

BRIDGERIVER ASSOCIATES

STREAMING SECTOR ANALYSIS

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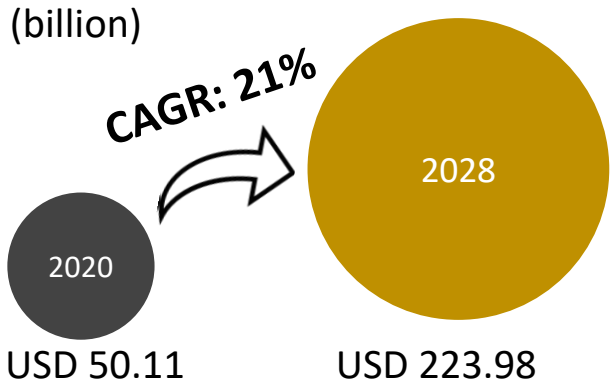
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1. STREAMING SECTOR: TAM & GROWTH



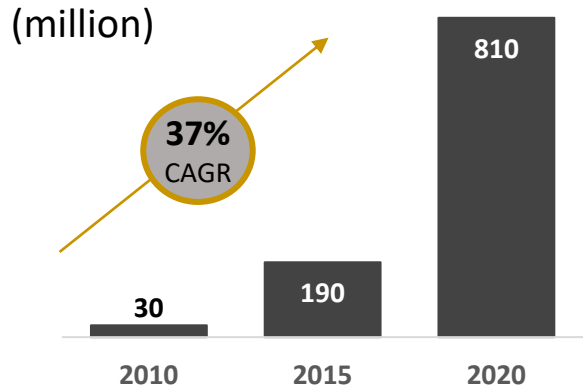
The growth expectation of the SVoD Market Size is high due to the digital penetration and the consumer behavior change

Global Video Streaming Market Size



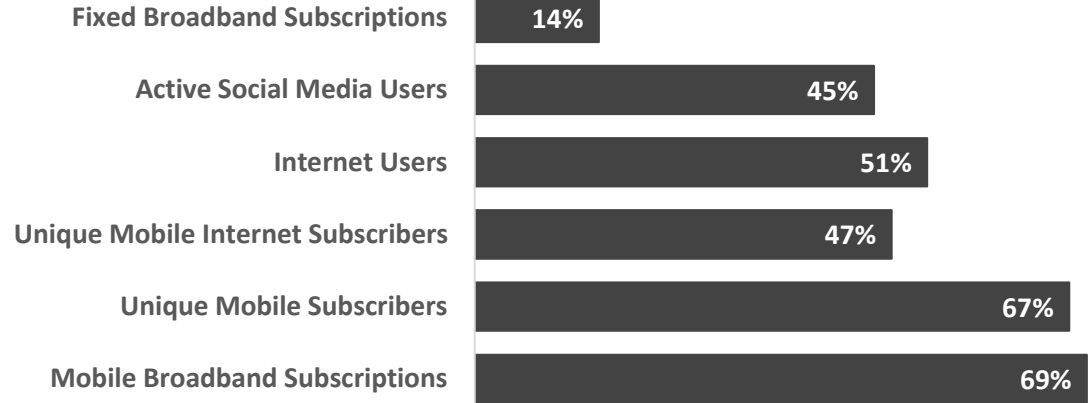
Source: Grand View Research 2020

Global DTC Paid Video Subscriptions



Source: IHS, KAGAN

Global participation in the digital economy - penetration



Source: UN, ITU, GSMAi, Datareportal 2018

Rising technological advancements

- *implementation of block-chain technology in video streaming*
- *use of artificial intelligence to improve video quality*

Adoption of cloud-based video streaming solutions

- *increasing the reach of video content*

Broadband and ICT Growth and Incentives

Potential Demand of COVID-19 on Digital Infrastructure

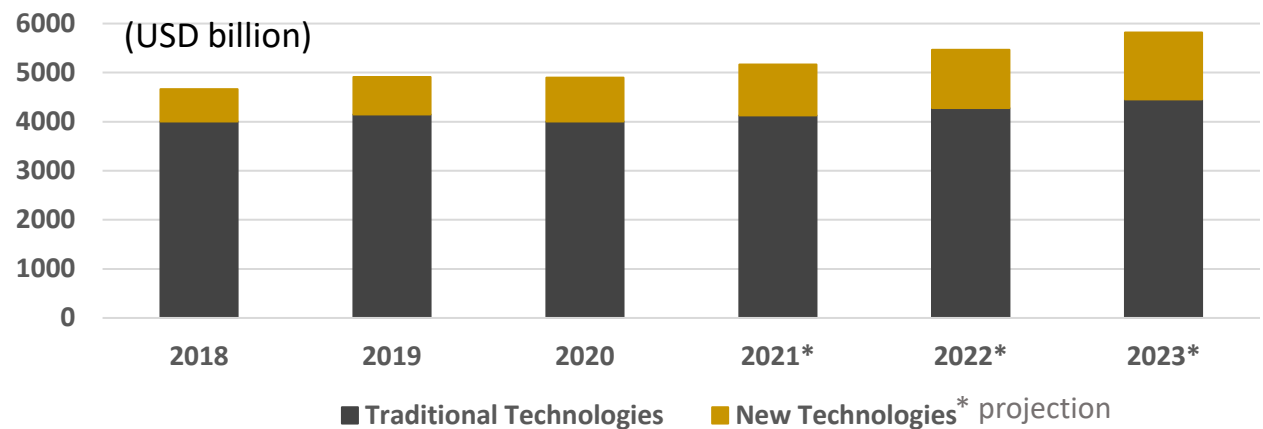
	Demand for digital connectivity and services
Short-term (during lockdown)	Change in consumer usage patterns , including new data-intensive applications for individuals (such as video conferencing or streaming) and organizational change from business (including Cloud storage and computing, home-based work)
Long-term (after lockdown)	A shift consumer behavior , including permanent change in usage patterns for individuals and increased virtualization of business operations - both public and private - to strengthen resilience

1. STREAMING SECTOR: TAM & GROWTH (CONT'D)



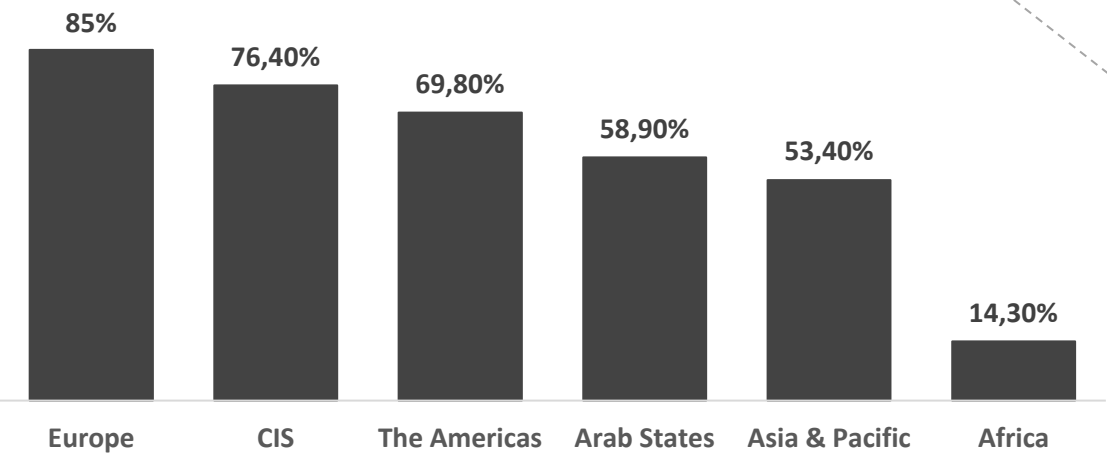
Large investments in ICT and broadband expansion have contributed to universal access to essential tools for the sector

Worldwide ICT (Information and Communications Technology) Spending



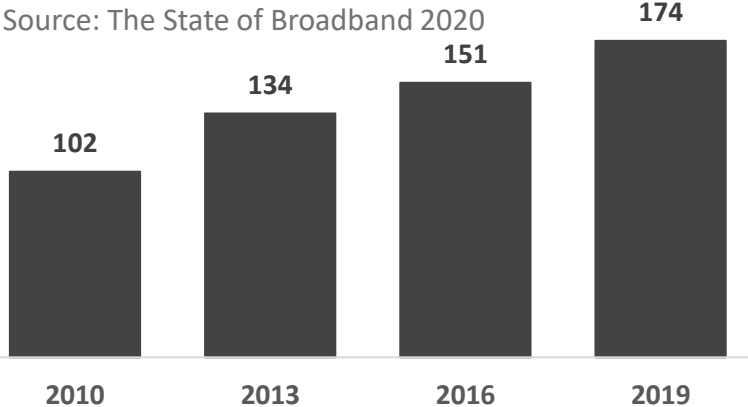
Source: IDC Forecast 2020 - 2023

Households with internet access worldwide



Source: The State of Broadband 2019

Countries with a national broadband plan



Government Initiatives

- Facilitate increase broadband speeds
- Relief from license fees/regulation
- Increase transmission/backhaul
- Direct subsidies



New Capacity & Networks

- Optimize network capacity
- New 4G/5G Fixed Wireless Access (FWA) deployments

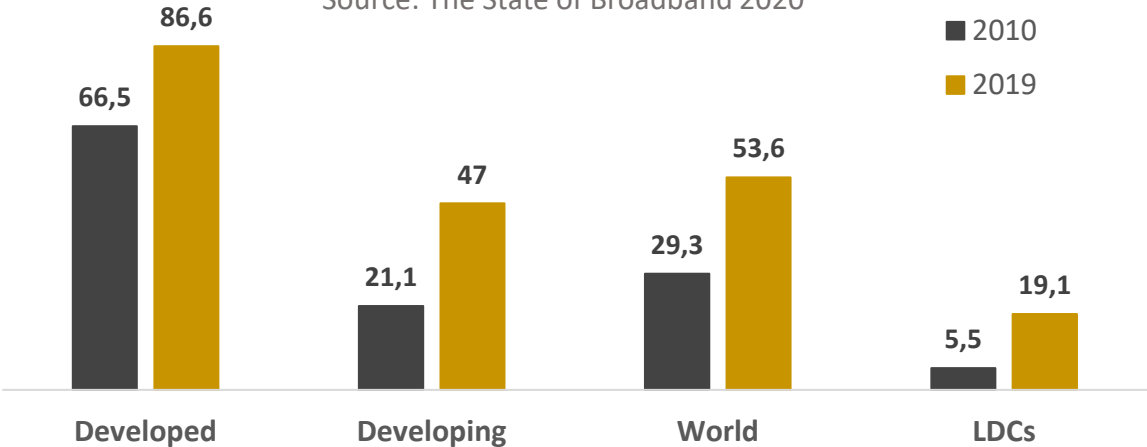
1. STREAMING SECTOR: TAM & GROWTH (CONT'D)



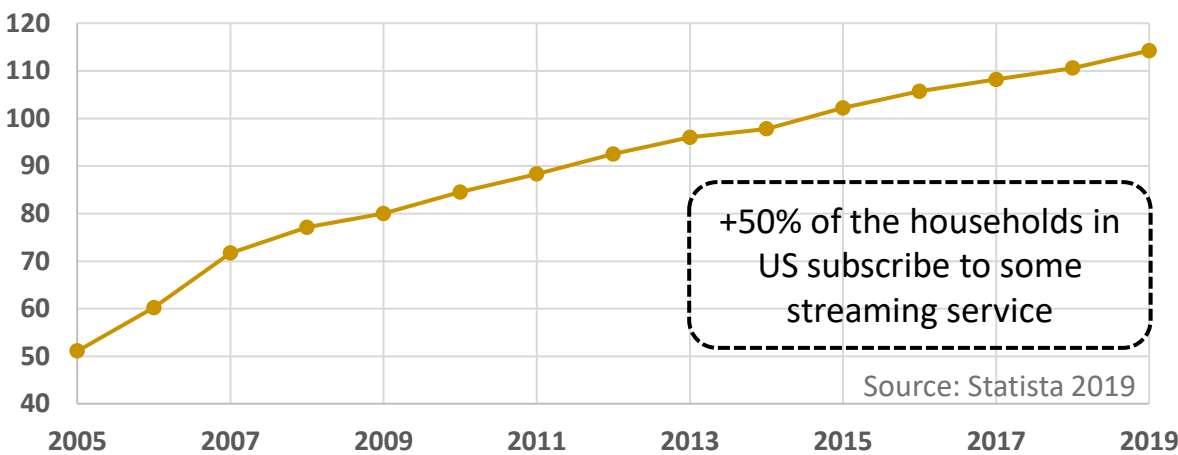
The Expansion of Digital Access has been the basis for the increases in subscribers on streaming platforms

Individuals Using the Internet (%)

Source: The State of Broadband 2020

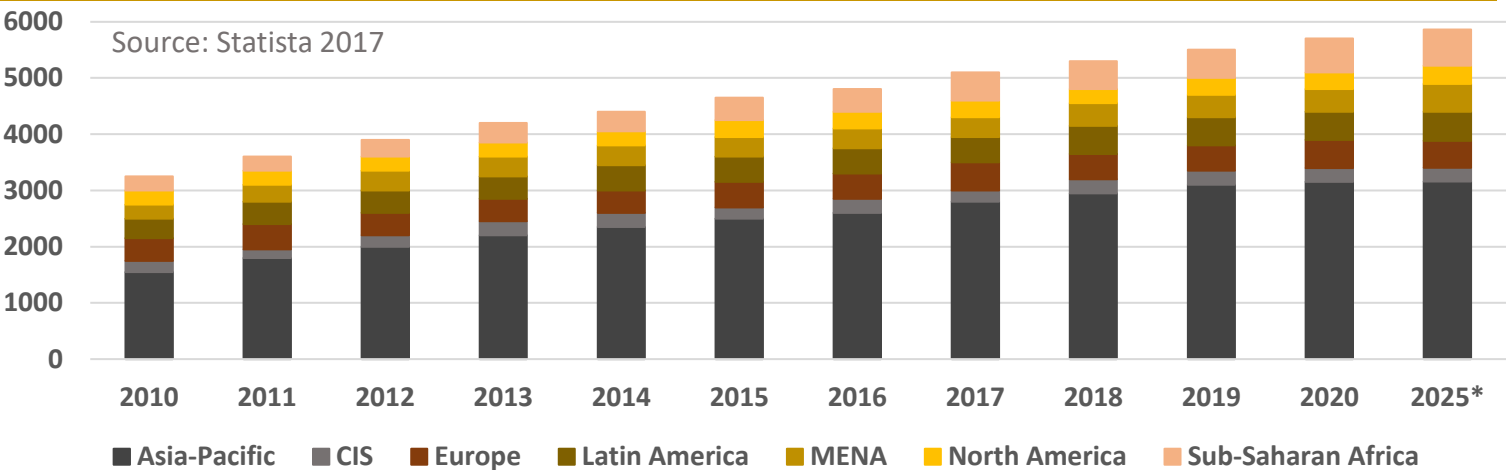


Fixed broadband subscriptions in the US from (millions)



Global unique mobile subscribers from 2010 to 2025, by region (in millions)

Source: Statista 2017

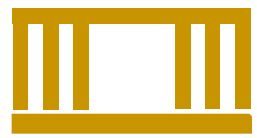


Expansion of Digital Access


All the investment in digital technologies combined with the positive impact of the changing user profile due to the COVID-19 pandemic have enabled an expansion of access to streaming platforms, implying an increase in the Addressable Market Size and creating growth opportunities for Companies in the sector


2. STREAMING SECTOR: DRIVERS


Due to the positive projections for the sector, the control of growth and revenue indicators may boost the company's growth





Growth and Revenue Drivers

**Churn Rate**

**Original Content**

**Revenue per user (ARPU)**

**Monthly Price**







**User Penetration**

Churn Rate / Original Title by company

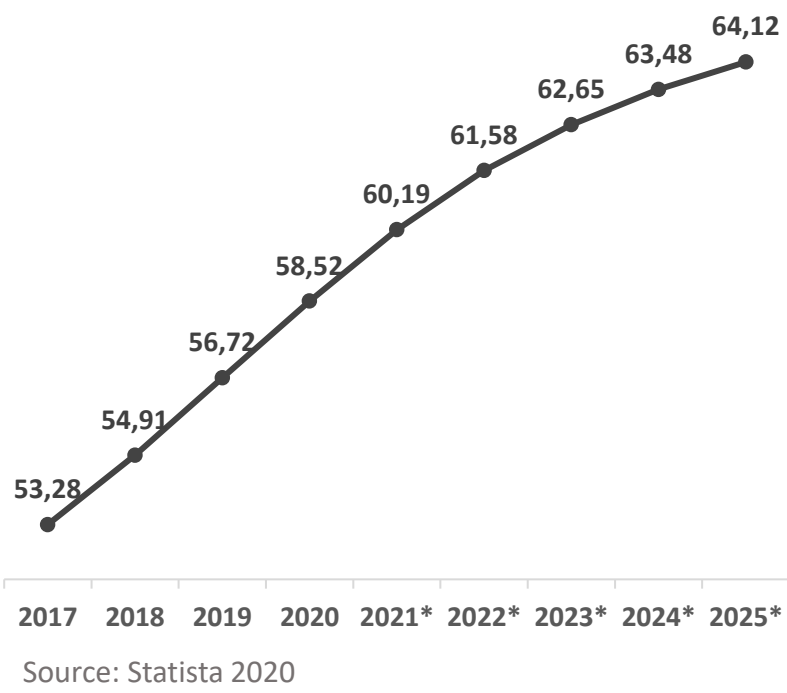
Forecast of SVoD ARPU worldwide (USD)

Exploration of adjacent markets

Technologies to improve video quality

	4,3%	17
	5,2%	55
	2,5%	461
	2,9%	91
	15,6%	26
	6,7%	14

Source: Antenna and MoffettNathanson Research 2021/Juniper Research

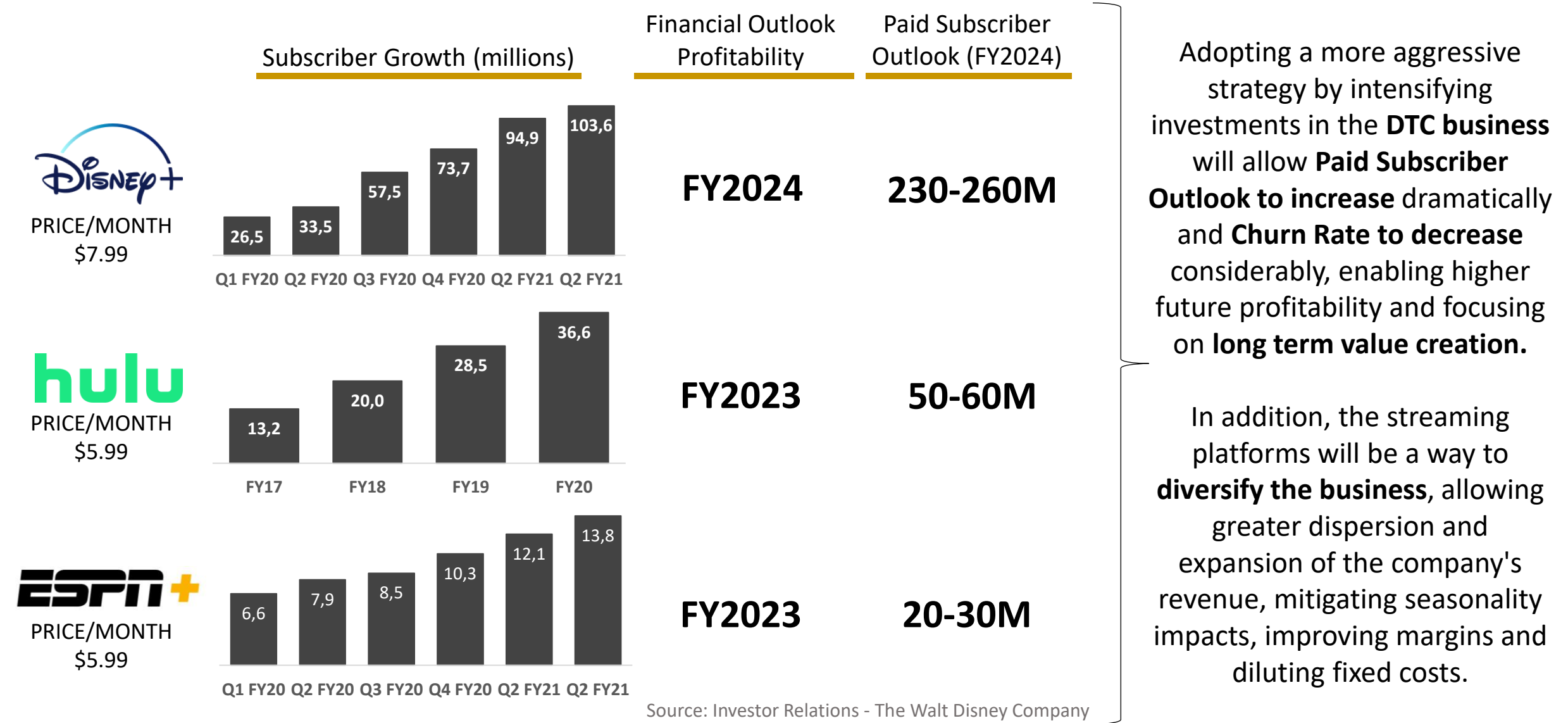


All of these outstanding drivers affect companies' **long-term growth** and **demand for new subscribers**. So, using strategies involving these indicators, it will be possible to achieve excellent operating results and increase the **subscriber valuation**. Therefore, taking advantage of the excellent growth projected for the sector, the **DTC business** could meaningfully accelerate the **Walt Disney's growth** and **value creation for Shareholders**.

2. STREAMING SECTOR: DRIVERS (CONT'D)



Drivers can be strongly impacted through reasoned strategies, contributing to greater value generation for the company

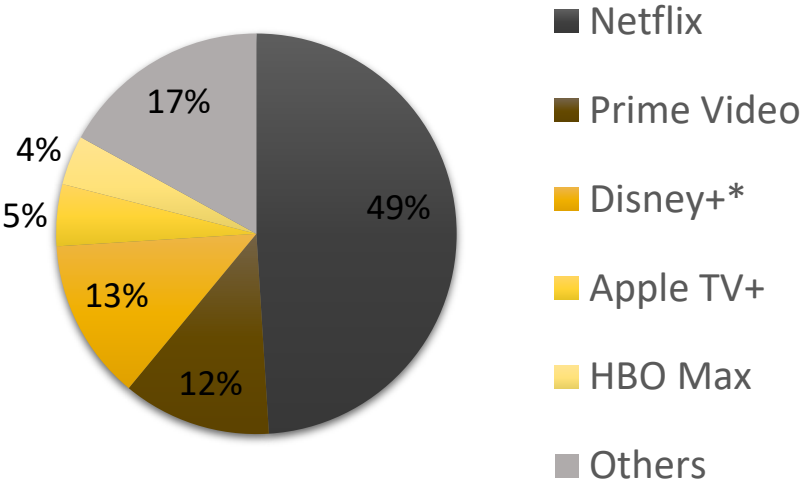


3. COMPETITIVE LANDSCAPE: OVERVIEW

The strength of the brand, rapid growth of the platform, and the diversification of its business puts Disney ahead of its peers

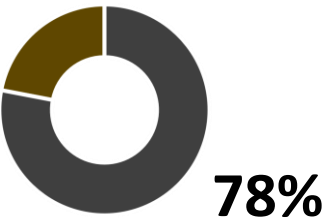


Market Share



Source: Parrot Analytics 2021
*Disney – Disney+;Star+;ESPN+;Hulu.

Disney+ Bundle Subscribers retention rate (6 Months)



Source: Second Measure.

Sector Overview

				
<ul style="list-style-type: none">- Larger and solid customer base (aversion to change)- High investment in exclusive content- Pioneering on streaming- Netflix \$8,99/\$15,99- Users: 207 MM	<ul style="list-style-type: none">- Business diversification- Widest range of products and services- Price \$ 8,99 - \$ 12,99- Widest range of products and services- Price \$ 8,99 - \$ 12,99- Users: 175 MM	<ul style="list-style-type: none">- Business diversification- Loyal customer base- Established contents- Precursor in content creation- Disney+ \$ 12,99- Espn+ \$5,99- Hulu \$5,99 - 64,99- Users: 163MM	<ul style="list-style-type: none">- Most competitive price- Facilities for Apple users- 5 extra services in version ONE- Apple TV+ - \$4,99- Users 40MM	<ul style="list-style-type: none">- Popular original content- HBO MAX - \$14,99- Users 37,7MM

3. COMPETITIVE LANDSCAPE: OVERVIEW (CONT'D)

Disney stands out for its experience in the entertainment market, which reflects a high growth in revenue and subscribers



Indicator Analysis



Disney+'s Subscribers
CAGR (2019-2021): 188%

Disney+'s Revenue
CAGR (2019-2021): 73%

Disney+'s ARPU
(2021): \$4.03



Netflix's Subscribers
CAGR (2019-2021): 19.63%

Netflix's Revenue
CAGR (2019-2021): 24.29%

Netflix's ARPU
(2020): \$10.23



Prime Video's Subscribers
CAGR (2019-2021): 24.39%

Prime Video's Revenue
CAGR (2019-2021): 33.42%

Prime Video's ARPU
(2020): \$10.51

Through the HHI (Herfindahl-Hirschman) index we can analyze how concentrated the streaming market is. A market with an HHI of less than 1,500 is considered to be a competitive marketplace, an HHI of 1,500 to 2,500 to be a moderately concentrated marketplace, and an HHI of 2,500 or greater to be a highly concentrated marketplace.

HHI

3,044

SWOT Analysis: Disney

Strengths

- Strong brand image
- Big and Popular library content
- Loyal fan base
- co-marketing strategy

Weaknesses

- High competitiveness
- A lot of investment for creating exclusive contents.
- Low margins

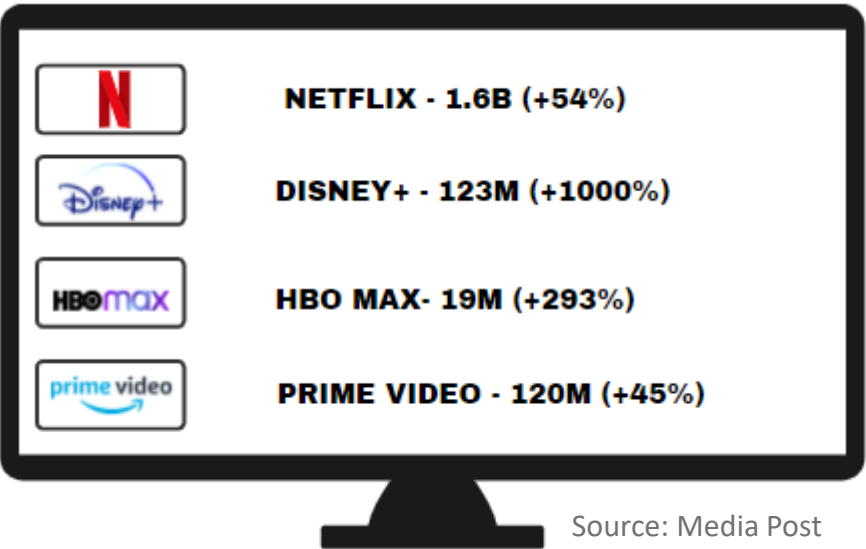
Opportunities

- Acquisition of studios
- replace other streaming services
- Emergent Markets
- New generations

Threats

- consolidated streaming Market
- changes in consumption styles
- streaming substitute products

Views Growth (2019/20)

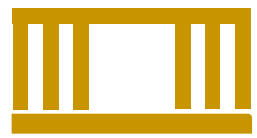


Source: Media Post

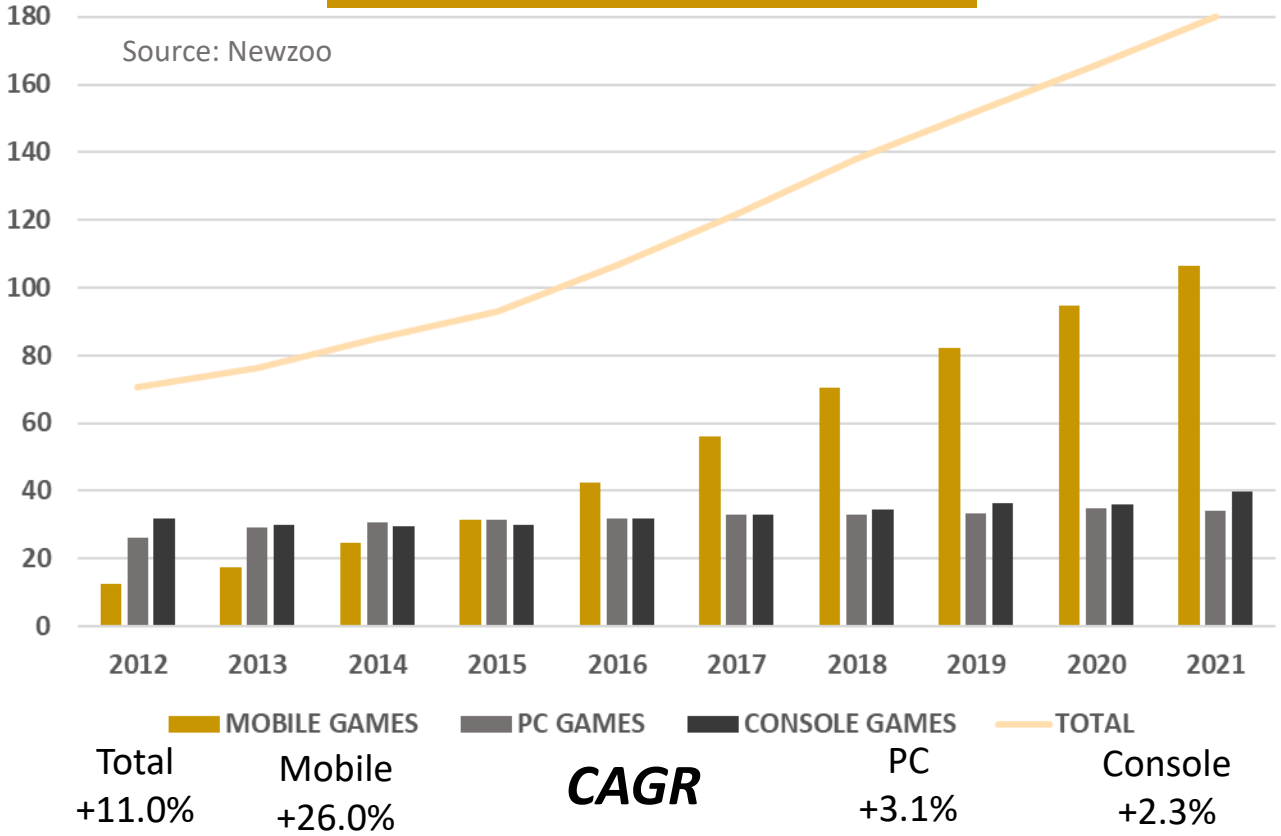
Source: Backlinko 2021

4. COMPETITIVE LANDSCAPE: VERTICALS TO BE EXPLORED

The strength of the brand, rapid growth of the platform, and the diversification of its business puts Disney ahead of its peers



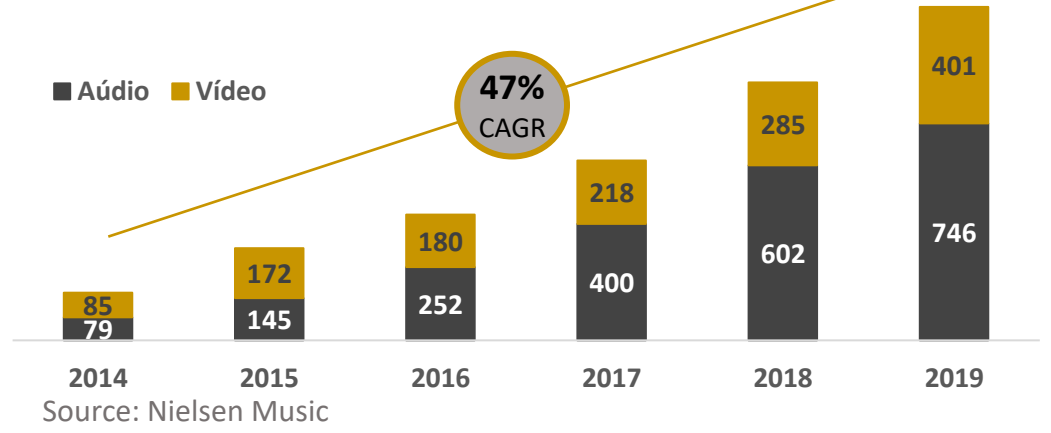
Global Games Market (USD million)



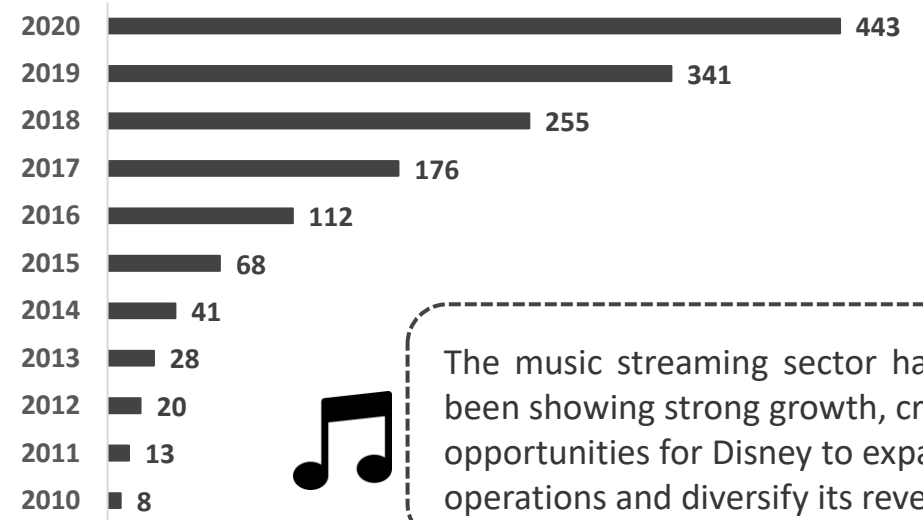
The growth of the mobile games market associated with the increase in the global penetration of Mobile Broadband Subscriptions, as evidenced previously, creates a great investment opportunity. Therefore, The Walt Disney Company will be able to explore this new vertical, in order to diversify the performance of DTC Business.

Music Streaming Growth

Songs Streamed (in billions)



Worldwide music streaming users (in millions)



The music streaming sector has also been showing strong growth, creating opportunities for Disney to expand its operations and diversify its revenue

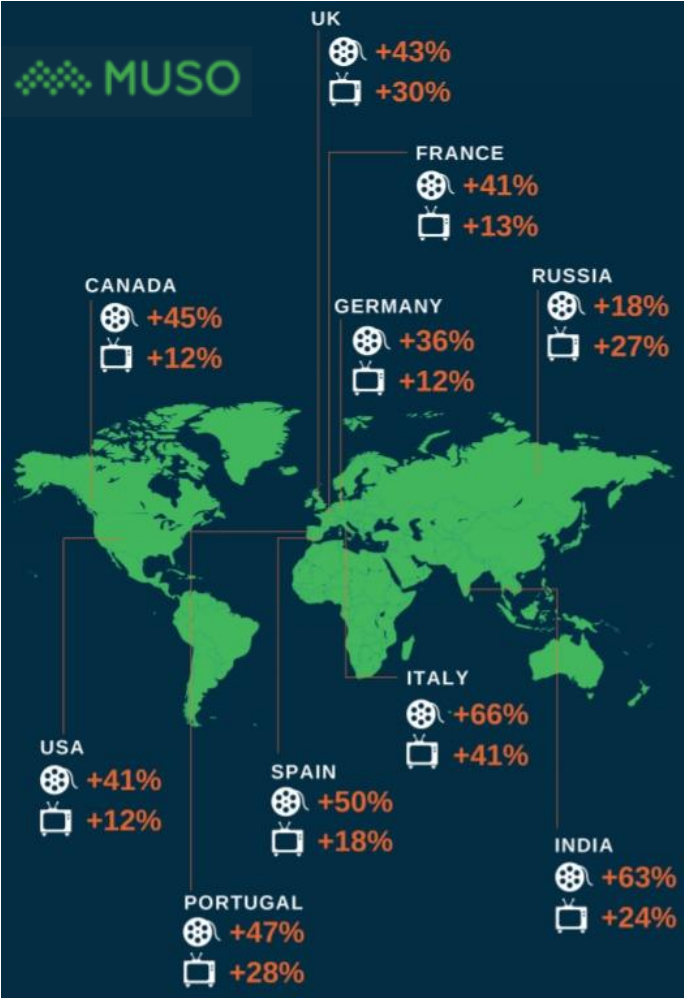
Source: IFPI

5. COMPETITIVE LANDSCAPE: RISKS



With the current level of digitalization, piracy and over-competitiveness in the sector becomes a major risk for the Company

Piracy



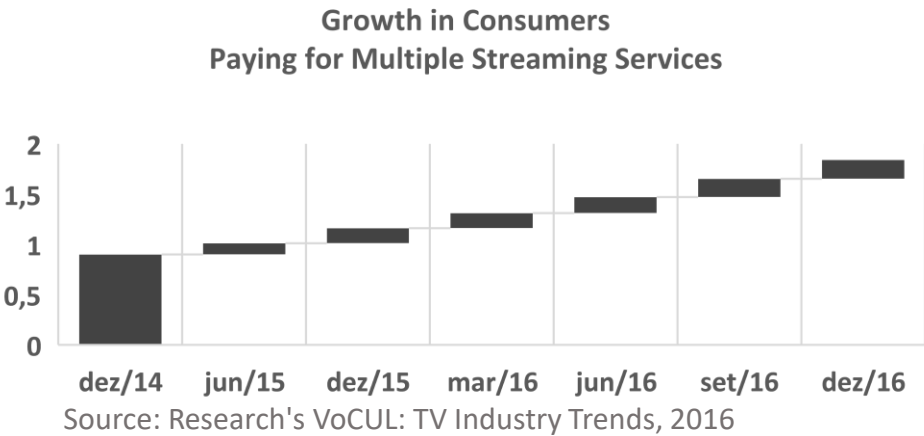
Source: Film & TV Piracy Increase, 2020

The pandemic brought some renewed attention to piracy. People are consuming more online entertainment online, and with the diversification of content across various platforms, piracy has become an option again. Currently, 126.7 billion episodes of US-produced television shows are pirated per year.

DIGITAL VIDEO PIRACY COST FOR U.S. ECONOMY

- \$29.2 B
Lost annually due to digital video piracy.
- 560,000
In job losses annually due to digital video piracy
- 126.7 B
Views of American-produced TV episodes pirated digitally each year
- 80%
Of digital video piracy is through streaming

Changes in consumption patterns



Due to Changes in consumption patterns, the company needs to be constantly adapting to new habits. If there are no agile changes, the results are sure to be affected. Through innovation focused on exploring new streaming verticals, as highlighted previously, Disney will be able to stay ahead of its competitors

A recent study article from Medium found that 70% of people believe there are too many streaming options and over 85% feel streaming is getting too expensive.

The success of the company's business is also dependent on the existence and maintenance of **intellectual property rights**, whether for its products or its entertainment services. Therefore, possible changes or breaks in these properties may negatively affect the company's future results.

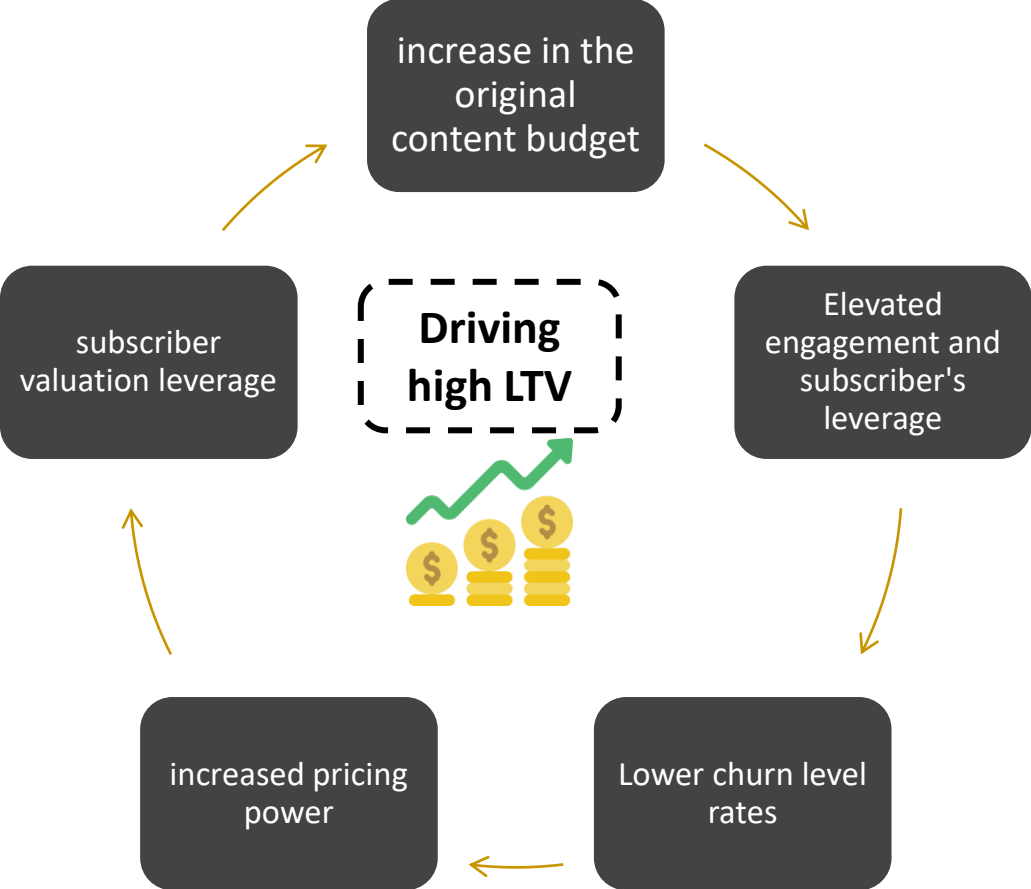
6. RECOMENDATION



Permanent suspension of dividends is a key strategy to improve the Company's LTV, growth and value creation

Impact of permanent dividend suspension

DTC Dividend Reallocation



The Walt Disney Company carries with it not only an expertise in its productions, but also created a very **consolidated brand** in the market.

Thus, we strengthen the recommendation to **suspend permanently the dividend**, redirecting it not only to the creation of new original content, but also to the acquisition of other companies focused on the DTC Business and the exploration of other verticals in the sector, mainly the games and music market. Through this, the "DTC Dividend Reallocation" cycle would be boosted, contributing to lower Churn Rates, enabling Monthly Price increases and consequent **leverage of the valuation subscriber**, driving a high LTV.

(the gross LTV of a Disney's DTC costumer can leverage and generate high returns, due to the competitive scenario and market projections being favorable)

Therefore, the returns and the value creation would be scalable and incomparable to the use of these resources in the form of dividend payments to the shareholders.