



MEDIA & ENTERTAINMENT SECTOR REPORT

**INTERNATIONAL SECTOR OPERATORS' REVENUES GREW BY 8.2% IN 9M 2022
STREAMING SERVICE REVENUES ROSE BY 14.8%,
WITH WALT DISNEY THE TOP-RANKING INTERNATIONAL PLAYER BY NUMBER OF
SUBSCRIBERS WORLDWIDE,
AND NETFLIX THE NO. 1 STREAMING PLATFORM**

**IN ITALY THE MARKET IS CONCENTRATED, WITH RAI LEADING THE WAY IN TERMS OF
REVENUES IN 2021, FOLLOWED BY SKY AND MEDIASET
A 4% REDUCTION IN AGGREGATE REVENUES IS EXPECTED FOR 2022**

Milan, 2 February 2023

The **Mediobanca Research Area** has presented the new version of its **Media & Entertainment Report, with analysis of the sector at global and Italian level**. The report analyses the 2019-22 performances of the leading Italian media and entertainment groups and the 20 leading sector players worldwide, **9** of which are based in the **United States, 8 in Europe** and one each in **Japan, Mexico and South Africa**. The report also contains a **comparison between the largest public television broadcasters in Europe**.

The full presentation is available for download from: www.areastudimediobanca.com.

The leading international M&E players

In the first nine months of 2022, the leading international Media & Entertainment companies posted **revenues up 8.2%** on the same period in 2021. The performance by Netflix (revenues up 8.1%) is aligned with the sector average, representing a major slowdown compared to the growth which the company reported during the pandemic (2020-19: revenues up 24.0%; 2021-20: 18.8%). The growth in streaming services continued, with revenues up 14.8%, now representing some 17% of the aggregate turnover. Growth was also reported, albeit at much lower levels, in income from content production and distribution (revenues up 4.1%, representing 18.4% of the total), and in advertising income (up 2.0%, representing 19.8% of the total). Conversely, subscriptions to traditional Pay TV services declined by 4.9% (representing 19.7% of the total), a result which confirms that access to media contents is increasingly on-demand and fragmented.

In terms of **industrial profitability**, the Ebit margin stood at 12.5%, down 0.7 p.p. on 2021. Of the six players with above sector average profitability, five are from the United States and just one from Europe (French group **TF1**: 13.7%). The top three were **Fox**, with an Ebit margin of 24.5% (down 2.0 p.p.), **AMC Networks** with 22.5% (down 3.7 p.p.), and **Netflix** with 21.4% (down 3.9 p.p.). In the same period the Ebit margin posted by **ProSiebenSat.1** reflected the worst performance of all the international operators, plummeting by 13,2 p.p. to minus 3.8%, better only than the minus 5.2% Ebit margin posted by US firm Lions Gate, and the minus 5.3% reported by the newly-incorporated Warner Bros. Discovery.

The leading international companies reported **growth in the number of streaming service users** (which rose by 18.6% between September 2022 and September 2021). Walt Disney was the top-ranking player by number of subscribers worldwide, thanks to its three platforms (Disney+, Hulu, and ESPN+) which together have a total of almost 236 million subscribers, equal to 25.6% of the aggregate S-Vod (subscription video on demand) market. At the individual platform level, Netflix ranked first with 223 million subscribers¹ (a market share of 24.3%), ahead of Prime Video

1) As at 31 December 2022, the number of Netflix subscribers had risen to 230.7 million (up 4% on 2021).



(22.8%). The top two were followed, some way behind, by the newly-incorporated Warner Bros. Discovery (10.3%, with almost 95 million subscribers) and Paramount Global (7.2%, over 66 million subscribers).

The pandemic accelerated the speed of change in spectator behaviour which has been ongoing for some time to an astonishing degree, especially in the digital native bracket, **who are increasingly attracted by user models based on the concept of “whenever, wherever and on any device”**. However, the explosive growth in streaming services does also present certain issues, such as market saturation, and increased competition as a result of the internet and software giants entering the original content segment. These issues make the question of technology infrastructure even more crucial, meaning that investments will have to be stepped up at the level of individual nations immediately, which in turn raises the question of who will be involved in financing them.

In 2021, the **aggregate turnover** of the 20 leading **international private-sector operators** amounted to **€324.1bn** (up 12.2% on 2020), some 85% of which was generated by the US-based operators, six of which were included in the top ten ranking by revenues headed by **Comcast**. The top non-US company is **Vivendi**, ranking seventh pro forma with revenues of €9.6bn, while of the other European companies, **RTL Group** of Luxembourg ranked ninth (€6.6bn), followed by **ProSiebenSat.1** (which came tenth, with €4.5bn). The **MFE** group (which ranked fifteenth, with €2.9bn in revenues), has acquired stakes in the German company’s voting rights in different stages, to reach 29.9% of the voting rights, taking it close to the threshold that would trigger a compulsory takeover bid for the German broadcasting giant that could lead to the future creation of a **pan-European group** in the entertainment and media contents industry.

In the 2019-21 three-year period, the revenues posted by the giant private-sector television broadcasters increased on average by 1.8%, with the ongoing growth by the streaming platforms offsetting the slowdown in traditional TV services. The performance of US-based **Netflix** was again impressive, delivering a CAGR of +21.4%, a long way ahead of **Sony Picture** in second place with +10.6%; whereas five operators posted negative growth rates, three of which were European, with the worst being reported by **Walt Disney** (-7.7%).

The Italian radio and television broadcasting sector in 2021²

In 2021, the Italian radio and television broadcasting sector made up some of the ground it had lost during the pandemic, posting an aggregate turnover of **€8.5bn** (up 4.6% on 2020), still far off the €8.7bn reported in 2019 (2.6% lower). Not all segments recorded the same improvement: revenues from radio broadcasting performed most impressively, recording an increase of 11.2% (€0.6bn in 2021), followed by from free-to-air TV (up 9.7%, to €4.8bn), whereas revenues from pay TV continued to fall (down 3.6%, to €3.1bn). The latter item reflects conflicting trends, with traditional pay TV declining (down 14.9%), while streaming subscriptions posted double-digit growth (up 32.0%), enabling it to increase its incidence of the aggregate pay TV sector revenues to 32.3% (more than double the share reported in 2019). The online platforms also continued to expand, accounting for 11% of the sector revenues in 2021. Advertising revenues were up 13.4% higher than in 2020: the increase was 13.3% for television advertising and 14.2% for radio advertising.

The leading players in the Italian television industry

In 2021, the aggregate turnover posted by the eight leading Italian media and entertainment operators was 3.4% than in 2020, but 6% lower than in 2019. This was due primarily to the continuing expansion of the S-Vod segment (revenues up 40.5%) and the recovery by the

2) Agcom data processed by the Mediobanca Research area.



advertising market (up 14.5%), whereas Pay TV services continue to underperform (revenues down 15.1%).

The Italian market is still concentrated, with the top three television operators (Rai, Sky and Mediaset) accounting for more than 80% of the aggregate turnover. Rai ranked first of these companies by turnover in 2021, with revenues of €2.7bn, up 6.7% on 2020), followed by Sky with €2.5bn (down 10.4% on 2020) and Mediaset (€2.0bn, up 11.7%). The unprecedented growth by the online platforms continues, driven primarily by **Netflix** which already has nearly five million subscribers (50% more than in 2019). These figures have enabled Netflix to generate estimated turnover of €550m in Italy, 35% higher than in 2020, and 70% higher than in 2019. It is projected to reach €600m in 2022.

In 2021 the sector has also seen a widespread reduction in headcount, versus 2020 (down 1.9%) and versus 2019 (down 2.8%). Of the traditional broadcasters, only **La7** has grown its workforce in both years.

Overall, the sector reported a negative **Ebit margin** in 2021 of minus 5.2% (6.1 p.p. lower than in 2019). Three players bucked this trend: **Paramount** (up 9.7 p.p.), **Walt Disney** (up 5.8 p.p.) and **Mediaset** (up 5.0 p.p.).

For FY 2022, the aggregate revenues of the leading Italian sector operators are expected to fall by 4%, because of the further contraction in traditional Pay TV services, and the slowdown in advertising income (which is expected to reduce by 5% in the twelve months), balanced by the continued growth in streaming services. Here too, though, Italy will have to make up the gap currently existing versus the other leading European countries in terms of coverage of broadband VHCN (Very High Capacity Networks).

As the S-Vod segment becomes more and more competitive and nears saturation, in view, among other things, of the reduction in average consumer's purchasing power, spectators are likely to start diversifying their demand by increasingly searching for free contents. Therefore it is likely that paid subscriptions will start to slow in the near future, and the main S-Vod players could react by increasing the weight of bundled offerings combining S-Vod and A-Vod (Advertising Video on Demand) products, or by introducing tighter restrictions on account sharing practices.

The European television market and the licence fee

The **German** national public radio and television broadcasting service has the highest revenues in the European panorama analysed, totalling €8.9bn, more than three times the amount generated by its Italian counterpart (€2.6bn). Second place was occupied by the **United Kingdom** with €7.7bn, while **France** took third place with €3.9bn. In 2021 Italy ranked third in terms of revenue growth (up 6.7% on 2020), behind only Spain (up 24.2%) and the United Kingdom (up 8.3%).

Rai in Italy also impressed at the level of **industrial profitability**: in 2021 the Italian public TV operator reported an Ebit margin of 3.6% (0.2 p.p. lower than in 2020), ahead of the 3.2% reported by its counterpart in the United and the 2.5% reported in Spain (the only public broadcaster to record an improvement, with an Ebit margin up 5.9 p.p. on 2020), whereas the French national operator continues to perform negatively (Ebit margin 1.1%).

Licence fees: Italy has the lowest per capita licence fee among the leading European countries, and below the European average (€0.25 a day per person, compared with an average of €0.32). The fees are much more expensive for licence fee payers in Germany (€0.58 a day), the United Kingdom (€0.50), and France (€0.38). In 2022 the Rai collected just €77.8 of the €90 licence fee, or 86%, which again was below the European average of 90.5%.

Media Relations

Tel. no.: (0039) 02-8829.914/766
media.relations@mediobanca.com