



Media's Enticing – and Complicated – Future

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Emerging Today, Enduring Tomorrow

1

Content future:

Explosion of content production and distribution will continue

2

Business model future:

No “one size fits all” but multiplicity of business models for years to come

3

M&A future:

The middle gets smaller and rougher

The Content Future Is Bright



Don't panic

Netflix subscriber miss
DOESN'T mean the end of
streaming or growth of digital
video business



Content is still King

But...distribution is Prime
Minister and business model
is Chancellor of the
Exchequer



We know how to do this

Remarkable endurance of
content genres since the
1950s: comedies, dramas,
news, sports, reality

Consumers' Endless Content Appetite



- **Watching it:**
 - Average American watched 4:49 hours of “TV” per day in 4Q 2021*
 - 2:53 Live Linear TV (59.9%)
 - 0:34 Time-shifted TV (6.9%)
 - 1:22 Connected TV (28.4%)



- **Subscribing to it:** 385 million video subscriptions by YE 2021
 - 2019: 35% with 1 service; 11% 4+ services
 - 2022: 18% with 1 service; 35% 4+ services



- **Listening to it:**
 - 92% of U.S. 18+ listen to radio at least once/week
 - 524 million global music streaming subscribers – up 26.4% YOY
 - US: 89% of Baby Boomers streaming music; 75% of consumption from music libraries

* Nielsen Digital Video Report

Sources of Content Expanding



International markets

- South Korea, Japan, Israel, France, Denmark, etc.



Podcasts – Over 2M worldwide; 104M in U.S. listen to a podcast each month

- “Big guys” – Spotify, Amazon/Audible, iHeart Media
- Sale of podcast-first companies – Wondery, Gimlet Media
- Sources for video production - Dr. Death, Homecoming, many more



Content libraries

- MGM sale to Amazon – James Bond
- Music libraries – Bruce Springsteen, Bob Dylan, Paul Simon, etc.
- Going deeper - Warner Bros. Discovery – library at core

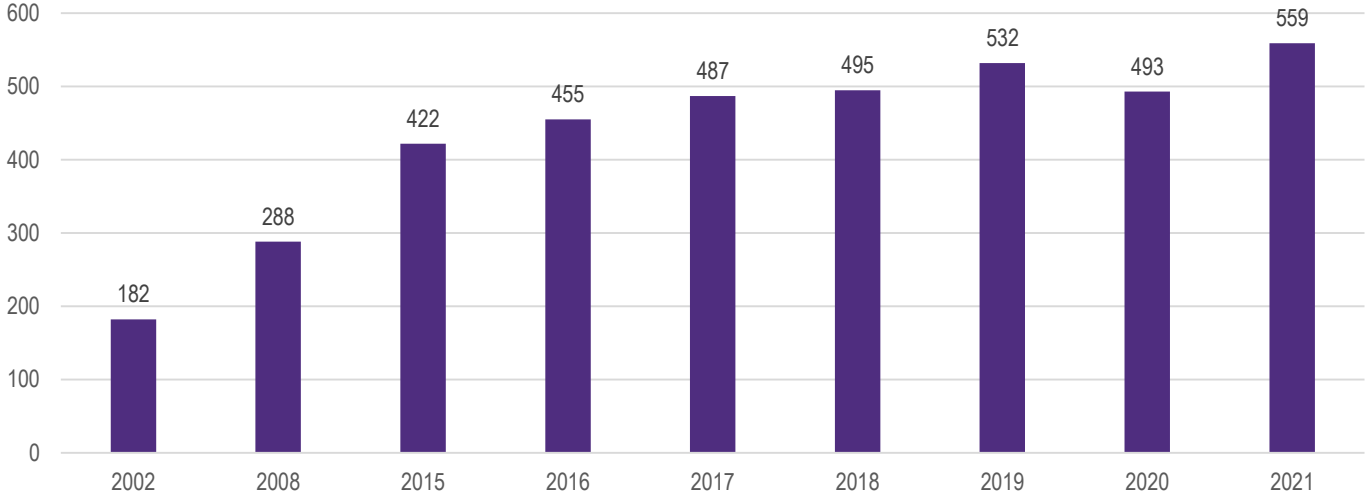


Influencers

- Cameo and the celebrity marketplace
- “Watching” TikTok vs. “Checking” Instagram

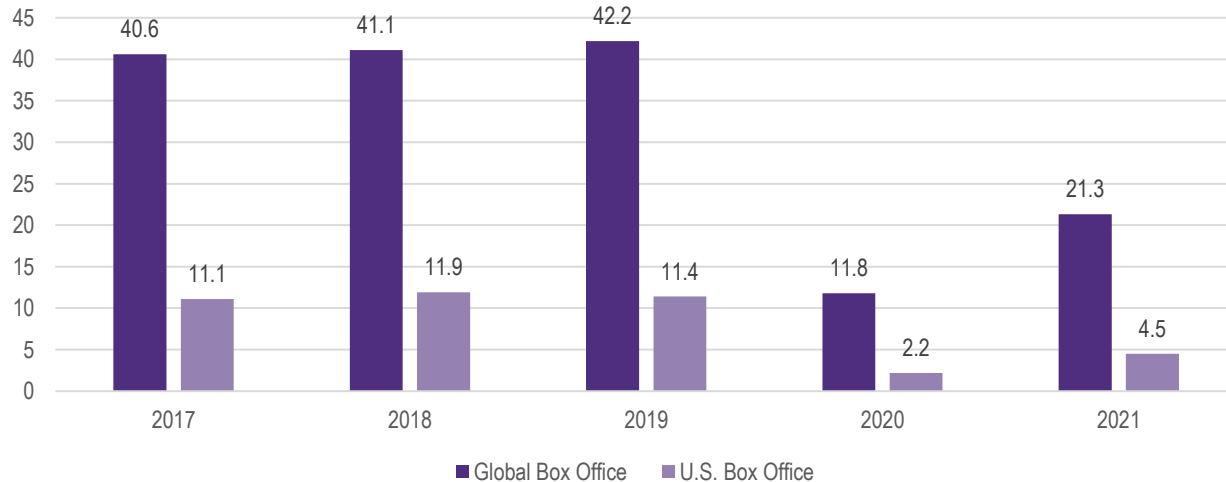
TV Series Produced in “Peak TV” Era

TV Series Produced in U.S. (FX Research – now Disney-owned)



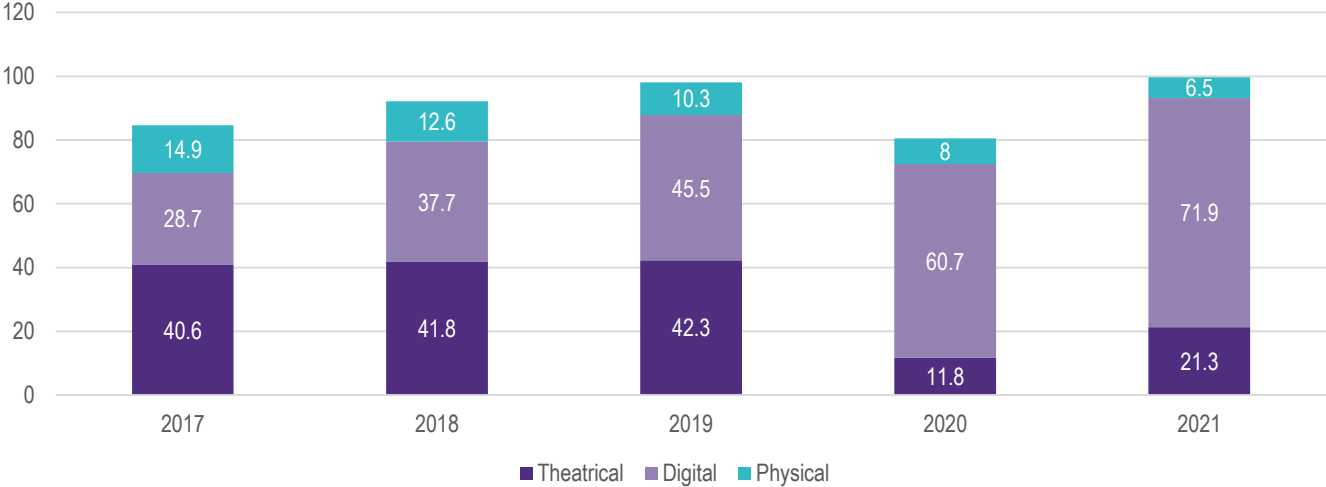
Shifting Platforms: Global Motion Picture Box Office 2017-2021

Motion Picture Association 2021 Global “THEME” Report
(Total Home Entertainment and Media) (Figures in \$ billions)



Home Entertainment Shifts (Movies/TV)

MPA Global THEME Report 2021
(Figures in \$ billions)



New Business Models: Test and Learn

1

The “old days” – decades of “plug and play” business models

- Broadcast TV/Radio: Universal reach, 100% ad-supported
- Cable/Multichannel Video: Dual-revenue stream of sub fees and ads; no cord-cutting alternatives
- Theaters: Opening box office drives film value chain

2

Environment Today and Tomorrow

- Fragmentation: From 3 broadcast TV networks to millions of video sources
- Consumer control: “Churn” challenge in streaming; spending pressures in content, marketing
- Breakdown in “currency”: From Nielsen dominance to world of walled gardens

3

Exploding Myths

- Exploding Myth #1: Consumers won't pay for digital content
- Exploding Myth #2: Consumers won't watch commercials
- Exploding Myth #3: There are no new revenue streams

Myth #1: Consumers Won't Pay

- **Consumers ARE spending on digital media content**
 - Digital news
 - NYTimes: 6.8M digital subs (less than 1M print) – YE 2021
 - WSJ: 2.9M digital subscriptions (1.3M print) – up 19% in last Q
 - Streaming TV
 - Netflix – 221M subs globally (\$30B revenues)
 - Hulu, HBO Max, Disney+, Paramount+, Peacock, ESPN+, Discovery+, etc.
 - Streaming music
 - 524M global streaming subs
 - Spotify, Amazon Music, Apple Music, YouTube Music, Tidal
 - Gaming platforms: Not just about the console
 - Xbox Game Pass: 25M subs
 - Apple Play, PlayStation Now, EA Play, many others

The Caveat: Much greater challenges for sub fees outside US (see Disney Hotstar example)

Myth #2: Consumers Won't Watch Ads

- **Consumers ARE consuming ads online, even when paying for content**
 - **Streaming TV dual-revenue trend**
 - Hulu – long led way with sub fees and ads (lighter than linear loads)
 - Subs choosing by 70/30 to take lower cost tier with ads
 - HBO Max, Disney+, Discovery+, Paramount+, Peacock all “PayVOD”
 - Netflix “gives up the ghost” and announces ad-supported tier coming
 - **Free streaming with ads also growing**
 - PlutoTV (Paramount): \$1B ad revenues (year ahead of schedule)
 - Tubi (Fox): Nearly 10% of Fox ad revenues; \$350M FY21; est. \$1.7B by 2025
 - Local as well as national content: Stirr (Sinclair), Tubi FAST channels
 - **Viewership of free streaming (AVOD, FAST) about to surpass SVOD**
 - Free AVOD viewing grew 2X SVOD in 2021 (16% vs. 8%)
 - Tubi: 3.6B hours streamed in 2021; 40% YOY growth

The Caveat: Digital giants' ad domination, and growing media presence

Myth #3: No New Revenue Sources

- **Games**

- Old news: Massive global scale: \$213B globally (2020); \$545B projected 2028 (Fortune Business Insights)
- Newer news: In-game advertising esports
 - Growth: \$4B 2021; \$11B growth in next 3 years
 - 81% of ad buyers say they will scale up in this area in the next 12 months (Digiday 12/21)
- Games as subscription service – opportunity for packaging with streaming video, audio – “Bundle of bundles”

- **Ecommerce:** Yes, it's more than Jennifer Aniston's sweater from *Friends*

- Amazon ad business: Up 23% 1Q2022
- NBCU Shoppable TV – QR Codes (program embedded) creating production fees, share of sales opportunities
- Note: Facebook and Instagram Shops have not met expectations since 5/20 – opportunity or warning?

- **Digital Assets**

- NFTs: Forecast: \$35B (2022) to \$80B (2025)
 - New platforms for exploitation of IP/libraries, new outlet for IP creation (Bored Ape Yacht Club)
- Metaverse: Can this be \$800B market by 2024 (estimated \$500B in 2020)?
 - Another outlet for content creation, exploitation, advertising
 - What's it worth? What's it to you?

The Caveat: It's not easy and business infrastructure essential

Media M&A Today: Staying Strong

2021 Overview:

- According to Berkshire Hathaway's Business Wire: Total M&A deal value in global technology, media, and telecom (TMT) hit \$1 trillion in 2021, up 30% from 2020 and highest in last 5 years
- Total number of 2021 deals reached 996, up 44% from 2020
- Significant amount of M&A activity driven by growing popularity of SPACs (special purpose acquisition companies)

TMT M&A Themes:

- Connectivity and internet TV were big 2021 themes driving TMT M&A deals, accounting for \$136B and \$70B, respectively
- Big connectivity deals were Kohlberg Kravis Roberts (KKR)'s acquisition of Telecom Italia (TIM) for \$37.2 billion and the acquisition of Shaw Communications by Rogers Communications for \$20.8 billion
- The most notable internet TV deal was the combination of WarnerMedia and Discovery

Media M&A Future: The Scary Middle

Are traditional vertical mergers toast?

- AOL/TimeWarner; AT&T/DirectTV; AT&T/Warner Media
- Comcast/NBCU: last “man” standing?
- Comcast/Charter: Collaboration not consolidation option – see Flex streaming platform JV

Sorting out the linear middle: Internal consolidation

- Live sports domination: 1Q22 – 24 of top 25, 45 of top 50 most highly rated shows all live sports
- Sub fees, ad sales brutal in middle
 - Ratings downdrafts: Fuse (-41% YOY 2020-21), Discovery Life (-39%), TeenNick (-37%); FYI (-28%)

Horizontal scale still attractive:

- Warner Bros. Discovery
- Music library consolidation: From artists to publishers to aggregators

Consolidations of the hordes

- 14K apps in Roku store – how to make sense of this?
- More needed: ad tech – too many companies with too many similarities

Thank you and questions

