

REPORT: SVOD dominates household video as pay TV slumps

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Abstract: Next week, we will publish our 2025 Video Entertainment Outlook. This week, we offer a preview.

Australia video spending per household will reach a peak in FY25. This is mostly driven by SVOD, which has recovered from a reversal of subscription growth in FY24 and has seen strong price increases since FY23. It will continue to expand, mostly driven by price further increases. In contrast, Pay TV will continue to decline, while cinema spending will stabilise as declining per capita admissions are offset by higher ticket prices.

Household video spending now stable

Per household spending on video products has changed dramatically over the last decade. SVOD has increased from a very low base to dominate household video spending. This has come at the expense of DVD/BluRay purchases and rentals, pay TV, and to a lesser extent cinema.

Australian household spend on video services (A\$)

	FY14	FY24
Pay TV	293	199
SVOD	7	423
TVOD/EST	19	20
Physical Media	148	10
Cinema	122	93
Total	589	746

Sources: Screen Australia, AHEDA, company reports.

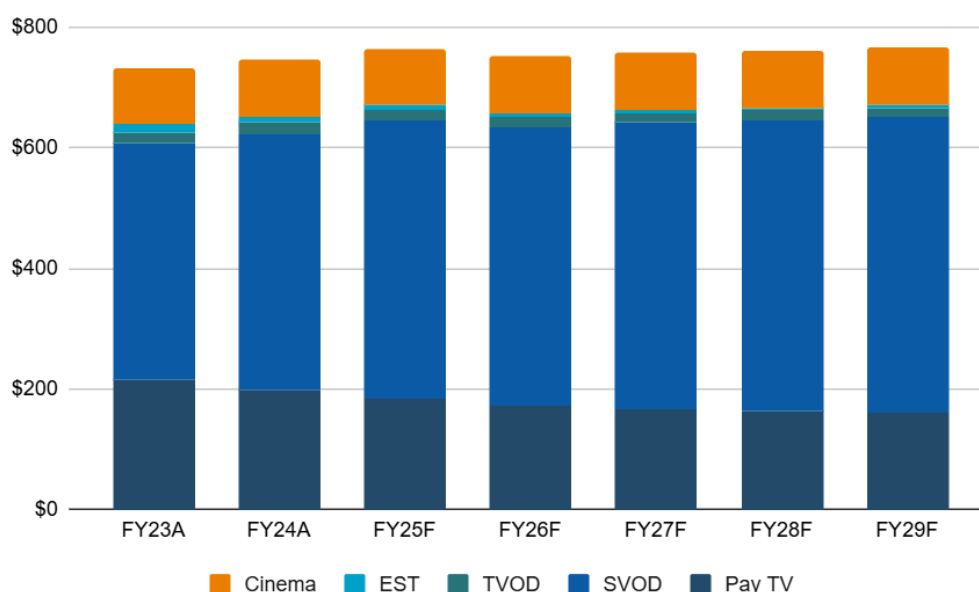
However, the pace of change is slowing as most of the “online revolution” has flowed through. Change to the end of the decade will follow the same trends, but at a slower pace:

- We expect SVOD spending to keep growing, but about two thirds of the growth is due to higher prices, and one third due to higher subscribers. We expect household penetration of SVOD services to be steady, and for subscription growth to follow household growth.
- Pay TV will continue its long-term decline, but revenue will fall more slowly than subscribers as ARPU's rise. This is due to the loss of predominantly low-end pay TV subscribers switching to cheaper SVOD products.
- TVOD (TV on demand) and EST (Electronic Sell-Through) services are a small but persistent phenomenon. We expect TVOD to rise gradually as SVOD

providers market on-demand access to premium titles through their platforms. In contrast, download-to-own EST will continue its decline.

- Physical video rental has all but disappeared, while sales have declined precipitously. We foresee no change to the trend.
- Declining cinema admissions will be offset by rising ticket prices, partly through price inflation and partly through marketing of premium Gold Class experiences.

Australian household video expenditure by platform (A\$m)



Source: Venture Insights

Why does this matter?

The upshot is that we don't see much appetite for further growth in household spending on video services. This is a change from the last ten years, when we saw significant growth in overall spending mainly driven by the rise of SVOD. But SVOD penetration is plateauing, which is driving SVOD providers to milk their customers by lifting prices.

We have just been through a round of SVOD price increases in FY24/25, and expect some price stability in FY26. But if these price increases do not result in net cancellations, then we expect the industry to launch another round of increases towards the end of FY26 and FY27.

For Foxtel we foresee some tougher times as growth in Kayo and Binge levels off and pay TV subscriptions continue to decline. News Corp has timed its sale well, and new owner DAZN will need to leverage its considerable sporting assets to offset this trend.

Finally, cinema will enjoy a period of relative stability after the pandemic rollercoaster.

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