

# Over-The-Top Streaming: Market Trend & Analysis

September 2022

Corporate and Investment Banking Practice



# Over the Top (OTT) Streaming Market

## Rapidly Increasing Over The Top (OTT) Platforms are Likely to Drive Media Market Growth

Since the start of pandemic back in late 2019, one of the rare industries within the market that followed an opposite trend to the rest of the economy was the “Over the Top” (OTT) streaming services.


While the entire Media industry started to struggle with the onset of pandemic – affected by lower consumer purchasing power; mobility restrictions and lockdowns, theaters closing and consequent films releases getting postponed indefinitely, the OTT market on the other hand was observing tremendous growth with analysts and industry experts, at the time, indicating an CAGR of 25%-29% for 2027.

We do observe that OTT market lately has hit a minor rough patch in 2022. This is the result of current social and economic normalization, with substantial percentage of population being vaccinated, no lockdowns (few exceptions) and corporations adopting back-to-office model, less and less people are spending time at home, and by extension on OTT platforms. The market however still expects the OTT industry to grow at approximately 15% CAGR by end of 2026.

In this report we will look at the OTT industry in terms of its key players, market positioning & strategy, major trends of OTT market along with India’s OTT landscape.


### Some key topics covered within the report:

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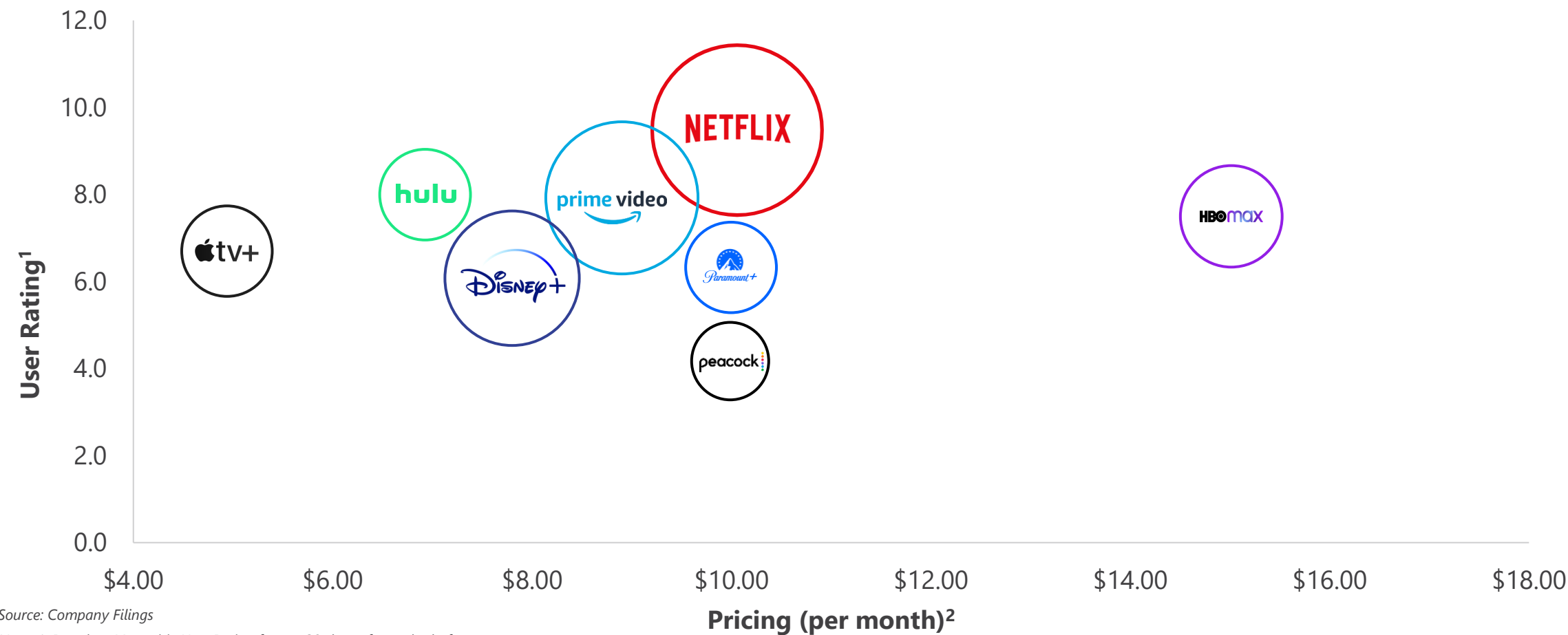
# Competitive Landscape

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

						
<b><u>Ownership</u></b>	Public					
<b><u>Paid Subscribers (in millions)</u></b>	221	175	152	49	46	40
<b><u>Content Spend (in billions)</u></b>	\$17.0	\$13.0	\$33.0	\$18.0	\$33.0	\$6.5
<b><u>Library Size</u></b>	17,000 titles including movies and TV Shows	30,000 titles including movies and TV Shows	13,000+ titles including movies and shows	~3,500 titles including movies and TV shows	3,000 titles including movies and TV shows	~100 titles including movies and TV shows
<b><u># of operating countries</u></b>	190	200	64	61	3	107
<b><u>Growth Strategy</u></b>	Focus on original content and expansion in Asian region	Focus on original content and live sports streaming	Expansion across key Asian markets	International Expansion to grow subscriber base	Investing majorly on original and exclusive content	Focus on building up its content library

# Market Positioning<sup>3</sup>

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

# Technology Shifts are Pivoting Global OTT Market's Growth

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

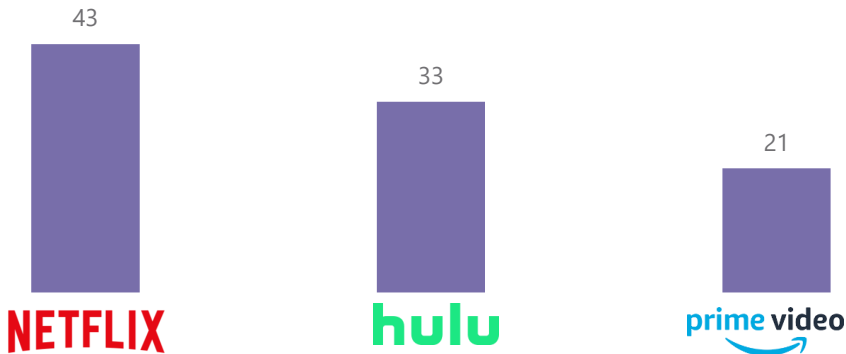
## Key Highlights

- Global users for OTT services are currently expected at 1.8 billion (2022), up 65% from 1.1 billion users recorded at the end of 2020
- North America currently dominates the market, owing to the presence of high broadband access in the region. Services such as ESPN, AT&T, Crown Family Media Networks, and Turner Sports experienced a strong momentum in the US recently
- Currently, a significant share of OTT video consumption is emanating from smartphones and tablet PCs, as they offer on-to-the-go video viewing at the user's convenience
- Global OTT market is anticipated to rise further in next 5-6 years with the swift growth of the 5G network service, opening doors to high-quality 4K content – especially in emerging countries
- An increasing adoption of AR/VR technologies in gaming and content viewing on smart devices will add another aspect to the industry's projected growth

## Key Market Players

	NETFLIX	prime video	hulu
Subscribers (in millions)	~220.7	~136.9	45.6
Subscriber Market share (%)	~12%	~8%	~3%
Revenue Market share (%)	20%	21%	1%

## Monthly Hours Spent on OTT Platforms



Source: Press Release, Articles and Publicly available research

# Battle for subscribers is heating up in India

Global OTT players are fighting in Indian market to increase market share by adopting various strategies

## Key Highlights

- According to a recent CII-BCG report, India had 70-80 million paying OTT users at the end of 2021, up from 14 million in 2018
- Over the last 2 years from COVID outbreak, daily video consumption source has changed from just YouTube to Netflix, Disney+ Hotstar, Prime Video and MX Player
- With the recent price drop of Netflix, all the major global OTT players are offering their services in India at a very cheaper price to increase their subscriber base and market share
- OTT market in India is further going to increase in next 4-5 years with the increase in 5G infrastructure
- Global streaming service providers (such as Amazon, Disney-owned Hotstar, SonyLiv, and Netflix) competing with domestic service providers (such as Zee5, Voot, and MX Player) and are focusing on production of original Indian content to attract a larger demographic in India

## Key Market Players

	NETFLIX	prime video	Disney+ hotstar
Subscribers (in millions)	~5.5	21.8	45.9
Subscriber Market share (%)	~5%	~21%	~45%
Revenue Market share (%)	29%	22%	29%

## Indian Pricing Relative to US Pricing per month

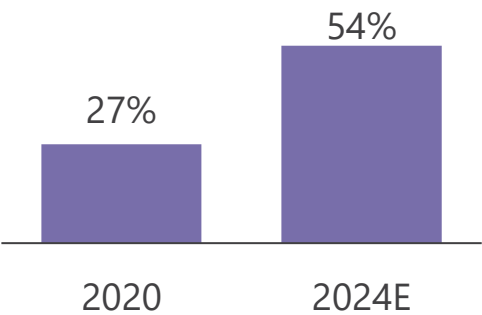







# Major Trends In Indian OTT Market

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

## Strong Focus on Regional Content

- Regional Content market share is expected to doubled between 2020 and 2024
- 69% of films released on streaming platforms were in regional languages in 2021



	40%+ share for regional in total content consumption
	~50% of viewership for regional language movies coming from outside home states
	Offers content in 12 languages and plans to invest ~30-40% on regional content in future
	Focuses only on hindi content
	Offers content in 10+ languages, Introduced a new category - "MX VDesi"

## OTT bundles raising viewership volumes

### Major Telecom Players



### Others



- Up to 85% of viewership volumes of certain OTT platforms were generated by telcos
- ~400 million consumers are expected to consume content via telco and aggregator bundles by 2025 as data prices increase
- Bundling of OTT services with mobile data plans to increase as more global streaming players tap into the Indian market
- Bigger SVOD players are expected to provide bundled services with small players on a revenue sharing basis
  - Currently Amazon providing bundled services for small players like Lionsgate Play, Docubay, Eros Now and Namma Flix

Source: Press Release, Articles and Publicly available research

# Impact of COVID-19 on the OTT industry

The unexpected rise of the COVID-19 pandemic has been the harbinger of unprecedented growth in the global OTT market

  
888  
45M+

## Increase in number of viewers

Enforcement of lockdowns globally resulted in shutting down of cinema halls, malls, adventure parks which resulted in consumer looking for new entertainment sources and consumers invariably found means of entertainment on various OTT platforms which lead to an unprecedented increase in the number of OTT subscribers.

  
7x

## High subscription growth rate

COVID-19 pandemic has caused a shift in consumer behavior with OTT taking center stage replacing TV, with the localization of content and increase in smartphone penetration the subscription rate during COVID propelled ; While the growth was evident due to the lockdowns and consumers forced to stay at home, the data highlights huge gains from the OTT platforms

35%  
**Consumers  
willing to pay  
premium**

## Promising monetization strategies adopted

Streaming services are lowering the entry barrier by offering free trial periods and price-offs for a subscription, In the near future, streaming services may opt for a combination of snackable, short-term subscription options and advertising revenue to offset the high cost of production; this will lead to intern increase in OTT penetration and consumer will have a wide array of subscription options

38%  
**Increase in  
VOD  
viewership**

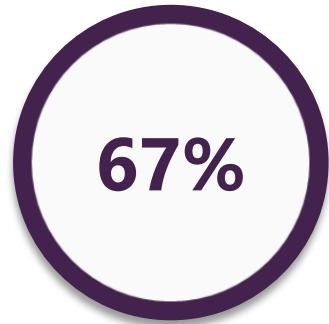
## Rising popularity of VOD

Pandemic and being locked down in their home made consumers demand more fresh content and production studios have started to realize that the consumers require original content and hence OTT service providers have begun establishing exclusive tie-ups with broadcasting networks to offer personalized TV experiences



# Future of AVOD market is bright

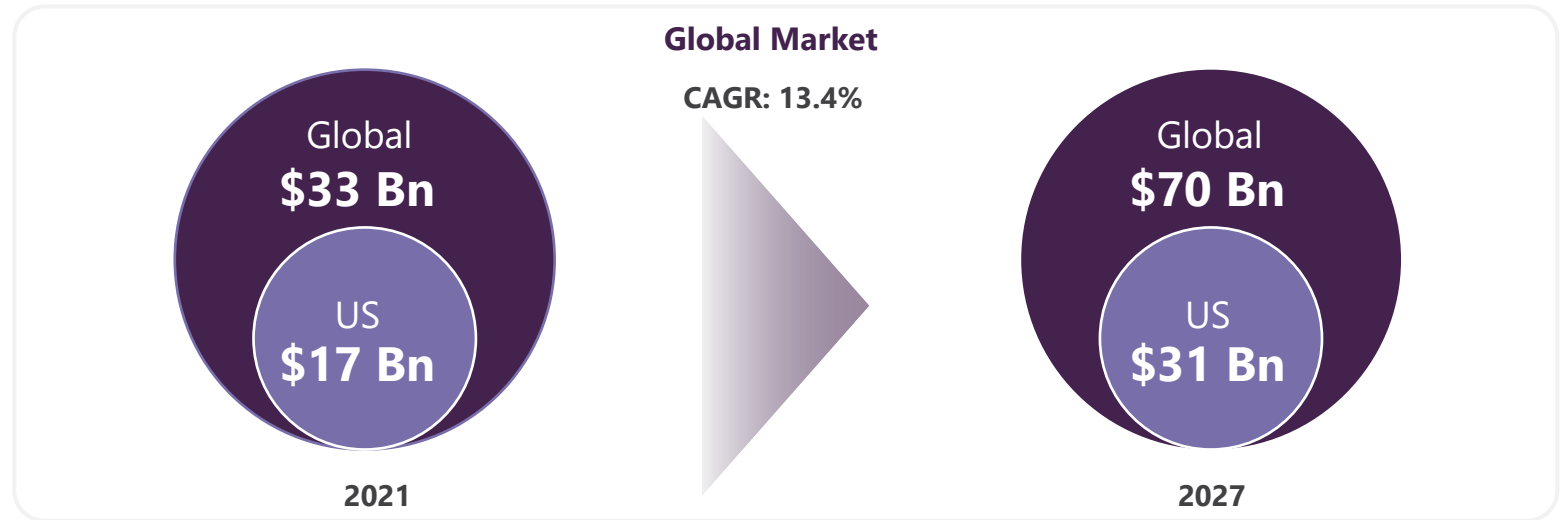
Ad-supported streaming services outpaced its ad-free counterparts with 29% growth v 21% in US, AVOD revenue is expected to grow 112% nearly double the rate of SVOD, leaving both SVOD and TVOD behind



**Viewers choose ad-supported TV over an ad-free subscription**



**Upfront payment for OTT advertising for 2021-22 TV season**



**“ AVOD is able to accurately quantify through its audiences’ data for advertising partners, creating better ROI and far greater accountability ”**  
— Tim Mulligan, Research Director and Video Analyst at MIDiA Research

**“ Advertisers want to reach viewers across different platforms – and AVOD finally creates the ability for them to reach viewers on TV as well...”**  
— Justin Gupta, Head of Broadcast and Entertainment at Google

# Netflix: War for Content

## Netflix has a Well Devised Content Strategy for the Indian Market

- **Focus on South Indian Content:** Besides growing Hindi-language content, the strategy for Netflix for the next five years is to expand further toward South Indian Telugu, Tamil and Malayalam languages, both in post-theatrical acquisitions and commissioning originals. Netflix expects a strong lineup in these 3 languages soon
- **Forging Partnerships with Leading Production Houses:** Netflix has expanded existing partnerships with leading Indian production houses and forged newer partnerships. Prominent partners include T-Series, Red Chillies Entertainment, and Pooja Entertainment
- The company has an impressive line up of shows and films coming up for the Indian audience in the coming months



**The Joy and Sorrows  
of Young Yuguo**  
(October 2022)



**Luckiest Girl Alive**  
(October 2022)



**Glitch**  
(October 2022)



**Little Things Season 4**  
(October 2022)



**The Crown Season 5**  
(November 2022)



**Hit 2**  
(November 2022)



**Chakda Xpress**  
(December 2022)



**Rana Naidu**  
(December 2022)



**Heeramandi (TBA)**



**The Archies (TBA)**

# Amazon Prime: Mastering the Marketing

Prime has Figured Out The Right Mix of Content and Marketing for Sustaining in the Indian Market

- Amazon has recently announced its licensing association with four major Indian production banners: **Ajay Devgn FFilms, Yash Raj Films, Dharma Productions, and Excel Media and Entertainment** as a result of which several big banner movies are expected to have their post theatrical releases on Prime Video later this year
- Prime Video has launched several new services in India before launching it in the other parts of the world like Prime Video Mobile Edition
- It has also started Pay Per View Services for early Post Theatrical Releases in April 2022
- One in five of its customers watches Indian content outside of India and Indian based concept show 'One Mic Stand' was being remade in Germany
- It has completed its five years in India, and on this occasion the company has announced 40 new titles across series and movies for the next two years





## Upcoming & Recent Prime Originals and post Theatrical Releases



## Supported Collaboration Brands



# Current OTT Space Updates

	<p><b><u>Sep 27, 2022</u></b></p> <p><b><u>Sep 12, 2022</u></b></p> <p><b><u>Aug 27, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Netflix Inc. has created its first in-house video games studio in Helsinki, Finland to expand its gaming offerings, rely less on third party creators and boost audience numbers</li> <li>• Netflix Inc. has partnered with Ubisoft to expand its gaming portfolio and develop three mobile games based on the Valiant Hearts, Mighty Quest and Assassin's Creed. These games are expected to start from 2023 with no ads or in-app purchases</li> <li>• Netflix Inc. has planned to price its new advertising-supported tier at \$7-\$9 a month, ~50% as much as its \$15.49 monthly plan (without ads). The \$15.49 plan is currently the most popular Netflix plan. Through this, Netflix plans to target consumers that are willing to watch ads in exchange for a lower monthly rate</li> </ul>
	<p><b><u>Sep 07, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Walmart+ started providing the Paramount+ Essential Subscription Plan to its members at no additional cost</li> <li>• Walmart has included the service under its \$12.95/month price tag. Paramount+ independently costs \$4.99 a month to consumers</li> </ul>
	<p><b><u>Sep 14, 2022</u></b></p> <p><b><u>Aug 10, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• The Walt Disney Company CEO Bob Chapek confirmed the plan to buy the remaining 33% stake in Hulu from Comcast before 2024</li> <li>• Walt Disney's June Quarter Ended DTC subscriptions (221.1 Million) crossed Netflix in total subscriptions (220.67 Million). Netflix had been facing heavy subscriber losses since March Quarter</li> </ul>
	<p><b><u>Sep 5, 2022</u></b></p> <p><b><u>Aug 8, 2022</u></b></p>	<ul style="list-style-type: none"> <li>• Warner Bros. Discovery and BT Group announced to form a 50:50 Joint Venture (JV) between BT Sport and Eurosport UK to bring their assets together and make a single brand in future</li> <li>• Warner Bros (WB) Discovery expects to debut combined HBO Max and Discovery+ in 2023. This rollout is expected to start in the US, followed by Latin America and Europe in early 2024, with key Asia Pacific territories</li> </ul>

## Positive perception of leaders leading to expansion of OTT services

“

But looking forward, streaming is working everywhere. Everyone is pouring in. It's definitely the end of linear TV over the next 5, 10 years. So very bullish on streaming. And then our core drivers are just continuing to improve

— Reed Hastings, July 19, 2022 Co-CEO, Netflix

”

“

We have more invention in front of us in the next 15 years than the last 15 — and our team is passionately committed to providing customers with the most expansive collection of compelling content anywhere in the world

— Andy Jassy, April 14, 2022 CEO, Amazon

”

“

We love shows like ‘Ted Lasso’ and several of the other shows... that have a reason for existing and may have a good message, and may make people feel better at the end of it.. But I don’t feel that we’ve narrowed our universe of things we’re selecting from.

— Tim Cook, January 27, 2022, CEO, Apple

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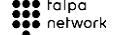








The global rollout of HBO Max continues at pace... We are delivering on our strategy to go direct-to-consumer around the world, which – coupled with our beloved content – will give us the scale needed to be one of the top global streaming platforms

— Johannes Larcher, January 06, 2022, Global Head, HBO Max International

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# Recent M&A Transactions

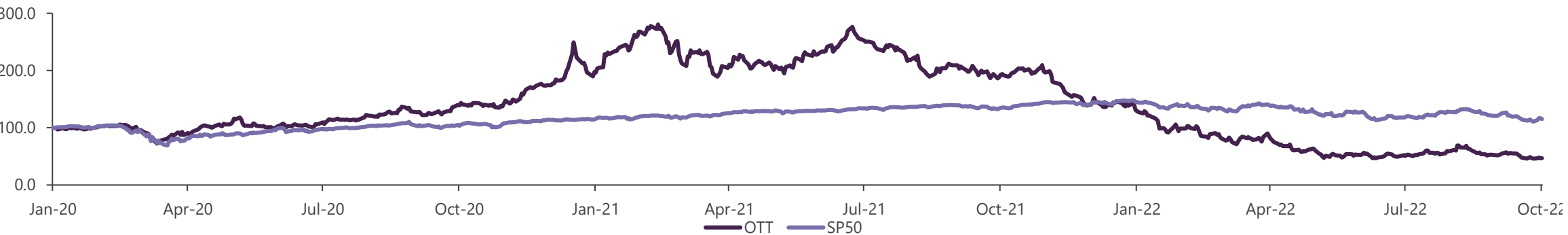
Date	Acquirer	Target	Target Business Description	EV (\$M)	EV / Rev.
9/5/2022		<b>PANTAYA</b>	Provider of streaming service offering the best movies and series in Spanish	–	–
3/2/2022			Provides a real-time interactive streaming PaaS built on WebRTC	–	–
12/8/2021			Provider of a platform for amateur video creators to monetize their content	–	–
10/11/2021			Provider of direct-to-consumer (DTC) live streaming service and advertising video-on-demand (AVOD) platform	\$190.00	–
9/21/2021			Operates as a television, media and entertainment company	–	–
9/8/2021			Provider of Japanese Anime and Asian media	\$1,175.00	–
8/1/2021	<b>Roku</b>		Developer of media content designed for smartphones	–	–
6/22/2021			Provides a wide range of multimedia activities including TV, events, radio, advertising, and e-commerce	–	–
5/26/2021			Operates as a entertainment company focused on the production and global distribution of film and television content across all platforms	\$8,450.00	4.9x
5/17/2021	SeaportGlobal	<b>redbox.</b>	Provider of Blu-ray Disc and video game rentals through its network of self-service kiosks	\$693.00	–
5/17/2021		<b>WarnerMedia</b>	Operator of media and entertainment company that creates and distributes premium and popular content	\$43,000.00	1.4x
4/15/2021		<b>FITE</b>	Provider of combat sports streaming platform	–	–
1/4/2021		<b>PANTAYA</b>	Provider of streaming service offering the best movies and series in Spanish	\$164.80	–
1/2/2021			Provider of a video publisher platform for social media such as Facebook, Instagram, and YouTube	–	–
11/8/2020		<b>CuriosityStream</b>	Provider of global factual streaming services	\$331.00	10.7x
<b>Mean</b>					<b>5.7x</b>
<b>Median</b>					<b>4.9x</b>

Source: Press Release & Factset

# 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 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 10/6/2022	Market Cap	Enterprise Value	EV/Revenue		EV/EBITDA		P/E 2022E	Revenue Growth (%)		EBITDA Margin (%)	
					2022E	2023E	2022E	2023E		2023E	2022E	2023E	2022E
Netflix	NFLX-US	\$240.02	\$106,738	\$117,828	3.7x	3.4x	6.3x	18.6x	23.7x	6.8%	7.8%	19.9%	20.7%
Roku	ROKU-US	\$59.39	\$8,192	\$6,863	2.2x	1.9x	22.2x	NM	NM	12.8%	16.8%	NM	0.3%
CuriosityStream	CURI-US	\$1.50	\$79	\$6	0.1x	0.1x	NM	NM	NM	29.2%	27.8%	NM	NM
fuboTV	FUBO-US	\$4.00	\$741	\$802	0.8x	0.6x	NM	NM	NM	48.2%	32.6%	NM	NM
Gaia	GAIA-US	\$2.51	\$52	\$60	0.7x	0.7x	3.9x	3.2x	71.7x	4.6%	7.6%	22.7%	23.8%
Chicken Soup for the Soul Entertainment	CSSE-US	\$6.52	\$136	\$210	0.9x	0.4x	17.1x	6.4x	NM	121.2%	106.7%	13.4%	18.1%
Mean					1.4x	1.2x	12.4x	9.4x	47.7x	37.1%	33.2%	18.7%	15.7%
Median					0.9x	0.7x	11.7x	6.4x	47.7x	21.0%	22.3%	19.9%	19.4%

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

# Key Conclusion and Observations

## Rapidly Increasing Over The Top Platforms are Likely to Drive Market Growth

- **OTT market globally is going towards consolidation phase** with the entry of VC and PE players in the market along with entry of various international and local companies in the market including the likes of Microsoft, AT&T and Amazon
- The **temporary shutdown of entertainment zones, box-offices, and multiplexes** have accelerated the demand for over-the-top services worldwide because of the COVID-19 pandemic
- Global Pandemic has led to overall **increase in number of viewers, higher subscription growth rate, rise in video-on-demand (VOD) demand and development of new monetization policies** by OTT players
- 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%
- All the global key players have shifted their focus towards the Indian OTT market with the **sudden increase in OTT content consumers** in the recent pandemic, giants such as Netflix and Prime video have **started producing and streaming content more suitable to the Indian audience palate**
- 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
- In India **regional content development and market penetration** through telecom companies has been the targeted trend among all OTT players
- In recent years, OTT market due to the presence of a large number of paid players has started **moving towards AVOD model**, also there is a growing appetite in audience to receive free content in exchange for watching ads



# About the Authors



## DEEPESH BHATNAGAR

**Vice President**  
**Corporate and Investment Banking LoB**

- Deepesh has 15+ years of experience in setting up offshore support teams for global investment banks and managing delivery

✉ Deepesh.Bhatnagar@evaluateserve.com



## SWATI BERIA

**Manager**  
**Corporate and Investment Banking LoB**

- Swati has 7+ years of experience in working with investment banking delivery teams

✉ swati.beria@evaluateserve.com



## ABHINAV KUMAR DUBEY

**Associate Vice President**  
**Corporate and Investment Banking LoB**

- Abhinav has 14+ years of experience in managing investment banking delivery teams

✉ Abhinav.Dubey@evaluateserve.com



## BALENDU BHAGAT

**Senior Business Analyst**  
**Corporate and Investment Banking LoB**

- Balendu has 3+ years of experience in working with investment banking delivery teams

✉ balendu.bhagat@evaluateserve.com

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