

Apple is using Oscar nominations to build its Apple TV+ subscriber base

Article

The news: At Sunday's Academy Awards, Apple will be recognized for 13 Oscar nominations for two historical epics, "Killers of the Flower Moon" and "Napoleon," with costs soaring to

\$215 million for "Killers" alone.

- Overall, Apple **spent around \$700 million on three films**, achieving notable box office success and boosting **Apple TV+** subscriptions through high viewership of these titles.
- Apple and **Amazon** are set to significantly boost their content spending over the next few years, with Apple's content expenses projected to rise at a 23% CAGR and Amazon at 14%, compared with Netflix's 7.6% increase and legacy media's 4%, per Morgan Stanley.

Why it matters: The nominations come amid Apple's **\$1 billion yearly investment** in theatrical movies to enhance its Hollywood profile and Apple TV+ subscriptions, emphasizing high-quality releases to add value to its streaming service.

- Apple, a tech company, views high production costs as advertising investments, not expecting direct profit from films as traditional content-centric companies like **Disney** do. This approach means film flops have less effect on Apple, which is focused more on its streaming service's prestige than short-term revenues.
- In contrast, a smaller, legacy entertainment business like Disney feels the sting of box-office and streaming failures more acutely, relying more on other ventures like theme parks to offset losses.
- Despite some films not meeting industry expectations and debates on financial sustainability, Apple's approach has reaped rewards in critical acclaim and viewer engagement.

The back catalog: Apple TV+ just added over 50 licensed films from **Universal, Sony, and Warner Bros.**, including "Titanic" and "Spider-Man," to its "Great Movies" collection.

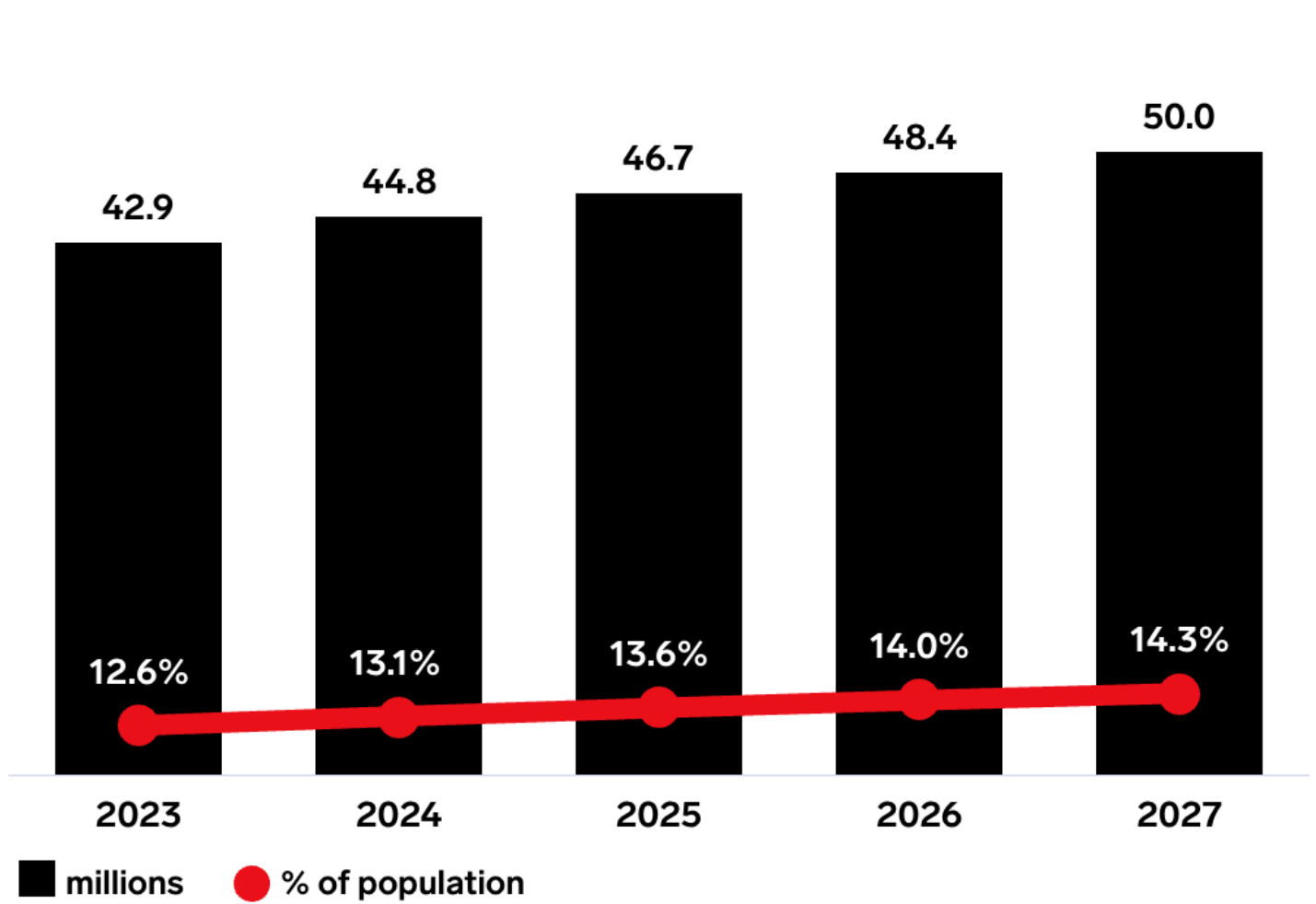
- These additions, only streamable in the US for a limited time, give subscribers more content for the same price—a strategy Netflix and **Prime Video** rely on.
- Despite owning acclaimed originals like "CODA," Apple's smaller, transient library struggles against competitors' extensive permanent collections, highlighting the need for a broader, more stable content strategy.

Our take: In a sense, Apple is using its theatrical releases more as marketing for Apple TV+ than for box-office profit, unlike traditional studios, whose success depends on box-office earnings.

- While the strategy of focusing on a few high-budget films carries risks, especially in a business where content volume is also critical, Apple's success in securing favorable reviews and enhancing its streaming platform's appeal shows the potential rewards.

Apple TV+ Viewers

US, 2023-2027



Note: individuals of any age who watch Apple TV+ via app or website at least once per month

Source: Insider Intelligence | eMarketer, September 2023