

OTT Market

July 2024

Corporate and Investment Banking Practice

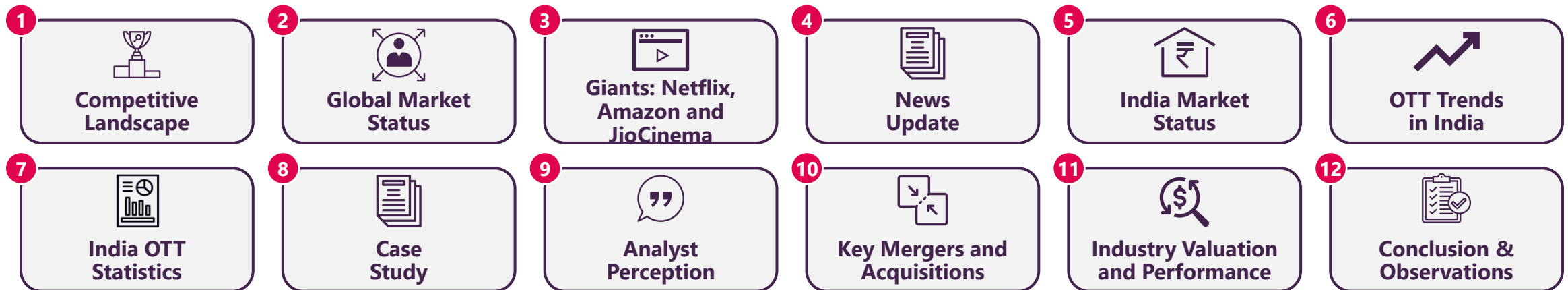


Over-the-Top (OTT) Streaming Services

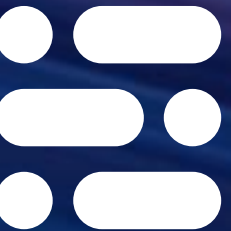
OTT Aggregators are slowly blooming with the expansion of streaming services globally

- Original and interactive content with customer-first experience have been the backbone for the acceleration of OTT market, multiplicity of OTT platform has ensured that the user experience premium content with other inclusive offering at a competitive price
- A growing space of 'aggregators' is emerging, seeking entry into customers' homes at significantly lower costs by tying up with TV operators, internet service providers (ISPs) and telecom companies. OTT aggregation platforms boost revenue for OTT platforms, crucial in a landscape with high customer acquisition and content costs
- OTT has shown to be a reliable source for advertising, as evidenced by the fact that few key players have already shifted to an advertisement-supported model. A significant change in advertising habits is anticipated as more OTT models enable advertising, with brands preferring to place their ads in premium content platforms rather than user-generated channels
- In this report we will look at the OTT industry in terms of its key players, market positioning & strategy, major trends that are either reason or consequence of current state of OTT market along with India's local OTT landscape

Some key topics covered within the report:












Global OTT Market Overview



Competitive Landscape

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

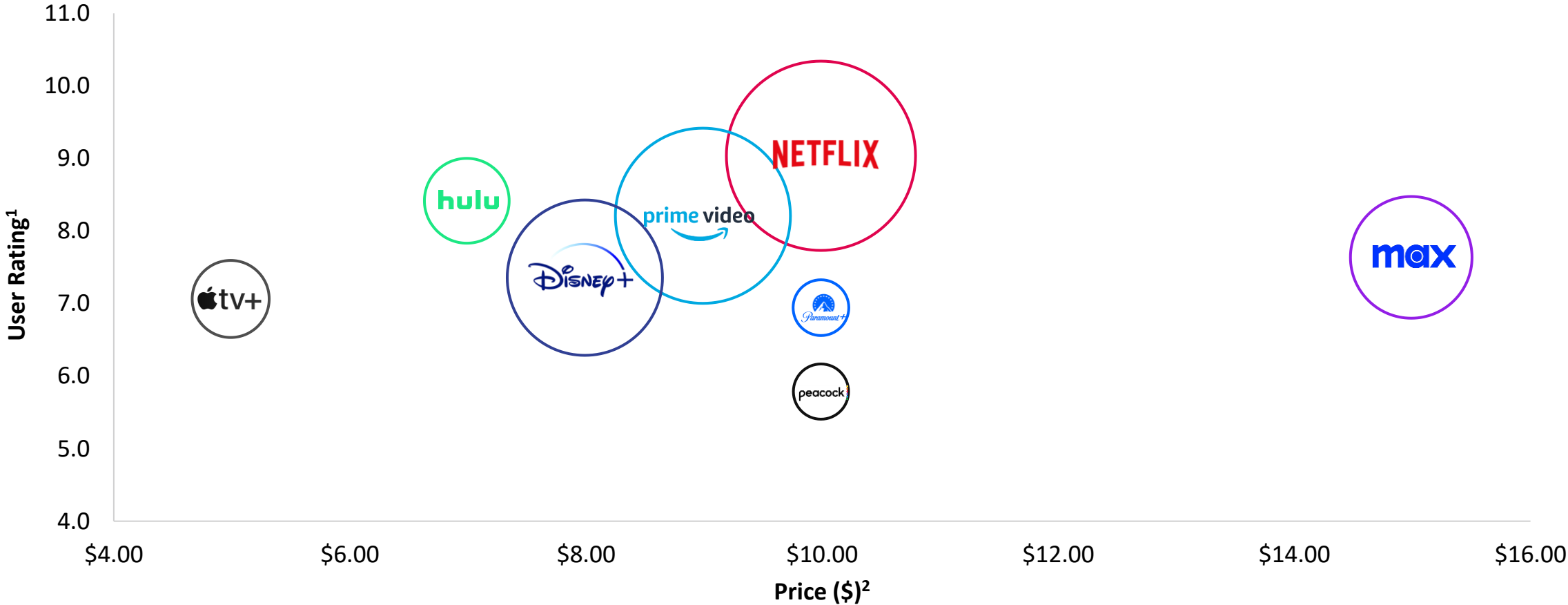
| |  |  |  |  |  |
|--|--|--|---|---|---|
| <u>Ownership</u> | Public |  |  |  |  |
| <u>Paid Subscribers (in millions)</u> | 277.6 | 220 | 97.7 | 50.2 | 25 |
| <u>Content Spend (in billions)</u> | \$13.0 | \$18.9 | \$11.6 | \$25.0 | \$7.0 |
| <u>Library Size</u> | 100,000 titles including movies and TV Shows | 40,000 titles including movies and TV Shows | 7,800+ titles including movies and shows | 4,150 titles including movies and TV shows | ~200 titles including movies and TV shows |
| <u># of operating countries</u> | 190 | 200+ | 61 | 3 | 100+ |
| <u>Growth Strategy</u> | Venture into ad-based services, introduce paid sharing options, expand gaming sector | Focus on original content, live sports streaming, and advertising expansion | Focus on reducing ad load, providing tiered pricing and diverse content library | Investing majorly on original and exclusive content | Focus on original content creation and acquisition to build up the content library |

Source: Wall Street Research

Data available as per latest available reports from June 2023

Market Positioning³

Netflix and Prime Video are well positioned in market in comparison to its 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


Changes in Consumption Pattern are Pivoting Global OTT Market's Growth


Global OTT players are fiercely competing to garner market share in the ever-growing emerging geographies


Key Highlights

- With a market value of \$476 billion in 2023, the global OTT content industry is expected to reach \$3,400 billion by 2032, expanding at a CAGR of 24.1% between 2024 and 2032
 - Increasing engagement rates across various regions is a key driver for the growth
 - Innovations in content delivery, coupled with changing viewer habits, are setting the stage for a future
- North America led the OTT content market with over 46% share in 2023
- The number of OTT users worldwide is expected to exceed 5.27 billion in 2024 and is further expected to reach 6.33 billion by 2029
- Growing interest in sports streaming and the focus on locally relevant content are driving forces in the industry growth
- OTT market's rapid growth, strong user engagement, and dynamic revenue models create a vibrant industry landscape

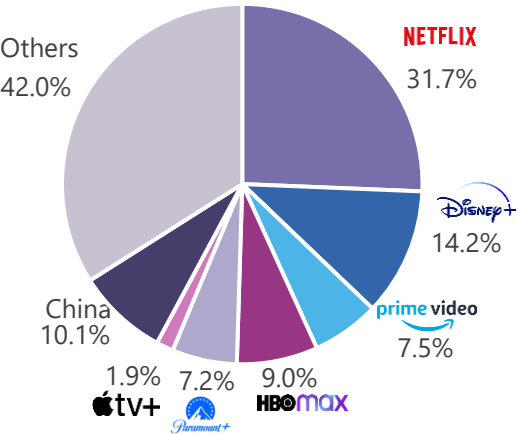
Key Industry Statistics

 **42.7% of OTT users are between 18 – 24 years old**

 **OTT Video has a global penetration rate of 68.07% in 2024**

 **35.3% Of The Total Viewing Time Is Spent Watching Content On Smart TV**

Global SVOD Market Share in 2028 (\$bn)



Netflix: A great year in terms of growth and expansion

The successful crackdown on password sharing resulted in solid top line growth

- **Concluded Q4'23 with a record number of paid subscribers:** The company ended the last quarter of 2023 with 260.3M global paid members (up 12.8% YoY), added 13.12M net paid subscribers during the period
- **Password Crackdown driving growth:** Netflix added almost 30M subscribers in 2023 after cracking down on password sharing in May
- Advertising plan membership was up over 70% QoQ in Q3'23, its \$6.99 per month ads plan in the US also contributed to this growth
- A new advertising strategy, the launch of paid sharing possibilities, and a vigorous push into the gaming industry, contributed towards the growth during 2023



Horrible Bosses 2
(Feb 2024)



Brooklyn Nine-Nine: Seasons 1-4
(Feb 2024)



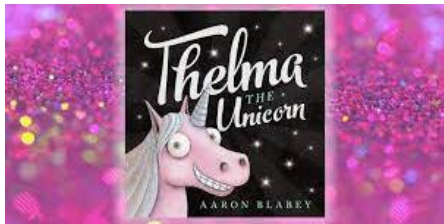
My Name is Loh Kiwan
(Mar 2024)



The Beautiful Game
(Mar 2024)



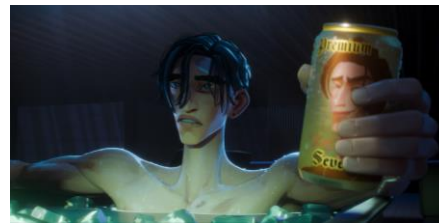
Rebel Moon - Part Two: The Scargiver
(Apr 2024)



Thelma the Unicorn
(May 2024)



Hit Man
(June 2024)



Ultraman: Rising
(June 2024)



Trigger Warning
(June 2024)



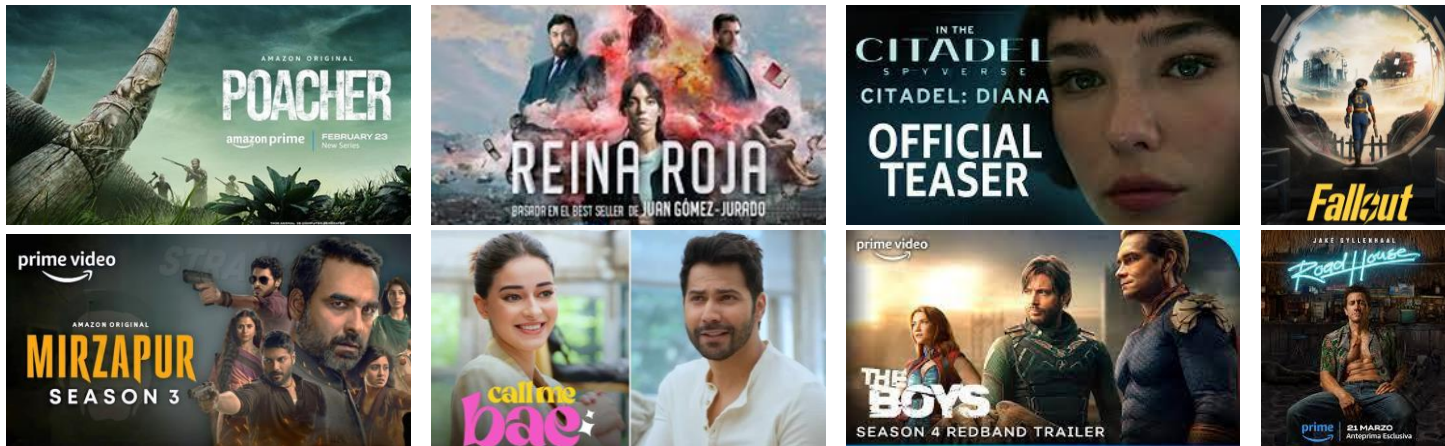
Beverly Hills Cop: Axel F
(July 2024)

Amazon Prime: Expanding Streaming Bandwidth & Attracting New Users

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

- Amazon recently announced that Prime Video will begin showing limited ads from early 2024 and will launch this new ad feature in stages. As few other players have already launched ad-supported tiers or plans that offer lower prices or more content in exchange for watching commercials
 - With ads on Prime Video, the plan is to generate more revenue from its existing user base as well as sellers and attract new customers through cheaper streaming options
- Amazon Prime has made significant investments in its content– producing original series and films, acquiring exclusive rights to popular shows and movies, and expanding its global reach
- Amazon Prime Video is planning a standalone application for live sports streaming, and has acquired rights for 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
 - Plans to distribute its sports streaming package in the U.S. and internationally, with an expanded package of games in Mexico, Brazil, France, Italy, Spain Germany, the U.K., and Ireland - Including at least 20 regular season primetime games each year, a Conference Finals series each year, and the NBA Finals in six years of the deal

Upcoming & Recent Prime Originals and post Theatrical Releases



Supported Collaboration Brands

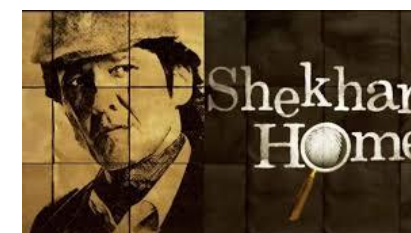


JioCinema: The new market disruptor

JioCinema is disrupting the market with its updated Premium plan and global content

- JioCinema has introduced a new ad-free premium plan called “JioCinema Premium” for ₹29 per month. This plan includes ad-free content across languages, such as original series, movies, children’s shows, and TV entertainment. Additionally, it also introduced a family plan available for ₹89 per month, allowing simultaneous streaming on up to four devices.
- JioCinema and PokerBaazi have collaborated on a 6-part poker-focused reality TV series called “Poker Masterclass.” The show will feature players competing in poker games and activities, emphasizing learning, skill development, and entertainment.
- JioCinema has partnered with ShareChat and Moj platforms, to offer interviews, footage-based clips, studio content, and build-up videos from the Olympic Games Paris 2024.






Upcoming & Recent show and post Theatrical Releases



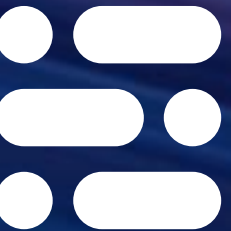
Supported Collaboration Brands



Current OTT Space Updates

| | | |
|---|---|--|
|  | <p><u>May 08, 2024</u></p> <p><u>Dec 27, 2023</u></p> <p><u>Nov 16, 2023</u></p> | <ul style="list-style-type: none"> • Announced to introduce new types of advertisements including shoppable carousel ads, interactive pause ads, and interactive trivia ads • Amazon Prime Video to include limited advertisements from Jan'24 with an option to pay an additional \$2.99 a month to experience ad-free streaming • Amazon Prime Video launched FanCode, a premier sports destination on its channels providing access to a diverse range of sports globally and domestically |
|  | <p><u>Jan 23, 2024</u></p> <p><u>Dec 18, 2023</u></p> <p><u>Oct 19, 2023</u></p> | <ul style="list-style-type: none"> • Netflix signed \$5bn deal to stream WWE's Raw, beginning in Jan'25 Netflix will be the exclusive home of Raw in the US, Canada, UK, and Latin America for the next 10 years • Netflix to join the ranks of other OTT platforms and stop global streaming of uncut Indian films • Netflix to raise the price of its Basic and Premium plans for the third time this year in the US, UK, and France |
|  | <p><u>Apr 25, 2024</u></p> <p><u>Feb 28, 2024</u></p> <p><u>Nov 16, 2023</u></p> <p><u>Oct 17, 2023</u></p> | <ul style="list-style-type: none"> • Reliance Jio launched new and cheapest JioCinema premium plans starting with Rs 29 and Rs 89 per month to allow viewers ad-free experience • Reliance-Jio, Disney seal \$8.5bn deal, merged Indian Media Businesses; plans offering free JioCinema premium subscription, additional data and more • JioCinema has announced its foray into Kids entertainment with a dedicated 'Kids and Family' offering spanning over 3000 hours of the toon franchises from across the world • JioCinema launched 'Indian Angels', claimed as the 'world's first' Angel investment show on OTT |
|  | <p><u>Feb 08, 2024</u></p> <p><u>Nov 19, 2023</u></p> | <ul style="list-style-type: none"> • Disney+ Hotstar's paid subscriber base grew to 38.3mn after four consecutive quarterly losses, earlier the paid member base dropped to 37.6mn in Q4'23 ended on Sep 30 • Disney's Rs 24.8k crore bet on World Cup 2023 brought Rs 2.2 lakh crore return, company's market cap reached \$167.7bn |
|  | <p><u>Jan 19, 2024</u></p> <p><u>Sep 20, 2023</u></p> | <ul style="list-style-type: none"> • Warner Bros. Discovery signed 5-year Indian Cricket rights deal for UK, Ireland with Board of Control for Cricket in India and Pitch International • Warner Bros. Discovery opened Hyderabad Capability Centre, its first Asian Greenfield office in India |

Indian OTT Market Overview



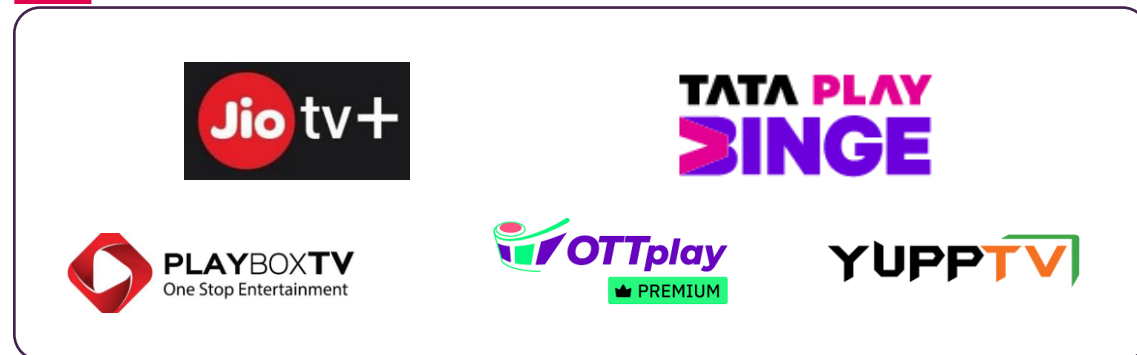
All-in-One Platform to lead Indian OTT Market into the future

95% of consumers in India want an all-in-one platform to simplify their entertainment experiences

Key Highlights

- According to Business Insider, there are 47 streaming services in India including both local players and international players
- Post COVID, daily video consumption sources have changed, there is a growing demand for “OTT aggregators”, platforms that allow users to discover and view streaming content from various OTT apps, in one place
- OTT aggregators offer bundles at reduced prices, they are increasingly entering the market by partnering with TV operators, ISPs and telecom companies to offer services at lower rates
- OTTplay, YuppTVScore and Tata Play Binge are some of the aggregators that are championed by companies that have strong presence in satellite-based television market
- Aggregators offer benefits including hassle-free experience, cost-saving, recommendation system and enable streaming of multiple international and regional OTT platforms at a single place
- India’s OTT market, sized at \$2.5bn (incl. YouTube), went through a major disruption in 2023, as Jio Cinema offered the most premium content – Indian Premier League – free to users

OTT Aggregator Apps in India



Key Stats

70 min daily

Time spent by average Indian OTT viewer with a viewing frequency of ~12.5x a week

34.4 hrs

Time spent watching OTT per TV per month

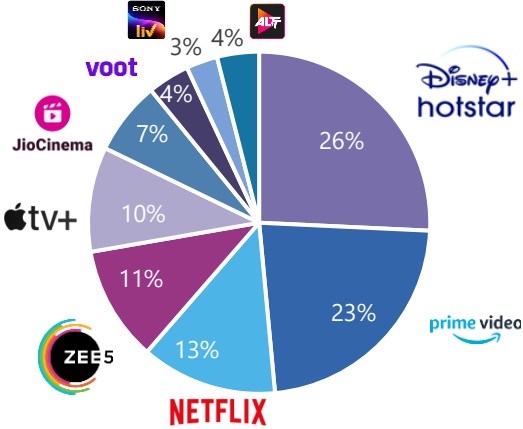
RS 1,000-2,000

Average cost per month for bundled pack of 10-12 OTT apps

Indian OTT Market by Numbers

Regional content development and market penetration has been the targeted trend among all OTT players

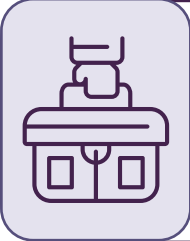
OTT Market Share



Indian online video segment excluding sports, is projected to hold a 24% market share, a significant increase from 8% in 2017. This share is expected to rise to 30% by 2028



Investment in local entertainment content, including scripted, unscripted, and sports programming, reached \$5.8 billion in India in 2023, a notable increase from \$3.3 billion in 2018

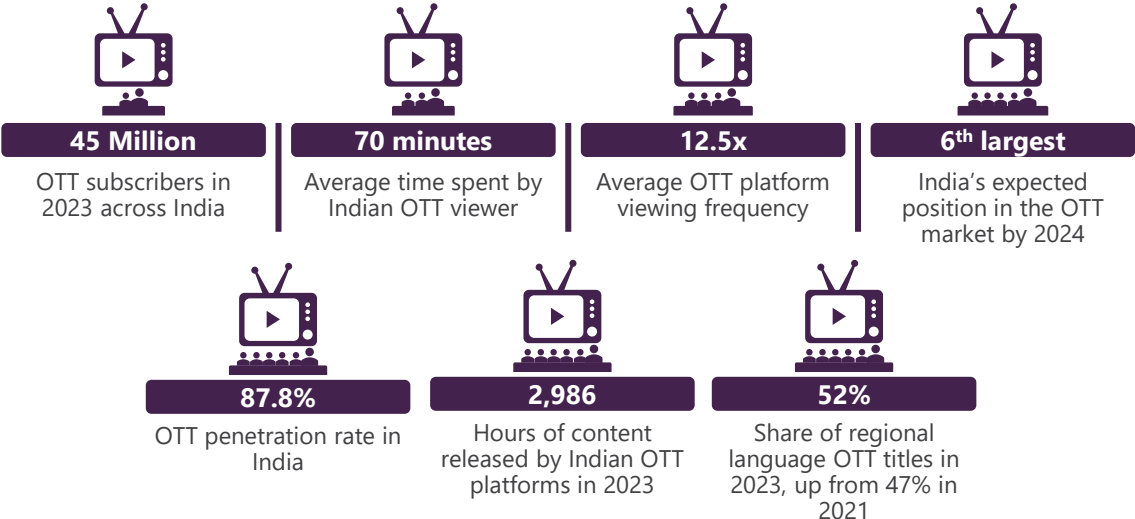


Streaming boom has led to the release of more than 1,500 original titles between 2016 and 2023, generating approximately 174,000 jobs




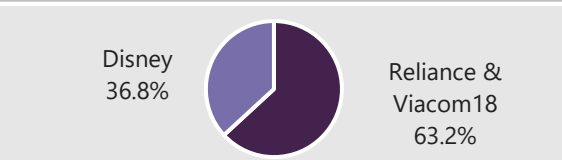
Industry is expected to create 280,000 new positions by 2028, potentially exceeding 330,000 jobs as demand for specialized skills in VFX, animation, subtitling, and dubbing grows

Key Highlights of the OTT segment



The Reliance - Disney Merger

The merger announcement sparks monopoly concerns and heightens competition struggles for smaller industry participants

| | | | | | | |
|---|--|---|--------|-------|---------------------|-------|
| Transaction Overview | <ul style="list-style-type: none">On Feb 28, 2024, Reliance Industries Limited and The Walt Disney Company announced to merge their TV and streaming media assets in India by creating a joint venture ("JV") valued at \$8.5 bnAs part of the deal, Viacom18 (majorly owned by Reliance) will combine the business with Star India (owned by Walt Disney)Reliance Industries will be investing ~\$1.4 billion into the JV for its growth strategy |  | | | | |
| Transaction Rationale | <ul style="list-style-type: none">The combined entity will become one of the leading TV and digital streaming platforms for entertainment and sports content in IndiaThe deal would bring together 70 channels from Star India and 38 TV channels from Viacom 18 in eight languages, along with two large OTT platforms—Jio Cinema and Hotstar, and two film studios owned by each of themThis strategic investment by Reliance will enable it to strengthen its streaming platform - Jio Cinema by leveraging Disney-Star India's expansive content library and sports broadcasting expertiseThe JV will own lucrative sports properties like the Indian Premier League, ICC cricket tournaments (both TV and digital), Wimbledon, Pro Kabaddi League, BCCI domestic cricket etc., and will be catering to 750 million+ viewers across India and the Indian diaspora globallyThe JV will also be granted exclusive rights to distribute Disney films and productions in India, with a license to more than 30,000 Disney content assets | | | | | |
| Shareholding Overview & Market Share | <ul style="list-style-type: none">Reliance Industries will control the JV owning 16.34% while Viacom18 and Disney owning 46.82% and Disney 36.84% respectivelyThe combined entity is expected to have a digital OTT market share of 34%, while the TV viewership share in the top 10 channels is 40% as of CY 2023 |  <table border="1"><tr><td>Disney</td><td>36.8%</td></tr><tr><td>Reliance & Viacom18</td><td>63.2%</td></tr></table> | Disney | 36.8% | Reliance & Viacom18 | 63.2% |
| Disney | 36.8% | | | | | |
| Reliance & Viacom18 | 63.2% | | | | | |

Market Commentary

“With a large customer base across various genres, including regional genres and urban GEC, the combined entity aims to dominate key markets, potentially leading to market share loss and challenges for other players, including the possibility of smaller channels shutting down”.....” Potentially also slightly negative for advertisers as bargaining power of the merged entity will be higher

— **Abneesh Roy**
(Nuvama Institutional Equities, Executive Director) ”

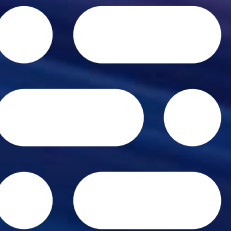
“This juggernaut will be a force to reckon with when it comes to all the spheres of the media & entertainment and sports ecosystem namely advertising, subscription, OTT, sports, and content acquisition

— **Vivek Menon**
(NV Capital, Managing Partner) ”

“This dominance in sports, primarily cricket, positions them to command a substantial share of the overall ad market, showcasing strong growth in an industry where sports is a key driver of viewership on both linear TV and digital platforms

— **Karan Taurani**
(Elara Capital, SVP) ”

OTT Market Perspectives and Insights



OTT Aggregators are building a new freeway for market to grow further

“

Platforms are experimenting with content, shifting from big-ticket to less ambitious projects. But as they have hit the glass ceiling in the bigger markets, they are exploring new audiences. This is anticipated to be a key focus in 2024

— **Keerat Grewal, December 4, 2023, Partner, Partner**

”

“

The video OTT market is heading towards aggregation, just as multi-system operators aggregate TV content to increase affordability for consumers, and to reduce customer acquisition costs. The video streaming industry is inherently fully addressable, protecting the revenues of content creators, and I feel that a good bundle between Rs 1000-2000 a year will be a very attractive proposition.

— **Ashish Pherwani, June 14, 2023, Partner – Media and Entertainment, EY India**

”

“

Most subscriber base [for OTT platforms] comes from telco bundling, where you have a whole lot of people in a telco plan [that includes a subscription]... A healthy streaming business will be one where you're high on engagement, you're looking at revenue, and you have to put that revenue back into the creators' pool.

— **Monika Shergill, May 23, 2023, Vice President of Content, Netflix India**

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

















The way the industry is evolving, it's highly focused on changing consumer behaviour right now, Being a part of a bundle helps you increase reach at a lower cost of acquisition ... The objective is how and when you want to convert them (bundle users) into direct consumers.

— **Manish Kalra, May 23, 2023, Chief Business Officer, ZEE5**

”

Recent M&A Transactions

OTT industry is under consolidation post the COVID-19 boom, whereby non-OTT players are entering the market through acquisitions

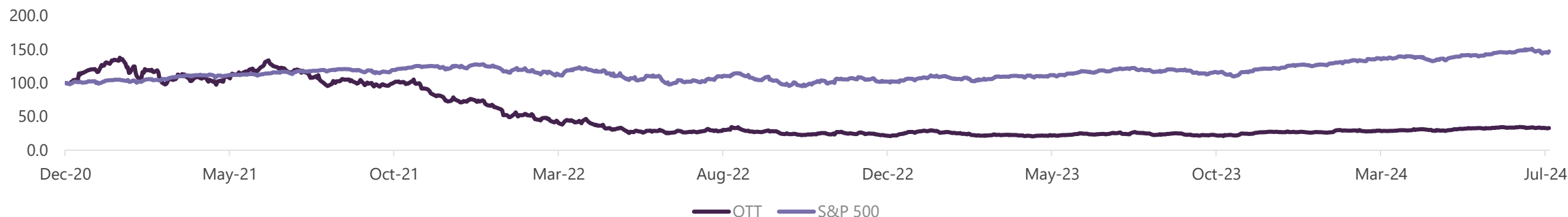
| Date | Acquirer | Target | Target Business Description | EV (\$M) |
|-------------------------|--|---|---|-----------|
| 24-07-2024 |  TVING |  | Developer of online entertainment broadcasting platform that provides video-on-demand, web series, movies and online streaming services | – |
| 29-02-2024 |  |  | Developer of an online entertainment platform to stream British TV collection like dramas, comedies etc. | \$322.2 |
| 28-02-2024 |  |  | Provider of TV and digital streaming services intended for entertainment and sports content | \$8,500.0 |
| 25-01-2024 |  |  | Operator of a streaming platform offering free, ad-supported streaming television (FAST) services | – |
| 07-12-2023 |  |  | Developer of a digital entertainment platform designed to offer subscription video-on-demand service | – |
| 23-11-2023 |  |  | Developer of a curated video streaming platform based in Brazil | – |
| 10-10-2023 |  |  | Operator of an OTT network platform offering recent news, live court video, high-profile criminal trials etc. | – |
| 15-08-2023 |  |  | Operator of live broadcast and streaming platform intended to stream women's football matches | – |
| 31-05-2023 |  |  | Operator of an entertainment platform designed to stream TV series, documentaries, and feature films | – |
| 22-05-2023 | KINO LORBER |  | Provider of subscription-based television programs, streaming services and DVDs | – |
| 24-04-2023 |  |  | Operator of an entertainment platform streaming TV series, documentaries, films and live newscasts | – |
| 22-03-2023 | PROXIMA MEDIA |  | Operator of a streaming platform designed to provide video-on-demand movies | – |
| 21-03-2023 |  |  | Provider of streaming services for Bengali web series, short films, movies and TV series. | – |
| 05-12-2022 |  | WATCHA | Developer of a subscription-based video streaming application | – |
| 29-11-2022 | The Walt Disney Company |  | Provider of direct-to-consumer live entertainment and video streaming services | \$900.0 |
| 11-08-2022 |  | redbox. | An entertainment company offering large variety of content across digital and physical media | \$375.0 |
| 31-01-2022 ¹ |  |  | Univision and Televisa merged to form a new entity known as TelevisaUnivision Inc. | \$4,800.0 |

Note: Voot and JioCinema merger is an internal integration, have excluded it from the M&A table

Industry Valuation & Share Price Performance

Key player in the market have started to see deacceleration in subscriber growth

Share Price Performance



Netflix and a few other OTT players observed significant dip in share prices due to consolidation in the market; The big OTT giants are merging amongst themselves due to the decreasing subscribers and demand for super aggregators

Public Comparables

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

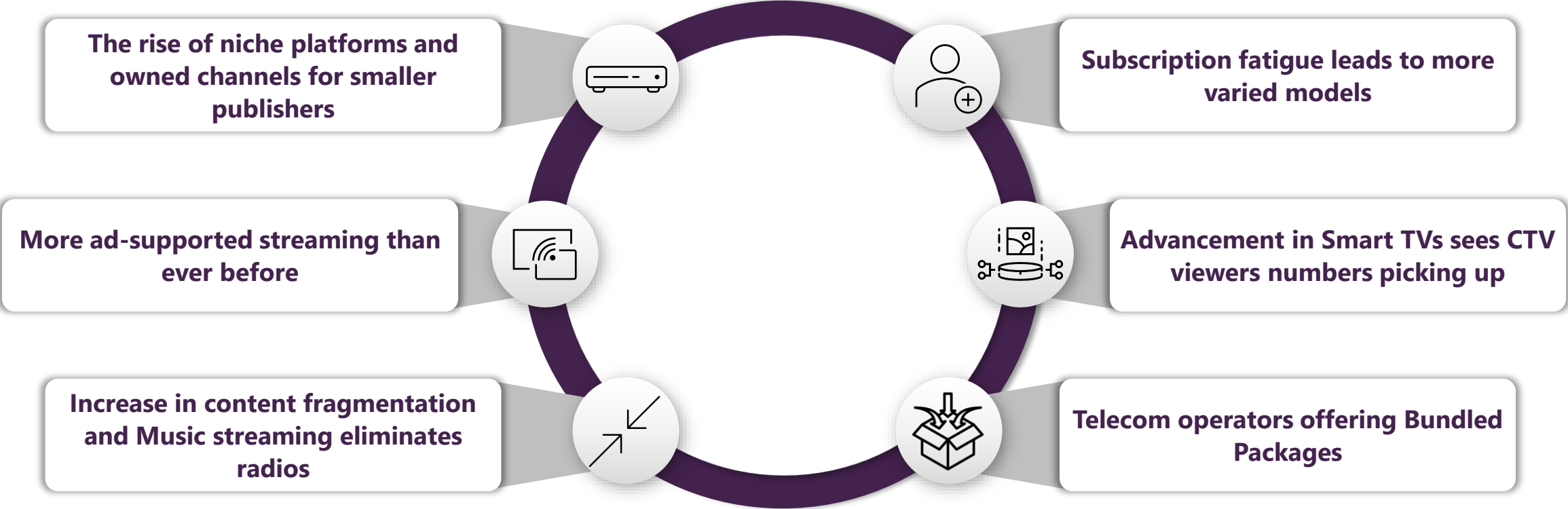
| Company | Ticker | Market Data | | | Valuation Multiples | | | | | | Operating Metrics | | | |
|-----------------|---------|--------------------------|---------------|---------------------|---------------------|-------------|--------------|--------------|--------------|--------------|--------------------|--------------|-------------------|--------------|
| | | Stock Price 7/31/2024 | Market Cap | Enterprise Value | EV/Revenue | | EV/EBITDA | | P/E | | Revenue Growth (%) | | EBITDA Margin (%) | |
| | | | | | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| Netflix | NFLX-US | \$628.35 | \$269,666 | \$279,532 | 7.2x | 6.4x | 26.3x | 21.8x | 32.9x | 27.4x | 14.8% | 12.2% | 27.4% | 29.5% |
| Roku | ROKU-US | \$58.21 | \$8,392 | \$6,935 | 1.8x | 1.6x | NM | NM | NM | NM | 12.6% | 12.2% | 3.1% | 5.4% |
| CuriosityStream | CURI-US | \$1.10 | \$59 | \$25 | 0.4x | 0.4x | NM | 15.6x | NM | NM | 0.1% | 10.4% | NM | 2.5% |
| fuboTV | FUBO-US | \$1.46 | \$438 | \$686 | 0.4x | 0.4x | NM | NM | NM | NM | 15.1% | 11.7% | NM | NM |
| Gaia | GAIA-US | \$4.93 | \$116 | \$117 | 1.2x | 1.1x | 7.3x | 5.4x | NM | 54.8x | 16.6% | 16.7% | 17.0% | 19.7% |
| Mean | | | | | 2.2x | 2.0x | 16.8x | 14.3x | 32.9x | 41.1x | 11.8% | 12.6% | 15.8% | 14.3% |
| Median | | | | | 1.2x | 1.1x | 16.8x | 15.6x | 32.9x | 41.1x | 14.8% | 12.2% | 17.0% | 12.5% |

Source: FactSet

Note: OTT Index includes Netflix, Roku, FuboTV, CuriosityStream, and Gaia

Upcoming OTT Trends

The focus for OTT platforms is shifting from customer acquisition to customer retention



Key Conclusion and Observations

Availability of multiple OTT platforms through single OTT aggregator is likely to Drive Market Growth

- OTT market is growing on the back of **expanding 5G network service, opening doors to high-quality 4K content** – primarily in emerging countries like India
- **Integration of AI and Machine Learning into search and auto recommendation** is another driver for the rapid growth of OTT market as it enhances the viewer experience
- OTT aggregators are the newest addition in the Indian OTT industry, with apps including OTTplay, YuppTVScore and Tata Play Bingé that **are offering bundles at reduced prices leading to growth of the segment**
- Some of the big deals in the OTT market include, AT&T's acquisition of Crunchyroll for ~\$1.1bn and Amazon's acquisition of MGM for ~\$8.5bn
- OTT has a **7-9% market share in India's \$27B** M&E industry. However, by 2030, its market share is expected to increase to 22%-25%, while television's market share will decline from around 35% to 24%
- Indian OTT platforms faced slower content volume growth in 2023 due to profitability pressures, and could fall in 2024
- The percentage of paying subscribers to total OTT consumers remained less than 15% and 5% for video and audio, respectively
- New entrants including JioCinema are disrupting the market **with licensed sports content, premium Hollywood content and through merger with Voot**, giving it access to its content and subscribers
- The OTT market witnessed a rise in revenue and share prices during the pandemic, however the market **has witnessed a drop since 2022** in share prices owing to the decrease in number of subscribers
- **Digital consumption in India is outstripping other segments** with Time spent watching OTT per TV per month reported at 34.4 hrs in 2023
- In recent years, OTT market due to the presence of a large number of paid players has started **moving towards SVOD and AVOD model**, also there is a growing appetite in audience to receive free content in exchange for watching ads

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- Balendu has 5+ years of experience in working with investment banking delivery teams

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Evalueserve's Corporate and Investment Banking (CIB) practice works with bulge bracket banks, large global banks, commercial banks and boutique advisory firms. Our key practice areas include Sector and Product support, Lending & Credit support, Business Information / Library Services, Presentation Support services and Business Management Reporting. In addition, our proprietary technology platform helps streamline and automate workflows, re-use work products through knowledge management and automate repetitive tasks.

For more information, please visit: <https://www.evalueserve.com/industry/financial-services/>

Thank You

