Streaming business turnaround: All major studio streaming divisions will be profitable within 18 months Ampere Analysis predicts

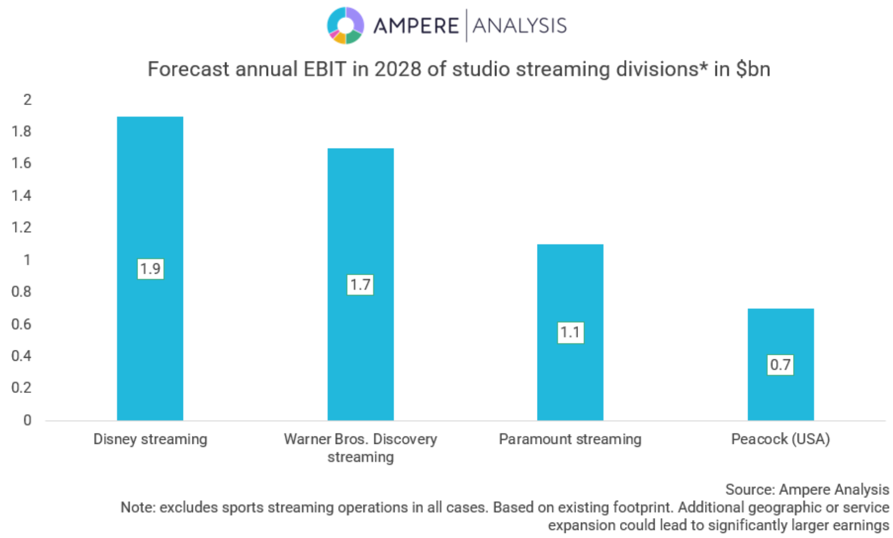
Los Angeles, 13th December 2023: A significant turnaround for studio direct streaming is just around the corner with all major studio streaming divisions (*excluding sports operations) set to turn a consistent profit within 18 months, the latest research from Ampere Analysis suggests. The shift to profitability has wide-ranging implications for content production and the wider entertainment landscape with a reversal of investor negativity likely to come sooner than previously predicted.

Who will achieve profitability first?

After investor sentiment towards direct streaming soured and studios implemented a series of cost rationalization measures, the scene is now set for the streaming businesses of Disney, Warner Bros. Discovery, Paramount and NBCUniversal to head achieve consistent quarter-on-quarter profitability with the narrative switching from 'when will studio streaming make money?' to 'who will get there first?' While some studio streaming operations have already reported small profits, the analysis looks at timelines for consistent profitability, taking into account income from subscription and advertising against content costs, staff and marketing costs, depreciation and amortization to predict the point that businesses reach consistently positive EBIT.

Ampere predicts that Disney is likely to get there first, as early as calendar Q1 2024 (two quarters earlier than the company itself has predicted). Warner Bros. Discovery will be a close second, reaching consistent profitability by calendar Q3 2024 with both Paramount and NBCU** not far behind, achieving the goal by Q1 2025.

Not only have all the major studio streamers now laid the groundwork for profitability in relatively short order, but they all also look likely to turn streaming direct into significant sources of profit. By 2028, studios will earn between $1bn and $2bn EBIT a year from streaming based on current market footprint alone. Additional geographic expansion would lead to even more upside.



Cost rationalization and advertising revenue deliver results

The shift in fortunes has been driven by two major factors: cost rationalization (particularly the two major cost centres of content and staff) and the move to embrace advertising dollars. Advertising also provides a wild card opportunity for significantly more growth and profit than currently predicted by the models, which are based on known existing operations.

Executive Director at Ampere Analysis Guy Bisson says: "The analysis shows that streaming direct is not a broken business model but an important revamp of an existing content exploitation window. Understanding that this model is on the point of consistent and notable profitability is crucial as the ability of streaming to continue driving content origination and investment has wide implications for the creative sector. Additionally, with studios now able to position streaming correctly as a profit-making direct subscription window that is complimentary to theatrical exhibition, transactional and free television, sectors that had previously been deprioritized should also see a boost. The rationalization of streaming is already seeing renewed support among studios for the theatrical window and revisiting of the content licensing model."

Profitability of the streaming direct model (much of the growth in which will be driven by advertising) will also see an acceleration of free streaming, including Free Ad-supported Streaming Television (FAST) channels.

Guy Bisson concludes: "A confluence of factors as varied as the end of Covid-19 lockdowns, geopolitics and the cost-of-living crisis created the environment that forced the studios to reassess the return on investment of the streaming direct model. The cost rationalization of the last 12 months has now positioned the industry for genuine streaming profitability in relatively short order. Passing that milestone will impact multiple windows within the entertainment value chain. It will enable a return to flexibility and experimentation and a realization that existing models are already in place to fully exploit studio output when streaming direct takes its rightful place as one window in the broader value chain."

Ends

Notes to Editors:

*Sports streaming operations are excluded in all cases. The models take account of entertainment (film and TV streaming operations only).
**NBCUniversal modelling accounts for US operations (Peacock) only and does not take into account traditional pay TV-led services or Sky Showtime.

Note that this analysis is based on modelling. Factors currently unknown could change the outcome and the timelines suggested here. All models are based on existing footprints and do not take into account costs or income from future operations yet to launch.

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About Ampere Analysis

Founded in January 2015, Ampere Analysis is a new breed of media analyst firm. The company's experienced team of sector-leading industry analysts specialises in sport, games, pay and multiscreen TV and next-generation content distribution. Our founders have more than 60 years combined experience of providing data, forecasts and consulting to the major film studios, telecoms and pay TV operators, technology companies, TV channel groups and investment banks.
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