

OTT Market: Is Aggregation the Key to Growing Business?

August 2023

Corporate and Investment Banking Practice



Over-the-Top (OTT) Streaming Services

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

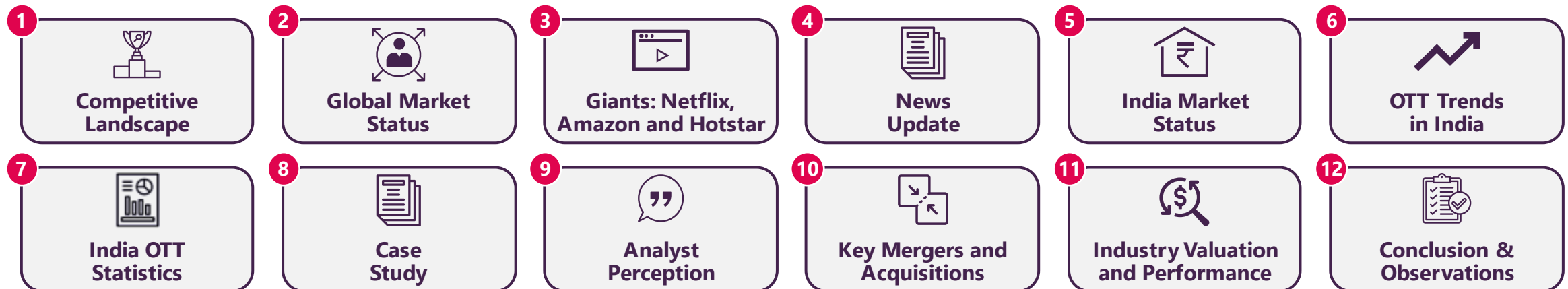
- Original and interactive content with customer-first experience have been the backbone for the acceleration of OTT market, multiplicity of OTT platform has ensured that the user experience premium content with other inclusive offering at a competitive price

- The market is also currently going through a consolidation phase where the users have started to demand a single stop platform that enables them to access all the OTT apps at a single place. OTT aggregators fill the growing need for an intermediary between the plethora of streaming services that have proliferated in the media/entertainment landscape today and end users

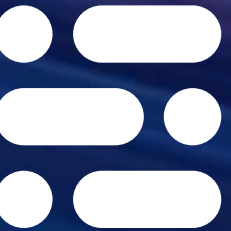
- OTT streaming space has diversified to include content distribution methods like Free Ad-Supported Streaming TV and Premium Video on Demand, also have forayed into local content to geographically attract diverse audiences

- 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



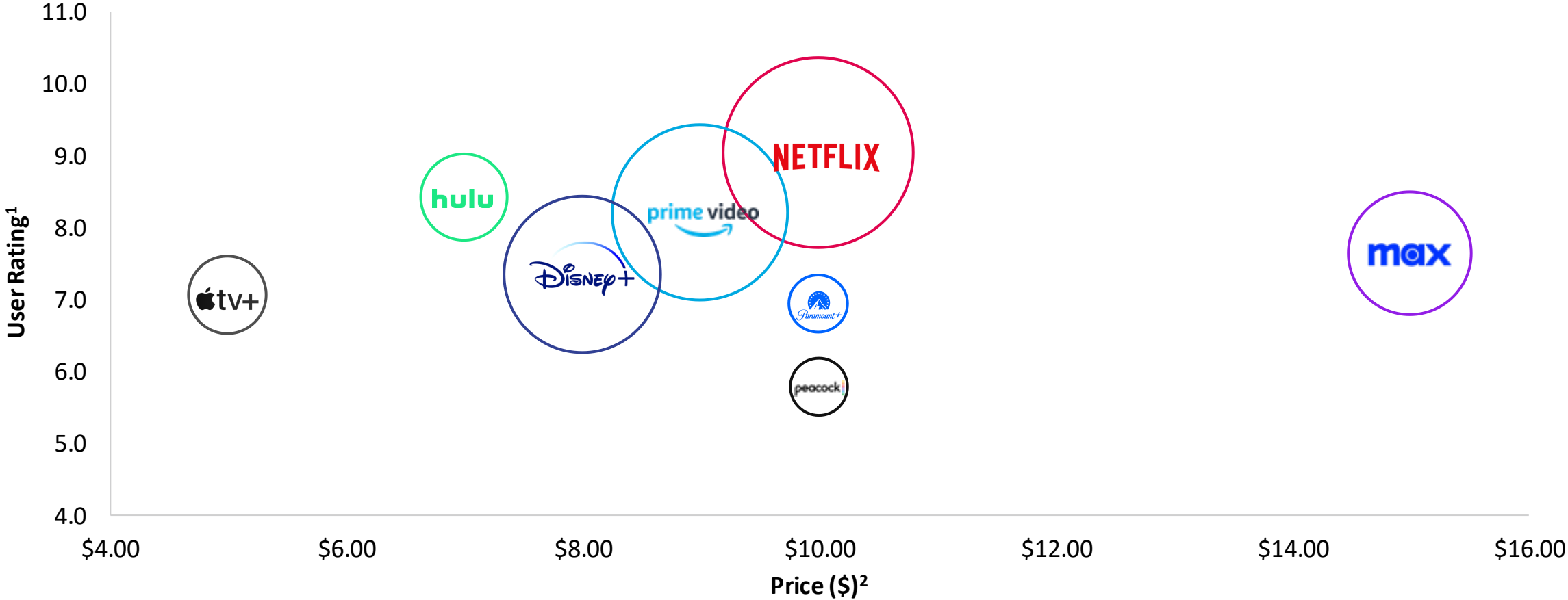
Competitive Landscape

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>	233	200	97.6	48.2	40
<u>Content Spend (in billions)</u>	\$18.0	\$16.6	\$9.5	\$33.0	\$6.5
<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	3,000 titles including movies and TV shows	~100 titles including movies and TV shows
<u># of operating countries</u>	190	200	67	3	107
<u>Growth Strategy</u>	Focus on original content and venture into ad-based services	Focus on original content and live sports streaming	Focus on reducing ad load, providing tiered pricing and diverse content library	Investing majorly on original and exclusive content	Focus on building up its content library

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

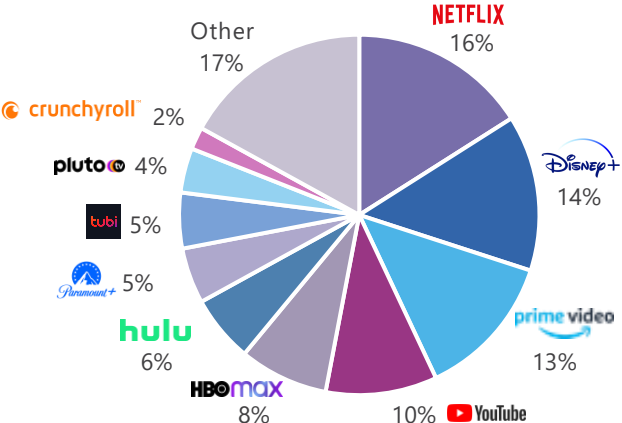
Key Highlights

- Projected to grow at a CAGR of 26.4% through 2023 to 2030, expected to grow from \$150.5 billion in 2021, to \$1,241.6 billion by 2030
 - Global OTT market is expected to expand in next 5-6 years with the speedy growth of the 5G network service, enabling 4K content streaming majorly in emerging countries
- Global users for OTT reached ~2 billion in 2022, up 82% from 1.1 billion users recorded at the end of 2020
- North America currently dominates the market, owing to the presence of 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
- OTT market development is primarily being driven using smart gadgets and increased access to faster internet speeds
- Additionally, User experience (UX) enhanced by AI and Machine Learning has immensely aided platforms in their success

Key Industry Statistics

-  **Expected to reach 4.22B users by 2027**
-  **User penetration to rise from 45.7% in 2023 to 53.0% by 2027**
-  **Projected ARPU for OTT video segment to be around \$90.14 in 2027**

OTT Market share (2022)



Netflix: Crackdown for Survival

Netflix has formulated various strategies to widen its market share

- **Password Sharing Crackdown:** Netflix saw a rise in account sign-ups after the rule came into force in the US and many other regions in late May'23, added over 200,000 new subscribers
- **Price Reduction leads To 30% growth in Q1'2023:** Netflix provided a forecast of \$8.2bn revenue for Q2'2023, up 3% on YoY basis
- Launched "Kids Mystery Box" feature through which Android users can access new children shows and TV characters
- The company has an impressive line up of shows and films coming up for the Indian audience in the coming months



Fisk (Season 1)
(Aug 2023)



Choona (Season 1)
(Aug 2023)



Ragnarok: Season 3
(Aug 2023)



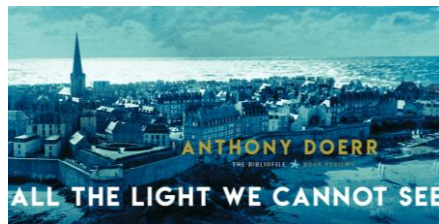
Heartstopper: Season 2
(Aug 2023)



Virgin River: Season 5
(Sep 2023)



Lupin: Part 3
(Oct 2023)



All the Light We Cannot See
(Nov 2023)



Squid Game: The Challenge
(Nov 2023)



Leave the World Behind
(Dec 2023)



Boy Swallows Universe (TBA)

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 introduced Prime Lite membership in India on June 15, 2023, an economical ad-based option for users at Rs 999 to access the Prime membership for a period of 12-months
- Amazon plans new unit to offer its original movies, films to other media outlets
 - The television shows will be made available for rent or purchase on other services and on airplanes through Amazon MGM Studios Distribution. Additionally, the shows will be licensed to overseas TV networks
- Prime Video launches new services in India like Prime Video Mobile Edition
- Prime Video is planning a standalone application for live sports streaming, Amazon has acquired live rights 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

Upcoming & Recent Prime Originals and post Theatrical Releases



Supported Collaboration Brands



Disney+ Hotstar: Recovery Post HBO Exit

Disney+ Hotstar is focusing on new strategies to win back its user base

- **Free Sports Streaming:** Disney+ Hotstar plans to leverage advertisement-based revenue model and will offer free streaming of cricket tournaments to mobile users in India
- **Live TV functionality:** Disney+ Hotstar plans to revamp its platform to include live TV functionality feature that would allow users to stream Disney's Star channels in Android and iOS app for phones, tablets and smart televisions, as well as the web version
- Upcoming Hotstar Specials, series and movies:



The Trial



Maharana



Lootere



Kraven the Hunter



Star Wars – Skeleton Crew



Ahsoka



Percy Jackson and the Olympians



Echo








Loki Season 2

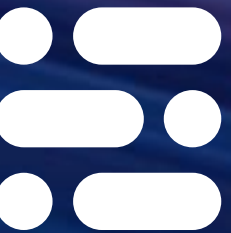


Jagged Mind

Current OTT Space Updates

	<p><u>Jun 21, 2023</u></p> <p><u>Jun 15, 2023</u></p>	<ul style="list-style-type: none"> • FTC announced to act against Amazon for its attempt to enroll users into its Prime program without their consent • Amazon launched Amazon Prime Lite, an ad-based version of Prime subscription in India at Rs 999
	<p><u>Jun 15, 2023</u></p> <p><u>Jun 13, 2023</u></p> <p><u>Apr 18, 2023</u></p>	<ul style="list-style-type: none"> • Netflix plans to launch its restaurant in Los Angeles; the restaurant will feature food from its popular shows • Netflix plans to live-stream a celebrity golf tournament to be hosted in Las Vegas and will feature contestants from Drive to Survive and Full Swing • Netflix announced end to DVD mailing service after 25 years, would be sending its last red envelope on Sep 29
	<p><u>Jun 20, 2023</u></p> <p><u>Jun 14, 2023</u></p> <p><u>May 29, 2023</u></p>	<ul style="list-style-type: none"> • Voot Select set to merge with JioCinema; post the merger Voot will cease to exist, and Voot Select Subscription will get Jio Cinema Premium Subscription for free • JioCinema acquired digital rights for India's tour of West Indies, a month-long series that includes two Tests, three ODIs and five T20s • JioCinema signed content streaming deal with NBC Universal; multi-year deal will give JioCinema's premium subscribers access to popular shows such as "Downton Abbey", "Suits" and "The Office"
	<p><u>Jun 09, 2023</u></p> <p><u>May 17, 2023</u></p>	<ul style="list-style-type: none"> • Disney+ Hotstar plans to offer free streaming of upcoming Asia Cup and ICC Men's Cricket World Cup on mobile • Disney+ Hotstar topped premium VoD consumption in India with 38% viewership share from CY'22-Q1'23
	<p><u>Jun 27, 2023</u></p> <p><u>Apr 12, 2023</u></p>	<ul style="list-style-type: none"> • Warner Bros. Games and NetEase announced the worldwide launch of "Harry Potter: Magic Awakened", a free-to-play collectible card roleplay game set • Warner Bros Discovery launched Max streaming, a destination for HBO Originals, Warner Bros. films, Max Originals, the DC universe and the Wizarding World of Harry Potter, among others

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 Ministry of Information & Broadcasting, there are 57 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

OTT Aggregator Apps in India



Key Stats

6.1 Tn

minutes consumed in watching online content between Jan'22-Mar'23

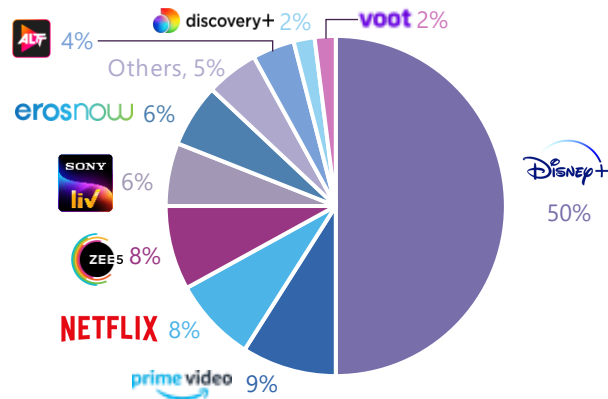
RS 1,000-2,000

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

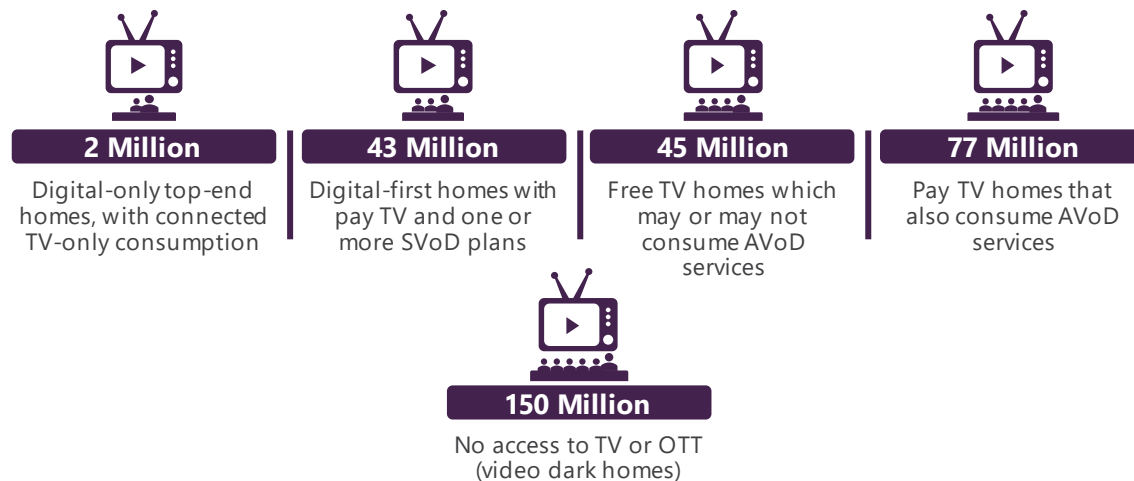
Indian OTT Market by Numbers

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

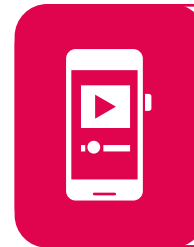
OTT Market Share



Key Highlights of the OTT segment



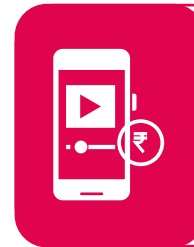
Total consumption across the online video segment reached 6.1 trillion minutes or over 11 million years for the 15-month period from Jan 2022 to Mar 2023, per Media Partners Asia



It adds that the premium VoD category (including freemium and subscription VoD) had 12 per cent share (versus 10 per cent in 2021), with YouTube remaining dominant with an 88 per cent share



From 45 million households paying for one or more SVoD services, the number will grow to 52 million by 2025, if current pricing is maintained, per FICCI-EY M&E Report 2023



It adds that if pricing is reduced to around ₹1 per day for a popular streaming service, or a strong bundle is created for up to ₹1,200 per year, the reach could cross 100 million households within three years

JioCinema's fast growing emergence in India

JioCinema's aggressive content strategy and replication of Jio 4G model will lead it to become biggest OTT Player in India

Increasing Share in Viewership & App Downloads (2023)

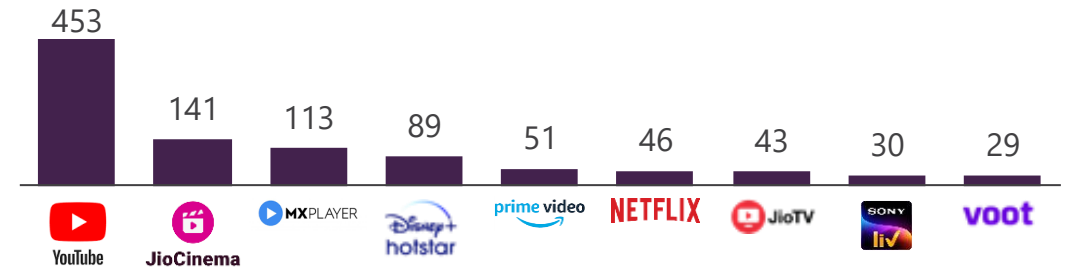
- Recorded 1.47 billion digital video views on the opening weekend of the IPL tournament, as well as 50 million mobile app downloads
- In Q1'23, JioCinema added 10+ million subscribers, monthly active users reached 57 million in Dec'22 and monthly share in downloads expanded by 19% in Apr'23

Strategic Growth Pillars

Licensed Sports Content

- Secured rights for major sports events that has enabled Jio's reach to wider audience and viewer base
- Viacom18, a part of the Reliance Group, bought IPL's streaming rights for \$2.7 billion for 2023-27
 - 44.9 crore viewers turned to JioCinema for IPL coverage
- Bagged the exclusive rights for official streaming partner for the FIFA World Cup 2022 in India
 - Over 110 million viewers on the JioCinema app streamed the tournament live for free

India's Top streamers (Unique visitors, mn, Apr 2023)

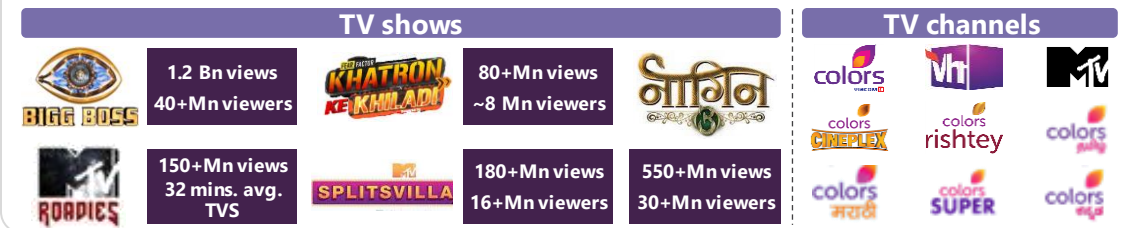


Premium Hollywood Content

- Warner Bros. Discovery and Viacom18 signed up a multi-year agreement to stream HBO, Max Original and Warner Bros content on JioCinema

Access to Exclusive Voot Content and Subscribers

- Through merger with Voot, JioCinema to get access to all exclusive Voot content which includes:



JioCinema growth trajectory to compete and disrupt OTT market

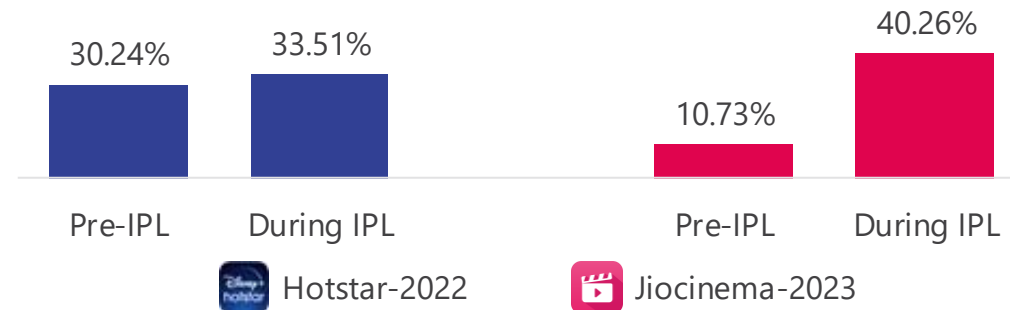
Jio is aggressively targeting and increasing **viewership base** to become dominant OTT player

Lead Sports Viewership

- Jio has focused on sports viewership. This strategy is yielding results for Jio, as 32 million viewers tuned in to watch FIFA 2022 final and over 97 million viewers have streamed IPL 2023 every day on the app
 - As per report from Synchronizs India and Unomer, it revealed that 73% users streamed IPL online
- According to BARC data, first 10 seasons of IPL saw declining viewership trend on TV and major rise on digital streaming as digital viewership touched 2.3 crore
 - Boosts JioCinema's claim to be the leader in Indian market
- According to KPMG report, Digital sports market was estimated at INR 1,540 crore in FY21 and expected to reach INR 4,360 in FY26
 - With increasing prospects of digital sports streaming, JioCinema is expected to witness traction in this space

Penetration

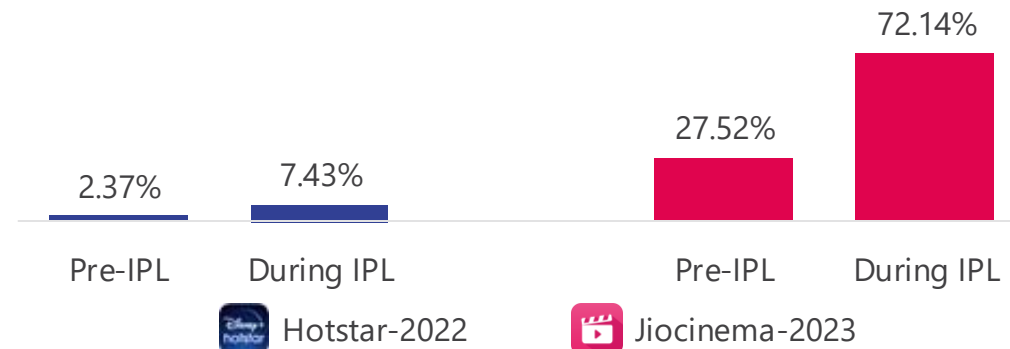
(%of users using app, out of Total Indian Internet Smartphone Population, during given time frame)



Jio Cinema penetration reported **4X growth**

New Installs

(Proportion of new installs to total installs)



IPL 2023 triggered approx **72% new app installations** for JioCinema

JioCinema growth trajectory to compete and disrupt OTT market [cont..]

JioCinema is set to turn up the heat in OTT battle, with **free premium content** and **merger with Voot**

Synergies from Voot Merger

- Merger with Voot will bring exclusive content to its library including some famous TV shows (Big Boss), movies, web series and will help to build diverse and broad entertainment options for users across various languages. More than 100 movies and TV series will be added to JioCinema post-merger
- Post merger, Voot will be integrated with JioCinema to create a single unified streaming platform. Voot Select subscribers will get JioCinema Premium Subscription for free, leading to stronger subscriber base for JioCinema

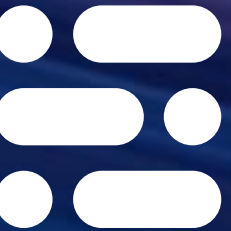
Freemium Model

- JioCinema is introducing its freemium business model that includes free streaming services. Other than Hollywood, all content will be available for free on JioCinema which makes a compact strategy to boost viewers
- Success of this strategy have been previously replicated by Reliance Industries for Jio Telecom, where it significantly invested in the telecom sector and disrupted the industry by providing low data prices and free voice calls, which increased internet usage. As a result, Jio now has a sizable user base of over 400 million subscribers, making it a desirable platform for content creators and distributors

Aggressive Content Strategy

- Jio's market leadership strategy is evident with its multi-year agreement with Warner Bros to stream HBO and Max Original content in India, and exclusive deal with NBCUniversal to stream Peacock Original shows and movies.
- Addition of sports content like IPL and FIFA and merger of Voot is also part of this strategy.
- JioCinema is now preparing to cast its net wide by building a repository of original shows (to take on Prime Video and Netflix), Bollywood and regional movies (to take on Disney+ Hotstar, and ZEE5), regional content (to take on Disney+ Hotstar and ZEE5), and non-fiction titles (to take on SonyLIV).

OTT Market Perspectives and Insights



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

“

Indian consumers are value conscious and not price conscious. They are not subscribing to a service because it's cheaper than the rest, but because of its value proposition.

— **Sushant Sreeram, June 23, 2023, Country Director, Amazon Prime Video**

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“

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**

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Recent M&A Transactions

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

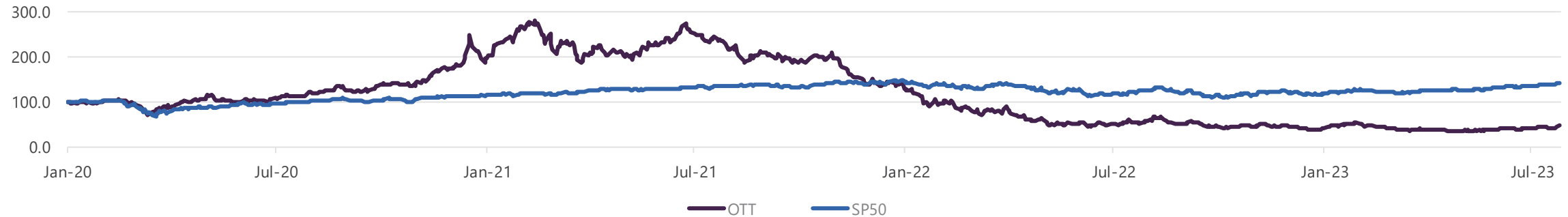
Date	Acquirer	Target	Target Business Description	EV (\$M)	EV / Rev.
01-12-2022	TVING	seezn	Operator of an online streaming platform based in Seoul, South Korea	–	–
31-10-2022	TV Play Baltics	Apollo TV	Provider of subscription-based streaming service intended for customers with a variety of content	–	–
17-10-2022	ADQ	Starzplay Arabia	Offers online streaming of television shows and movies, documentaries and kid's entertainment	\$239.40	–
9/5/2022	univision	PANTAYA	Provider of streaming service offering the best movies and series in Spanish	–	–
3/2/2022	Dolby	millicast	Provides a real-time interactive streaming PaaS built on WebRTC	–	–
12/8/2021	TMB	JOKIN	Provider of a platform for amateur video creators to monetize their content	–	–
10/11/2021	fuboTV	molotov	Provider of direct-to-consumer (DTC) live streaming service and advertising video-on-demand (AVOD) platform	\$190.00	–
9/21/2021	NETFLIX	ZEE	Operates as a television, media and entertainment company	–	–
9/8/2021	netflix	crunchyroll	Provider of Japanese Anime and Asian media	\$1,175.00	–
8/1/2021	Roku	Quibi	Developer of media content designed for smartphones	–	–
6/22/2021	rti nederland	talpa network	Provides a wide range of multimedia activities including TV, events, radio, advertising, and e-commerce	–	–
5/26/2021	amazon	WarnerMedia	Operates as an 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	redbox.	Provider of Blu-ray Disc and video game rentals through its network of self-service kiosks	\$693.00	–
5/17/2021	Discovery	WarnerMedia	Operator of media and entertainment company that creates and distributes premium and popular content	\$43,000.00	1.4x
4/15/2021	TRILLER	FITE	Provider of combat sports streaming platform	–	–
1/4/2021	HEM SPHERE	PANTAYA	Provider of streaming service offering the best movies and series in Spanish	\$164.80	–
1/2/2021	SOFTWARE Acquisition Group	vix	Provider of a video publisher platform for social media such as Facebook, Instagram, and YouTube	–	–
11/8/2020	SOFTWARE Acquisition Group	CuriosityStream	Provider of global factual streaming services	\$331.00	10.7x
Mean					5.7x
Median					4.9x

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)

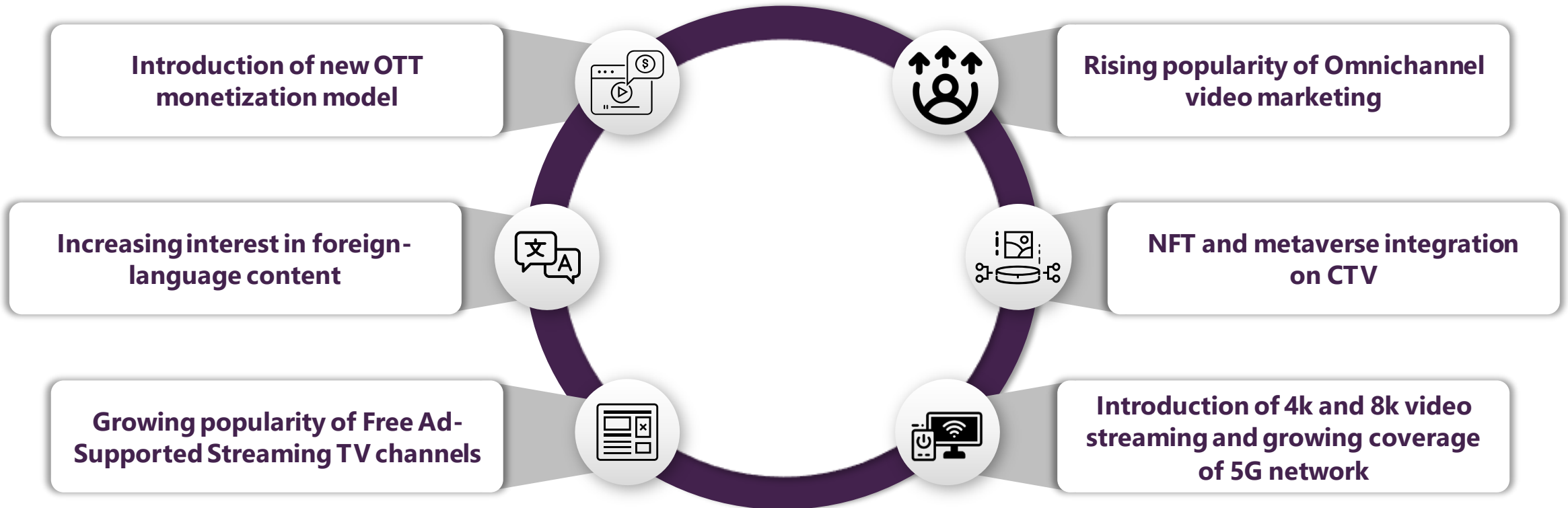
Company	Ticker	Market Data			Valuation Multiples					Operating Metrics			
		Stock Price 7/31/2023	Market Cap	Enterprise Value	EV/Revenue		EV/EBITDA		P/E	Revenue Growth		EBITDA Margin (%)	
					2023E	2024E	2023E	2024E	2023E	2023E	2024E	2023E	2024E
Netflix	NFLX-US	\$438.97	\$194,528	\$202,945	6.0x	5.3x	27.7x	21.8x	37.1x	6.7%	13.2%	21.7%	24.4%
Roku	ROKU-US	\$96.27	\$13,623	\$12,476	3.7x	3.2x	NM	NM	NM	7.7%	16.1%	NM	1.6%
CuriosityStream	CURI-US	\$1.11	\$59	\$14	0.2x	0.2x	NM	NM	NM	(25.7%)	19.0%	NM	NM
fuboTV	FUBO-US	\$3.37	\$984	\$1,057	0.8x	0.7x	NM	NM	NM	27.8%	20.8%	NM	NM
Gaia	GAIA-US	\$2.35	\$49	\$61	0.7x	0.7x	3.6x	3.2x	NM	3.9%	10.4%	20.2%	20.3%
Chicken Soup for the Soul Entertainment	CSSE-US	\$1.20	\$37	\$548	1.1x	1.0x	5.5x	4.5x	NM	96.7%	12.2%	19.9%	22.0%
Mean					2.1x	1.8x	12.3x	9.8x	37.1x	19.5%	15.3%	20.6%	17.1%
Median					1.0x	0.8x	5.5x	4.5x	37.1x	7.2%	14.6%	20.2%	21.1%

Source: FactSet

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

Upcoming OTT Trends

The OTT streaming market is riding high on the widening 5G coverage market and streamlined monetization models



Key Conclusion and Observations

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

1

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

2

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

3

OTT aggregators are the newest addition in the Indian OTT industry, with apps including OTTplay, YuppTVScore and Tata Play Binge that **are offering bundles at reduced prices leading to growth of the segment**

4

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

5

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%

6

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

7

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

8

Digital consumption in India is outstripping other segments with average video consumption in 2022 being 3-3.3 hours per day

9

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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