

Streaming Industry: What's New & What's Next?

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I am a Wall Street Analyst

My Starting Point

I publish equity research reports on 10 of the largest US streaming companies:

1. YouTube (ie, Alphabet)
2. Disney
3. Warner Bros Discovery
4. Paramount Global
5. Netflix
6. Roku
7. Vizio
8. FuboTV
9. Chicken Soup for the Soul
10. Curiosity Stream

Netflix Melt Down Raises New Questions

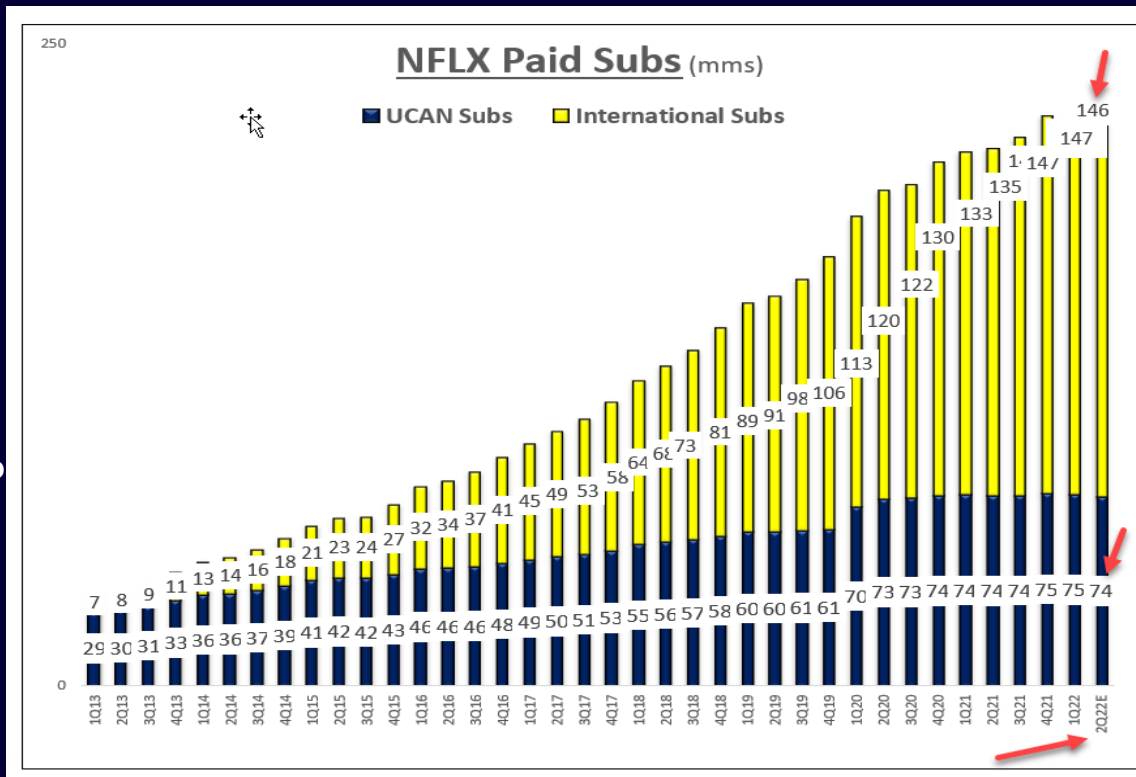
What's New?

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In 1Q22, Netflix lost 200,000 subs (+500,000 excluding Russia disconnects), AND estimates it will lose 2mm subs in 2Q22.

New questions:

- Is streaming TAM smaller?
- Are LTV & ARPU lower?
- Are there ANY economic winners in streaming?
- Should Reed Hastings be fired?



Source: Company documents, Needham & Company research

More Streaming Drama

Real Time Streaming Drama

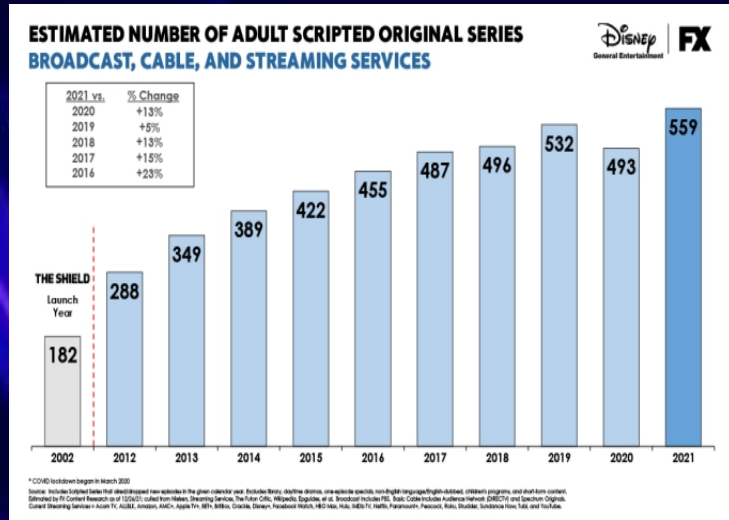
What's New?

- *Thurs, 4/21/22: SNAP CFO: "In Q1, advertisers slowed ad spending owing to continued supply chain disruptions, chip shortages, rising input costs, labor shortages, economic concerns due to rising interest rates, and concerns related to geopolitical risks stemming from the war in Ukraine."*
- *Thurs, 4/21/22: DISCA shuts down CNN+ 32 days after launching and 3 days after being owned by Discovery.*
- *Thurs, 4/21/22: HBO Max plus HBO Hit 76.8mm subs (up 3mm subs in 90 days) in 1Q22, its final Q as part of ATT/WarnerBros.*
- *Amazon Prime buys MGM library for \$8.5B, but owns nearly nothing. Expensive and a regulatory nightmare.*
- *Apple+ "CODA" wins Best Picture. Do consumers care? Does it matter?*
- *Disney+ has best practice of film + TV + Streaming 3-App bundle. Fandom worlds*

Too Much Content Spending- Falling ROICs

Too much streaming content spending, with little correlation to return on spending.
What's Next? Wall Street demands higher WACC

What's Next?



Source: Disney, FX, 4Q21

2021 streaming platform share of attention, original releases vs. audience engagement

Netflix owned over half of the 2021 releases and generated a third of the engagement, while Disney+ accounted for 29% of the engagement from 5% of originals

Netflix Disney+ HBO Max Amazon Hulu Paramount+ Peacock
Apple TV+

% of content by audience engagement



% of content by releases



Data is from Jan. 1 through Dec. 31, 2021 and includes engagement with streaming originals that premiered in 2021

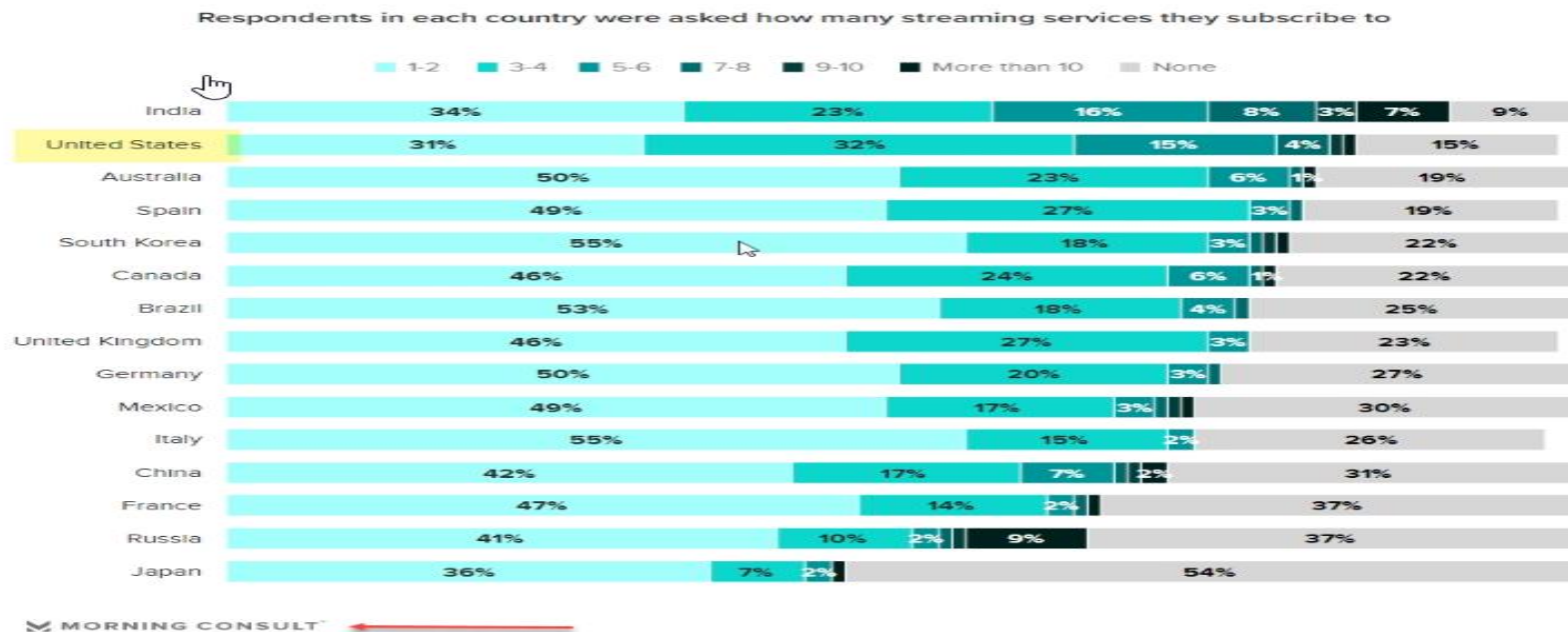
Source: Diesel Labs (www.diesellabs.com)

Source: Diesel Labs, 1/1/21-12/31/21

SVOD Saturation: AVOD Next

- 1) SVOD penetration is 70%-80% in US, EMEA and India
- 2) Subscription fatigue drives AVOD growth upside

What's Next?



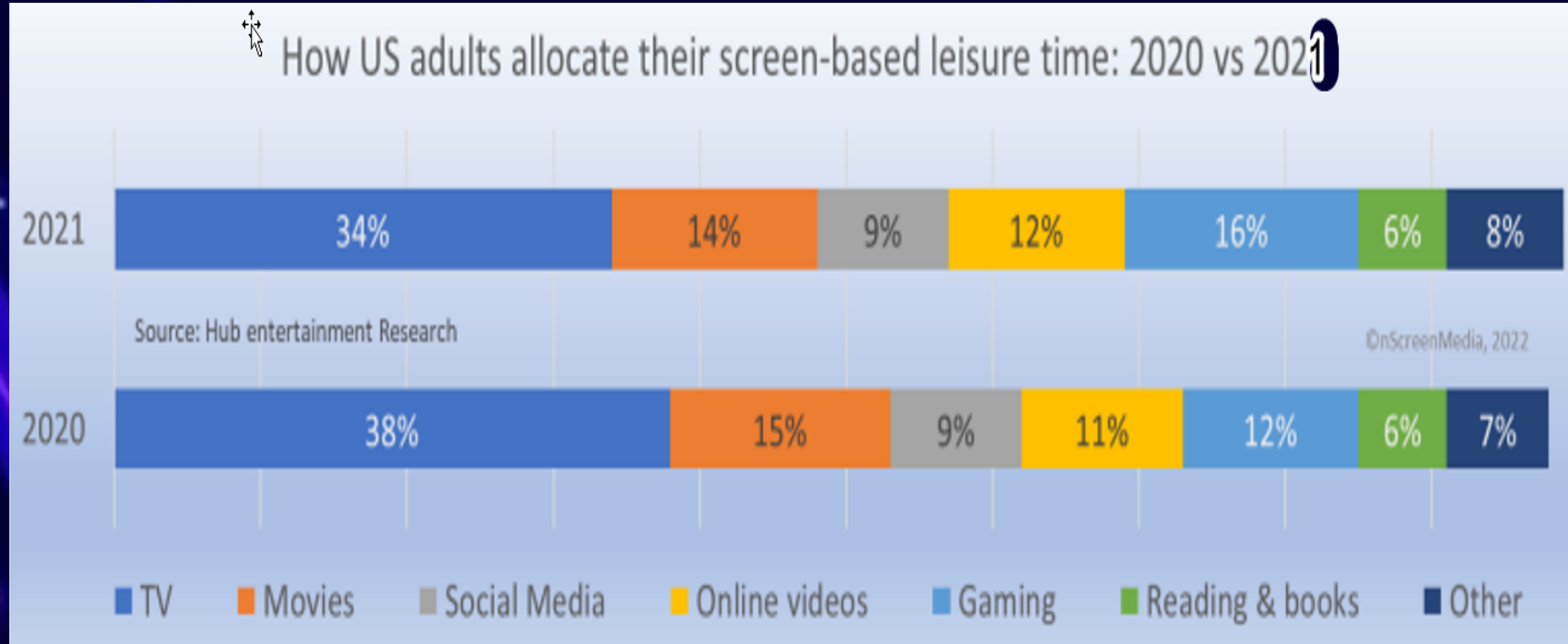
Surveys conducted March 3-8, 2022, among a representative sample of 999-2,211 adults in Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, South Korea, Spain, the United Kingdom and the United States, with an unweighted margin of error of +/- 2-3 percentage points. Figures may not add up to 100% due to rounding.

Source: Morning Consult, March 3-8, 2022

Linear & Streaming Losing to Video Games

- 1) 4% of consumer time moved from TV to Video Games
- 2) Young male demo very valuable to advertisers- this problem must be solved

What's Next?



Source: Hub entertainment research, nScreen Media graphic

Conclusions

Key Take-Aways

1. TV losing youth to Video Games, which are interactive and social. [Metaverse will add immersive.]
2. Apple and Amazon never need to make money from streaming
3. AVOD beats SVOD because free always has a larger TAM than paid
4. Film studio brands are strong with consumers & brands matter more
5. Streaming is mature so retention is key: bundling, price tiers, loyalty programs, sports, news, reality TV, etc.
6. Great re-bundling coming soon- must have news and sports content, plus entertainment
7. Pricing tiers are good strategy: Maximize TAM & LTV + lower CAC & churn
8. Losing the streaming wars is a winning strategy, if you have strong content IP library

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