August 13, 2019

DEG: The Digital Entertainment Group today released its Mid-Year 2019 Home Entertainment Report compiled by DEG members, tracking sources and retail input.*

Home Entertainment Spending Rose Nearly 7% in 2019 Second Quarter and First Half

Overall Digital Revenue Grew 16% as Movie-Loving Consumers Continue Shift to Electronic Formats

Consumers spent nearly $6 billion on movies and TV shows for home entertainment in the second quarter of 2019, up 7 percent from the same period a year earlier. Digital spending continued to be the driving force, rising nearly 16 percent overall. The increase in U.S. home entertainment spending in the quarter came amid a nearly 10 percent drop in box-office performance for the films released in the period. The result compared to $5.6 billion spent in the second quarter of 2018.

Through the first six months of 2019, spending rose 6.7 percent to $12 billion compared to $11.3 billion in the six-month period a year earlier.

Among the highlights for the First Half of 2019:

• For the first six months of 2019, total digital was strong, rising 16 percent from the same period in 2018 while subscription streaming climbed nearly 22 percent.

• Consumer demand for theatrical releases continued to grow across digital formats. First-half spending on theatrical EST rose nearly 8 percent, while spending on theatrical titles on VOD was up more than 9 percent. The increase for the six months came amid a nearly 16 percent drop-in box-office performance for films released in the first half.

• Digital transactions and subscription streaming continue to offset declines in physical sales and rentals. Internet-delivered VOD grew 10 percent in the first half as service options continue to proliferate and are embraced by consumers.

If you would like to discuss the DEG’s Mid-Year 2019 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.
**U.S. Consumer Spending**

<table>
<thead>
<tr>
<th></th>
<th>Q1-2018</th>
<th>Q1-2019</th>
<th>YOY</th>
<th>Q2-2018</th>
<th>Q2-2019</th>
<th>YOY</th>
<th>First Half</th>
<th>First Half</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>2018</td>
<td>2019</td>
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<tr>
<td><strong>Sell-Thru</strong></td>
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<td></td>
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<tr>
<td>Sell-Thru Packaged Goods All</td>
<td>$1,058.93</td>
<td>$822.25</td>
<td>-22.35%</td>
<td>$887.73</td>
<td>$716.40</td>
<td>-19.30%</td>
<td>$1,946.65</td>
<td>$1,538.65</td>
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<tr>
<td>Sell-Thru Including EST</td>
<td>$1,682.64</td>
<td>$1,487.72</td>
<td>-11.58%</td>
<td>$1,440.45</td>
<td>$1,266.14</td>
<td>-12.10%</td>
<td>$3,123.09</td>
<td>$2,753.86</td>
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<tr>
<td><strong>Rental</strong></td>
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<tr>
<td>Brick &amp; Mortar</td>
<td>$87.97</td>
<td>$72.99</td>
<td>-17.03%</td>
<td>$81.62</td>
<td>$59.33</td>
<td>-27.31%</td>
<td>$169.59</td>
<td>$132.32</td>
</tr>
<tr>
<td>Subscription (Physical Only)</td>
<td>$99.75</td>
<td>$81.50</td>
<td>-18.29%</td>
<td>$93.84</td>
<td>$76.97</td>
<td>-17.98%</td>
<td>$193.59</td>
<td>$158.47</td>
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<tr>
<td>Kiosk</td>
<td>$278.97</td>
<td>$244.10</td>
<td>-12.50%</td>
<td>$289.23</td>
<td>$216.58</td>
<td>-25.12%</td>
<td>$568.21</td>
<td>$460.68</td>
</tr>
<tr>
<td>Total Rental (excluding VOD)</td>
<td>$466.69</td>
<td>$398.59</td>
<td>-14.59%</td>
<td>$464.70</td>
<td>$352.88</td>
<td>-24.06%</td>
<td>$931.39</td>
<td>$751.47</td>
</tr>
<tr>
<td>Total Rental (including VOD)</td>
<td>$1,018.29</td>
<td>$962.73</td>
<td>-14.59%</td>
<td>$986.18</td>
<td>$819.28</td>
<td>-16.92%</td>
<td>$2,004.47</td>
<td>$1,782.02</td>
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<tr>
<td><strong>Digital</strong></td>
<td></td>
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</tr>
<tr>
<td>Electronic Sell-Thru (EST)</td>
<td>$623.71</td>
<td>$665.47</td>
<td>6.70%</td>
<td>$552.73</td>
<td>$549.74</td>
<td>-0.54%</td>
<td>$1,176.44</td>
<td>$1,215.21</td>
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<tr>
<td>VOD</td>
<td>$551.60</td>
<td>$564.14</td>
<td>2.27%</td>
<td>$521.48</td>
<td>$466.41</td>
<td>-10.56%</td>
<td>$1,073.08</td>
<td>$1,030.54</td>
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<tr>
<td>Subscription Streaming (SVOD)*</td>
<td>$2,971.98</td>
<td>$3,585.88</td>
<td>20.66%</td>
<td>$3,157.94</td>
<td>$3,888.46</td>
<td>23.13%</td>
<td>$6,129.92</td>
<td>$7,474.34</td>
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<tr>
<td>Total Digital</td>
<td>$4,147.29</td>
<td>$4,815.49</td>
<td>16.11%</td>
<td>$4,232.15</td>
<td>$4,904.60</td>
<td>15.89%</td>
<td>$8,379.44</td>
<td>$9,720.09</td>
</tr>
<tr>
<td><strong>Total U.S. Home Entertainment Spending</strong></td>
<td>$5,672.91</td>
<td>$6,036.33</td>
<td>6.41%</td>
<td>$5,584.57</td>
<td>$5,973.88</td>
<td>6.97%</td>
<td>$11,257.48</td>
<td>$12,010.22</td>
</tr>
<tr>
<td><strong>Box Office in Billions</strong></td>
<td>$3.59</td>
<td>$2.89</td>
<td>-19.63%</td>
<td>$2.43</td>
<td>$2.20</td>
<td>-9.45%</td>
<td>$6.02</td>
<td>$5.08</td>
</tr>
</tbody>
</table>

*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.