchor Bay Entertainment, BBC, DreamWorks Animation, Lionsgate, Paramount Home Media Distribution, Sony Pictures Home Entertainment, Twentieth Century Fox Home Entertainment, Universal Studios Home Entertainment and Warner Bros. Home Entertainment.
- Consumers are now making Blu-ray Disc players integral to their consumer home entertainment experience. The number of Blu-ray homes continues to steadily grow, climbing 7 percent for the year (including BD set-tops, PS3s and HTiBs.) Total household penetration of all Blu-ray compatible devices now stands at close to 51 million U.S. homes according to numbers compiled by the DEG with input from retail tracking sources.

- Further, consumers enhanced their home entertainment experience by purchasing more than 39 million HDTVs in 2012. HDTV penetration is now at more than 108.4 million U.S. households according to numbers compiled by the DEG with input from retail tracking sources.

The top selling home entertainment titles released in 2012 at year's end were:

1. *Avengers*
2. *Hunger Games*
3. *Dark Knight Rises*
4. *Twilight Saga: Breaking Dawn – Part 1*
5. *Brave*
6. *Ted*
7. *Dr. Seuss' The Lorax*
8. *Sherlock Holmes: A Game of Shadows*
9. *Madagascar 3: Europe's Most Wanted*
10. *Puss in Boots*

If you would like to discuss the DEG's Year-End 2012 Home Entertainment Report, please contact the DEG at 424-248-3809.

2012

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EXTERNAL - FINAL						
	Q4			YTD thru Q'4		
<u>U.S. Consumer Spending</u>						
(\$ in millions)	2011	2012	YOY	2011*	2012	YOY
Sell-Thru Packaged Goods -All	\$ 3,338.94	\$ 3,060.27	-8.35%	\$ 8,951.80	\$ 8,462.18	-5.47%
Sell-Thru (including EST)	\$ 3,535.57	\$ 3,355.24	-5.10%	\$ 9,554.65	\$ 9,273.70	-2.94%
Rental:						
Brick and Mortar Rental	\$ 350.73	\$ 332.79	-5.12%	\$ 1,599.21	\$ 1,216.02	-23.96%
Subscription (physical only)	\$ 411.39	\$ 284.76	-30.78%	\$ 1,741.22	\$ 1,258.09	-27.75%
Kiosk	\$ 456.91	\$ 492.44	7.78%	\$ 1,676.46	\$ 1,937.77	15.59%
Total Rental (excluding VOD)	\$ 1,219.03	\$ 1,109.99	-8.95%	\$ 5,016.88	\$ 4,411.89	-12.06%
Total Rental (including VOD)	\$ 1,702.20	\$ 1,648.24	-3.17%	\$ 6,801.31	\$ 6,389.09	-6.06%
Total Subscription (Streaming & Disc)	\$ 917.69	\$ 939.48	2.38%	\$ 3,344.36	\$ 3,595.53	7.51%
Digital:						
Electronic Sell-Thru	\$ 196.63	\$ 294.97	50.01%	\$ 602.85	\$ 811.52	34.61%
VOD	\$ 483.17	\$ 538.25	11.40%	\$ 1,784.43	\$ 1,977.21	10.80%
Subscription Streaming	\$ 506.30	\$ 654.73	29.32%	\$ 1,603.14	\$ 2,337.43	45.80%
Total Digital	\$ 1,186.10	\$ 1,487.94	25.45%	\$ 3,990.42	\$ 5,126.16	28.46%
Total U.S. Home Entertainment Spending	\$ 5,744.07	\$ 5,658.21	-1.49%	\$ 17,959.10	\$ 18,000.23	0.23%
Box Office Value for the Video Category						4.70%

* 2011 spending reflects adjustments made as a result of data received following the release of DEG 2011 Home Entertainment Spending.