

IAN WHITTAKER  
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# Q&A

Any further questions? Feel free to reach out...



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Twice City AM Analyst of the Year, Ian is an experienced, commercially-minded analyst in the media and tech sectors who is recognised for his industry knowledge across all parts of the space and with a proven track record of being ahead of the curve when it comes to understanding industry dynamics and what it means for companies.

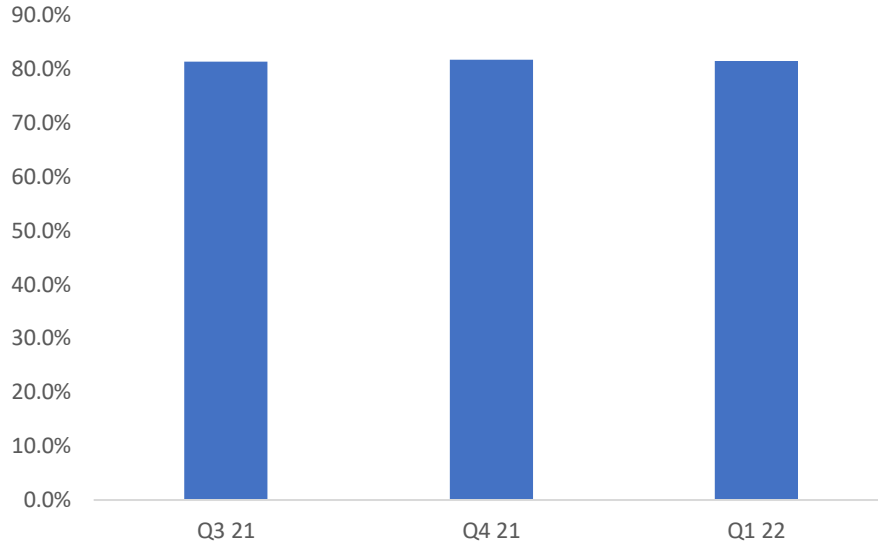
He has significant experience in helping companies find the most suitable financing options and providing advice to companies both at a strategic and financial level. Highly regarded both within the City and the media for knowledge of the sector and the latest trends, he has had numerous media appearances including Bloomberg, Sky News, CNBC and Radio 4 and frequent speeches at major industry events and conferences. He left the City to set up his own consultancy Liberty Sky Advisors and has recently founded his own subscription service. He also has co-founded an investment advisory firm, Bearstone Advisors Ltd, and is an Executive in Residence at the Project X Institute.

Sign up for his regular insights at [ianwhittakermedia.com](http://ianwhittakermedia.com)

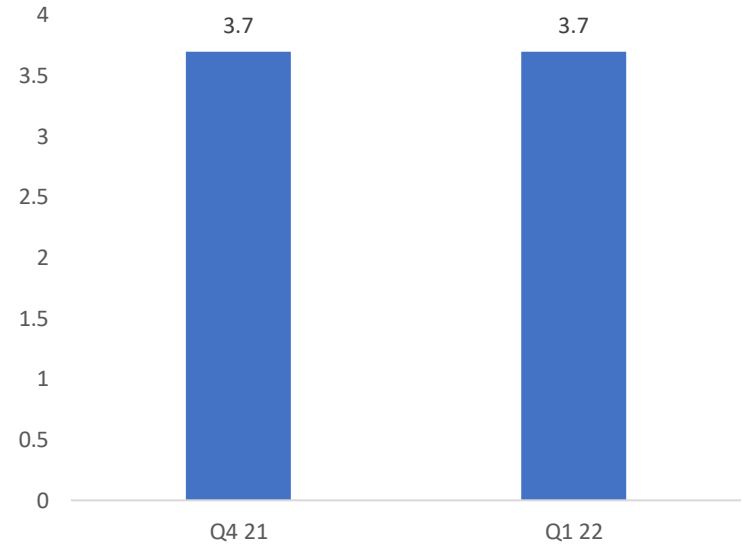
WHERE WE ARE NOW

# THE PROBLEM IS SATURATION

% of US households that have a subscription video on demand service



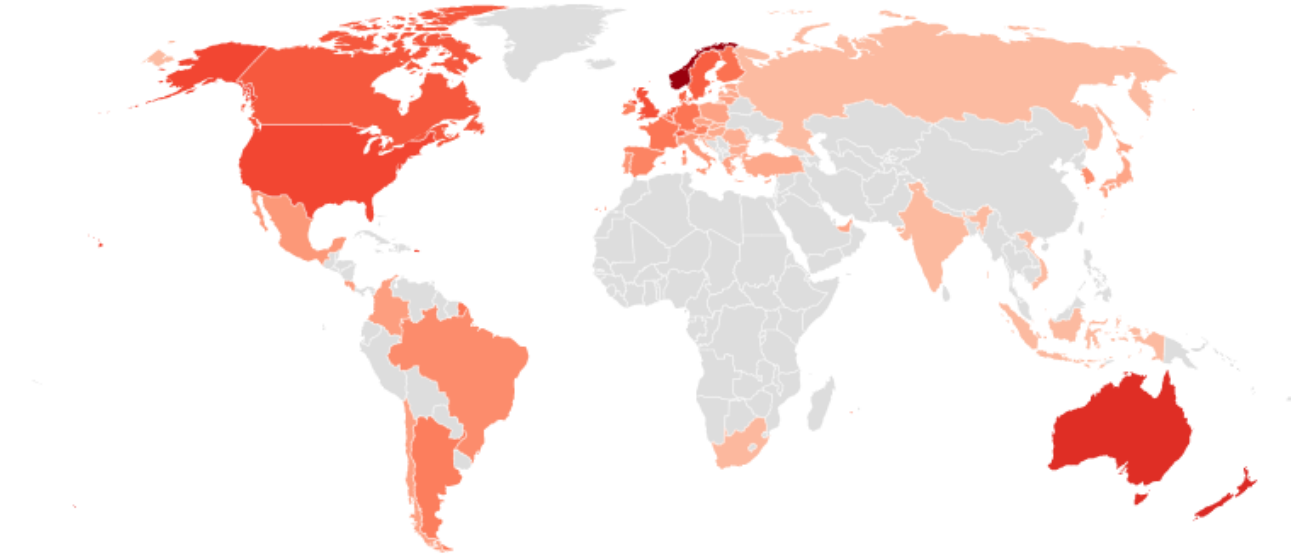
Average number of paid subscriptions per US household



Source: Kantar

# ADDRESSABLE MARKET MORE LIMITED THAN YOU THINK

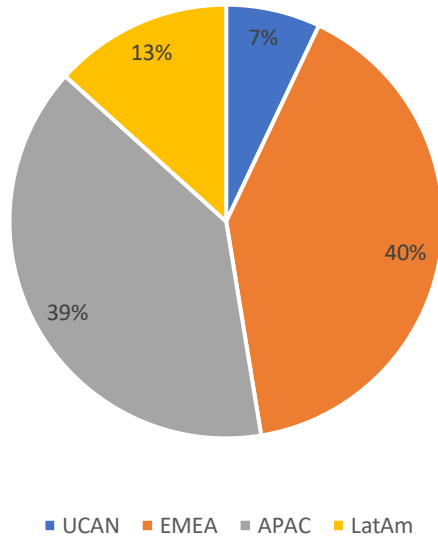
## % of population with a Netflix subscription



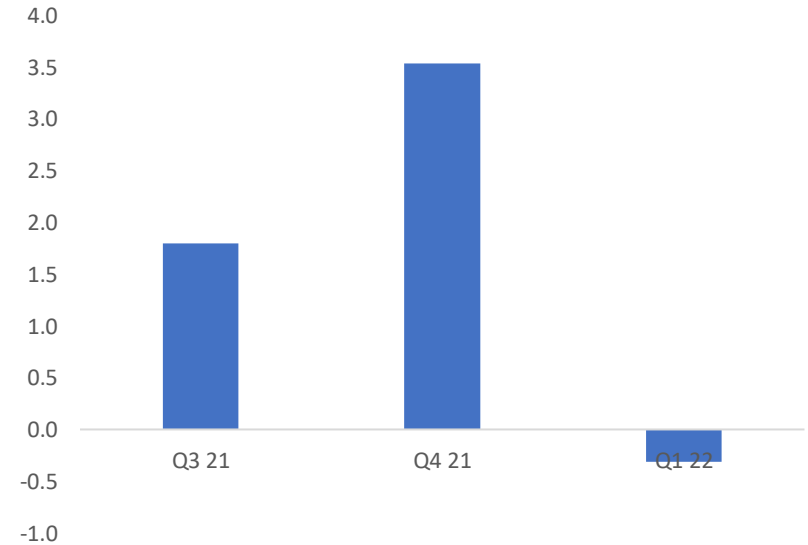
Source: Comparitech, Q2 2021 data

# THE EUROPEAN SVOD ENGINE IS STALLING

Split, Netflix net additions 2021 by region (%)



Netflix net sub adds EMEA Q3 21 – Q1 22



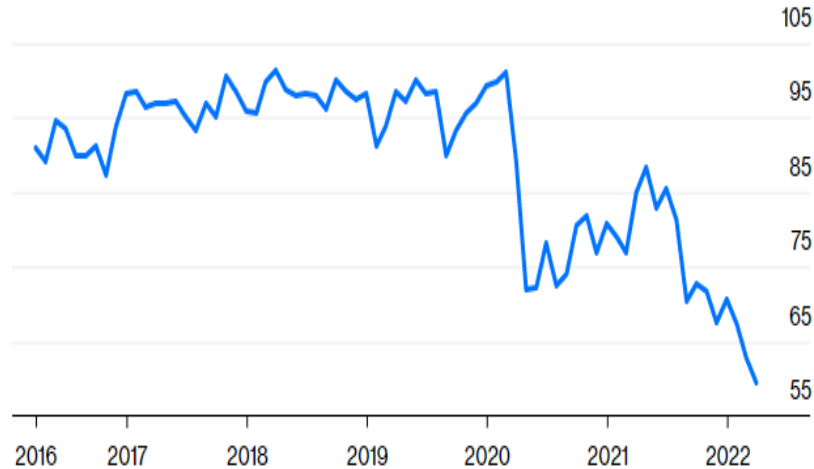
Source: Netflix, Ian Whittaker / Liberty Sky Advisors

# YES, CONSUMERS ARE BEING SQUEEZED...

## Steadily Deteriorating

Consumer sentiment has dropped to its lowest since 2011

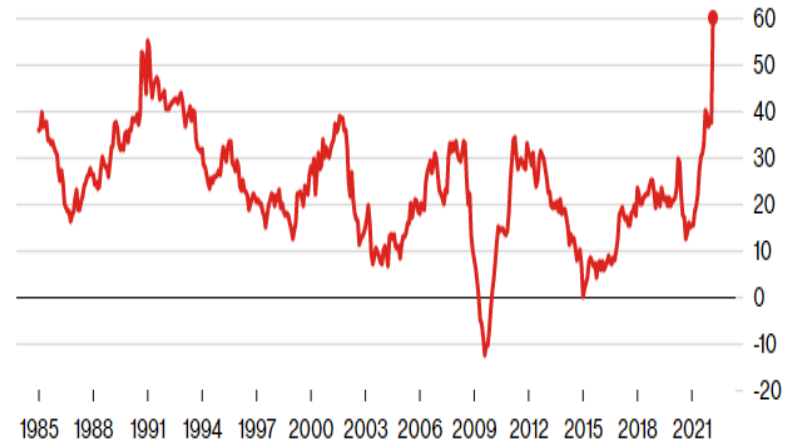
University of Michigan consumer sentiment index



Sources: University of Michigan, Bloomberg

## Euro-Area Price Worry

Consumers' inflation expectations are at highest level since records began

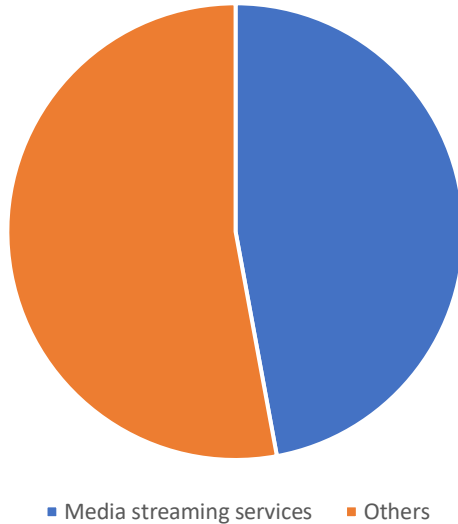


Source: European Commission

Source: via Bloomberg

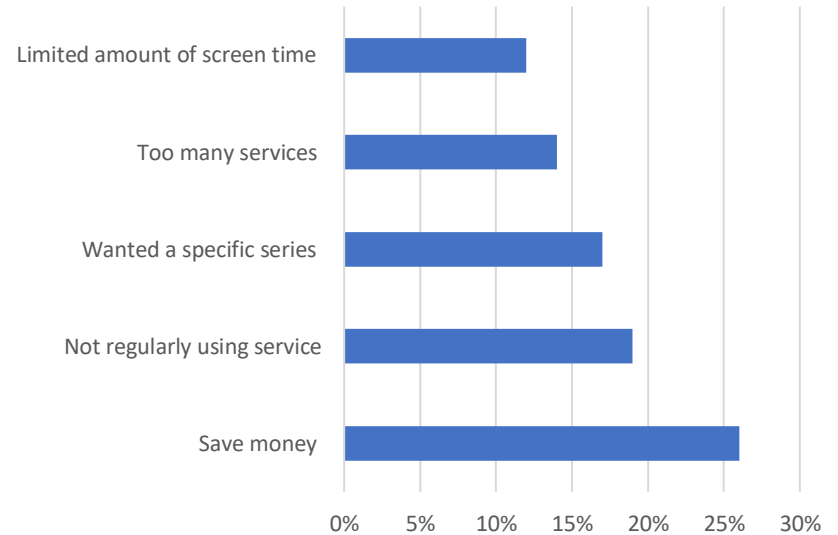
# ...BUT IT'S COMPLICATED

% of Lloyds Group customers who cancelled their subscriptions June 2021 – March 2022



Source: Lloyds Group, April 2022

Top 5 reasons why Netflix subscribers cancelled their service in Q1 22

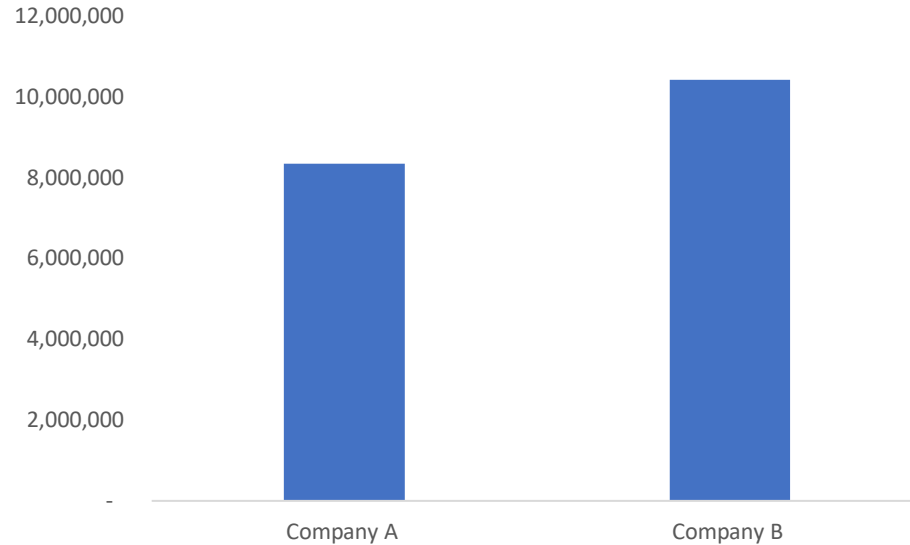


Source: Kantar Entertainment on Demand



# THE BALANCING ACT – SUBSCRIPTIONS AND ARPU

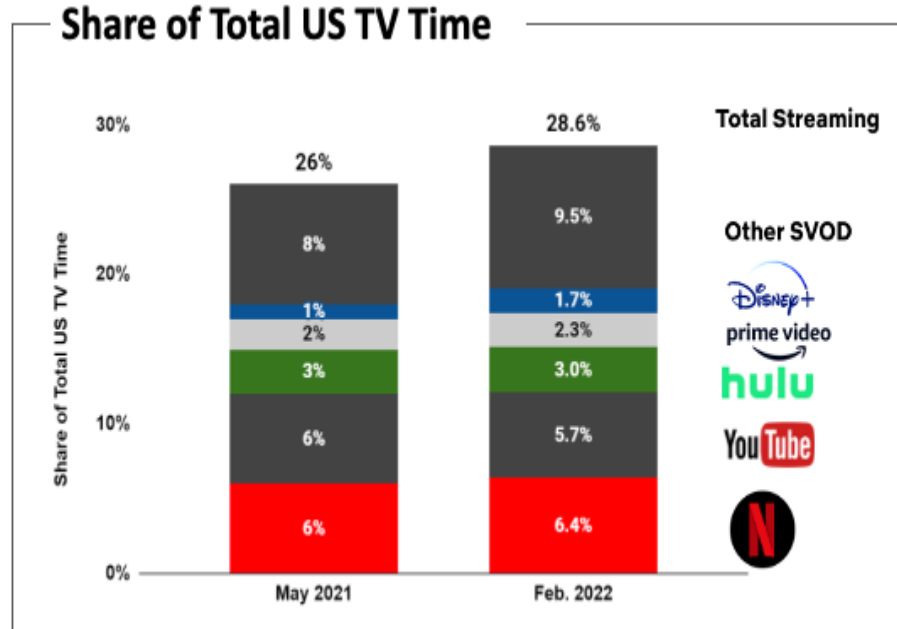
Subscribers needed to reach \$1 billion revenues per annum at \$10 ARPU per month (Company A) vs \$8 per month (Company B)



Source: Liberty Sky Advisors / Ian Whittaker

# ADVERTISING WON'T SAVE THE SVOD PLAYERS...

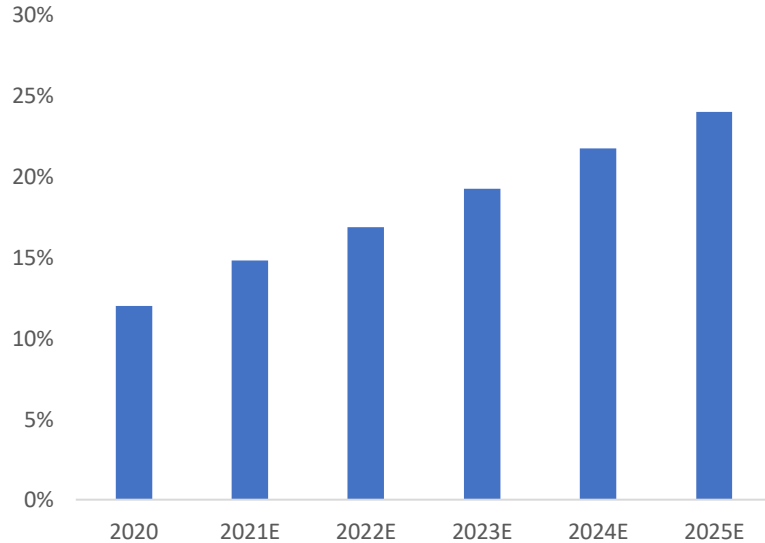
Share of Total US TV Time May 21 vs Feb 22



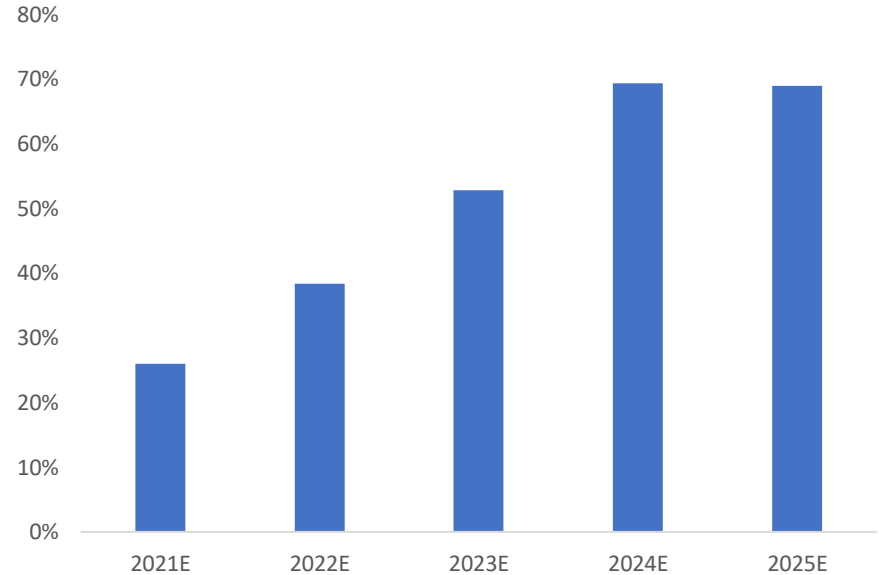
Source: Netflix

# ...BUT AVOD CRUCIAL FOR THE BROADCASTERS

AVOD as % of Total UK Broadcasters Ad Revenues 2020 – 2025E



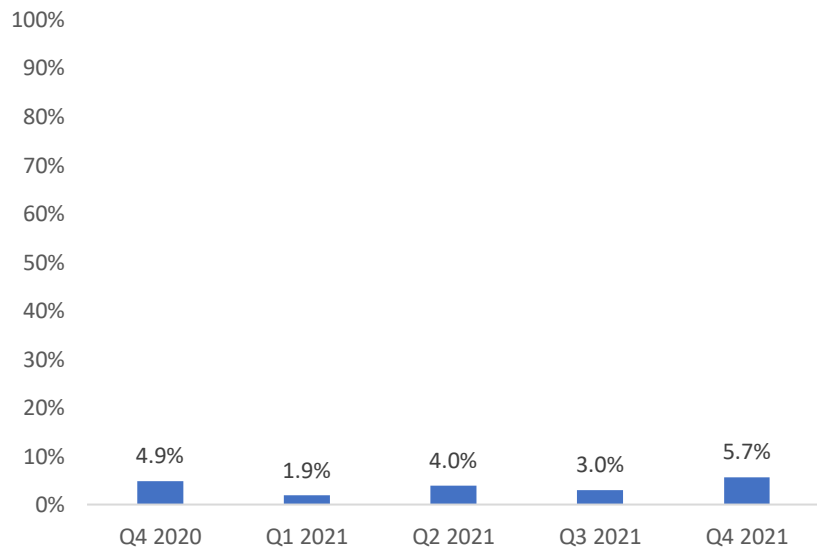
AVOD as % of overall UK Broadcasters Ad Revenue growth 2021E – 2025E



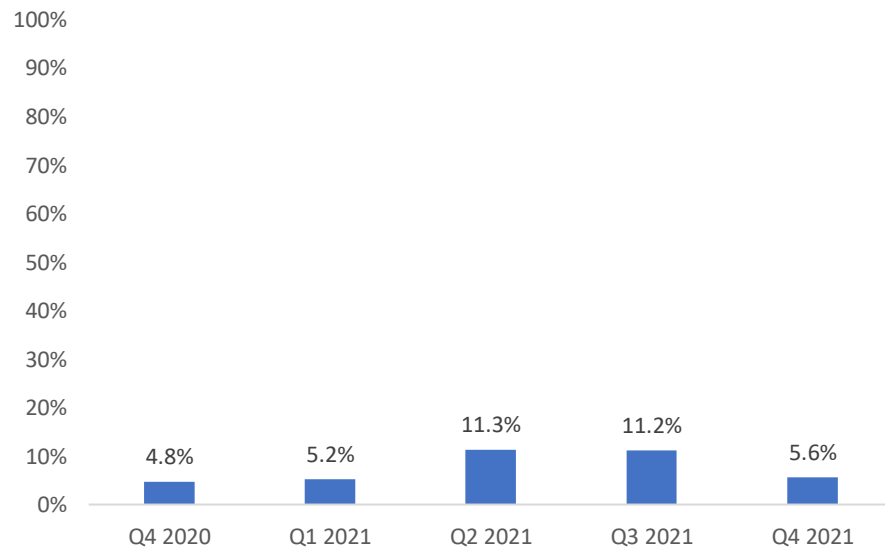
Source: Ian Whittaker / Liberty Sky Advisors

# PS (EUROPEAN) BROADCASTERS SHOULDN'T DO SVOD

Britbox as % of UK SVOD net additions Q4 2020 – Q4 2021



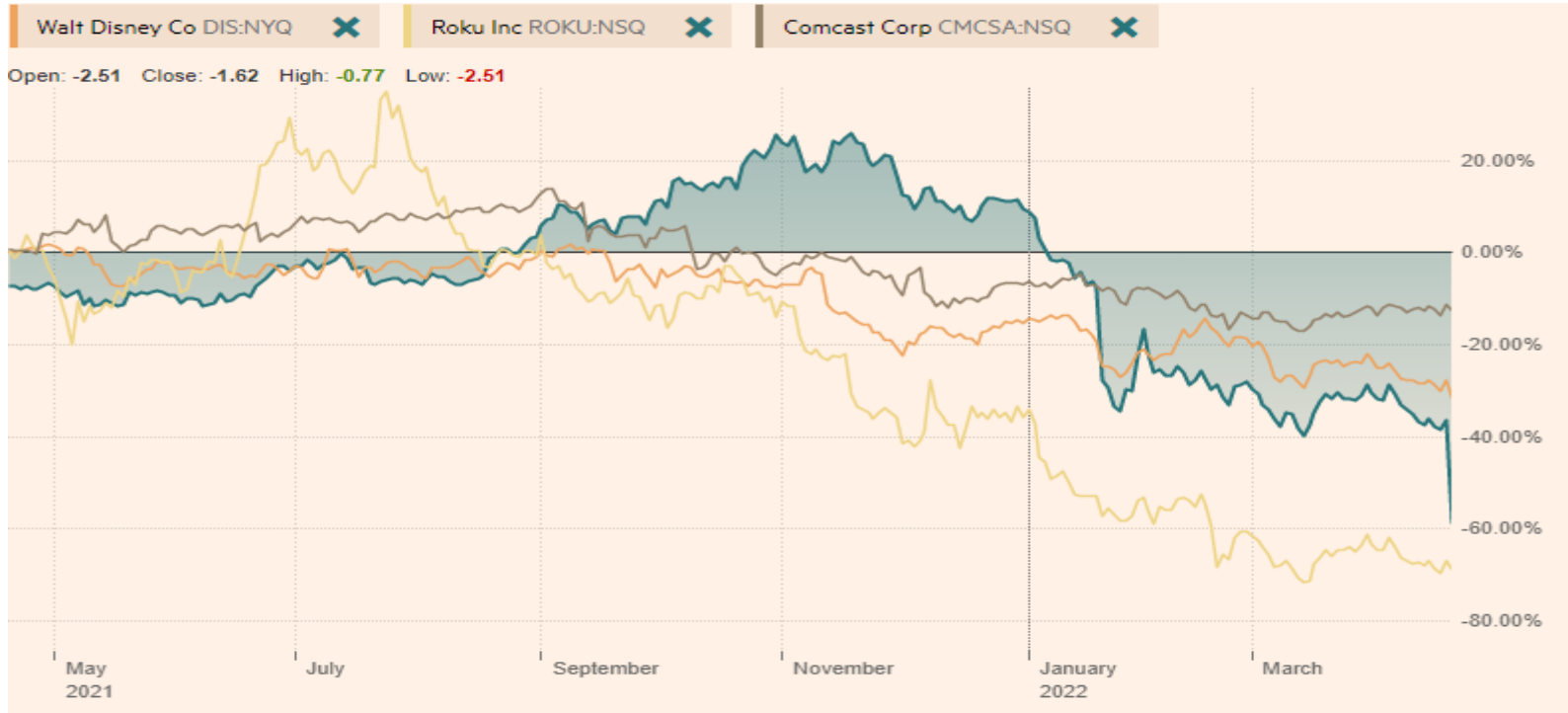
Now as % of UK SVOD net additions Q4 2020 – Q4 2021



# THE MARKET'S VIEW

# MARKETS TURNING AGAINST STREAMERS

1 Year Share Price Performance, Netflix (shaded) vs Walt Disney (Orange), Comcast (Brown) and Roku (Yellow)



# INTEREST RATE RISES ADDING PRESSURE

## Example 1 - using a 8% Weighted Average Cost of Capital (WACC) rate (\$m)

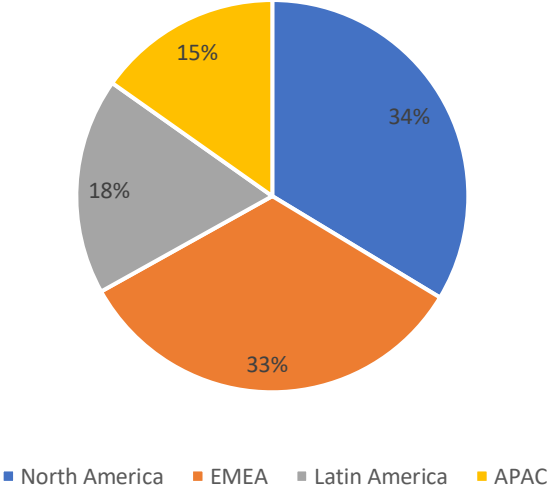
	2022E	2023E	2024E	2025E	2026E
Cashflow	100	110	121	133	146
Discount factor	100%	93%	86%	79%	74%
DCF	100	102	104	106	108
Sum of the totals	519				
Growth in perpetuity	2.5%				
Terminal cash flow	150				
Terminal value	2,006				
<b>Total Value</b>	<b>2,524</b>				

## Example 2 - using a 10% Weighted Average Cost of Capital (WACC) rate (\$m)

	2022E	2023E	2024E	2025E	2026E
Cashflow	100	110	121	133	146
Discount factor	100%	91%	83%	75%	68%
DCF	100	100	100	100	100
Sum of the totals	500				
Growth in perpetuity	2.5%				
Terminal cash flow	150				
Terminal value	1,367				
<b>Total Value</b>	<b>1,867</b>				

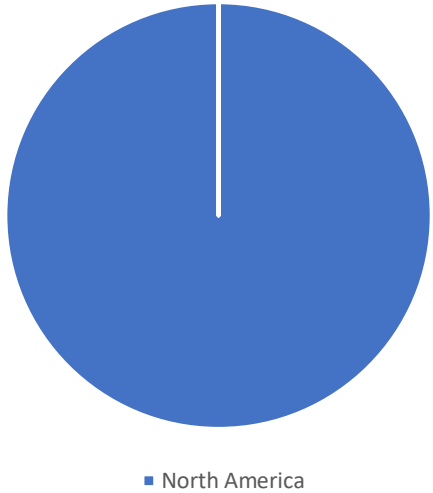
# MIND THE GAP

% of Netflix subscribers by region Q1 2022



Source: Netflix Investor Relations

Estimated geographical location of analysts who cover Netflix



Source: Ian Whittaker

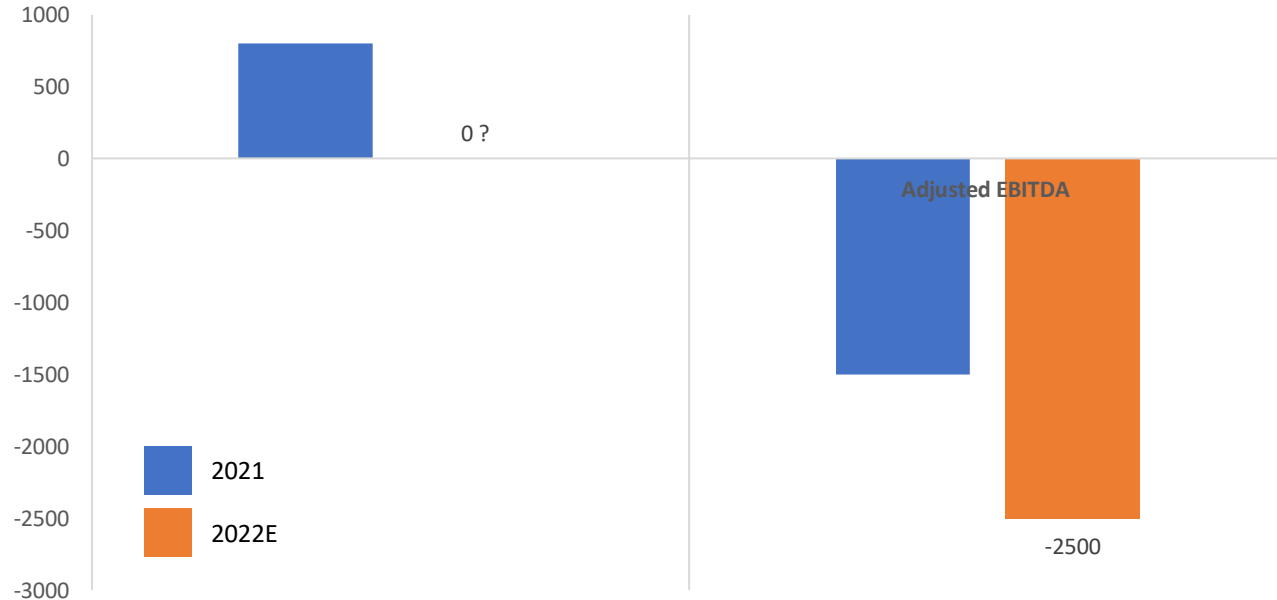




WHAT WILL BE THE FUTURE?

# THE MAJOR PLAYERS ARE LOCKED IN A VICIOUS COST SPIRAL

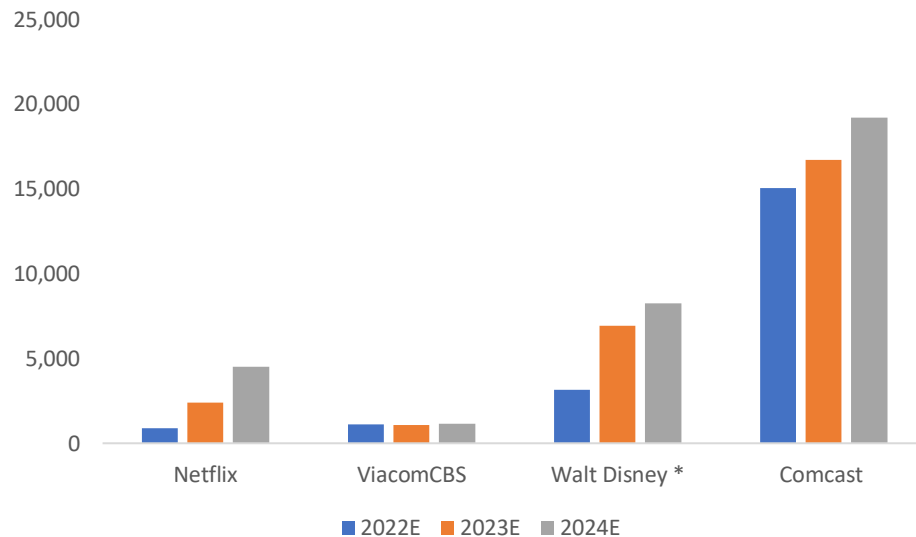
Peacock revenues and adjusted EBITDA losses 2021 / 2022E (\$m) \*



Source: Comcast, Ian Whittaker / Liberty Sky Advisors \* 2022 reflects Comcast guidance

# THE LIKELY DEFEAT OF NETFLIX

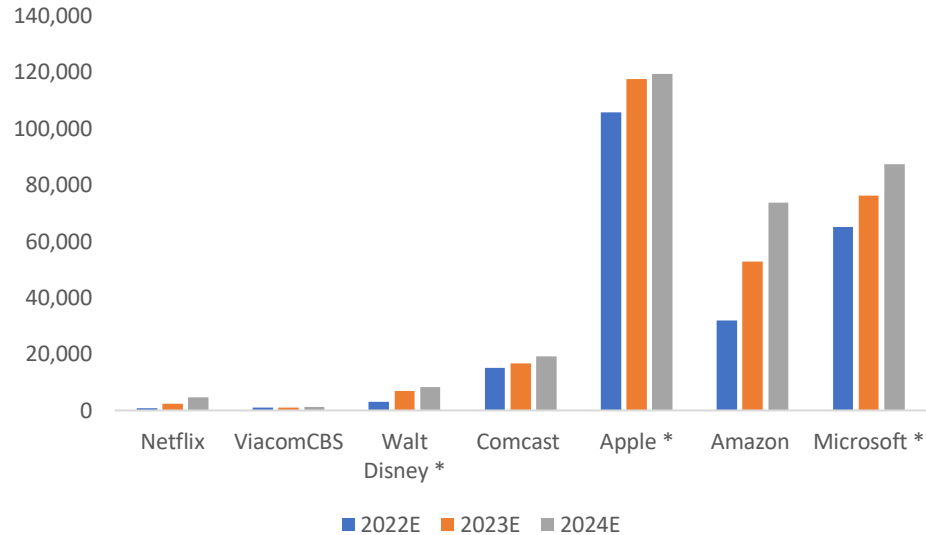
Analyst consensus Free Cash Flow generation (\$m), streaming companies 2022 - 2024E \*



Source: Factset \* Walt Disney is for YE October 2nd

# ENTER THE TECH GIANTS

Analyst consensus Free Cash Flow generation (\$m), streaming companies 2022 - 2024E \*



Source: Factset as of February 2022 \* Walt Disney / Apple for YE September, Microsoft YE June