



Modelling audiovisual sector revenue flows in the EU and test case on impact of COVID-19 on industry revenues

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Modelling audiovisual sector revenue flows in the EU and test case on impact of COVID-19 on industry revenue

European Audiovisual Observatory (Council of Europe), Strasbourg, 2020

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1. About this document

1.1. Objectives

The European Audiovisual Observatory (hereafter: Observatory) aims to develop a **model of revenue flows in the audiovisual sector** with the aim of better understanding how players are linked along the value chain. By doing so, the model also aspires to provide high-level estimates of the financing volume going into the production of original European content.

This document presents a draft model of revenue flows in the audiovisual sector, including an explanation of the underlying assumptions as well as an explanation of the modelling approach itself.

As a test case, the model is used to evaluate the losses in the financing of European original content that could result from the COVID-19 crisis in 2020 and 2021.

This document is a working paper that is published with the aim of collecting feedback in order to further improve the quality of the modelling approach.

1.2. Geographical scope

The geographical scope of **the model refers to the 27 EU markets** as of January 2020, i.e. it covers revenues captured by end-market players in the 27 EU markets as well as money flows into the production and exploitation of content in the 27 EU markets. This limited scope is mainly due to the lack of data regarding other European markets or the exploitation of European films outside Europe.

It should be noted that:

- While the model aims to capture money going into the production of content produced in the EU, the lack of data requires significant simplifications which only allow for indicative high-level estimates. Content produced in the EU may benefit from non-EU investments through co-productions and, conversely, content produced outside the EU may benefit from investments from EU players. These exchanges cannot be captured in the model. Due to a lack of data, the model furthermore cannot take into account export revenues generated by sales agents and film exporters from outside the EU which can be significant for individual films.
- The model cannot distinguish between exploitation revenues linked to EU and non-EU content as no such data is available. Consumer spending on home-video or SVOD services as well as broadcaster content acquisitions hence cumulatively refer to EU as well as non-EU content (in particular including US content).

1.3. About the sources

The modelling prepared by the Observatory draws from the following main sources:



- Revenues captured by end-market players derive from:
- The European Film Agency Research Network (gross box office revenues), as available in the EAO [Yearbook Online service](#)¹.
- The Observatory's [LUMIERE](#) database (market share of European films).
- [WARC](#)² (advertising revenues).
- [Ampere Analysis](#)³ (Pay-TV and on-demand revenues, physical video revenues).
- EBU/MIS (public broadcasters' revenues), as available in the EAO [Yearbook Online service](#)⁴.
- Revenues and expenses of the **film funds** are taken from the 2016 European Audiovisual Observatory study "[Public financing for film and television content - The state of soft money in Europe](#)". Please note that data refers to the 2010-2014 time period.
- Data on the **financing of films** are taken from the 2020 European Audiovisual Observatory Study "[Fiction- film financing in Europe: A sample analysis of films released in 2017](#)". Please note that data refers to 2017 and that although the study builds on a sample of about 50% of all European films produced in 2017, some countries (e.g. Spain) are not represented in the sample.
- Data on the investments in content by public broadcasters were provided by EBU/MIS.
- Data on **the investments in content by private broadcasters** were extrapolated from data published by [Ampere Analysis](#).
- Other assumptions have been discussed with various stakeholders.

1.4. Limitations of the analysis

The analysis can only provide "big picture", macro-economic insights with regard to the overall industry structure but does not provide reliable insights with regard to any individual industry sector.

When interpreting the model's data input as well as the model's analysis output, the following limitations regarding the data have to be taken into consideration:

- All values are estimated.
- Data may be available only for a sample of countries or a sample of players and have been therefore extrapolated;
- Data is also missing to provide a full picture of the money flows, in particular as regards the exploitation of audiovisual works after the financing phase.

¹ Subscription only.

² Subscription only.

³ Subscription only.

⁴ Subscription only.



- Data sources are heterogeneous;
- Data maybe outdated;
- In the context of estimating investment flows into EU original content, it has to be kept in mind that the model cannot distinguish between revenues in the EU to European and non-European content on the one hand and cannot take into consideration export revenues to EU films outside Europe on the other hand.

1.5. About the COVID-19 test case

In order to test a potential use case of the revenue modelling, this document presents a draft scenario analysis on the potential impact of the COVID-19 crisis on the financing of original EU content.

Several points should be noted:

- This scenario analysis serves primarily as a **test case for the applicability of the model** to address questions linked to revenue streams along the audiovisual value chain **rather than quantify the impact of the COVID-19 crisis**.
- **This scenario does not reflect the full impact of COVID-19 crisis on the audiovisual sector as it deals only with revenues.** Costs have obviously also been affected either by one-off (e.g. cancelation of projects, additional costs for the re-release of films in cinemas) or structural costs (increase of production costs due to sanitary measures). Costs may also have been mitigated by support measures.
- **The scenario reflects a “big picture” macro-economic evaluation** which can only consider the structural changes that the crisis may provoke and how these structural effects may pass on along the value chain.

1.6. Remarks from stakeholders

The Observatory submitted a draft of this document to the members of its Advisory Committee. We received several feedbacks, providing inputs or discussing hypothesis and approaches.

Several stakeholders insisted that a modelling of the revenues could not lead to an assessment of the full impact of the COVID-19 crisis. The Observatory shares this view and hopes that clarifications mentioned in section 1.3 of this report address these concerns.

Distributors' and sales agents professional associations expressed their concern that the lack of data regarding content exploitation other than in cinemas should not lead to underestimate the role that distributors and sales agents play as regards sales of programmes to broadcasters, home video publishers and on-demand services. Despite the lack of data, section 2.3.1 of this report intends to provide a picture of the flows regarding the exploitation of content beyond cinemas.



The Association of Commercial Broadcasters in Europe (ACT) indicated that the geographical scope of the modelling should include the United-Kingdom. Where the Observatory agrees in principle that the modelling should include as much European countries as possible, the lack of data regarding the financing of UK films made the inclusion impossible at this stage.

ACT also indicated that the broadcasters' investments in programmes to fill their schedule does not include the investments in original production made by their affiliated producers. The Observatory acknowledges the lack of data on the level of the producers' investments in the financing of original programming, but underlines that this limit applies both to independent and integrated producers, and to producers affiliated to both private and public broadcasters.

Finally, the ACT is uncertain about the data used to assess the expenses in programming by commercial broadcasters derived from Ampere Analysis data. The Observatory did a cross-check of these data for public broadcasters with the EBU and found that they were plausible. It still acknowledges the limitations of estimates and would welcome to benefit from first-hand data from private broadcasters. Finally, the ACT insisted to include acquisitions and sports in the modelling. The Observatory accommodated this request as far as possible.

The Observatory would like to thank the following organisations for the time spent discussing informally the project: ACT, EBU, EPC, CNC, EGTA and its members Mediengruppe RTL Deutschland, IP Austria, NSC Media, and TVP, EIB, Europa Distribution, Europa International, FIAD, Netflix and UNIC.



2. Modelling revenue flows in the audiovisual sector

2.1. Sketching revenue flows along the value chain

Money flows between the various players along the audiovisual value chain are complicated, diverse and most importantly mostly confidential. The Observatory acknowledges that it is impossible to model them in such detail that it would reflect real-life transactions. However, for the purposes of big-picture macroeconomic analysis the Observatory believes that audiovisual sector revenue flows can be depicted in a strongly simplified manner as shown in Figure 1.

For modelling purposes one can distinguish between three different layers:

Layer A - Revenue sources for the audiovisual sector:

This layer captures the different types of revenue sources which are captured by audiovisual end-market players. Broadly speaking one can distinguish three types of revenue sources for the audiovisual sector:

- public funding,
- advertising revenues,
- consumer expenditures, which can take the form of subscription fees to Pay-TV or SVOD services, theatrical gross box office or expenditures on home video content (physical video and transactional Video-On-Demand (TVOD)).

Layer B - Revenues captured by end-market players

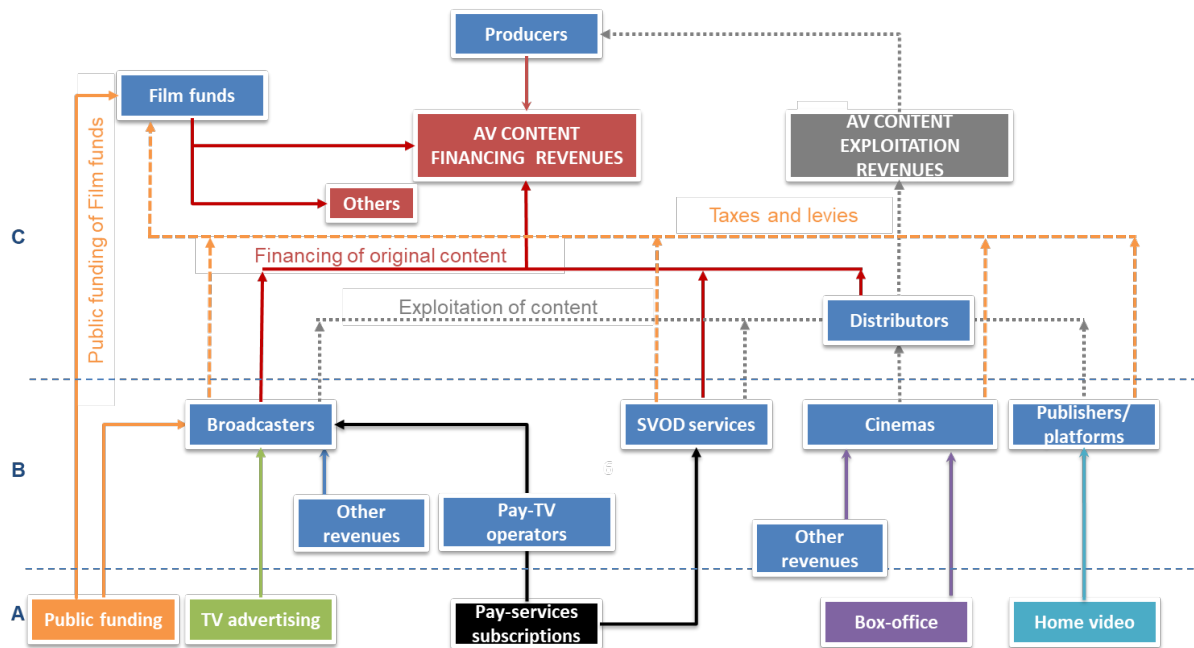
This layer shows the distribution of overall revenue among the various end-market players. As shown in Figure 1 several end-market players also generate “other revenues”, i.e. revenues that do not stem from the exploitation of audiovisual content. The end-market players considered in the Observatory model include public and private (free and pay) broadcasters, pay-television operators, SVOD services, cinemas, as well as physical video publishers/TVOD platforms.

Layer C – Money flows going to financing and exploitation of content

This layer attempts to depict the money flows from the end-market players and the film funds going to (i) to the exploitation of content, either directly or through distributors / sales agents; and (ii) the financing of original content, either directly or indirectly through the film funds. In this report original content refers to all categories of film or audiovisual content excluding news, i.e. audiovisual works, sports, theatrical films and other TV content (like game shows). It has to be noted that business models differ significantly among different types of content.

Money flows from end-market players to content producers or content owners may come in a variety of forms including pre-sales, taxes or levies, co-production investments, public funding, revenue sharing agreements, minimum guarantees, outright content acquisitions, etc. The model cannot distinguish between these different forms of money flows, neither can it take into account export revenues from outside the EU

Figure 1. Overview of revenues flows in the EU audiovisual sector



Source: European Audiovisual Observatory

2.2. Quantifying audiovisual revenue flows

Based on this simplified schematic of revenue flows along the audiovisual value chain, the Observatory attempted to estimate the actual revenue amounts going into the EU audiovisual sector and provide a rough estimate how the overall sector revenues are distributed among the various end-market players. The results of this analysis are depicted in Figure 2.

The **total revenues** of the audiovisual market in the 27 EU markets are estimated to amount to EUR 90.8 billion in 2019, excluding “other revenues” generated by selected end-market players. “Other revenues” can originate from the B2C market (e.g. concession sales in cinemas) or B2B (e.g. sales of programmes rights by broadcasters).

As mentioned in section 2.1, the model builds on **five types of revenue sources** of the audiovisual sector: public funding; TV advertising; Pay-services subscriptions (linear TV and SVOD); theatrical gross box office and home video revenues.

The model estimates that subscriptions to pay-services represent the most important revenue type for the overall audiovisual sector in the EU accounting for 37% of the total



estimated industry revenue, followed by TV advertising (30%), public funding (24%), gross box office revenues (6%) and expenditures on home video content (3%).

Pay-services subscriptions are captured by SVOD services and by linear TV channels and packages. The latter are distributed by Pay-TV operators (often network operators) in return of a distribution fee. Public funding is captured by public broadcasters and film funds. TV advertising is captured by private commercial and public broadcasters. Box-office revenues and Home video revenues go to cinema operators and video publisher respectively.

With regard to the **distribution of audiovisual sector revenues among players** the model estimates that private free-to-air broadcasters capture the largest share of sector revenues, accounting for EUR 24.2 billion (27%), followed closely by public broadcasters (EUR 23.3 billion; 26%) and private Pay-TV broadcasters (EUR 21.4 billion; 24%). Cinemas follow at a distance capturing EUR 5.7 billion in box office (6%), marginally ahead of SVOD services (EUR 5.2 billion; 6%) and DVD publishers / TVOD services which cumulatively generate an EUR 2.7 billion (3%). Intermediary Pay-TV operators capture EUR 7.1 billion (8%) while film funds capture about EUR 1.2 billion (1%).

The estimated revenue share of the individual end-market players is based on the following assumptions:

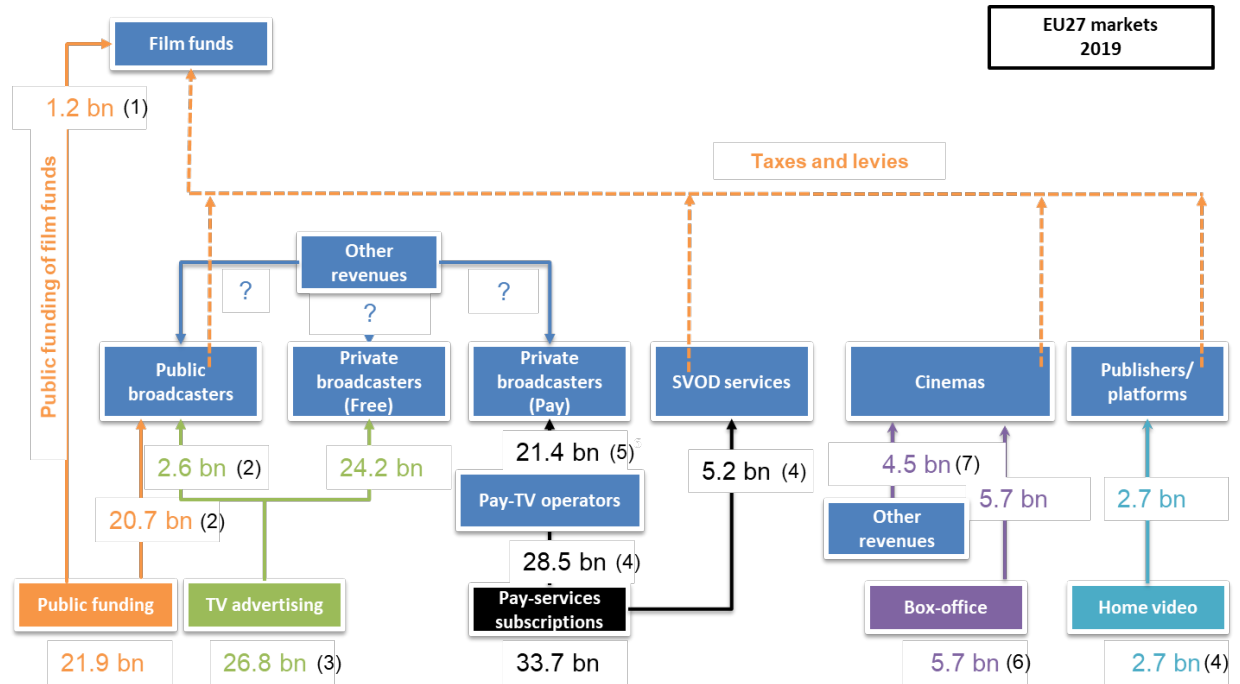
- Film funds receive 5% of public funding and 1% of total sector revenues in the form of taxes and levies.
- Public broadcasters capture 95% of from public funding and 10% of TV advertising expenditure.
- Private broadcasters capture 90% of TV advertising expenditures.
- Pay-TV broadcasters capture 75% of Pay-TV subscriptions (after discount of Pay-TV operators' fees).
- SVOD services capture 100% of SVOD subscriptions.
- Cinemas capture 100% of gross box office revenues (of which 39% are assumed to be passed on to distributors) and generate other revenues corresponding to 79% of box-office revenues⁵.

⁵ The share of other revenues in total revenues to exhibitors tends to increase with size, i.e. it is comparatively low for smaller cinemas and comparatively high for multiplexes.



Figure 2. Revenue flows to audiovisual end-market players and films funds in the EU – 2019

Estimated values in EUR billion.



Source: European Audiovisual Observatory

Notes to figure 2

- (1) Source: OBS - Budget funding of film funds - 2014 figures – may therefore be underestimated – excludes production incentives
- (2) Source: EBU/MIS
- (3) Source: WARC
- (4) Source: Ampere Analysis
- (5) Assumption: 25% distribution fee for Pay-TV operators
- (6) Source: OBS/LUMIERE – Gross Box-office including taxes and levies
- (7) Estimate

2.3. Money flows related to the exploitation of content

Money flows related to the exploitation of audiovisual content refer e.g. to sales to broadcasters or VOD services that are not part to the financing plan beyond the recoupment of distribution costs and minima guarantee from distributors / sales agents, revenues from theatrical exploitation beyond the recoupment of distribution costs and minima guarantee from distributors, revenues from physical and digital home video beyond the recoupment of distribution costs and minima guarantee from distributors.

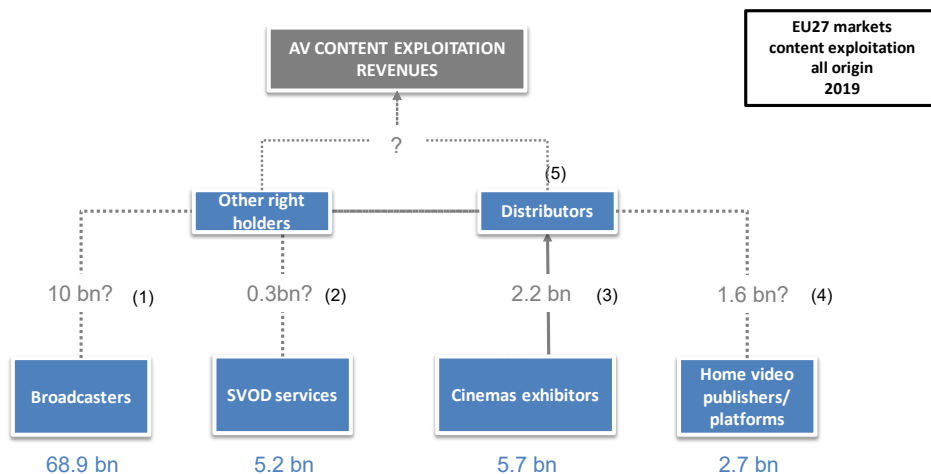
The revenues deriving from the exploitation of audiovisual works is complicated to assess, for two main reasons:

- Whereas GBO revenues of EU films can be estimated, the revenues flowing from distributors to producers depend on the recoupment of the distribution costs. Due to the lack of the data on distribution costs, no such revenues can be modelled.
- Other exploitation (e.g. sales to broadcasters / SVOD services, TVOD revenues) may also contribute to the recoupment of distributors minima guarantees.
- Not all exploitation revenues go through distributors / sales agents. Some revenues are directly shared with producers or other right holders. No data on this type of revenue flows is available and can hence not be estimated.
- Additionally, the share of acquisitions from broadcasters which benefit European content is not documented.

Figure 3 therefore depicts an incomplete picture of the money flows regarding content exploitation. It suggests that, in the EU27, EUR 14 billion are dedicated to acquisitions of content before distribution costs and for content from all origin.

Figure 3. Money flows related to content exploitation in the EU - 2019

Estimated values in EUR billion.



Source: European Audiovisual Observatory



Notes to figure 3

- (1) OBS rough estimate based on Ampere Analysis and EBU/MIS data.
- (2) Estimate. derived from 1 bn investment in European content in 2019 announcement by Netflix.
- (3) Assumes a 48% commission for cinemas, 39% for distributors and 13% for taxes and levies.
- (4) Assumes a 60% share for right holders.
- (5) Acquisitions may be handled through a distributor or directly with the right holder.

2.4. Money flows to financing European original content

Whereas the estimate of money flows related to exploitation faces difficulties, more data is available as regards the financing of original content. However, as data regarding acquisitions is incomplete (see section 2.3), the model only deals with **revenues flows from end-market players and film funds to the financing of European content** (excluding news), i.e. it **excludes production investments made by producers as well as public financing from production incentives**.

Original content in this report relates to all categories of content excluding news, i.e.

- Films (theatrical)
- Audiovisual works (fiction, documentaries, animation etc.)
- Other TV content (game shows, reality shows, talk shows etc.)
- Sport

All original content financed in the EU is supposed to be European. This assumption probably does not fully reflect reality, as broadcasters, for instance may invest in non-European co-productions, or acquire rights of non-European football leagues. On the other hand content produced in the EU may benefit from non-EU investments through co-productions or co-financing which cannot be captured in the model. The model furthermore cannot take into account “export revenues” generated by sales agents from outside the EU which can be significant for individual films. The estimated financing flows from film funds and the individual end-market players are based on the following assumptions concerning the share of players’ revenues attributed to the financing of European original content:

- Film funds: 65% of their total revenues are dedicated to support the development and production of European films and audiovisual content.
- Public broadcasters invest 28% of their revenues for the financing of European content and an additional 10% for the financing of sport content.
- Commercial free-to-air broadcasters invest 26% of their revenues for the financing of European content and an additional 10% for the financing sport.
- Pay-TV broadcasters invest 7% of their revenues for the financing of European content and an additional 38% for the financing of sport.
- SVOD services invest 6% of revenues for the financing of European content and an additional 2% for the financing of sport content.



- Distributors invest 61% of their share in European films box-office revenues, i.e. 61% of 39% (distribution fee) x 34% (European film market share).
- Cinemas contribute to the financing of films through their contributions to film funds and through the revenues they share with distributors / other right holders.

Based on these assumptions the model estimates that **EU players invest approximately EUR 30 billion in original European content**, including sports content but excluding news. About 93% of these EUR 30 billion are estimated to stem from broadcasters with public broadcasters contributing EUR 9.8 billion (32%), private Pay-TV broadcasters EUR 9.7 billion (32%) and private free-to-air broadcasters contributing EUR 8.7 billion in money flows resulting from audiovisual end-market revenues going into the production of European original content. Film funds provide another EUR 1.3 billion to the creation of European film and audiovisual works, followed by EUR 0.5 billion (2%) in box office revenues⁶ and EUR 0.4 billion (1%) in SVOD revenues flow into the production of European original content (see Figure 4).

Excluding sports content, the model estimates that **EU players invest approximately EUR 17 billion in original European content** (other than sports or news). In this case the distribution of production investments among players looks significantly different with only two players standing out, namely public broadcasters who account for 42% (EUR 7.2 billion), followed by private free-to-air broadcasters (37%; EUR 6.3 billion). Private Pay-TV broadcasters are estimated to invest EUR 1.6 billion (9%), slightly more than the money flows from film funds (EUR 1.6 billion; 8%), only EUR 0.4 billion (2%) in box office revenues and EUR 0.3 billion (2%) in SVOD revenues flow into the production of original content (see Figure 5).

Within the financing of European content, the model tries to estimate the **money flows from audiovisual end-market revenues that go into the financing of theatrical films**⁷. Based on insights gained from the Observatory and EFARN's analysis of financing structures of theatrical live action films⁸, the Observatory's analysis of public film funding⁹ as well as insights shared by members of the Observatory's Advisory Committee, the Observatory estimated that about **EUR 1.9 billion of audiovisual end-market revenues are invested in the production of EU theatrical films per year**.

This excludes film investments made by producers as well as production incentives as they are not considered to be end-market players and are hence outside of the scope of this model which focuses on the flow of audiovisual end-market revenues.

Linking these EUR 1.9 billion to the financing flows related to audiovisual end-market revenues estimated above would imply that:

⁶ In contrast to other players cinema distributors/sales agents mostly contribute to the production of theatrical feature films rather than the production of other audiovisual works. Their investment share can hence not be directly compared with the share of broadcaster content investments.

⁷ Excluding producers' investments and tax incentives.

⁸ Link to report: <https://rm.coe.int/fiction-film-financing-in-europe-2019/1680998479>

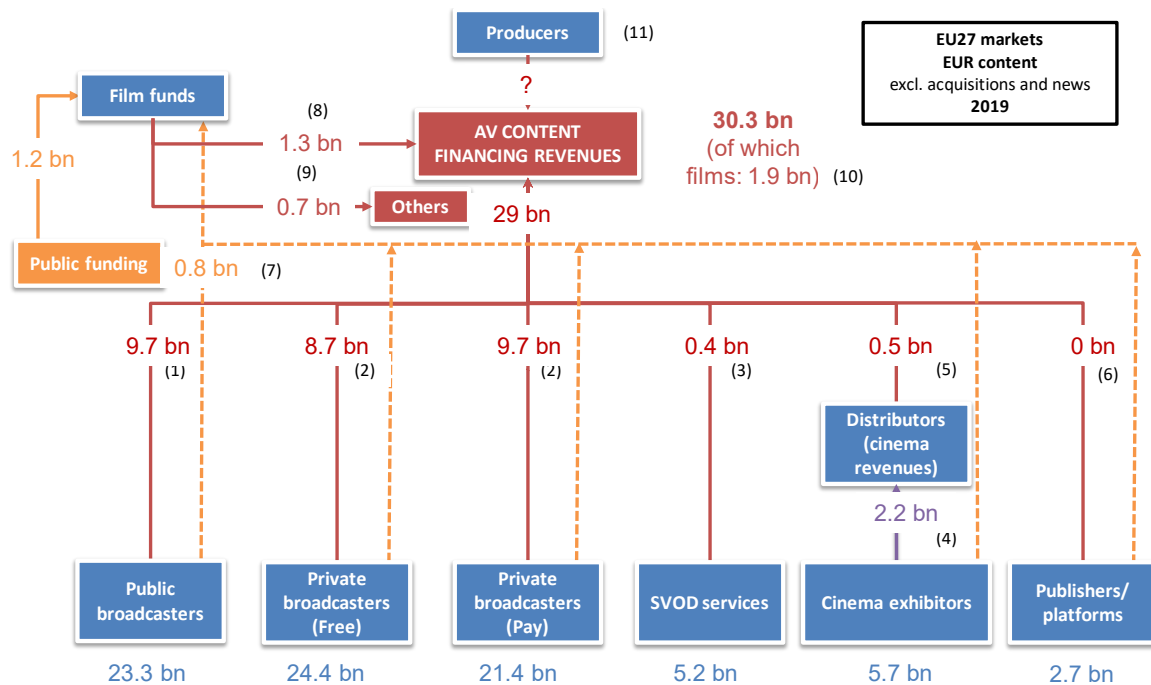
⁹ Link to report: <https://rm.coe.int/public-financing-for-film-and-television-content-the-state-of-soft-mon/16808e46df>



- Film funds dedicate 36% of their income to support the development and production of theatrical films;
- Distributors only invest in theatrical films, i.e. they invest 61% of their share of European films box-office revenues, i.e. 61% of 39% (distribution fee) x 34% (European film market share).
- Audiovisual service providers, i.e. public broadcasters, private free-to-air and Pay-TV broadcasters and SVOD providers, cumulatively¹⁰ dedicate 1% of their cumulative revenues to financing EU theatrical films.

Figure 4. EU money flows from end-market players and film funds to financing original European content (excluding acquisitions and news) – 2019

Estimated values in EUR billion.



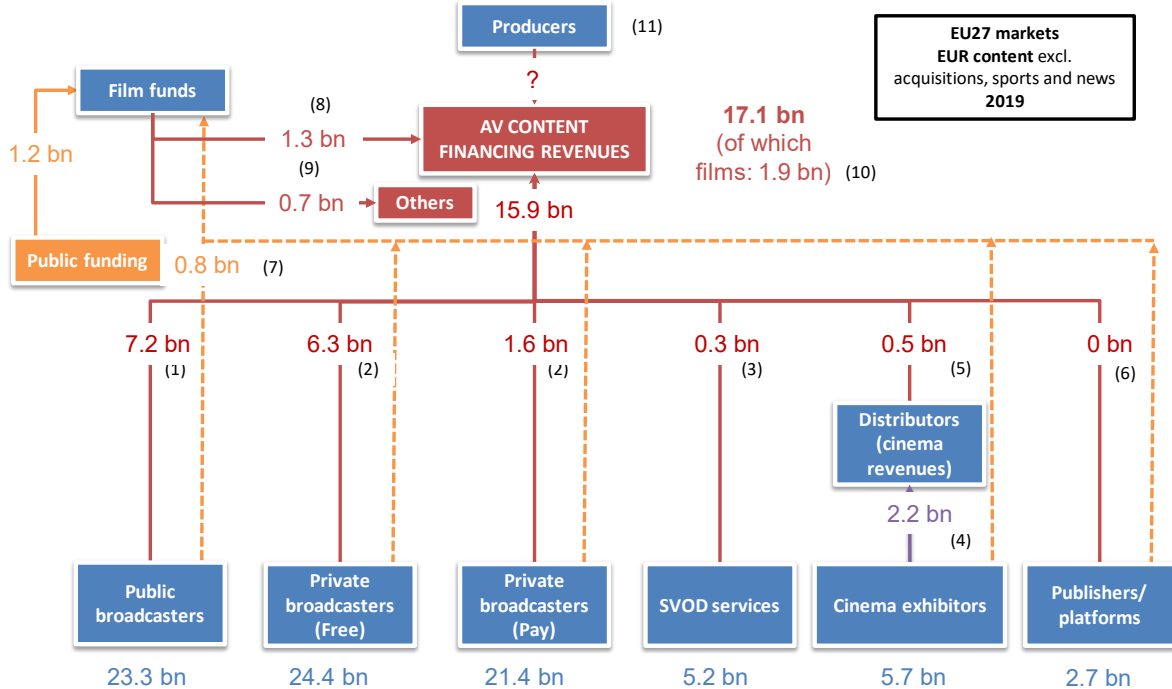
Source: European Audiovisual Observatory

¹⁰ Due to a lack of data no estimates can be made for the four individual types of audiovisual services providers.



Figure 5. EU money flows from end-market players and film funds to financing original European content (excluding acquisitions, sports and news) – 2019

Estimated values in EUR billion.



Source: European Audiovisual Observatory

Notes to figures 4 and 5:

- (1) Source: EBU/MIS
- (2) Extrapolated from Ampere Analysis data for the top four EU markets. Ampere Analysis original data: investments in original content excluding sport for top four EU countries: commercial free-to-air broadcasters = EUR 3.1 billion; Pay-TV broadcasters = EUR 0.7 billion; investments in sport for top four EU markets: commercial free-to-air broadcasters = EUR 0.6 billion; Pay-TV broadcasters = EUR 8 billion
- (3) Estimate. Derived from EUR 1 billion investments in European content in 2019 announced by Netflix. Assumes that the majority goes to acquisitions and UK original content. Assumes that most of SVOD investments in Original content in 2019 originate from Netflix. Assumes limited investments of DAZN in EU27 sport content in 2019.
- (4) Assumes the following breakdown of gross box office revenues: 48% retained by cinemas, 39% going to distributors and 13% in taxes and levies.
- (5) Includes only pre-sales (taking either the form of minimum guarantees or outright sales) for European films for the EU market.
- (6) Assumes no significant pre-financing beyond cinema distributors pre-sales (does not include revenues from the and not the revenues from the minimum guarantee paid by distributors at a later stage).
- (7) Source: OBS – Tax and levies - 2014 figures – may therefore be underestimated.
- (8) Source: OBS – Funding of development, production and distribution of film and audiovisual content - 2014 figures – may therefore be underestimated.
- (9) Source: OBS – Support to multimedia, videogames, exploitation etc. - 2014 figures – may therefore be underestimated.
- (10) Excluding producers' investments in films: EUR 0.5 billion.
- (11) Independent producers or producers affiliated to a broadcaster.



2.5. Key take-aways from analysis of revenues flows

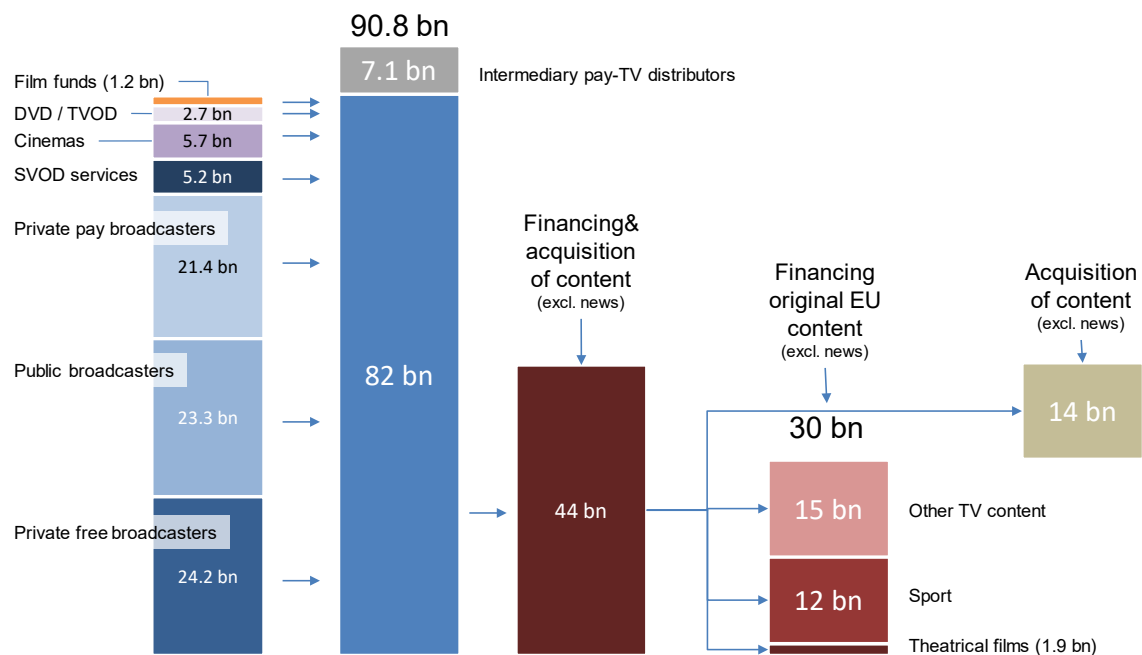
The **total end-market revenues** of the audiovisual market in the 27 EU markets in 2019 are estimated to amount to **EUR 90.8 billion**. Pay-TV subscriptions are estimated represent the most important type of audiovisual revenues accounting for 37%, followed by TV advertising (30%), public funding (24%), gross box office revenues (6%) and expenditures on home video content (3%).

With regard to the distribution of audiovisual sector revenues **by players** the model suggests that private free-to-air broadcasters capture the largest share of sector revenues (27%), followed closely by public broadcasters (26%) and private Pay-TV broadcasters (24%). Cinemas AND SVOD services follow at a distance (6%), ahead of DVD publishers / TVOD services which cumulatively capture 3%. Intermediary Pay-TV operators capture 8% and film funds capture 1% of total sector revenues.

Excluding players' distribution fees going to Pay-TV operators, the audiovisual end-market revenues in the EU are estimated to amount to EUR 82 billion in 2019, 55% of which, i.e. **EUR 44 billion**, were dedicated **to the production and acquisition of content** (excluding news), including distribution costs with **EUR 14 billion** dedicated **to acquisitions** (including distribution costs) and about **EUR 30 billion** dedicated **to the financing of original content**. Within these EUR 30 billion, about EUR 13 billion were dedicated to sport, EUR 1.9 billion were dedicated to theatrical films and EUR 15 billion were dedicated to other TV content, ranging from high-end drama to game or talks shows.

Figure 6. Money flows from audiovisual end-market players and film funds to financing original European content (excluding news) – 2019

Estimated values in EUR billion.



Source: European Audiovisual Observatory



3. A test case: impact of COVID-19 on audiovisual sector revenues

3.1. Context

The model described in chapter 2 can potentially be used to address a variety of research questions. One of the use cases could be to model scenarios of how the COVID-19 crisis might impact audiovisual sector revenues, its distribution among players and consequently implications for the money flows going to the exploitation and financing the production of European content from a structural, big picture point of view.

This chapter describes one such potential scenario and serves as a test case for the usefulness of the described model to generate useful insights with regard to structural implications of the COVID-19 crisis for the European audiovisual sector.

The scenario aims to describe:

- The loss of revenues along the audiovisual value chain in 2020 linked to the drop of end-market revenues¹¹.
- The impact of a longer lasting crisis on the structure of revenues and the financing of European original content.

3.2. Scenario for the development of audiovisual end-market revenues in the EU

3.2.1. Scenario assumptions

The scenario analysis is built on the assumption that the model's underlying key parameters with regard to revenue distribution and reinvestment shares remain unchanged during the COVID-19 crisis, e.g. the respective share of the TV advertising revenues that goes to public and private broadcasters remain unchanged even if the TV advertising expenditures decrease; the share of broadcasters revenues dedicated to content remains unchanged even if the broadcasters' revenues decrease etc. Moreover, the breakdown of expenses between categories of content could be impacted by the COVID-19, in particular for films: the theatrical window has been the most impacted and the following windows for films depend to a large extent on the theatrical exposure.

¹¹ It should be reminded that the model deals with revenues, and not losses. The COVID-19 crisis generates additional costs. Conversely, cuts in revenues may be mitigated by cuts in expenses or by public support.



The model should therefore be used in a "what if" perspective: what would be the consequences of a drop of revenues in one or several segments of the audiovisual sector?

The limits that apply to the model also apply to the results of the scenario. Hence, figures should be understood as orders of magnitude.

Table 1 summarises the main assumptions regarding the development of audiovisual end-market revenues due to the COVID-19 crisis.

Table 1. Hypothesis for the development of AV end-market revenues in the EU in 2020 and 2021

| Segment | Overview | Revenues 2020 vs. 2019 | Revenues 2021 vs. 2019 |
|----------------------|--|------------------------------|------------------------------|
| State budget | Immediate savings required from PSBs and Film funds in H2 2020. Austerity translates in 10% cuts in 2021. | 3% | -10% |
| TV advertising | 10% recession in 2020 leads to a 20% drop in TV advertising. 5% recession (vs. 2019) implies a 10% drop of TV advertising revenues in 2021 (vs. 2019) as advertisers primarily cut into advertising expenses. | -20% | -8% |
| Pay-TV subscriptions | Long-term contracts, discounts on sport packages, bundling with broadband access mitigate the impact in 2020. Economic crisis and 2020 boost of SVOD services translate in more cord-cutting and decrease in revenues. | -5% | -7% |
| SVOD subscriptions | SVOD growth accelerated by lockdown and continues in a context of cord-cutting. | 30% | 60% |
| Box office | Strong constraints on the cinemas' capacities, reluctance of moviegoers to go back to cinemas, additional lockdown periods, imply that close to pre-crisis box office revenues are not reached before the end of 2021. | -70% | -40% |
| Home video | The lock down boosts TVOD and provisionally stops the decline of home video revenues. Back to decline in 2021. | 0% | -5% |

Source: European Audiovisual Observatory

3.2.2. Development of end-market revenues

Table 2 provides the results of the hypothesis for the end-market revenues broken down by the various revenue sources / type

Table 2. Evolution of EU end market revenues¹²

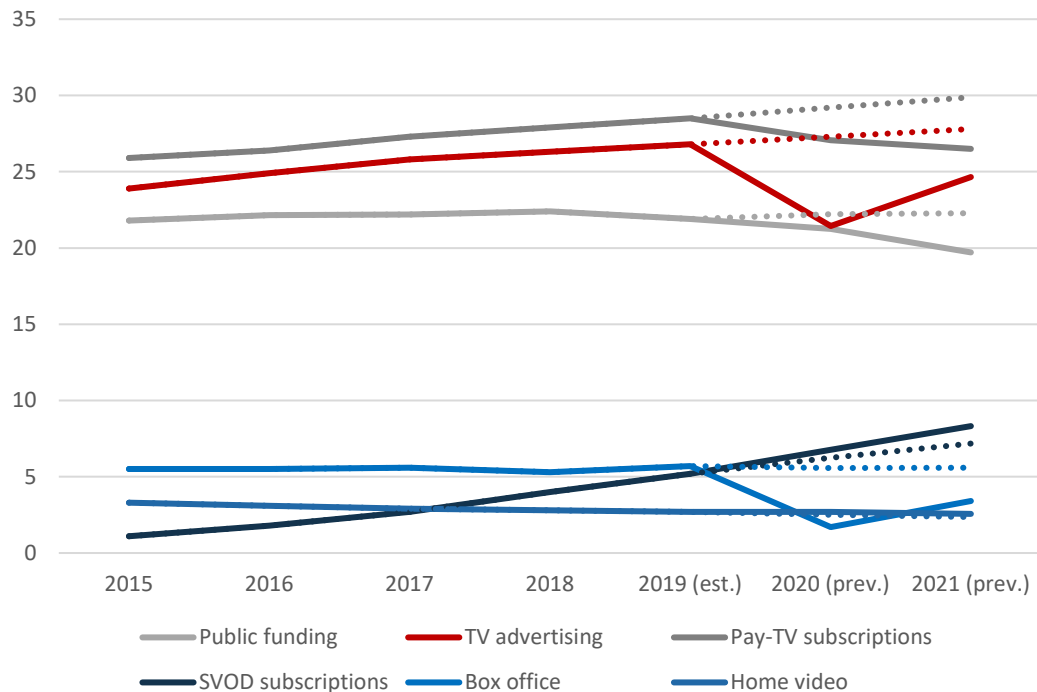
Estimated values in EUR billion.

| | 2015 | 2016 | 2017 | 2018 | 2019 (est.) | 2020 (prev.) | 2021 (prev.) |
|-------------------------|-------------|-------------|-------------|-------------|----------------|-----------------|-----------------|
| Public funding | 21,8 | 22,2 | 22,2 | 22,4 | 21,9 | 21,2 | 19,7 |
| TV advertising | 24 | 25 | 25,8 | 26,3 | 26,8 | 21,4 | 24,7 |
| Pay-TV subscriptions | 26 | 26 | 27,3 | 27,9 | 28,5 | 27,1 | 26,5 |
| SVOD subscriptions | 1,1 | 1,8 | 2,7 | 4,0 | 5,2 | 6,8 | 8,3 |
| Box office | 6 | 6 | 5,6 | 5,3 | 5,7 | 1,7 | 3,4 |
| Home video | 3,3 | 3,1 | 2,9 | 2,8 | 2,7 | 2,7 | 2,6 |
| Total | 81,5 | 83,9 | 86,5 | 88,7 | 90,8 | 80,9 | 85,2 |

Source: European Audiovisual Observatory

Figure 7. Evolution of EU end-market revenues vs. pre-COVID-19 trends

Estimated values in EUR billion.



Source: European Audiovisual Observatory

¹² Excluding players' other revenues

The hypothesis on the end-market revenues translate in a loss of resources of approximately EUR 10 billion in 2020. The sector still incurs a EUR 6 billion loss of resources in 2021 compared with 2019. According to the assumptions, the growth of SVOD subscriptions does not compensate for the decrease of the other segments.

The loss of resources is higher when comparing the 2020 and 2021 resources with their expected level (i.e. integrating the average growth of previous years): EUR 12 billion in 2020 and EUR 10 billion in 2021.

3.3. Impact on the revenues of end-market players

The following table summarises the impact of the evolution of the audiovisual sector resources on the players revenues. Please note that the table includes cinemas' and PSBs other revenues and that the total includes double-counts of cinemas, distributors and levies-related Film funds revenues. Players would incur a cumulated loss of revenues in 2020 and 2021 of EUR 24 billion, which can be broken down between a gain of EUR 5 billion for SVOD services and a loss of EUR 29 billion for legacy players.

Losses in revenues would represent 15% of players' revenues in 2020 (17% excluding SVOD) and 8% in 2021 (12% excluding SVOD).

Table 3. Scenario for the development of players' revenues in the EU

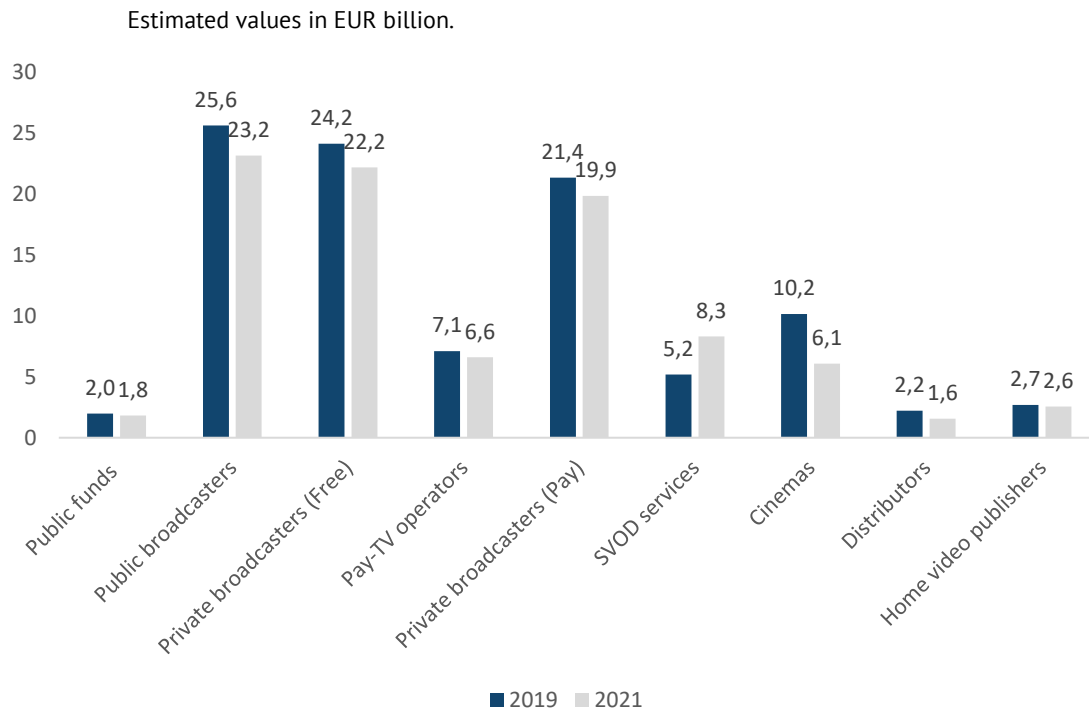
Estimated values in EUR billion.

| | 2019 | 2020 | 2020 vs. 2019 | 2021 | 2021 vs. 2019 | Cumulated variation of revenues | 2021 vs.2019 |
|----------------------------------|--------------|-------------|---------------|-------------|---------------|---------------------------------|--------------|
| Players revenues (bn EUR) | | | | | | | |
| Public funds | 2,0 | 1,9 | -0,1 | 1,8 | -0,2 | -0,3 | -8% |
| <i>Of which Public funding</i> | 1,2 | 1,2 | 0,0 | 1,1 | -0,1 | -0,2 | -10% |
| <i>Of which Levies</i> | 0,8 | 0,7 | -0,1 | 0,7 | 0,0 | -0,1 | -6% |
| Public broadcasters | 25,6 | 24,0 | -1,6 | 23,2 | -2,5 | -4,1 | -10% |
| <i>Of which Public funding</i> | 20,7 | 20,1 | -0,6 | 18,6 | -2,1 | -2,7 | -10% |
| <i>Of which advertising</i> | 2,6 | 2,1 | -0,5 | 2,4 | -0,2 | -0,7 | -8% |
| <i>Of which other revenues</i> | 2,3 | 1,8 | -0,5 | 2,1 | -0,2 | -0,6 | -8% |
| Private broadcasters (Free) | 24,2 | 19,3 | -4,8 | 22,2 | -1,9 | -6,8 | -8% |
| <i>Of which TV advertising</i> | 24,2 | 19,3 | -4,8 | 22,2 | -1,9 | -6,8 | -8% |
| <i>Of which Other revenues</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> |
| Pay-TV operators | 7,1 | 6,8 | -0,4 | 6,6 | -0,5 | -0,9 | -7% |
| Private broadcasters (Pay) | 21,4 | 20,3 | -1,1 | 19,9 | -1,5 | -2,6 | -7% |
| SVOD services | 5,2 | 6,8 | 1,6 | 8,3 | 3,1 | 4,7 | 60% |
| Cinemas | 10,2 | 3,1 | -7,1 | 6,1 | -4,1 | -11,2 | -40% |
| <i>Of which box office</i> | 5,7 | 1,7 | -4,0 | 3,4 | -2,3 | -6,3 | -40% |
| <i>Of which other revenues</i> | 4,5 | 1,3 | -3,1 | 2,7 | -1,8 | -4,9 | -40% |
| Distributors | 2,2 | 0,7 | -1,6 | 1,3 | -0,9 | -2,4 | -40% |
| Home video publishers | 2,7 | 2,7 | 0,0 | 2,6 | -0,1 | -0,1 | -5% |
| Total | 100,6 | 85,5 | -15,1 | 92,1 | -8,5 | -23,6 | -8% |

Source: European Audiovisual Observatory

Figure 8 compares players' revenues in 2019 and in 2021. It illustrates that most players would remain deeply affected by the COVID-19 crisis.

Figure 8. Players' revenues in the EU: 2021 vs. 2019



Source: European Audiovisual Observatory

3.4. Impact on the financing of European original content

Table 4 provides the results of the modelling as regards the financing of original content (excluding news). Under the scenario assumption, the cumulated 2020-2021 loss in financing revenues would reach EUR 5.4 billion. Excluding sports (Table 5), the cumulated loss would amount to EUR 3.5 billion.

Further details can be provided regarding the financing films (Table 6): the cumulated loss in financing 2020-2021 would amount to EUR 0.7 billion.

Figures 8, 9 and 10 compares the financing of European original content pre and post-COVID-19 for all content excluding news, all content excluding news and sports and for films. They illustrate that in the post COVID crisis era, the annual deficit in the financing of original content would represent about EUR 2.3 billion, including EUR 0.9 billion for sport and EUR 0.4 billion for films.

Table 4. European original content financing revenues (excluding news) (EU27, bnEUR)

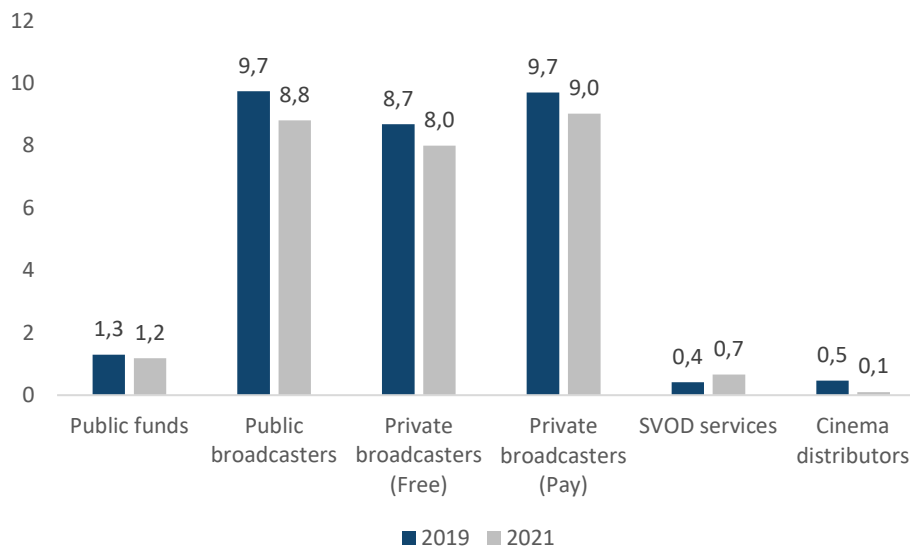
Estimated values in EUR billion. Refers to EU 27.

| Financing of original European content (excluding acquisitions and news) | 2019 | 2020 | 2020 vs. 2019 | 2021 | 2021 vs. 2019 | Cumulated loss of revenues |
|--|-------------|-------------|---------------|-------------|---------------|----------------------------|
| Public funds | 1,3 | 1,2 | -0,1 | 1,2 | -0,1 | -0,2 |
| Public broadcasters | 9,7 | 9,1 | -0,6 | 8,8 | -0,9 | -1,5 |
| Private broadcasters (Free) | 8,7 | 7,0 | -1,7 | 8,0 | -0,7 | -2,4 |
| Private broadcasters (Pay) | 9,7 | 9,2 | -0,5 | 9,0 | -0,7 | -1,2 |
| SVOD services | 0,4 | 0,5 | 0,1 | 0,7 | 0,2 | 0,4 |
| Cinema distributors | 0,5 | 0,1 | -0,3 | 0,2 | -0,1 | -0,5 |
| Total | 30,3 | 27,2 | -3,1 | 27,9 | -2,3 | -5,4 |

Source: European Audiovisual Observatory

Figure 9. Financing of European original content (excluding news) 2021 vs. 2019

Estimated values in EUR billion. Refers to EU 27.



Source: European Audiovisual Observatory

Table 5. European original content financing revenues (excluding sport and news)

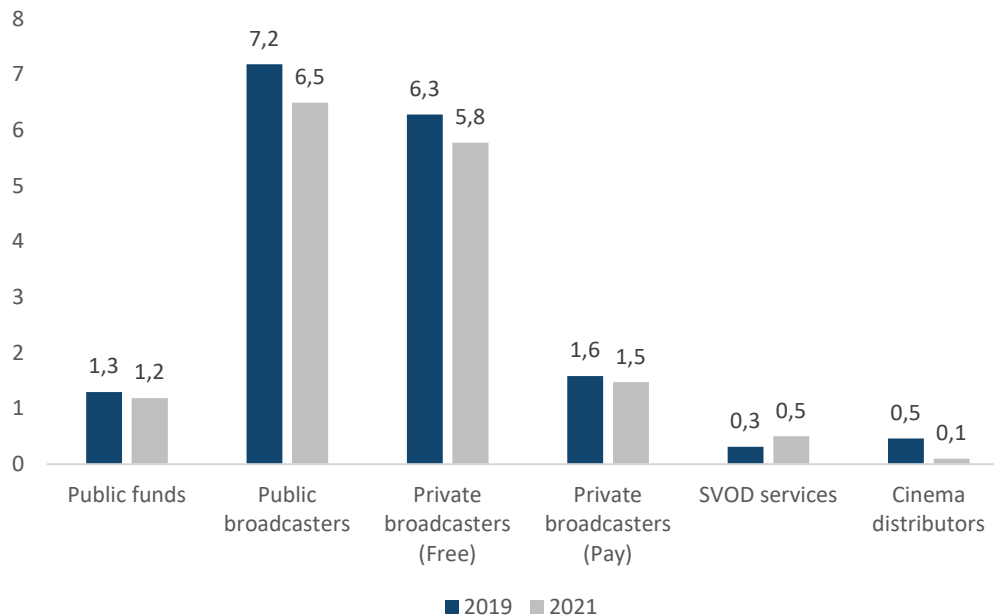
Estimated values in EUR billion. Refers to EU 27.

| Financing of original European content (excluding acquisitions and news) | 2019 | 2020 | 2020 vs. 2019 | 2021 | 2021 vs. 2019 | Cumulated loss of revenues |
|--|-------------|-------------|---------------|-------------|---------------|----------------------------|
| Public funds | 1,3 | 1,2 | -0,1 | 1,2 | -0,1 | -0,2 |
| Public broadcasters | 7,2 | 6,7 | -0,5 | 6,5 | -0,7 | -1,1 |
| Private broadcasters (Free) | 6,3 | 5,0 | -1,3 | 5,8 | -0,5 | -1,8 |
| Private broadcasters (Pay) | 1,6 | 1,5 | -0,1 | 1,5 | -0,1 | -0,2 |
| SVOD services | 0,3 | 0,4 | 0,1 | 0,5 | 0,2 | 0,3 |
| Cinema distributors | 0,5 | 0,1 | -0,3 | 0,2 | -0,1 | -0,5 |
| Total | 17,1 | 15,0 | -2,1 | 15,7 | -1,4 | -3,5 |

Source: European Audiovisual Observatory

Figure 10. Financing of European original content (excl. sport and news) 2021 vs. 2019

Estimated values in EUR billion. Refers to EU 27.



Source: European Audiovisual Observatory

Table 6. European film financing revenues

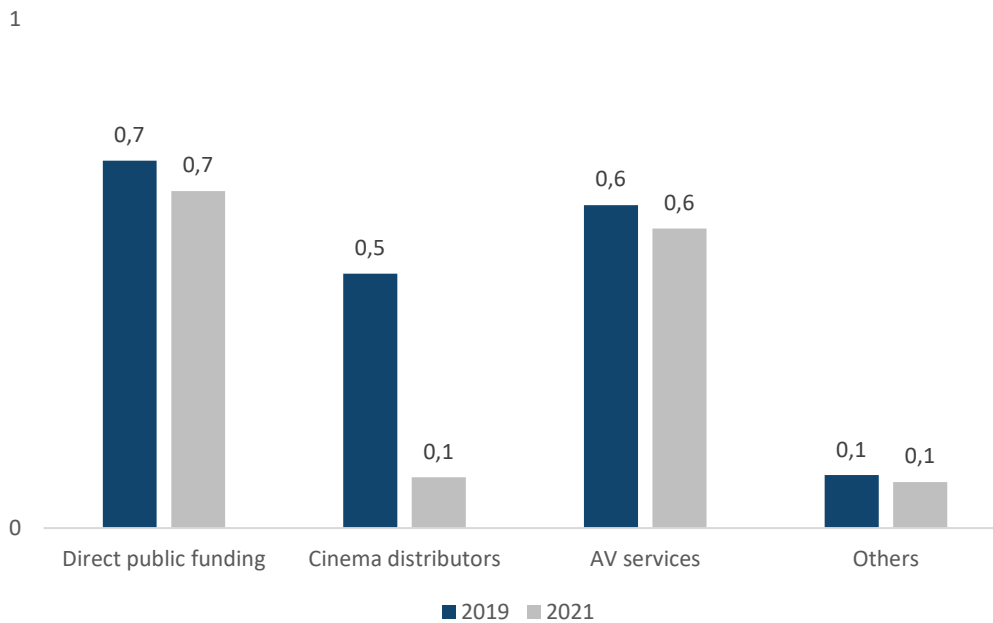
Estimated values in EUR billion. Refers to EU 27.

| Financing of films | 2019 | 2020 | 2020 vs. 2019 | 2021 | 2021 vs. 2019 | Cumulated loss of revenues |
|-----------------------|------------|------------|---------------|------------|---------------|----------------------------|
| Direct public funding | 0,7 | 0,7 | 0,0 | 0,6 | -0,1 | -0,1 |
| Cinema distributors | 0,5 | 0,1 | -0,3 | 0,2 | -0,1 | -0,5 |
| AV services | 0,5 | 0,5 | -0,1 | 0,5 | 0,0 | -0,1 |
| Others | 0,2 | 0,1 | 0,0 | 0,1 | 0,0 | -0,1 |
| Total | 1,9 | 1,4 | -0,4 | 1,6 | -0,3 | -0,7 |

Source: European Audiovisual Observatory

Figure 11. Financing of European films 2021 vs. 2019

Estimated values in EUR billion. Refers to EU 27.



Source: European Audiovisual Observatory

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