By Parrot Analytics | March 1, 2022

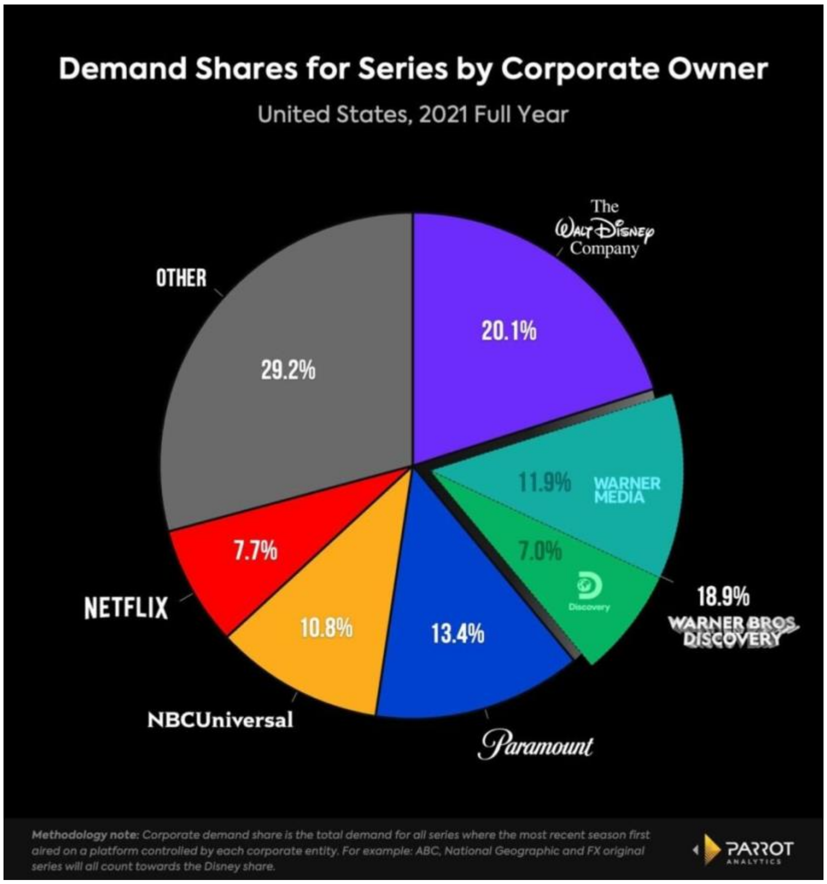
Why Combining Discovery+ and HBO Max Will Give Netflix a Run for Its Streaming Money | Charts

Warner Bros. Discovery would leapfrog the competition if it combined HBO Max and Discovery+.

In the two streaming services, the future Warner Bros. Discovery would have a formidable programming library

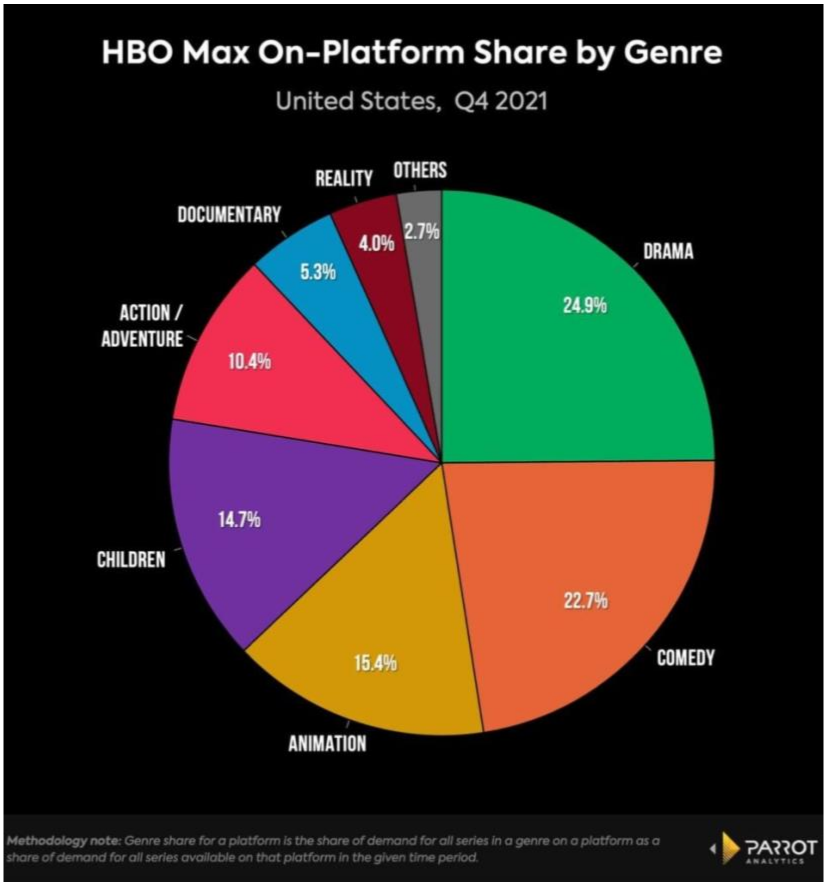
As Discovery, Inc. reported what could be its final earnings before officially becoming Warner Bros. Discovery, Parrot Analytics analyzed what the entertainment landscape would look like following the marriage of these two companies.

The combined entity is projected to start out in second place in corporate demand share, leapfrogging Paramount and sitting within striking distance of market leader Disney in this key metric that serves as a proxy for the long-term viability of media companies as they eventually bring their full catalogs onto a unified streaming platform or bundle.

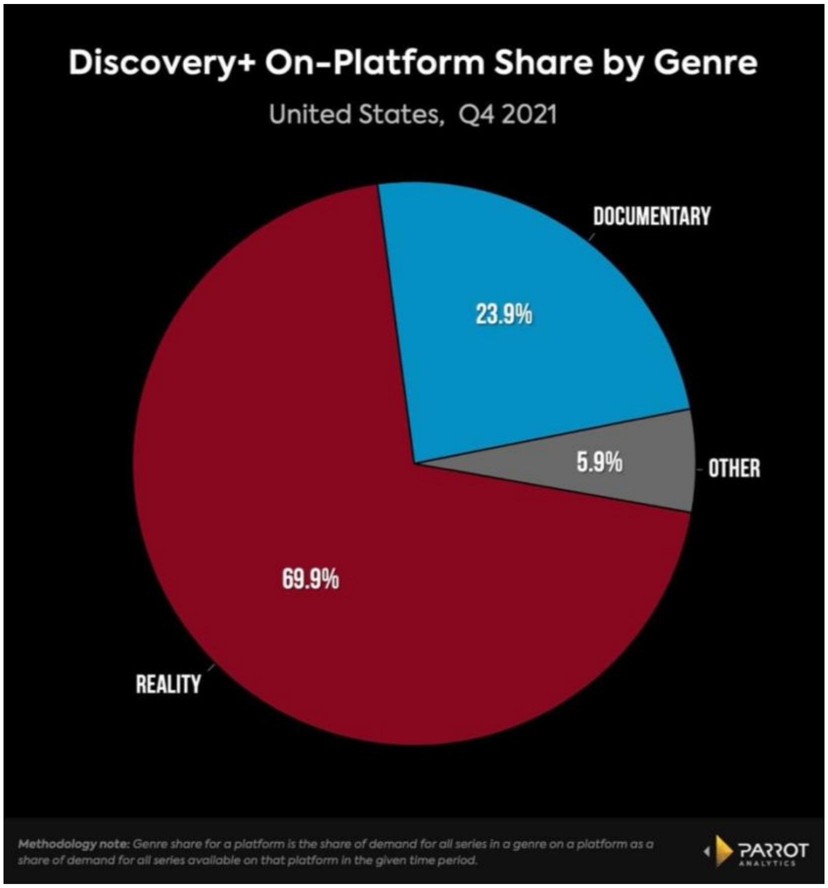


In terms of SVODs, the crown jewel of the joint company will clearly be HBO Max, which was the fastest growing streaming service in the U.S. for original series demand in 2021. It has maintained this momentum in early 2022 with breakout hits such as "Peacemaker" and "Euphoria" becoming mainstays in the U.S. and global top 10 TV demand charts since January.

HBO Max is a very well-rounded service in terms of appealing to numerous key genres, especially dramas, comedies, and adult animation. Discovery+, on the other hand, is more of a one-trick pony that has put all its chips on reality and documentary series. That said, Discovery+'s strength is in the major category that HBO Max is lacking — unscripted content, something which rival Netflix has made significant inroads in over the last two years.



Discovery+'s abundance of highly in-demand unscripted programming — from several of the most watched cable networks in the U.S. — will service an audience that HBO Max has yet to tap. It will provide the Warner Bros. Discovery ecosystem with a whole new audience without HBO/HBO Max having to reinvent the wheel with untested unscripted content of its own.



Discovery Communications CEO David Zaslav stressed the complementary nature of both companies' content on last Thursday's earnings call: "Would HBO be doing a lot better if it had three more really successful scripted series at this moment? It is not clear."

And in reference to Discovery's Food Network he said: "If we decided to do another 400 hours of content, then maybe the audience would be a little bit happier, but now we make no money."

The magic comes from combining these two libraries rather than from each continuing to double down on its respective strengths.

If Warner Bros. Discovery decides to combine Discovery+ into HBO Max, or bundle the services, the two companies will combine to create a formidable offering that will rival Netflix as the top streaming platform, and Disney as the top overall media conglomerate.