

# Global OTT Market

March 2023

Corporate and Investment Banking Practice



# OTT Market – Overview













Rapid increase in platforms will likely drive the OTT market

Since the start of the COVID-19 pandemic, over the top (OTT) streaming has been a rare segment that has exhibited a trend opposite to the general economy. With the onset of the pandemic, the entire media industry struggled with mobility restrictions and lockdowns worldwide, indefinite delays in the release of films, and an all-time low consumer purchasing power. However, during the same period, the OTT market recorded tremendous growth. In fact, analysts and industry experts expect the OTT segment to register a CAGR of 25–29% until 2027.

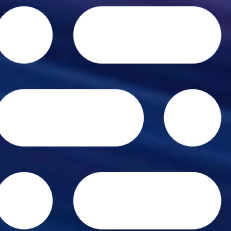
Although the OTT segment is expected to grow by 16% by the end of 2022, it is likely to hit a rough patch as people have started spending less time at home (by extension, less time on OTT). A substantial percentage of the population is vaccinated, and workplaces have begun adopting a back-to-office model.

In this report, we look at the global OTT market in terms of key players, market positioning, and strategy; major trends (reason for or consequence of the current OTT market); and India's local OTT landscape.

## Some Key Topics Covered in the Report












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# Global OTT Market Update



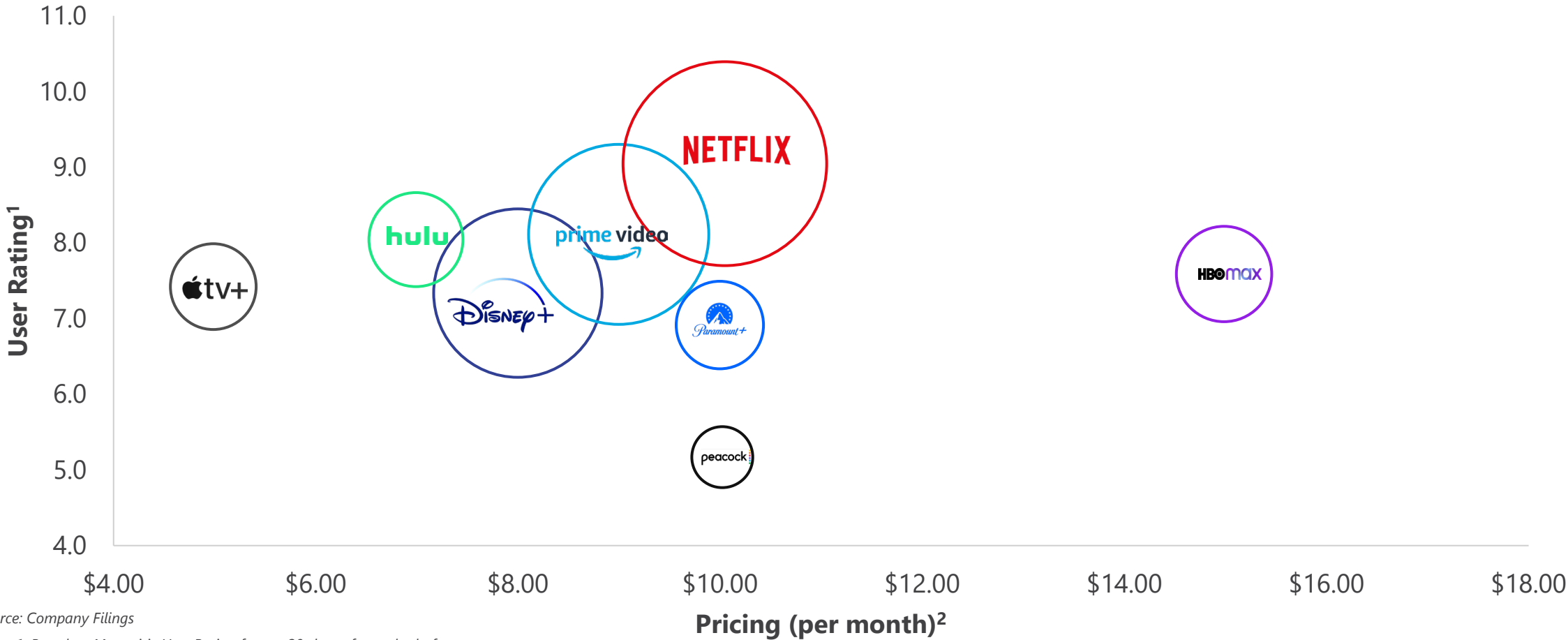
# Competitive Landscape

OTT players are competing to provide original content and expanding their presence in developing countries to increase their market share

						
<b><u>Ownership</u></b>	Public					
<b><u>Paid Subscribers (million)</u></b>	223	200	164	49	46	40
<b><u>Content Spend (USD billion)</u></b>	18.0	16.6	33.0	18.0	33.0	6.5
<b><u>Library Size</u></b>	17,000 titles (movies and TV shows)	30,000 titles (movies and TV shows)	13,000+ titles (movies and TV shows)	~3,500 titles (movies and TV shows)	3,000 titles (movies and TV shows)	~100 titles (movies and TV shows)
<b><u>Operating Countries</u></b>	190	200	64	61	3	107
<b><u>Growth Strategy</u></b>	Focus on original content and ad-based services	Focus on original content and live sports streaming	Expand across key Asian markets	Expand internationally to grow its subscriber base	Invest in original and exclusive content	Focus on building a content library

# Market Positioning<sup>3</sup>

Netflix and Prime Video are well-positioned, compared with their peers, in terms of pricing and content quality



Source: Company Filings

Note: 1. Based on Metacritic User Rating for top 20 shows for each platform

2. Based on ad-free version of the platforms

3. Bubble size based on number of subscribers


# Change in Consumption Pattern is Driving Global OTT Market


Global OTT players are competing fiercely to increase their market shares in emerging geographies

## Key Highlights

- Global OTT service users were estimated to stand at 1.8 billion in 2022, up 65% from 1.1 billion at the end of 2020.
- North America dominated the market due to high broadband accessibility. Service providers such as ESPN, AT&T, Crown Family Media Networks, and Turner Sports experienced strong growth during the year.
- Smartphones and tablet PCs, which enable on-the-go viewing at users' convenience, account for a significant share of OTT service consumption.
- The global OTT market is expected to grow further in the next 5-6 years, supported by a swift growth of 5G networks, especially in emerging countries, which will open the doors to high-quality 4K content.
- Increasing adoption of AR/VR technologies for gaming and viewing content on smart devices will act as a catalyst for the market.

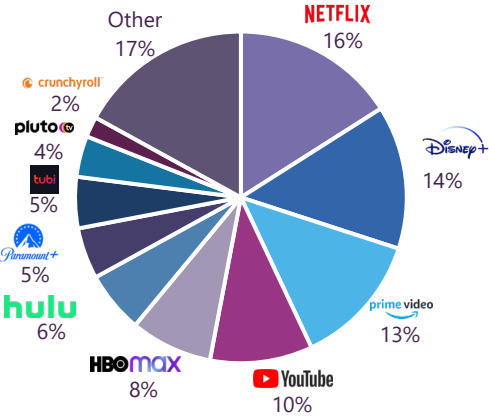
## Key OTT Market Statistics

 OTT user base is expected to reach 4,216.3 million by 2027

 User penetration will likely increase from 45.7% in 2023 to 53.0% by 2027

 ARPU for the OTT video segment is projected at around USD90.14 in 2027

## OTT Market Share (2022)



# Netflix: Crackdown for Survival

Netflix has been formulating various strategies to increase its market share

- **Password Sharing Crackdown:** Netflix plans to allow subscribers to create sub-accounts in H1 2023 as part of its new “monetizing account-sharing” strategy.
- **Launched ‘Kids Mystery Box’ Feature:** Netflix has launched its new “Kids Mystery Box” service on Android, allowing users to access new children’s shows and TV characters by clicking on the “Mystery Box” in the “Favorites Row” at the top of its homepage.
- The company has an impressive lineup of shows and films for the audience in the coming months.



The Life with Walter Boys  
(H1 2023)



Shadow & Bone 2 (March  
2023)



You Season 4  
(March 2023)



Rana Naidu  
(March 2023)



LEGO Friends  
(May 2023)



Firefly Lane 2  
(June 2023)



Aggretsuko 5  
(TBA)



Boy Swallows  
Universe (TBA)



Heeramandi (TBA)



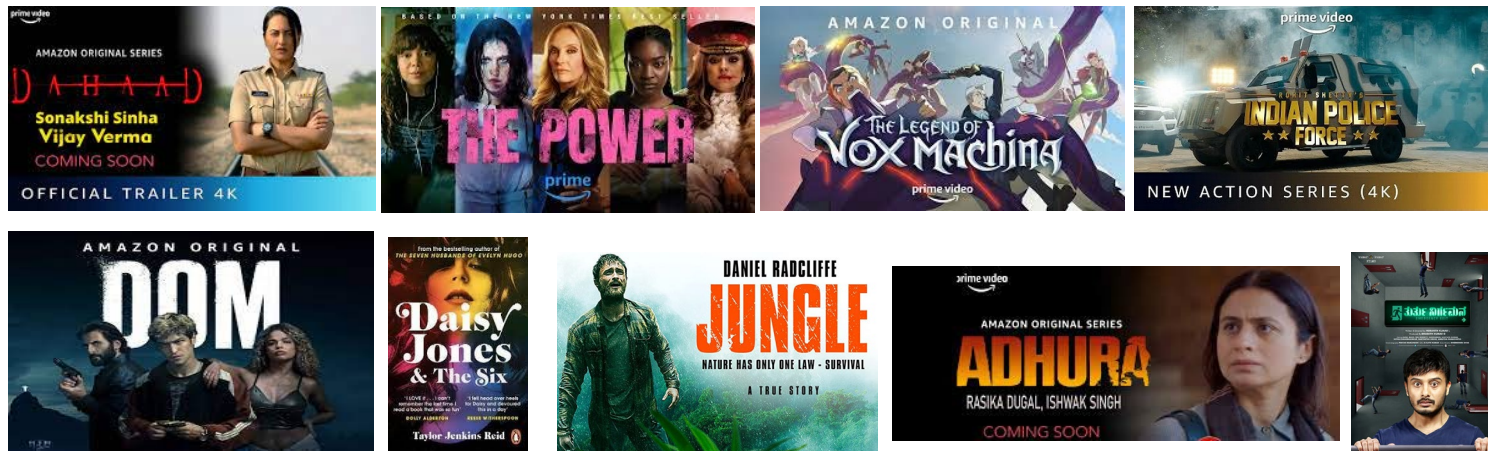
The Archies (TBA)

# Amazon Prime: Increasing Its Streaming Bandwidth

Prime Video is expanding its scope in streaming by including live sports broadcasts across various regions

- Amazon has recently announced that it is looking to launch a new Prime Lite subscription in India. The lite version will allow users to stream all Amazon Prime Video content for the price of INR 999. However, users will not have access to content in HD, and the streaming will include advertisements.
- Prime Video has launched several new services in India, such as Prime Video Mobile Edition, before launching them across the globe.
- Prime Video is planning a standalone application for live sports streaming. Amazon has acquired live rights to National Football League's (NFL) Thursday night games in the US, the Premier League in the UK, and the National Basketball Association (NBA) in Brazil.
- One in five of Prime Video's customers watches Indian content outside India. The India-based concept show "One Mic Stand" has been remade in Germany.
- The company has already released a lineup of more than 40 new series and movie titles that will be released in the coming years.

## Upcoming and Recent Prime Originals and Post-Theatrical Releases






## Supported Collaboration Brands

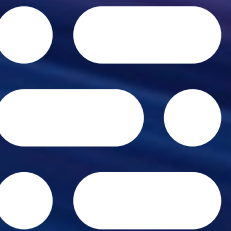




# Current OTT Space Updates

	<p><b><u>Feb 01, 2023</u></b></p>	<ul style="list-style-type: none"> <li>• Prime Video secured the worldwide rights to Peter Farrelly’s “Ricky Stanicky,” starring WWE wrestler John Cena, Zac Efron, and Jermaine Fowler.</li> </ul>
<p><b>NETFLIX</b></p>	<p><b><u>Feb 02, 2023</u></b>  <b><u>Feb 01, 2023</u></b>  <b><u>Dec 23, 2022</u></b>  <b><u>Dec 22, 2022</u></b>  <b><u>Oct 31, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Netflix announced the release of a new update for its app and online streaming that will enable it to restrict password sharing on its platform.</li> <li>• The company retracted its previously announced spatial audio for all devices and plans. Instead, the feature will be limited to premium plans. Premium users will have access to spatial audio for over 700 of the most popular TV shows and movies.</li> <li>• It bought 300 acres of a decommissioned army base in New Jersey to convert into a production facility for high-quality TV series and films, including originals.</li> <li>• Netflix announced that it is branching out into fitness content by starting Nike Training Club classes on its platform, which will be available in multiple languages on all Netflix plans.</li> <li>• Spry Fox joined Netflix to become its sixth in-house games studio.</li> </ul>
	<p><b><u>Dec 26, 2022</u></b>  <b><u>Sep 14, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Disney+ announced plans to increase Asian content in 2023 by adding Japanese anime, South Korean dramas, and Indonesian rom-coms and horror series.</li> <li>• Bob Chapek, CEO of The Walt Disney Company, confirmed a plan to buy the remaining 33% stake in Hulu from Comcast before 2024.</li> </ul>
	<p><b><u>Dec 20, 2022</u></b>  <b><u>Dec 07, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Warner Bros. Discovery announced the launch of its Discovery+ streaming service on the Amazon Prime Video platform in Canada.</li> <li>• Warner Bros. Discovery has announced that HBO Max will return to Amazon Prime Video Channels in the US.</li> </ul>

# Indian OTT Market Update



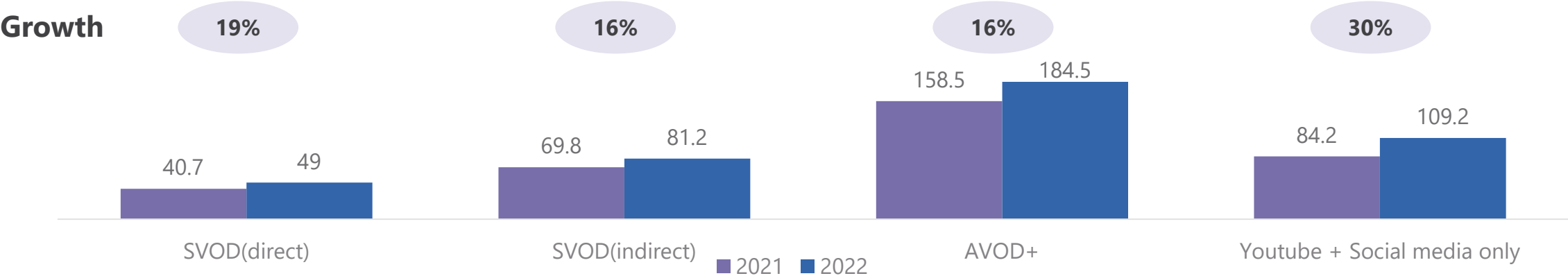
# OTT: The Dark Horse in Indian Entertainment Industry

Global OTT players are adopting various strategies to compete and increase their shares in the Indian market

## Key Highlights

- According to a recent report by Ormax, India had 130 million users paying for OTT subscription video on demand (SVOD) at the end of 2022, up from 110 million in 2021.
- Since the COVID-19 outbreak, daily video consumption source has changed from YouTube to Netflix, Disney+ Hotstar, Prime Video, and MX Player.
- The OTT market in India is expected to grow further in the next 4–5 years, supported by increasing 5G infrastructure. The top six metro cities account for 33% of the total paid subscriptions in India; however, they account for only 10% of the total OTT subscribers
- Digital media consumption is outstripping other segments in India, with an average video consumption of 3 to 3.3 hours per day in 2022, compared with 2.1 to 2.2 hours in 2019.
- India is expected to see an increase in connected devices, with their share increasing to 16–18% of all households by 2027, compared to a penetration rate of 8–10% in 2022.

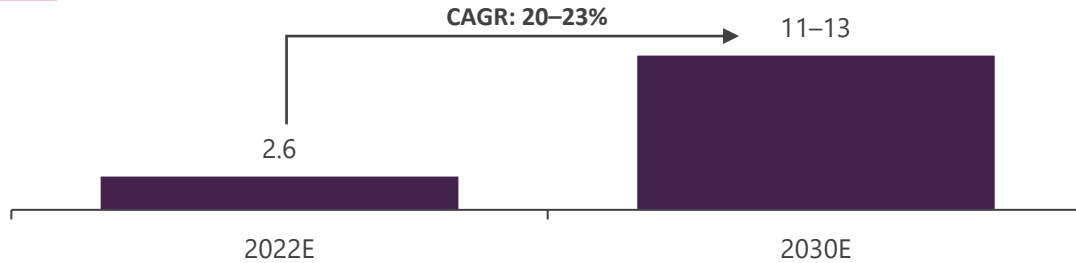
## OTT Universe in Millions



# Indian OTT Market by Numbers

All OTT players aim to develop regional content and penetrate the market

## OTT Market Size (USD billion)



The SVOD segment is the primary driver of the OTT market. The segment is estimated to grow from 85–90 million subscriptions in 2022 to 160–165 million subscriptions in 2027.

## Growth Backed by Increased Consumption, Content, and Investments

**40%**

Share of digital in total video watch time and a 4X increase over the last six years

**+1 hour**

Increase in digital video consumption per day since 2019

**4X**

Increase in OTT platforms over the past six years

**2X**

Increase in investment in India's original content since 2019



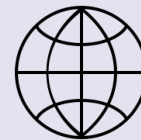
### From Mobile to Large Screen

Video OTT saw a 3X increase in streaming through connected devices, such as Smart TVs and TV sticks



### Increase in Paid Subscriptions

Subscriptions increased 16X in five years



### Glocalization of Content

Indian content is gaining traction abroad and can tap its full potential with original content focusing on glocal stories



### Sports as a Tentpole to Attract New Subscribers

OTT is a cluttered market where sports act as a tentpole to attract new subscribers who are loyal viewers



### High Adoption of Snackable Content

Shortform Video (SFV) posted a CAGR of 30–35% due to the audience's desire for relevant and engaging content

# Disney+ Hotstar's Leadership in India – Overview

Hotstar's dynamic pricing strategies and sports-focused approach helped it conquer India's OTT market

## Mammoth Share in Viewership and Subscribers (2022)

- Despite the fiercely competitive nature of the OTT market in India, Hotstar has managed to gain a 29% share of the total viewership
- A paid subscriber base of ~54 million users (vs. Amazon Prime's 17 million and Netflix's 5 million) shows its ability to identify broader demands

## Key Approaches: Sports, Ads, Partnerships, and Pricing

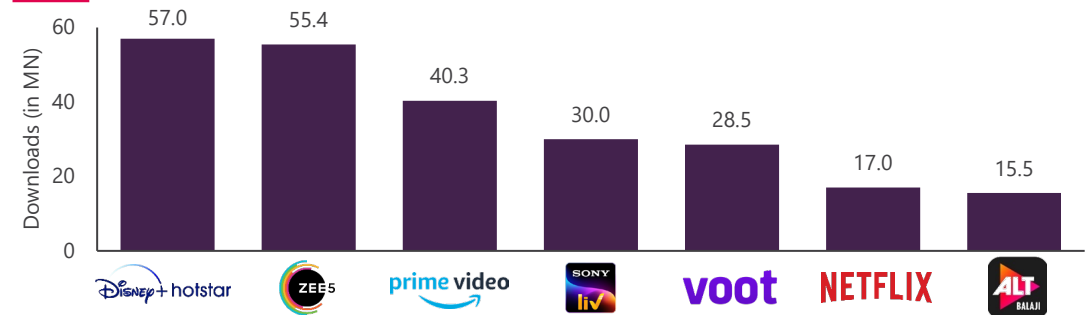
### Targeting a Sports-Centric Population

- Understanding India's unmatched love for sports, Hotstar acquired streaming rights to IPL, the country's largest sports league, in 2017 by paying ~USD 2 billion for five-year rights
- Due to this investment, Disney observed that 50% of its 7.9 million net new subscribers in Q4 2022 came from India

### Advertising-Based Video on Demand (AVOD) Model

- While Amazon & Netflix focus on a sole subscription-based model, Hotstar offers a combination of cheap plans (~USD 5 a year) with ads to cater to India's price-sensitive audience
- This strategy has forced competitors (including Netflix) to introduce AVOD subscriptions, although Hotstar retains its first-mover advantage

## Hotstar Exhibiting Leadership in App Downloads



### Thriving Partnerships with Telecom

- Hotstar completed deals with telcos, such as Reliance Jio, to come up with data and sports streaming offers at a mere USD 0.7 a month. Initially, Hotstar offered free content, including the IPL, to Jio users
  - The move helped Hotstar to penetrate and hook billions of users in India

### Content-Based Pricing Tiers

- Disney+ Hotstar is available in three tiers, all with different access levels to Disney+ originals, popular series, etc., which allow users to determine the pricing based on content preferences
- In retrospect, it was a mistake for Netflix to try to affix its standard rate (USD 10 a month) in India, which cost it a considerable market share.

# Effects of Key Strategies on Disney+ Hotstar's Growth in India

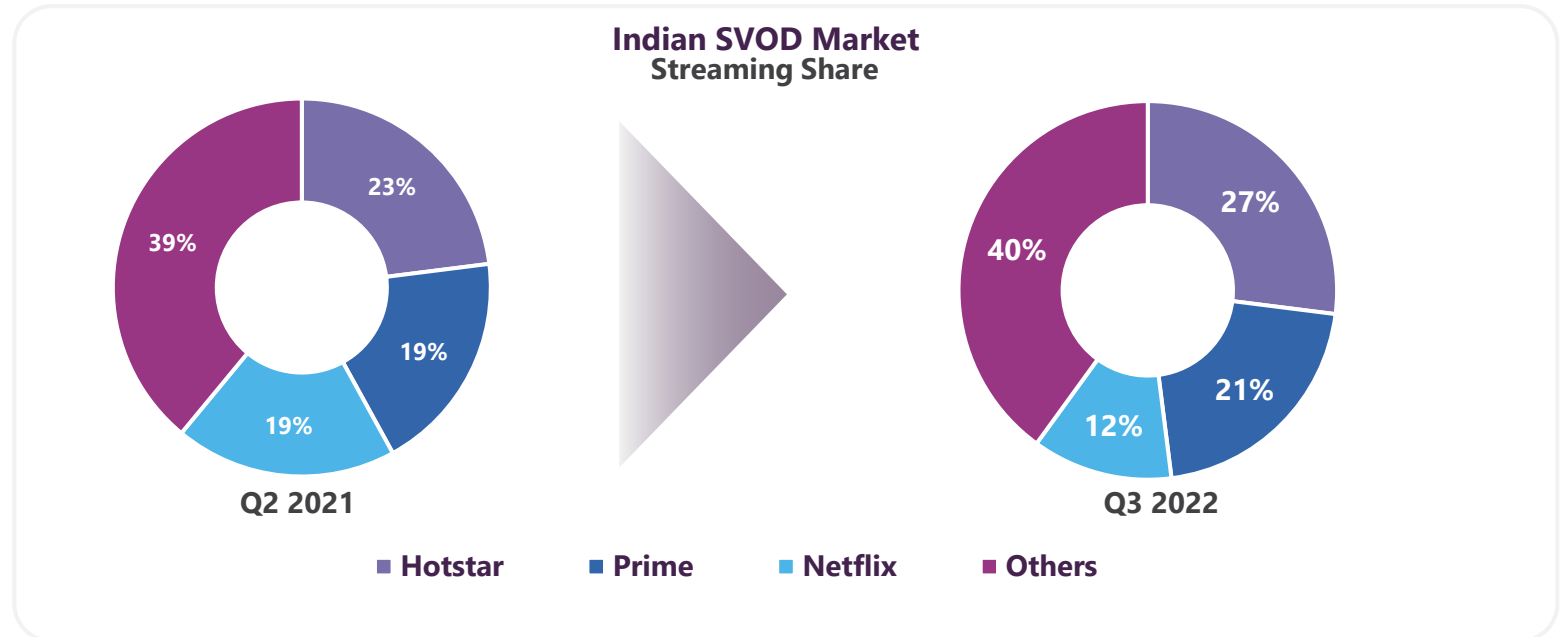
Disney+ Hotstar has emerged as an OTT leader in India in the recent years – massively increasing its profitability and revenue

42%

Growth of Subscribers to 61.3 Million in Oct 2022

2X

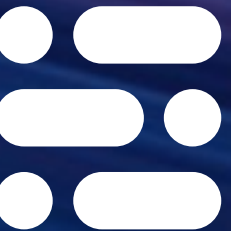
Growth in Advertisement Revenue in FY2022 Compared with FY2021



**Hotstar has been able to grow its subscribers, even in the face of stiff competition, surpassing global leaders such as Netflix and Amazon Prime**

- Disney+ Hotstar's revenue from operations increased by 93% in FY2022, compared with FY2021
- The company also reduced its net loss by 43% to USD 42.1 million in FY2022, from USD 73.7 million in FY2021
- The company's revenue increased due to big-ticket sports events such as IPL and ICC T20 World Cup 2021

# OTT Market Perspective and Key Statistics



# Ad-supported Streaming and Regional Content to Make Way Ahead for OTT

“

Our research shows that subscription-based media platforms face a new era of uncertainty as consumers reassess their entertainment options each month. We are now living in an age of 'nomading,' where consumers are more willing to switch between subscriptions, pay more to get fewer ads, or pay less for more ads.

— Smriti Sharma, January 31, 2023, Head of Consumer Insights, Publishers Clearing House.

”

“

In addition to streaming regional language versions of Hindi and international movies and shows, major OTT players are moving aggressively for a piece of the vibrant South Indian market.

— Manish Karla, January 01, 2023, CBO, Zee5.

”

“

Netflix's move to launch ad-supported and monetize the 100 million households effectively using the service outside of core subscriber households likely means... they are likely to have solid results for at least the rest of 2023.

— Jeff Wlodarczak, January 23, 2023, Analyst, Pivotal Research Group.

”

“

A few quarters of struggle – with difficulties in producing content, closure of cinema halls, and a cut-back in advertising spends during the pandemic... was followed by a cycle of a strong revival. That our industry is today performing better than pre-pandemic levels is reflective of its agility and its readiness to embrace challenges.






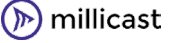


























— K Madhavan, November 16, 2022, Chairman, CII committee on media.

”



# Recent M&A Transactions

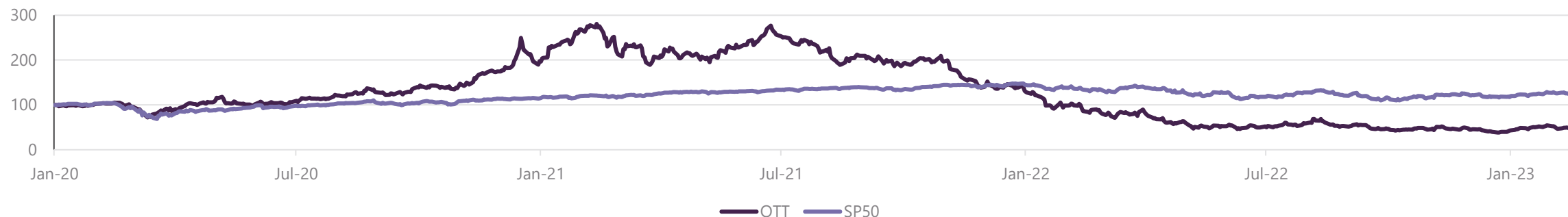
The OTT market is going for consolidation post the COVID-19 boom, due to which non-OTT players are also entering the market through acquisitions

Date	Acquirer	Target	Target Business Description	EV (USD Million)	EV / Rev.
01-12-2022	 <b>TVING</b>	 <b>seezn</b>	Operates an online streaming platform in Seoul, South Korea	–	–
31-10-2022	TV Play Baltics	Apollo TV	Provides subscription-based streaming services with a variety of content	–	–
17-10-2022	ADQ	Starzplay Arabia	Streams television shows and movies, documentaries, and kid's entertainment media online	USD239.40	–
9/5/2022	 <b>univision</b>	 <b>PANTAYA</b>	Streams best movies and series in Spanish	–	–
3/2/2022	 <b>Dolby</b>	 <b>millicast</b>	Provides a real-time interactive streaming PaaS built on WebRTC	–	–
12/8/2021	 <b>TMB</b>	 <b>DUKKIN</b>	Provides a platform for amateur video creators to monetize their content	–	–
10/11/2021	 <b>fuboTV</b>	 <b>molotovTV</b>	Provides direct-to-consumer (DTC) live streaming services and an AVOD platform	USD190.00	–
9/21/2021	 <b>ZEE</b>	 <b>ZEE</b>	Operates as a television, media, and entertainment company	–	–
9/8/2021	 <b>Crunchyroll</b>	 <b>Crunchyroll</b>	Provides Japanese Anime and Asian media	USD1,175.00	–
8/1/2021	 <b>Roku</b>	 <b>Quibi</b>	Develops media content designed for smartphones	–	–
6/22/2021	 <b>rt nederland</b>	 <b>talpa network</b>	Provides a wide range of multimedia activities, including TV, events, radio, advertising, and e-commerce	–	–
5/26/2021	 <b>amazon</b>	 <b>WarnerMedia</b>	Operates as an entertainment company focused on the production and distribution of film and television content across all platforms globally	USD8,450.00	4.9X
5/17/2021	 <b>SeaportGlobal</b>	 <b>redbox.</b>	Provides Blu-ray Disc and video game rentals through its network of self-service kiosks	USD693.00	–
5/17/2021	 <b>Discovery</b>	 <b>WarnerMedia</b>	Operates as a media and entertainment company that creates and distributes premium and popular content	USD43,000.00	1.4X
4/15/2021	 <b>TRIGGER</b>	 <b>FITE</b>	Provides a combat sports streaming platform	–	–
1/4/2021	 <b>HEMISPHERE</b>	 <b>PANTAYA</b>	Provides streaming services, offering the best movies and series in Spanish	USD164.80	–
1/2/2021	 <b>univision</b>	 <b>vix</b>	Provides a video publisher platform for social media, such as Facebook, Instagram, and YouTube	–	–
11/8/2020	 <b>SOFTWARE ACQUISITION GROUP</b>	 <b>CuriosityStream</b>	Provides global factual streaming services	USD331.00	10.7X
<b>Mean</b>					<b>5.7X</b>
<b>Median</b>					<b>4.9X</b>

# Market Valuation and Share Price Performance

Key players in the market have started witnessing a decrease in subscriber growth

## Share Price Performance



*Netflix and a few other OTT players have observed a significant dip in share prices due to decreasing subscribers. American homes signing up for a new subscription was 3.9% between April 2021 and June 2021, down from 12.9% in the same period in 2020*

## Public Comparables

(\$ in millions, except for per share data)

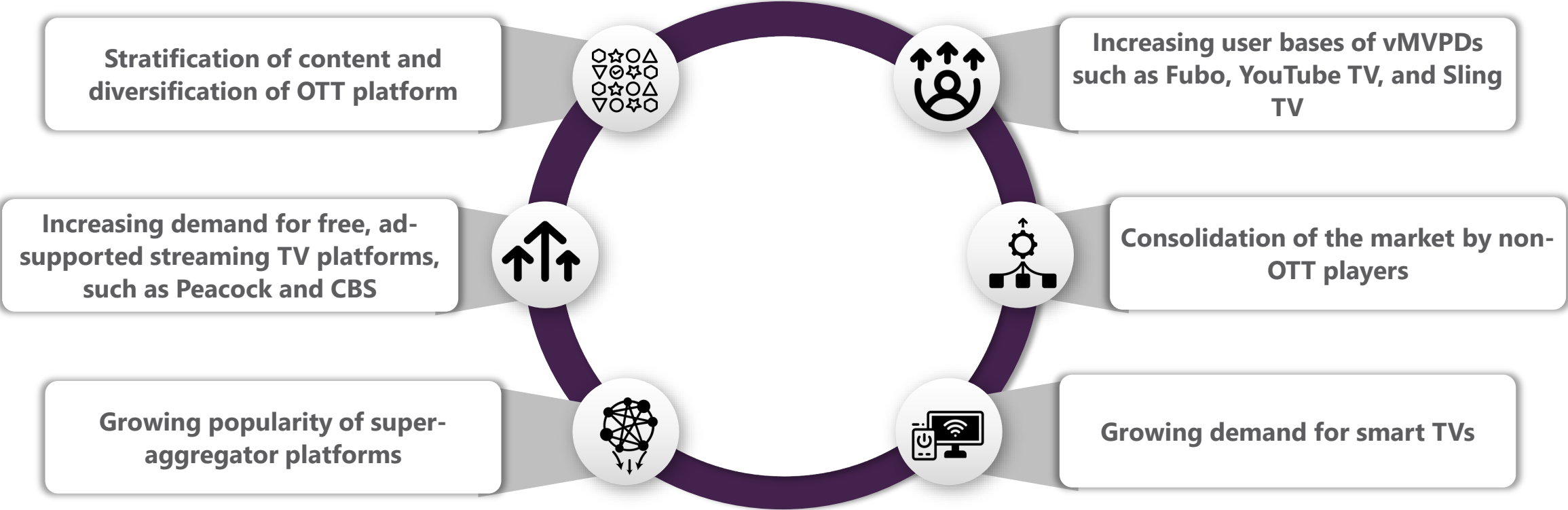
Company	Ticker	Market Data			Valuation Multiples					Operating Metrics			
		Stock Price 2/22/2023	Market Cap	Enterprise Value	EV/Revenue		EV/EBITDA		P/E	Revenue Growth		EBITDA Margin (%)	
					2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	
Netflix	NFLX-US	\$334.88	\$149,138	\$160,011	5.1x	4.7x	8.6x	24.4x	33.7x	6.5%	8.5%	20.7%	21.5%
Roku	ROKU-US	\$68.84	\$9,587	\$8,397	2.7x	2.6x	27.2x	NM	NM	13.1%	5.1%	NM	NM
CuriosityStream	CURI-US	\$1.80	\$95	\$36	0.4x	0.3x	NM	NM	NM	24.6%	22.5%	NM	NM
fuboTV	FUBO-US	\$2.30	\$449	\$581	0.6x	0.5x	NM	NM	NM	52.6%	29.7%	NM	NM
Gaia	GAIA-US	\$2.60	\$54	\$64	0.8x	0.7x	4.2x	3.2x	NM	3.6%	6.0%	24.1%	24.0%
Chicken Soup for the Soul Entertainment	CSSE-US	\$4.82	\$100	\$545	2.2x	1.1x	44.4x	15.6x	NM	128.3%	99.0%	13.8%	19.8%
<b>Mean</b>					<b>1.9x</b>	<b>1.6x</b>	<b>21.1x</b>	<b>14.4x</b>	<b>33.7x</b>	<b>38.1%</b>	<b>28.5%</b>	<b>19.6%</b>	<b>21.8%</b>
<b>Median</b>					<b>1.5x</b>	<b>0.9x</b>	<b>17.9x</b>	<b>15.6x</b>	<b>33.7x</b>	<b>18.9%</b>	<b>15.5%</b>	<b>20.7%</b>	<b>21.5%</b>

Source: FactSet

Note: OTT Index includes Netflix, Roku, FuboTV, CuriosityStream, Gaia and Chicken Soup for the Soul Entertainment

# Upcoming Trends in OTT Market

Post the COVID-19 high, the OTT streaming market is riding high on the content consumption bandwagon



# Key Conclusion and Observations

The availability of OTT platforms on multiple devices through a single subscription will likely drive the market

- **The global OTT market is going through the consolidation phase** due to the entry of VC and PE players and various international and local companies in the market, including Microsoft, AT&T, and Amazon
- **The increasing content consumption on mobile phones and smart TVs** is driving the OTT streaming market. Globally, there has been a gradual increase in the number of smart TV sets in households
- Big global players, such as **Disney and Amazon, are foraying into sports streaming**, as they consider it a key to increasing their market shares. **Disney has already captured the sports streaming market in India with cricket streaming rights** and other sports league broadcasting contracts
- Some of the big deals in the OTT market include AT&T's acquisition of Crunchyroll for ~USD 1.1 billion and Amazon's acquisition of MGM for ~USD 8.5 billion
- OTT has a **7–9% share in India's USD 27 billion** M&E market. However, its market share is expected to increase to 22–25% by 2030, while television's market share will decline from ~35% to 24%
- Key global players have shifted their focus to the Indian OTT market due to a **sudden increase in OTT content consumers**. In the recent pandemic, big players, such as Netflix and Prime video, have **started producing and streaming content more suitable to the Indian audience**
- The OTT market witnessed an increase in revenue and share prices during the pandemic; however, the market **has been witnessing a decrease since 2022** in share prices due to a decrease in the number of subscribers
- In India, **digital consumption outstripped other segments**, with an average video consumption of 3–3.3 hours per day in 2022
- In recent years, the OTT market has started **moving towards the AVOD model** due to the presence of many paid players. Also, there is a growing appetite in the audience to receive free content in exchange for watching ads

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**Thank You**

