

BRIEF: Seven and Nine results: Audience gains show power and peril of sport

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Brief: Seven and Nine results show power and peril of sport

Abstract: SevenWest Media and Nine Entertainment released half year results this week. Focussing on their FTA TV performance, we saw a return to growth in audiences, with BVOD growth more than offsetting declines on traditional broadcast. Sport had a lot to do with these gains. This highlights the importance of anti-siphoning rules for FTA TV's future prospects, and points to unfinished business for anti-siphoning reform to ensure free audience access to sport is preserved.

FTA TV audiences up as online offers find the mark

Last week we examined the growth of cautious optimism about FTA TV's medium term revenue prospects. In our view, the future hinges on the growth of the industry's online audience of BVOD viewers.

Seven and Nine results this week seem to bear this out. Broadcast audiences at Seven were down 1.8% year on year, while their online audiences rose by a remarkable 43%. This added up to a 1.5% growth for its Total TV audience. This improvement coincided with the launch of 7plus Sport, commencing with the AFL Grand Final. According to Seven, this drove a step change in audiences as the first half progressed. Despite this, Total TV revenue was down 6.7% as a sluggish ad market, driven by a sluggish overall economy, saw ad rates drop.

Nine reported FTA TV audience growth (unspecified) in both broadcast and online driven by Olympics coverage. But Ninetoo saw receipts decline, by 3.1%, for much the same reason as Seven.

Obviously it's bad news that revenues have fallen. However, we have forecast several years now that 2024 would be a bad year for advertising growth all around. Ad revenue has two great drivers: eyeballs and the general economy, and the Reserve Bank's (RBA) growth forecasts for 2024 have been anaemic at best. Unfortunately, our view was borne out. However, we expect a better 2025 if the RBA's forecast of an accelerating economy is realised.

Sport a key driver of audiences

The importance of sport as a driver of audiences emerges very clearly from these results. As noted above, the prospects for FTA TV depend on whether they can sustain online audience growth at a level that offsets (or mostly offsets) the decline of the broadcast audience.

All FTA TV networks have noticeably increased the level of cross-promotion of their online apps on their broadcast channels. As we have noted, a significant share of current BVOD viewers used the technology for the first time in the last year or so (see our report "[FTA TV's FY24 viewing data bucks the narrative of decline](#)").

In addition, it is also clear that there has been a genre shift on BVOD towards sport over the last 12 months. This has been driven by the success of Nine and Seven in winning the broadcast and digital rights for key sports events, and promoting these as online offerings.

Why does this matter?

But this also points to a vulnerability. Recent reforms of the anti-siphoning rules were not technology-neutral, meaning that FTA TV faces tougher competition for rights for online audiences. In particular, subscription streaming services retain the right to buy exclusive digital rights.

This obviously means that audiences who have no broadcast antenna might end up having to pay to watch key sports events on SVOD services. And for those who can receive broadcasts, there are many matches that broadcasting does not have the capacity to air, and those will only be available online. If acquired by a subscription streamer, the prospect of paying to watch sport looms for many viewers. And subscription streamers are showing increasing interest in sport as an audience attractor.

Apart from the impact on audiences, this imbalance between broadcast and online anti-siphoning rules is a threat to the media ecosystem in Australia. FTA TV is the product of a compact between government and industry. This compact requires an advertising-supported FTA TV industry that provides free access to local content in return for other benefits such as anti-siphoning rules. If those benefits are stripped away, sustaining the industry's commitment to free, national access becomes harder. Right now, growth in BVOD is sustaining the industry. Loss of rights to subscription streamers (and even AVOD players like YouTube in the future) poses a threat to this ecosystem that the Australian Government should not ignore.

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