YEARBOOK 2019/2020 KEY TRENDS

TELEVISION, CINEMA,
VIDEO AND ON-DEMAND
AUDIOVISUAL SERVICES -
THE PAN-EUROPEAN PICTURE

European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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INTRODUCTION

Six keywords for 2019 and, possibly, 2020

This 5th edition of "key trends" is a selection of over 30 topics which, to the Observatory team, appear to indicate the most significant trends affecting the European audiovisual market. The publication provides the usual mix of analysis and key data, extracted from our 2019 activities involving reports and databases. From a wide spectrum of information we have drawn six keywords which shaped the sector in 2019.

Subscription video on demand

In 2019, the number of subscribers to subscription video on demand (SVOD) in Europe significantly exceeded for the first time 100 million. Growth has picked up drastically since 2010, when only a few thousand European households subscribed to a handful of pioneering services, and before Netflix launched in Europe in 2012 (initially in the United Kingdom, Ireland and Scandinavia) and Amazon gradually enlarged its footprint. Back in 2010, video on demand (VOD) was mainly perceived as the purchase or rental of programmes; subscriptions now account for more than 80% of all VOD revenues. Together with catch-up television, SVOD is at the heart of increasingly rapid migration of video consumption from linear television to a "whenever, wherever and on whatever terminal" model.

Disney

The year 2019 may also be regarded as a "Disney year". The company achieved all-time box-office highs – both domestic, with a 33% market share, and worldwide, with a line-up of franchises and sequels. Also in 2019, Disney acquired 20th Century Fox, a major Hollywood studio, as well as a portfolio of TV channels, and a stake in US-based SVOD service Hulu. Finally, November 2019 saw the launch of the group's own SVOD service, Disney+, initially in the US and five additional territories (among which the Netherlands), with further roll-outs planned in 2020. Disney+ is the company's answer to the declining ratings of some of its TV channels, and, more importantly, a bet on direct-to-consumer distribution.

Podcasts

Another key word in 2019 was "podcast". The audience for catch-up radio and original audio programmes (native podcasts) skyrocketed: the music streaming service Spotify experienced a 50% growth of its podcast audience[1] and acquired Gimlet Media, a leading podcast producer. The market for podcast advertising grew by 40% in the United States.[2] And the estimated number of active podcast shows on Apple Music is now over 800 000, representing more than 30 million episodes.[3] Podcasts are poised to become an increasingly competitive market, competing with incumbent radio stations and pure music service players.

1 Source : Spotify.
2 Source : Magna.
3 Source : Podcast Insights.

TV series

About 500 prime-time original TV series seasons aired in the US and Europe in 2019, respectively, marking sustained growth in production, in a trend sometimes referred to as "peak TV". In Europe, TV series are at the core of the battle to conquer or preserve audiences. Resultant impacts already apparent include: growth in the number of dramas produced; reallocation of resources from TV films to series; shorter seasons with a view to retaining viewers; alliances between broadcasters allowing for increased budgets through co-productions; and competition for top talent.

European audiovisual remains flat

The European audiovisual sector remained flat (again), at least in real terms. The only segment growing significantly was (again) SVOD (83% of the sector's growth in 2018). In addition: TV advertising did little more than resist the apparently unstoppable migration of advertising expenditure to the Internet; pay television appeared mature; public broadcaster funding in most countries suffered from constrained budgetary outlooks; cinema box-office remained stable; and engagement with physical video continued to diminish. Among the countries doing better, on average, than others were: the Slovak Republic, Portugal and Montenegro.

Consolidation

In 2019, consolidation wasn't just a US phenomenon. In addition to the takeover of 20th Century Fox by Disney, the CBS-Viacom merger agreement and the acquisition of Fox Sport Networks by Sinclair Broadcasting (a group of US local TV stations), British-based cinema exhibitors announced the acquisition of Canada's Cineplex to create North America's largest chain of movie theatres. Other Europe-driven consolidation moves included: plans by France's Banijay to acquire leading production company EndemolShine; the takeover of satellite pay TV service M7 by Canal+ (Vivendi); the acquisition of Bonnier Broadcasting by telecom operator Telia; the sale of certain Eastern Europe cable operations by Liberty Global to Vodafone; and the merger of the Scandinavian pay TV operations of Viasat (Nordic Entertainment) and Canal Digital (Telenor).

In this fast-evolving context, it is the role of the Observatory to continue providing useful data and analysis through its databases and studies, without masking the complexity of the environment. As the poet Paul Valéry said, a balance must be found between false simplicity and unusable complexity. It is the ambition of this "Key Trends" report to offer an introduction to the rich data available online (www.obs.coe.int).

1 PRODUCTION

1.1 Film financing: Main financing sources are public support and broadcasters

Unique insights into the financing of European fiction films

In its second year of analysing the financing structures of European fiction films, the Observatory, in collaboration with the European Film Agency Research Network (EFARN), succeeded in further increasing the data sample comprising detailed financing plans for 576 European live-action fiction films theatrically released in 2017, from 24 European countries. The analysis comprises a cumulative financing volume of EUR 1.85 billion and is estimated to cover 49% of the total number of European[1] fiction films released in 2017.

Median budget for European live-action fiction film releases was EUR 2.0 million

The data sample suggests that the mean budget of a European theatrical fiction film released in 2017 amounted to EUR 3.21 million, while the median sample budget was EUR 2.01 million. However, average budgets differ widely among countries. Not surprisingly, they are higher in larger markets and smaller in countries with lower box office potential, as exploitation in national markets remains key for most films. The median budget of a European fiction film originating in the large sample markets amounted to EUR 3.2 million, compared to EUR 1.5 million for fiction films produced in a medium-sized European market, and EUR 0.9 million for fiction films from small markets.

European fiction films primarily financed by direct public funding and broadcasters

The two most significant financing sources of European theatrical fiction films remained direct public funding and broadcaster investments, which accounted for 26% and 24% of total financing, respectively, followed by producer investments (18%) and pre-sales (15%).

There appear, however, to be significant structural differences among individual countries regarding how films are financed, with some divergences apparently linked to market size. The two most obvious ones concern direct public funding and pre-sales. The data clearly suggest that the weight of direct public funding in film financing decreases with increasing market size, and vice versa: while representing only 21% of total financing in the five large sample markets, direct public funding accounted for 43% in medium-sized and 54% in small sample markets. In contrast, the significance of pre-sales (other than those to broadcasters) as a financing source increases with market size. Pre-sales tend to carry most weight in large markets, where they in 2017 accounted for 17%, compared to 'only' 10% in medium-sized and 6% in small sample markets. The sample analysis also suggests that there are structural differences in how films of different budget sizes are financed. Generally speaking, films with a budget of up to EUR 3 million depend to a higher degree on direct public support, while films with higher budgets finance their production with proportionally higher shares of pre-sales and broadcaster investments.

1 In the context of this analysis, Europe (EUR 34) is defined as the 28 EU member states plus Bosnia and Herzegovina, Switzerland, North Macedonia, Iceland, Montenegro and Norway.

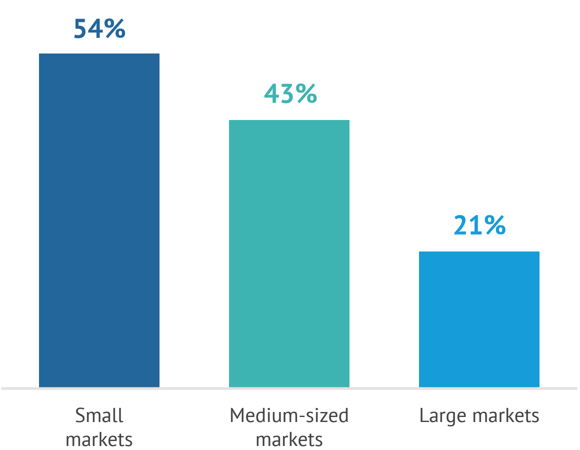
What were the three most important financing sources of European fiction films released in 2017?

1
Direct public funding
(26%)

2
Broadcaster investments
(24%)

3
Producer investments
(18%)

Percentage share of direct public funding in total financing volume by market size (2017– est.)



Source: European Audiovisual Observatory

1.2 Gender equality for film directors: Still a long way to go

In 2019 the European Audiovisual Observatory carried out a study measuring gender imbalance among film directors in Europe. The analysis was based on a sample of 21 054 European[1] feature films produced between 2003 and 2017, and released in cinemas in at least one European[2] country between 2003 and 2018.

Only 21% of directors of European films are women

A total of 2 997 female directors were identified, representing 21% of all directors with at least one European film to their credit between 2003 and 2017. Data show that female directors tend to work on fewer films than their male counterparts. Almost half the female directors in the sample directed only a single feature (compared to 40% of male directors) and only 30% worked on more than two films (compared to 39% of male directors).

No real boost in share of films by female directors

Cumulatively, 17% of feature films in the sample were directed by one or more women, corresponding to a total of 3 618 films. This compares to 16 789 films made exclusively by male directors (80% of all films), and to 647 films made by directors of both genders (3% of films).

The share of films by female directors has risen only marginally over the years, from 15% in 2003 to 19% in 2017, due to a growing number of documentary films.

Significant differences may be observed across European markets. While France is the country with the highest overall number of female-directed films between 2013 and 2017 (307 films), the share of films by female directors was highest in the Netherlands (33%), Sweden and Latvia (31%), and Norway and Austria (29%).

Furthermore the majority of films directed by women are works of fiction (65%), the share of documentaries by female directors has risen sharply, reaching 42% in 2017, up from 16% in 2003.

Admissions

In total, films by female directors generated only 8% of total admissions to European films between 2003 and 2017. This share is significantly lower than the total share of films directed by women (17%). One plausible explanation for this discrepancy is that female directors tend to be entrusted with film projects with lower budgets than their male colleagues. This is coupled with a high concentration at the box office, with a limited number of top-grossing, high-budget movies generating the majority of admissions.

In contrast to the share of fims, no consistent growth trend can be observed in the share of admissions across the years. In 2016, the unusually high share of admissions to films by female directors (15%) was the result of the box office success of the British comedy *Bridget Jones's Baby*, which sold almost 18 million tickets across Europe during its first year of release.

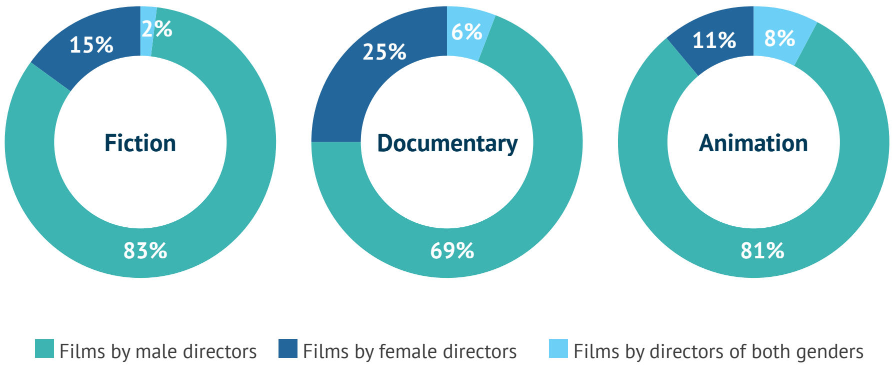
1 In the context of this analysis, a film is considered to be of European origin when produced and majority-financed by one of the member states of the European Audiovisual Observatory, excluding Morocco..
2 As tracked in the LUMIERE database, covering a maximum of 36 European markets between 2003 and 2018.

What was the share of European feature films by female directors in 2017?

19% **(up from 15% in 2003)**

This share varies across film genres

European films by gender of director and film genre (avg 2013-2017)



Source: European Audiovisual Observatory / LUMIERE

1.3 High-end TV fiction in Europe: Growing production

Around 460 high-end[1] fiction series seasons produced annually in Europe

In the European Union, about 460 high-end fiction series seasons were produced on average each year between 2015 and 2018, representing approximately 3 500 episodes and 2 700 hours per year. The volume of production increased over this time period, by approximately 10% per year.

High-end series represent a growing share of all TV fiction production in Europe. The proportion of high-end series seasons out of the total volume of all TV films and series produced annually increased from 41% in 2015, to 52% in 2018.

The most common formats produced are seasons of six, eight or 10 episodes, with a majority of produced seasons based on the 36' to 65' per episode format.

UK is the top producer of high-end series in Europe

The three leading producing countries in Europe (the United Kingdom, Germany and France) accounted for 54% of the total number of European high-end series seasons produced annually between 2015 and 2018. The Netherlands ranked fourth, ahead of Spain and Italy, and Sweden ranked a close sixth. Other strong production countries were Poland, Finland and Belgium.

In this time period, the production volume significantly grew at an above-average rate in Portugal, Slovakia, Hungary, Spain and Denmark.

International co-productions: Few but growing

The share of international co-productions among high-end fiction series was 13% on average between 2015 and 2018, growing from 10% in 2015 to 16% in 2018.

A significant proportion of these co-productions involved neighbouring countries, sharing (to some extent) the same language. Excluding regional-proximity co-productions[2], the share of international co-productions drops to 7% on average between 2015 and 2018. Notably, the number of international high-end fiction series co-productions doubled between 2017 and 2018, showing an increasing trend.

Broadcasters remain principle commissioners of high-end TV series

Broadcasters remain by far the primary commissioners of high-end fiction series seasons (92% of total seasons in 2018), with a still small but growing proportion of titles produced primarily for their own on-demand services.

Altogether, high-end fiction series seasons produced primarily for on-demand accounted for 8% of all seasons produced in 2018, up from 3% in 2015.

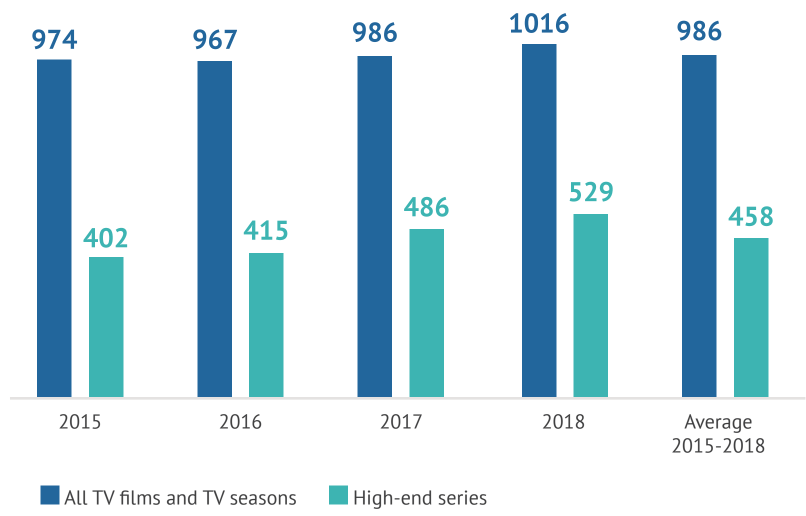
1 Defined as series counting 2 to 13 episodes per season.
2 I.e. co-productions DE-AT, AT-DE, FR-BE, BE-FR, FR-CH, GR-CY, CY-GR, BE-NL, NL-BE, DE-CH, CZ-SK, SK-CZ, GB-IE, IE-GB.

What was the high-end TV fiction production growth rate in Europe from 2015 to 2018?

32%

529 high-end fiction series were produced in Europe in 2018, compared to 402 in 2015

High-end series vs total fiction production in Europe (2015-2018)



Source: European Audiovisual Observatory analysis of European Metadata Group data

1.4 Film and audiovisual funds: Criteria for grants

A recent analysis by the European Audiovisual Observatory[1] tracked key criteria and principal trends behind European public fund grants, by looking at the requirements and conditions.

The vast majority of funds require that either a cultural profile be fulfilled as a condition for the aid or that in a cultural test, founded on individual evaluation criteria, a minimum score be attained.

Almost all funds also require satisfaction of nationality or establishment criteria related to the applicant. When the applicant is a natural person, requirements are generally linked to nationality and/or place of residence/establishment. When the applicant is a legal person, multiple requirements may apply, related to establishment, registration, and nationality of the company director or main shareholders.

Requirements related to theatrical release, broadcasting and visibility on video on demand are usually a way to guarantee that funded works have a minimum commercial potential. Most funds require that supported theatrical films are intended for, or have proof of, anticipated theatrical release in the country, and that TV productions have the commitment of a broadcaster. Theatrical performance is used as a granting criterion mainly in schemes granted after commercial release, where the funding is to be used in future projects. In most cases, theatrical admissions and success in festivals are measured, to calculate this automatic support.

Some schemes require a minimum budget within market standards, so that commercial exploitation can be expected. A total of 20.1% of the schemes tracked required a minimum contribution by the applicant (usually a one-digit share of the overall costs). Around half of the production schemes tracked set precise minimum spending in the country/region as a share of the awarded amount (an average of 109%, and a median of 100%, of the awarded amount); only 25% of the funds require a minimum spending in the region as a share of the budget (an average of 58%, and a median of 50%, of the budget).

Out of the schemes tracked, only 17% (in 13 countries) declared mandatory criteria related to the nationality of talent, cast and crew. This usually refers to key positions such as director, scriptwriter or producer.

The shooting language, script language or the language in which the final version of the project is made available, were subject to conditions in some funds, in 20 countries. This criterion has special relevance in countries or regions with several languages or linguistic minorities.

Funds in most countries have implemented mechanisms to improve off-screen gender equality, the most common being data collection and monitoring activities (in funds in 14 countries), the integration of the gender dimension in the fund's policy (in funds in 10 countries) and training and mentoring measures (in funds in 7 countries).

1 *Mapping of film and audiovisual public funding criteria in the EU*, European Audiovisual Observatory, Strasbourg, 2019, https://rm.coe.int/mapping-of-film-and-audiovisual-public-funding-criteria-in-the-eu/1680947b6c.

What is the average support by European film and audiovisual funds to production of feature films?

EUR 700 000 in 2018

But the median is EUR 300 000

Average, median and highest maximum awarded amount by type of scheme (2018 – In EUR)

Type of scheme	Average	Median	Highest
Pre-production	49 996	*29 000*	500 000
Production	699 411	*300 000*	25 000 000
National funds	*989 964*	*450 000*	*25 000 000*
Regional funds	*347 036*	*200 000*	*2 000 000*
Distribution and promotion	66 491	25 000	600 000

Source: *Mapping of film and audiovisual public funding criteria in the EU*, European Audiovisual Observatory

2.1 VOD catalogues: National films on TVOD; international series on SVOD

Size of catalogues: Choice of indicators impacts results

A look at all contents available on transactional VOD and subscription VOD in Europe[1] shows more single film titles available on VOD than TV titles or seasons, but when TV episodes are counted, there is far more TV content available. In total numbers, TVOD services offer more single titles than SVOD services, and the unique film offering is much higher than the unique TV offering: ten times bigger on TVOD; five times bigger on SVOD.

There are on average five times more TV episodes than film titles on TVOD and 3.6 times more on SVOD. In terms of median size, the TV content offering in episodes is eleven times bigger than the film offering on SVOD and six times bigger on TVOD.

More European content available on TVOD

European works accounted for 30% of all content available on TVOD and 26% of all content on SVOD (counting TV titles or seasons). But when TV episodes are considered, the share of European content falls to 27% on TVOD and 20% on SVOD. European TV series count on average fewer episodes than US or Asian ones.

SVOD has a large offering of international content (animated series from Japan or soaps from Turkey, Asia and Latin America), bigger in TV episodes than the European offer.

Although most of the European content in VOD is non-national, national film titles and TV episodes on TVOD reached 45% of total content (compared to 22% on SVOD).

US content circulates best everywhere, other regions' film titles on SVOD

US titles are king on TVOD (both film and TV titles); on SVOD, TV titles from other regions circulated almost as well as US TV titles, proving that SVOD services bolster their catalogues with acquisitions of worldwide rights to worldwide contents.

TVOD is more film-oriented, while SVOD is more series-oriented: films from all origins circulate better than TV titles on TVOD, and inversely for TV titles on SVOD.

The UK is by far the lead exporter of European content on VOD, mainly of TV titles

In terms of European non-national titles found on VOD in Europe, the UK is the main exporter of films and TV content, both on TVOD (32% of films; 48% of TV titles) and on SVOD (29% of films; 55% of TV titles).

The United Kingdom, Germany, France, Italy and Spain are the top five exporting countries for film titles on TVOD (79% of total exports) and on SVOD (76% of total), as well as for TV titles on SVOD (a massive 87% of total).

But for TV titles on TVOD, Sweden comes in fourth, ahead of Italy, and TV titles from Denmark, Ireland and Austria outperform those from Spain. On the other hand, Spain is the fourth biggest provider of TV titles on SVOD (abundance of Spanish series on Netflix).

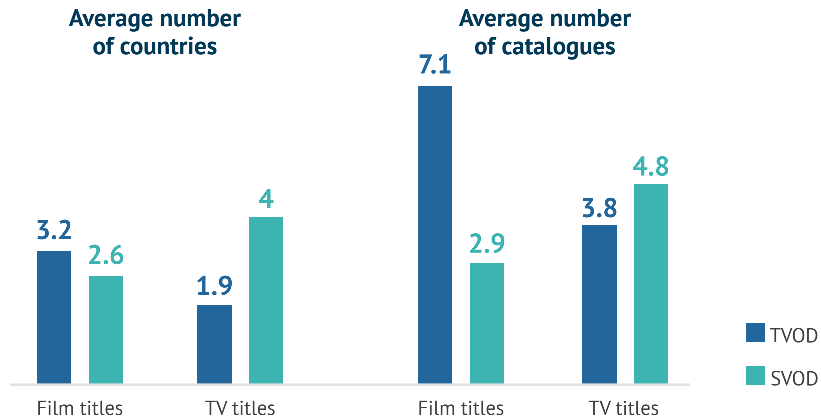
1 For film, data from 146 TVOD and 136 SVOD catalogues was collected in June 2019. For TV content, data from 118 SVOD and 53 TVOD catalogues was collected in October 2019.

In how many European TVOD catalogues are European film titles found, on average?

7.1 TVOD catalogues

European film titles are found on TVOD in 3.2 countries, on average

Circulation of European film and TV titles in average number of countries and in average number of catalogues, on TVOD and on SVOD (June 2019)



Source: JustWatch, Ampere, Filmtoro, La Pantalla Digital, EUROVOD catalogue data

2.2 Visibility in TVOD: Promotion benefits only the few

Only a fraction of catalogues promoted

One approach to analysing the visibility of audiovisual content in transactional video on demand (TVOD) services is to define it as the presence of a film or TV programme on the homepage of the service. There are many different layouts for TVOD services, combining a general 'welcome' section with specific sections dedicated to highlights, collections, most popular titles, new releases, special deals, etc.

Analysis of the homepages of 56 TVOD services from eight countries during October 2019[1] shows that a TVOD service promotes, on average, about 40 titles simultaneously, and that titles can change on a daily basis; TVOD services push about 1 000 promotion spots during any given month. These promotion spots are used to promote about 80 different titles, i.e. about 1% of a standard TVOD catalogue.

Recent US films accounted for about 50% of promotional spots

The bulk of promotional spots went to films (93% vs 7% for TV content). Of the films promoted, 84% were recent titles produced within the last two years. Regardless of production year, however, TVOD services promote more US titles and the promotion is more intensive. Altogether, US titles accounted for 60% of promotional spots vs 25% for EU28 titles and recent US films accounted for 49% of all promotion spots. However, cumulatively for all services in the sample, the share of EU28 films out of titles promoted at least once on at least one service was much higher (37%), reflecting the fact that the same US titles are present in more than one country and in more services and therefore benefit from greater promotion.

The EU28 share of promotional spots obviously varies by country (highest in Spain and France, lowest in the UK), by type of content (higher for TV content than for films) and by category of service (higher for national services than for multi-country services).

In line with a general characteristic of the TVOD catalogue, the majority of EU28 title promotion spots went to European non-national titles, with the exception of France.

Promotion concentrated around a very limited number of titles

For the average TVOD service, the top 10 promoted titles (generally all films) accounted for 41% of all promotion spots. The concentration was significantly higher for the EU28, where the top 10 accounted for 64% of all spots dedicated to the promotion of EU28 titles. Taking into account the limitations of the sample, the share of promotion spots dedicated to EU28 titles is more or less in line with the share of EU28 works in TVOD catalogues. But the distribution of the spots among EU28 titles shows that only a fraction actually benefits.

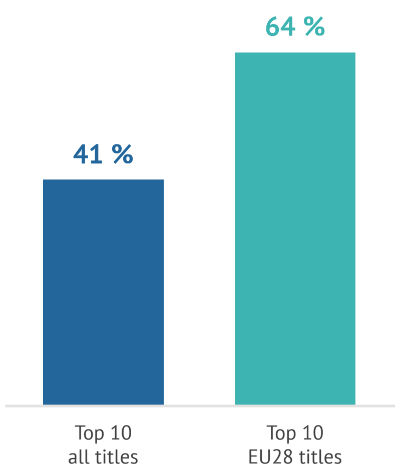
1 The data is provided by AQOA.

How many different titles are promoted each month by a TVOD service?

80

Promotion focuses on a very limited number of titles

Share of top 10 titles among all / EU28 promotion spots (October 2019)



Source: European Audiovisual Observatory analysis of AQOA data

2.3 Films: From cinemas to VOD

What are "films" in VOD catalogues?

Programmes labelled as "films" by video on demand (VOD) services have not necessarily been released in cinemas, at least in Europe. In 2018, 25 000 different programmes were labelled as "films" in at least one European VOD catalogue. Out of these films, a minority had also been released in cinemas in Europe[1] (30% of individual titles, and 47% of presences in TVOD catalogues[2]). Other audiovisual works labelled as "films" in the VOD catalogues notably include: films released in cinemas outside Europe but released only on video and/or as VOD in the EU28; TV movies; European films released following a direct-to-video/direct-to-Internet scheme.

The bulk of "films" present in VOD catalogues with no release in cinemas originate from outside Europe. The share of EU28 works is significantly higher for films released in cinemas (40% of TVOD catalogue presences) than for other films (18%); VOD services complement their offering of theatrical films with imports of non-European programmes.

Do recent films released in cinemas make it to VOD?

About two thirds of recent films (no older than five years) released in cinemas in at least one EU28 country were found in at least one EU28 country transactional video on demand (TVOD) or subscription video on demand (SVOD) catalogue. Most of the films released in cinemas and also available on VOD were found on TVOD- with access to TVOD more producer- and distributor-driven- and SVOD services tending to have fewer films in their catalogues.

Strong overlap between cinema and VOD country releases

Considering all country releases in cinemas and on VOD[3], VOD accounted for more releases than cinemas (57% vs 43%). For almost half of the releases (46%), the film was released in the same country both in cinemas and on VOD. This is again an indication that exposure in cinemas is a driver for availability on VOD. However, for a significant number of releases (34%), the film was released on VOD without a cinema release in the same country. And for 20% of the releases, the film was released in cinemas in a given country with no release on VOD in that country. The picture was the same for EU28 films: there were more VOD country releases than cinema country releases; common releases in cinemas and on VOD predominated in the same country; there were a significant number of releases only on VOD.

1 The Observatory LUMIERE database tracks releases and admissions to films in Europe. LUMIERE is a good proxy for assessing whether a "film" title in a VOD catalogue has been released in cinemas in Europe. However, some films with only a festival release or a limited local release may not be recorded in LUMIERE.

2 Different titles: each film is accounted for once, whatever the number of VOD catalogues it is present in. Presences: each presence in a VOD catalogue is accounted for once.

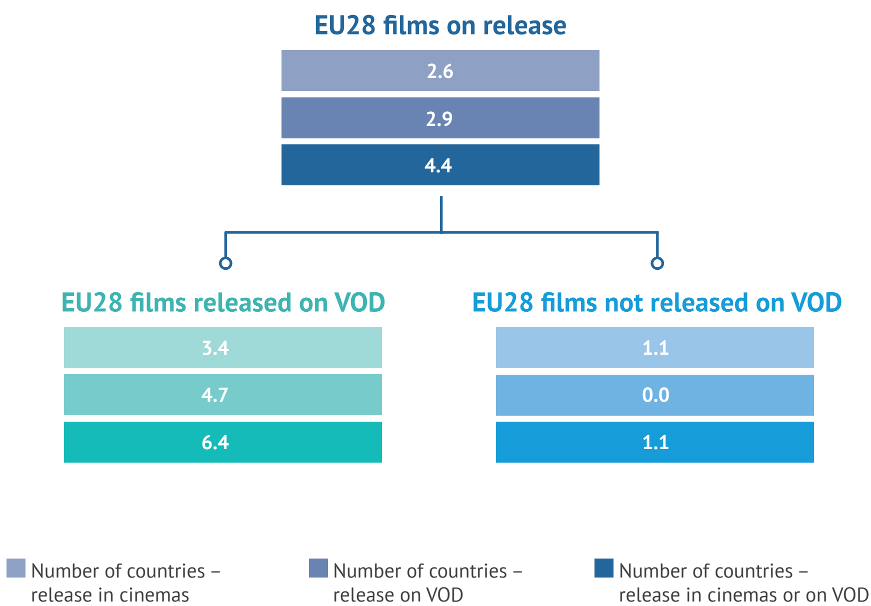
3 One release in cinemas in one country is accounted for once and one release on VOD in one country is accounted for once.

Does VOD increase the circulation of EU28 films?

Yes

VOD adds 3 additional territories when compared with the cinema releases footprint

Number of countries of releases in cinema and VOD (2018 – In number of countries)



Source: European Audiovisual Observatory analysis of LUMIERE data

2.4 European film exports down in 2018

The significance of European film exports decreased somewhat in 2018

The European Audiovisual Observatory estimates that in 2018 European films[1] cumulatively sold at least 468 million tickets in cinemas around the world.[2] This was the second highest level in five years, although only nine million tickets above the 2014-2018 average of 459 million admissions.

While admissions generated in national home markets reached a five-year record high of 287 million, export admissions, i.e. tickets sold in non-national markets, came in at only 181 million, compared to 199 million in 2017. The share of export admissions for European films thus decreased slightly from an estimated 42% in 2017 to about 39% in 2018, while national theatrical exploitation increased from 58% to 61%.

Admissions outside Europe declined due to comparatively poor year-on-year performance in China

In 2018, a total of 95 million tickets were sold in non-national European markets while export admissions outside Europe[3] amounted to at least 87 million tickets, representing 48% of Europe's total export admissions. While export admissions in non-national European markets remained more or less stable, admissions to European films outside Europe declined by 16 million compared to 2017. This year-on-year decline was due to a comparatively poor 2018 performance in China compared to 2017, when exceptionally successful *Valerian and the City of a Thousand Planets* (FR) sold 11.3 million tickets. In the absence of a comparable European break-out success on the Chinese market in 2018, admission to European films dropped from 37 million to 20 million, in line with admissions levels observed in 2015 and 2016.

With the drop of admissions in the Chinese market back to average levels, North America regained its position as the largest export market for European films: ticket sales to European films in the US and Canada increased slightly from the low level of 27.1 million to 29.3 million, representing 33% of total admissions to European films outside Europe in 2018. Accounting for 23% China, however, remained by far the second largest market for European films outside Europe in terms of admissions. It should also be noted that the Chinese market is still only accessible for a limited number of European films (30 first releases in 2018) and does not (yet) offer realistic market potential for the vast majority of European films.

A total of 696 European films were tracked as on theatrical release outside Europe in 2018. This was the largest number of films exported outside Europe in five years. In 2018, UK films dominated European film exports, accounting for 64% of total admissions to European films outside Europe.

1 European films are defined as films produced and majority-financed by a European country. European films produced with incoming investment from US studios (EUR inc) are excluded from this analysis unless they are recognised as European films by the European Commission or Europa Cinemas.

2 The terms "world" or "worldwide" refer to cumulative data for the 34 European and 15 non-European markets for which comprehensive title-by-title admissions data were obtainable for the Observatory's LUMIERE database http://lumiere.obs.coe.int/.

3 Data available for the following 15 non-European markets: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Hong Kong, Japan, South Korea, Mexico, New Zealand, Singapore, Venezuela, USA.

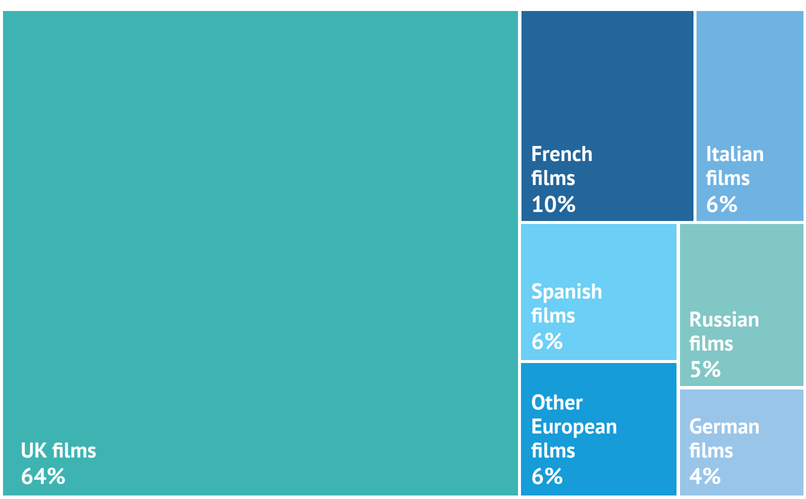
What were the three most important export markets for European films in 2018?

1 US
(193 films selling 26.5 million tickets)

2 China
(44 films selling 20.0 million tickets)

3 France
(207 films selling 14.4 million tickets)

Breakdown of admissions to European films outside Europe by country of origin (2018)



Note: Percentages may not total 100% due to rounding.
Source: European Audiovisual Observatory / LUMIERE, Comscore

2.5 VOD: Cultural, geographical and language proximity impact the export of European films

This analysis is based on 79 subscription video on demand (SVOD) catalogues[1] in 21 countries[2] outside the European Union.

15% of all films found in SVOD catalogues are of EU origin, with strong variances between countries

On average, EU films represented 15% of films available in the 79 SVOD catalogues in 2019. Regions with closer cultural proximity (e.g. North and Latin America), which shared the same languages (e.g. English and Spanish) or geographical proximity (e.g. Russia and Turkey), had a higher share of EU films, ranging from 17.3% (North America) to 22.4% (Turkey).

SVOD catalogues in Asia (particularly India), in the absence of close cultural proximity or a shared language, had a lower share of EU films, ranging from 8% to 12.7%.

EU5[3] countries produced 86% of all EU films available in the catalogues, with the United Kingdom accounting for 41% of all films of EU origin.

Multi-country, along with several national, SVOD services are strong buyers of EU films

The biggest buyer of EU film titles, with 3 281 unique EU film titles in its 14 country catalogues, was Amazon, followed by Netflix with 1 816 unique titles in its 20 country catalogues. National services ivi in Russia (1 488 EU titles) and the three Chinese services Youku (1 321 EU titles), iQiyi (869 EU titles) and Tencent Video (818 EU titles) were the strongest buyer for single country services.

Circulation of EU titles: Some multi-country SVOD services favour national market adaptation as opposed to global rights acquisition

While some multi-country services seek global rights for EU films for their country catalogues (Netflix, Wavo, Claro Video), other services appear to favour adapting their film catalogues to each country they operate in, a trend apparent from the average catalogue circulation figures of EU titles. An EU title is present in 6.4 Netflix catalogues (out of 20 catalogues) on average, but in only 1.5 Amazon catalogues (out of 14 catalogues) or 1.4 Viu catalogues (out of six catalogues).

This difference may be due to the unavailability of rights for specific countries of operation or it may reflect different business strategies. Also, the presence in Europe of Netflix may have allowed the company to acquire rights to EU films on a more global basis than other SVOD players.

1 Amazon Prime Video (14 countries), Britbox (2), CBS All Access (1), Claro Video (3), Crave TV (1), Eros Now (1), Foxtel Now (1), HBO Go (3), Hooq (5), Hotstar (3), Hulu (2), iQYI (1), ivi (1), Lightbox (1), Neon (1), Netflix (20), Showtime Anytime (1), Stan (1), Starz Play (4), Sundance Now (1), Super Channel (1), Tencent Video (1), Viu (6) , Wavo (3), Youku (1).

2 United Arab Emirates, Argentina, Australia, Brazil, Canada, China, Egypt, India, Indonesia, Japan, Mexico, Malaysia, New Zealand, Philippines, Russia, Saudi Arabia, Singapore, Thailand, Turkey, United States, South Africa.

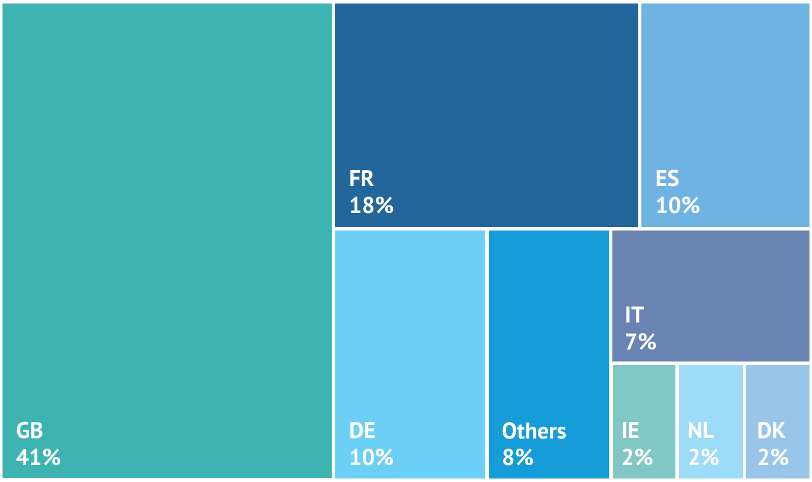
3 Germany, Spain, France, United Kingdom, Italy.

What is the share of EU28 films in SVOD catalogues around the world?

15% of films are of EU origin

The United Kingdom and France are the main exporters of EU films

Origin of EU28 films in 79 non-EU SVOD catalogues (August 2019)



Source: European Audiovisual Observatory on Ampere Analysis data

2.6 High-end series: UK leads SVOD exports

This section is based on analysis of 2-13 episode, scripted, live-action series in 79 SVOD catalogues[1] in 21 non-EU countries.[2]

Europe accounted for 29% of 2-13 episode series on offer in SVOD outside Europe

The EU28 accounted for 24%, 25% and 21% of series, seasons and episodes available on SVOD outside the EU28, respectively. Other non-EU28 European countries accounted for another 5%, 3% and 3%, respectively. On average, the share of European series was higher in Russia, North America and Australia & New Zealand. It was also higher with certain services such as Britbox (Canada, United States), Sundance Now (Canada) and ivi (Russia). Netflix and Amazon, with a share of 29% and 25% of European series, respectively, probably benefit from their presence in Europe in acquiring European series for their non-European catalogues. Several other single-country platforms from English-speaking countries (Stan, Australia; Super Channel, Canada) also offer a comparatively high share of European series.

UK captures most of exports

The UK is, by far, the leading exporter of EU28 series: 61%, 68% and 64% of EU28 series titles, seasons and episodes, respectively, available outside the EU28, were of UK origin. Spain, France and Germany follow, with much lower shares. Obviously, the share of each country varies depending on the export region: UK series are particularly present in North America; Spanish series are particularly present in Latin America; the share of French series is similar regardless of the export region; German series hold a higher-than-average share in the Middle East; Swedish series have a strong presence in Russia.

Country by country vs global acquisitions

The comparison of the country catalogues of SVOD services present in at least three different countries shows very different purchasing patterns. A given series title is present, on average, in all Wavo catalogues (United Arab Emirates, Egypt, Saudi Arabia) and in almost all Claro catalogues (Argentina, Brazil, Mexico); a given series title is present, on average, in about 50% of Netflix, Viu (India, Indonesia, Malaysia, Philippines, Singapore, Thailand) or Hooq (India, Indonesia, Philippines, Singapore, Thailand) catalogues; but a given series title is only present, on average, in about 15% of Amazon Prime Video catalogues.

1 Amazon Prime Video (14 countries), Britbox (2), CBS All Access (1), Claro Video (3), Crave TV (1), Eros Now (1), Foxtel Now (1), HBO Go (3), Hooq (5), Hotstar (3), Hulu (2), iQYI (1), ivi (1), Lightbox (1), Neon (1), Netflix (20), Showtime Anytime (1), Stan (1), Starz Play (4), Sundance Now (1), Super Channel (1), Tencent Video (1), Viu (5) , Wavo (3), Youku (1).

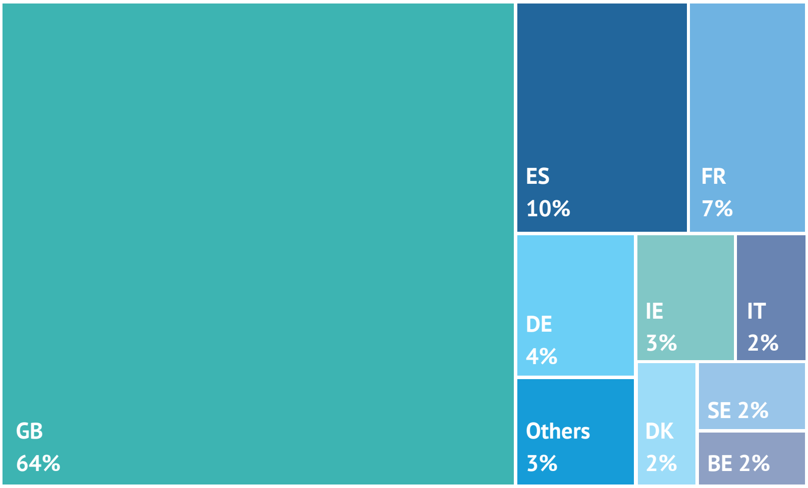
2 United Arab Emirates, Argentina, Australia, Brazil, Canada, China, Egypt, Indonesia, India, Japan, Mexico, Malaysia, New Zealand, Philippines, Russia, Saudi Arabia, Singapore, Thailand, Turkey, United States, South Africa.

What is the share of EU28 high-end series on SVOD outside Europe?

24%

The bulk is exported by the United Kingdom

Origin of exported EU28 2-13 episode series in non-European SVOD catalogues (August 2019 – In % of titles)



Note: Percentages may not total 100% due to rounding.
Source: European Audiovisual Observatory analysis of Ampere Analysis data

2.7 EU copyright rules fit for the digital age

Three years after the presentation, at the European level, of a legislative package aimed at modernising copyright rules and adapting them to the digital environment, 2019 saw the culmination of these reforms with the adoption on 17 April 2019 of two directives: Directive (EU) 2019/790 on copyright and related rights in the digital single market; and Directive (EU) 2019/789 on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes. With these reforms, the European legislator aimed to provide consumers with better choice and access to content online and across borders, and to cultivate a well-functioning copyright market.

However, the adoption of these reforms has not come without difficulties. It can even be said that the adoption of the "copyright" Directive has been one of the most contentious files in the history of intellectual property rights. In particular, two provisions strongly divided stakeholders and academics: 1) the creation of a new right that will allow press publishers to claim remuneration for the online use of their publications (Article 15); and 2) the imposition of content monitoring measures on online platforms such as YouTube, in an effort to resolve the 'value gap' and help rightsholders to better monetise and control the distribution of their content online (Article 17). In addition, the Directive creates three mandatory exceptions to copyright protection in the areas of teaching, research and preservation of cultural heritage. It also includes new transparency rules aimed at increasing the availability of audiovisual works on video on demand platforms while guaranteeing remuneration to rightsholders.

The EU has also taken steps to increase the number of TV and radio programmes available online for European consumers. In particular, the Directive on "television and radio programmes" will facilitate the licensing of certain programmes contained in simulcasting and catch-up services, so that they can be made available throughout the EU. Broadcasting organisations will be allowed to clear all relevant rights in the member state of their principal establishment in relation to such programmes. The Directive will also extend the system of mandatory collective management previously applicable to cable retransmissions to all types of retransmission of relevant television and radio programmes, to allow for a simplified method of rights clearance. Finally, the Directive clarifies the legal framework of the so-called transmission by "direct injection", whereby broadcasters exclusively transmit programmes to distributors responsible for public dissemination, such that rightsholders are afforded appropriate opportunities for remuneration and the exercise of their rights.

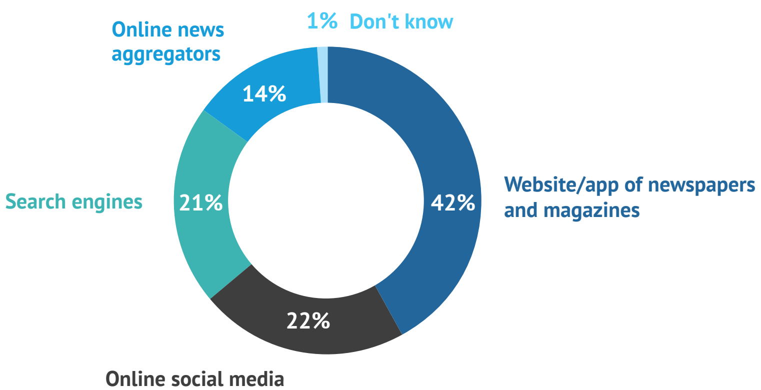
Member states now have two years, i.e. until June 2021, to implement these directives into their own national legislation.

How do consumers access online news?

Principally through newspapers and magazines websites and apps

But search engines and online news aggregators together account for a roughly similar proportion

Consumer habits in Europe: Access to online news by type and proportion



Source: Copyright in the Digital Single Market Brochure, European Union, 2019

3.1 Supply of audiovisual services: UK runaway leader

UK provides close to a quarter of all audiovisual services in Europe

The United Kingdom was still, at the end of 2018, by and large the leading supplier of audiovisual services across wider Europe (EU28 plus countries listed in footnote 1)[1], with 1 230 TV channels and 201 pay on demand services established in the country, many of them targeting other European audiovisual markets. The UK was also found to be the biggest contributor to overall audiovisual services supply in the EU28. Around one quarter of all TV channels (28%) and pay on demand services (24%) were established there.

At the end of 2018, 11 123 TV channels were available in Europe[2] of which 5 039 were local TV channels. Further, there were 2 917 on-demand services[3] available in Europe including services established outside Europe targeting European markets; among these were 1 624 catch-up TV services, 1 081 pay on demand services and 212 free on demand services.

There were 5 880 TV channels established in Europe (excluding local channels) at the end of 2018, of which 4 470 were based in the EU28. European regulatory authorities issued 4 838 TV broadcasting licences (excluding local licences) of which 3 555 were issued in the EU28. Of the TV channels established in Europe, 8% were publicly owned while 91% belonged to a private company and 1% had mixed ownership (similar figures for the EU28).

Of the 968 pay on-demand services established in Europe, 853 were based in the EU28; among these, just 2% were owned by public service broadcasting organisations and 1% had mixed ownership.

Growing footprint of audiovisual services targeting other markets

As with television (i.e. Europe n=563; EU28 n=477), the United Kingdom was, at a distance, the major hub in 2018 for pay on demand services targeting foreign markets, with a total of 130 services aimed at other European markets, 99 of them serving the EU28 alone.

More than one fifth of all TV channels (21%; n=917) and over a third (36%; n=306) of pay on demand services based in the EU28 were specifically targeting other EU28 markets. In Europe, 19% (n=1136) of TV channels and 43% (n=413) of pay on demand services were serving non-domestic markets. They were predominantly owned by large broadcasting and entertainment corporations, the majority of which are of American origin.

The United Kingdom, the Czech Republic and Luxembourg accounted for 69% of all TV channels targeting other EU28 markets in 2018, while 75% of pay on demand, Ireland and the Netherlands.

1 Europe includes the EU28, Albania, Armenia, Bosnia and Herzegovina, Switzerland, Georgia, Iceland, Liechtenstein, Morocco, Montenegro, North Macedonia, Norway, Russia and Turkey.

2 See Footnote 1.

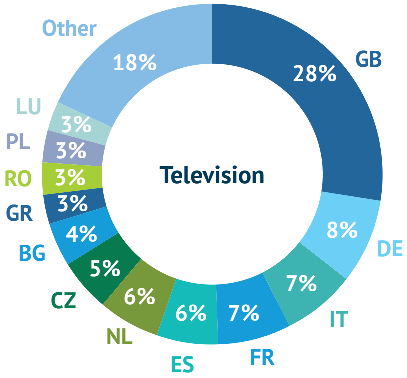
3 Figures for on-demand services available in Europe include both free and pay services.

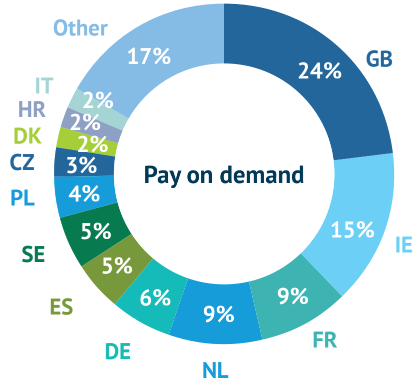
How big is the UK's contribution to overall audiovisual services supply in the EU28?

¼

28% of all TV channels and 24% of all pay on demand services established in the EU28 were based in the UK in 2018

Concentration of TV channels and pay on demand services established in the EU28 (2018 – in % share)





Source: European Audiovisual Observatory analysis of MAVISE data.
Notes: See "Audiovisual media services in Europe Market insights" under www.obs.coe.int/industry/television.
Percentages may not total 100% due to rounding.

3.2 The internationalisation of TV audience markets in Europe

US groups are the driving force behind the increasing internationalisation of the European television sector. They were both the most omnipresent audiovisual groups in Europe in 2018 and the clear leaders in terms of audience shares attained in non-domestic markets. Following two large-scale industry mergers – the acquisition of British Sky by Comcast in November 2018 and that of 21st Century Fox by Walt Disney in March 2019 – the fingerprint of US groups in Europe has become even greater.

Growing international competition for European audiences

Among the top 20 audiovisual groups by European audience share[1], the total market share of US groups was 11%. This compared to 5% of non-domestic market share held by European groups.

The success of US groups in the European television sector is exceptional precisely because competition for a share of the European audience market is mainly a national business, dominated, among the top-ranking players, by a number of European groups with a domestic focus. Most of these European groups attain all or large parts of their audience market share in their respective domestic markets. Notable exceptions are Bertelsmann, whose non-domestic market share in 2017 was greater than its share of the German market, and the sizeable non-domestic TV market activities of Italy's Mediaset in the Spanish TV market.

Pan-European market presence

US groups had a considerably stronger market presence across Europe in 2018 compared to their pan-European competitors.

A comparison of audiovisual groups' broadcasting activities by country shows that US group Discovery had a broadcasting presence in 26 different European territories[2] in 2017. It was followed by Viacom (25), the Walt Disney Company (23; includes 21st Century Fox), AT&T (22; includes WarnerMedia) and Comcast (19; includes Sky), while Japan's Sony Corporation was active in 13 countries.

The most internationalised European audiovisual group in terms of broadcasting activities was Germany's Bertelsmann, active in 14 different territories, followed by Swedish group Kinnevik (10) and the BBC (8).

The market power of non-domestic TV channels in national markets

Non-domestic players exert considerable market power in a majority of European audiovisual markets, with some foreign TV groups eclipsing the market shares of domestic ones. In 2017, non-domestic players accounted for more than 20% of the audience share in 26 European audiovisual markets, and in 10 countries foreign TV channels accounted for more than 50% of national audience share. The countries where a significant portion of national market share was held by foreign groups generally had smaller audiovisual markets.

1 Figures are based on the calculation of a European audience market share that is comparable across different countries.

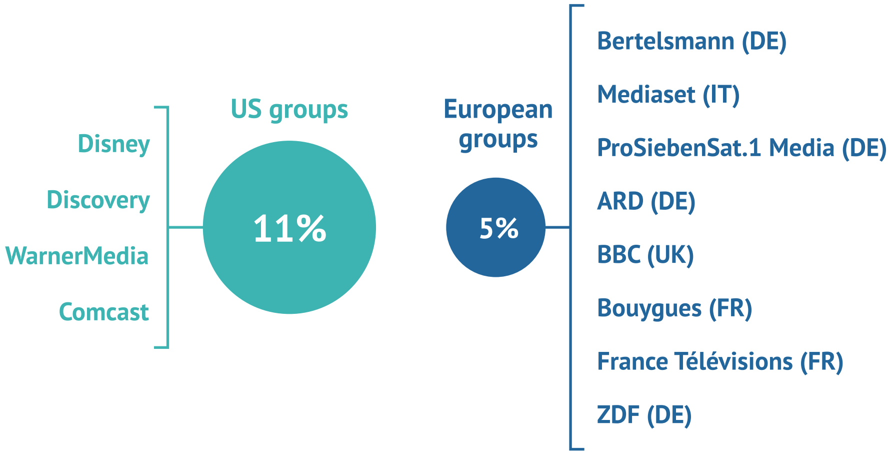
2 Territories include countries, regions and communities, e.g. German-speaking Switzerland or the French Community of Belgium.

What is the total European audience market share of US groups?

11%

More than twice the European audience share attained by European groups in non-domestic markets

European market shares of top audiovisual groups in non-domestic markets (2017 – in %)



Source: European Audiovisual Observatory analysis of GLANCE audience data
The full report can be downloaded from the European Audiovisual Observatory website.
See: www.obs.coe.int/industry/television

4.1 Focus on Observatory Presidency country: Morocco

Predominance of satellite

About 97% of Moroccan households are equipped with at least one television set.[1] The Moroccan audiovisual landscape is characterised by the prevalence of satellite, with a penetration rate of about 94.5% among households.[1] About 52% of households also use digital terrestrial television,[1] which offers a free package of 10 channels. Internet protocol television (IPTV) remains marginal, as most telecommunication operators[2] focus on telephony and Internet access services, in a context where mobile is the main Internet access network.[3]

Advertising is the primary resource

The total value of the audiovisual market in Morocco was estimated at about EUR 375 million in 2018.[4] TV and radio advertising were the leading market segment, at about 74% of total revenues (about EUR 256 million).[5] Pay services once represented up to around 21% of the market (EUR 79 million)[6] but have since been severely hit by piracy. Public funding represented roughly 5% (EUR 19 million) of total revenues. On-demand revenues are growing rapidly and were estimated at 4% of total revenues in 2018 (EUR 14 million),[5] more than doubling over the previous year.

Cinema admissions have been stagnating in recent years, at around EUR 1.6 million. The level of admissions per inhabitant is in the lowest range for countries tracked by the Observatory, due to the lack of cinema infrastructure. Since 2013, cinema box-office has oscillated between EUR 5.6 and 6.9 million.

National players mainly involved in free-to-air television

The Moroccan national operators are primarily present in the free television segment. Pay TV services accounted for only 3% of their revenues, compared to 15% in 2015,[1] due to piracy and competition from non-Moroccan operators (e.g. BeIN Sports, Orbit). The only significant national players still active in the pay TV market are the IPTV operators (e.g. Maroc Telecom[7]). Likewise, the main groups active in the SVOD market are non-national operators (e.g. Dubai's icflix, Netflix, Malaysia's iflix or the United States' StarzPlay).

The main national players are the public television and radio broadcasters, which accounted for 84% of all the revenues of Moroccan operators; 38% of their income was generated by advertising, the rest through public funding. The public television sector includes two generalist channels (Al Aoula, owned by SNRT,[8] and 2M) and a bouquet of seven thematic channels broadcast by SNRT. Morocco has one private channel, Medi1 TV, owned by Maroc Telecom and CDG.[9] 2M is the most popular TV channel, with a 32.3% audience share in 2018, followed by Al Aoula (9.7%).[10]

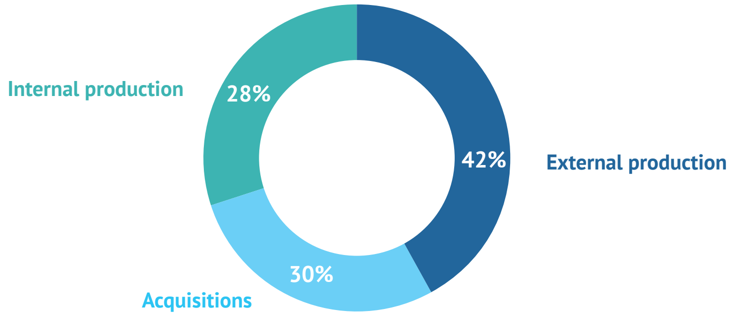
1 Source: Haute Autorité de la Communication Audiovisuelle.
2 With the exception of Maroc Telecom.
3 Source: ANRT.
4 Advertising revenues figures not available for 2017 and 2018.
5 In 2016.
6 Source: Ampere Analysis.
7 Owned by United Arab Emirates' Etisalat.
8 Société Nationale de Radiodiffusion et de Télévision.
9 Caisse de Dépôt et de Gestion du Maroc.
10 Source: Eurodata TV Worldwide, Marocmétrie – CIAUMED.

What is the size of the TV production market in Morocco?

72M€ in 2018

External productions and acquisitions account for lion's share

Breakdown of broadcaster investments in TV content – excl. news (2018)



Source: Haute Autorité de la Communication Audiovisuelle

4.2 SVOD is the only expanding audiovisual market

A stagnating market (in real terms)

The EU audiovisual market grew by 1.7% YoY in 2018, and by an annual average of 1.9% over the last 10 years. These figures are, though, to some extent misleading. Discounting inflation, the market has expanded by an annual average of 0.4% since 2009, and actually shrank by 0.2% in 2018.

More importantly, a single segment accounts for the sector's continued growth: subscription video on demand (SVOD). SVOD accounted for more than 82% of the sector's growth in 2018. Excluding SVOD, the audiovisual sector grew by 1.4% annually over the last 10 years in nominal terms and decreased by 0.2% in real terms. Discounting inflation, all the 'traditional' audiovisual segments shrank in 2018: physical video, obviously, but also public funding, pay TV, advertising and box office revenues. We may, then, conclude that the audiovisual market is stable but there is a transfer of revenues from legacy players to the (not so) new SVOD entrants.

Consumers spending is the main market segment

Until 2012, **advertising** (for TV and radio) was the leading market segment of the audiovisual sector. Between 2013 and 2016, consumer spending on pay services (both linear and on-demand) rose to a similar level. Since 2017, **pay services** have become the sector's primary source of revenues (35.5% of total revenue, 4.6% of average annual growth). **SVOD** accounts for only a minor share of pay service revenues (13% vs 87%) but is growing much faster than traditional pay TV (108.8% per year since 2009 vs 2.9%).

In 2018, **advertising** (TV and radio) accounted for 32.4% of the sector's revenues. TV advertising has been more dynamic than radio both in YoY (1.3% vs -0.5%) terms and on average over the last 10 years (2.1% vs 1.6%).

Public funding of public service broadcasters accounted for about 23% of the total market, with growth rates lower than linear pay TV and advertising, and even a regular decrease in real terms (-0.7% per year, on average, since 2009).

Cinema box office (6% of total revenues) is slowly growing in nominal value (1.2% per year since 2009) but decreasing slightly in real terms (-0.3%).

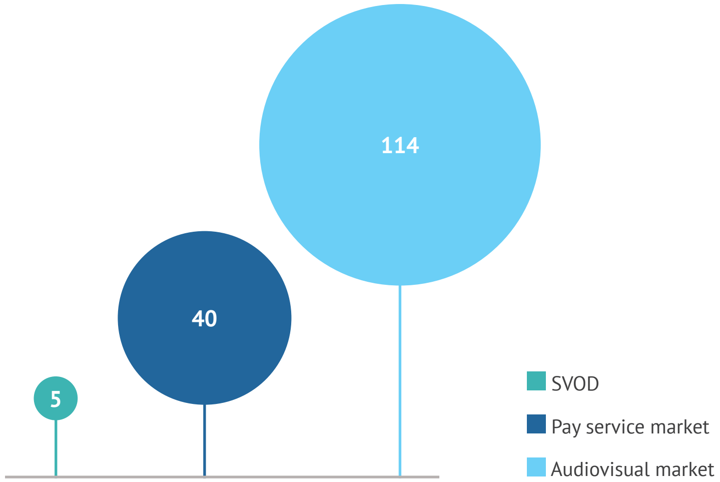
Home video is decreasing, both in nominal value (-8% annually since 2009) and in real terms (-9%). Within the segment, a surge in digital retail and rental of audiovisual programmes has not compensated for the collapse of the physical market (which decreased even more sharply in 2018 than on average over the last 10 years). In 2018, transactional video on demand (TVOD) still accounted for a minority share of the home video market (38% vs 62% for physical retail and rental). Nonetheless, TVOD growth, although significant (9% YoY), is slowing down.

What is the share of SVOD in audiovisual market growth?

82% in 2018

But SVOD accounts for only 5% of the total audiovisual market

EU28 SVOD, pay service and audiovisual markets in 2018 (bn EUR)



Source: European Audiovisual Observatory analysis of EBU/MIS, Warc, Ampere, LUMIERE data

4.3 Audiovisual market: Disparities in size, revenue structure and growth

Audiovisual market smaller than EUR 1 bn in 13 out of 37 European countries

In 2018, out of the 37 European countries for which data were available, 17 had an audiovisual market of EUR 1 to 5 bn, and 13 of less than EUR 1 bn. The three major European countries (Germany: EUR 23 bn in 2018; United Kingdom: EUR 22 bn; and France: EUR 16 bn) accounted for 54% of the European Union market (EUR 114 bn) and for 48% of the European market[1] (EUR 129 bn).

The annual market value per inhabitant, measured in EUR, varies of course according to purchasing power and exchange rates. Eight countries topped the EUR 300 mark, including four Nordic countries (Norway, Denmark, Finland and Sweden), in addition to Switzerland, Portugal, the United Kingdom and Austria. At the other end of the spectrum, the annual audiovisual market value per inhabitant was lower than EUR 100 in eight countries (Bosnia and Herzegovina, Georgia, Latvia, Lithuania, Montenegro, Romania, Russia and Turkey).

Major differences in revenue structure

The structure of the various audiovisual markets also differs. Among the three major markets, the weight of TV advertising is similar (around a quarter of all revenues), but pay TV and on-demand services are more developed in the United Kingdom (41%) than in France (38%) or in Germany (32%), and the share of public funding is much higher in Germany (35%) than in France (24%) or in the United Kingdom (31%). Cinema box office accounted for 8% of revenues in France vs 7% in the United Kingdom and 4% in Germany.

The weight of on-demand services also varies notably between countries, regardless of market size. In 2018, on average, on-demand services represented 6.1% of the audiovisual market in the European Union, and 6.2% of the EU market plus other European non-EU28 countries for which data were available. The share was much higher in the Nordics (15% in Denmark and Norway, 12% in Sweden and 9% in Finland) and in the Netherlands (10%). Among the four major markets, the figure was 9% for the United Kingdom, 7% for Germany, 5% for Italy and 4% for France. The lowest shares were found in Portugal, North Macedonia and Slovakia (1%), and in Montenegro and Bulgaria (2%).

Six countries largely outperformed average growth

Another key difference lies in the growth rates in each country. The average annual 2014-2018 growth rate was 1.9% in the European Union, and 1.6% when European non-EU28 countries for which data were available were added.[2] Three countries achieved an average growth rate above 10% (Slovakia, Portugal and Montenegro) and in three countries (Bulgaria, the Czech Republic, Lithuania) it comprised between 7 and 10%.

1 European Union + Bosnia and Herzegovina, Switzerland, Georgia, Iceland, Montenegro, North Macedonia, Norway, Russia, Turkey.

2 Please note that the evolution of exchange rates affects this figure.

Which countries experienced the highest growth between 2014 and 2018?

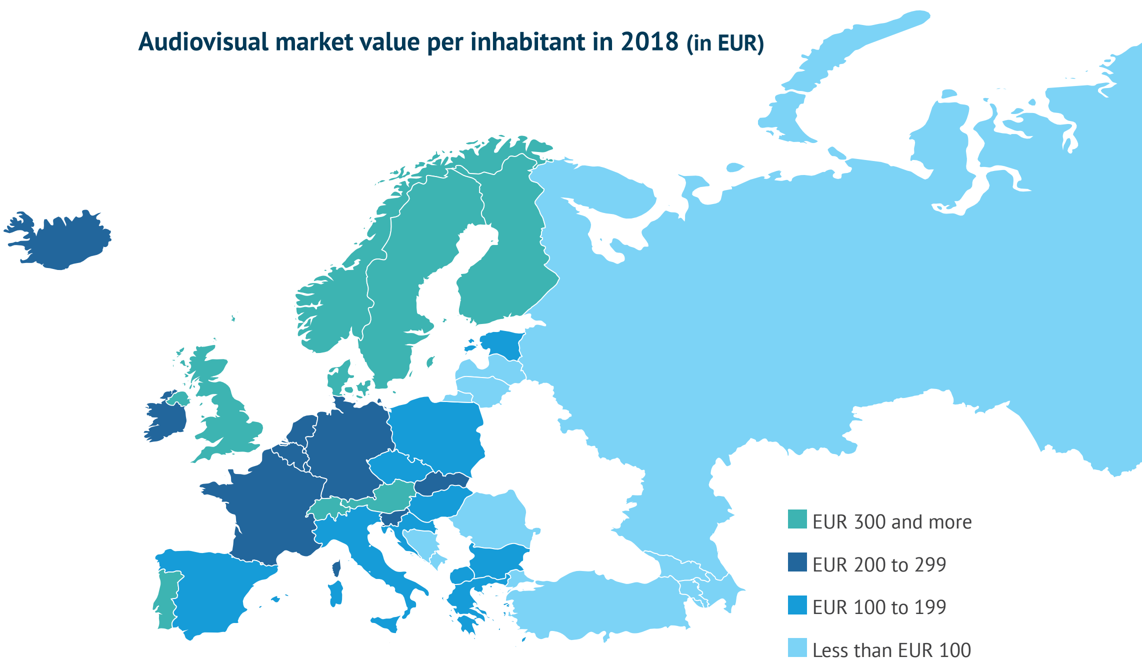
1 Slovakia

2 Portugal

3 Bulgaria

But the resources of the audiovisual sector remain uneven in Europe

Audiovisual market value per inhabitant in 2018 (in EUR)



Source: European Audiovisual Observatory analysis of EBU/MIS, Warc, Ampere, LUMIERE data

4.4 European theatrical infrastructure still expanding

With 239 new screens unveiled in 2018, the total number of theatrical screens in the EU rose to an estimated 33 267. This represents total growth since 2014[1] of 6.3%, albeit at a marginal interannual rate (+0.7%). Although the growth rate in the number of screens slowed in most EU countries in 2018, only five markets registered a decline. The downturn was more pronounced in Italy (-2.1%), where 110 screens closed down. An upward trend was observed in the UK (+76 screens), France (+69) and Germany (+46), as well as in Sweden (+21) and Portugal (+16). The screen infrastructure also continued to grow in most Eastern European countries, such as Slovakia and Romania (+18 screens), the Czech Republic (+14) and Hungary (+12).

Across Europe[2] more broadly, 908 new screens opened in 2018, for an estimated total of 42 575 screens (+2.2% over 2017; +11.0% over 2014). This increase was driven by continuous expansion in Russia and Turkey, where the number of screens rose respectively by 8.9% and 6.9% year on year (+428 screens and +185 screens).

The overall number of cinema sites in Europe also rose in 2018 (+0.8% over 2017), with significant differences between countries: while such growth appears to have levelled off in large Western European markets, the opposite is true in a number of Eastern European and Baltic countries such as Estonia (+20.0%), Russia (+18.5%) and Latvia (+17.4%).

Screen density has improved

Across Europe generally, the level of screen density increased in 2018 (+1.9% over 2017; +9.5% on 2014), with an estimated 5.5 screens per 100 000 inhabitants[3] (6.4 in the EU). Once again, strong inter-country differences were observed, as most Eastern European countries (with the exception of the Czech Republic) have fewer screens than the European average. Several under-screened markets (such as Poland, Slovakia and Hungary) experienced a surge in the level of admissions per capita between 2014 and 2015, suggesting that the exhibition infrastructure has scope for expansion.

European screens almost fully digitised

The digital conversion of cinema screens in Europe is almost complete, with an overall digital penetration rate of 97.3%.[4] Among the 34 countries[5] for which data were available, screens were fully digitised in 16 countries in 2018, with another 14 countries reaching a digitisation rate higher than 90%. Only four countries lagged behind in the digitisation process, with figures well below the European average: Lithuania (84.0%); Greece (82.2%); Slovakia (74.1%); and the Czech Republic (50.6%).

1 Restated data series.
2 EU countries plus Bosnia and Herzegovina, Switzerland, Georgia, Iceland, Liechtenstein, North Macedonia, Norway, Russia and Turkey.
3 Source: European Audiovisual Observatory / Eurostat.
4 Source: Media Salles.
5 EU countries plus Switzerland, Iceland, Liechtenstein, Norway, Russia and Turkey.

Which European countries have the highest number of cinema screens?

1 **France**
5 982

2 **Russia**
5 233

3 **Italy**
5 205

The level of screen density varies significantly across Europe

Source: European Audiovisual Observatory

Top 3 European countries for screen density (2018)

1 **Iceland**
12.3 screens per 100 000 inhabitants

2 **Ireland**
9.6 screens per 100 000 inhabitants

3 **France**
8.9 screens per 100 000 inhabitants

Source: European Audiovisual Observatory / Eurostat

4.5 Cinema: European market share in the EU up in 2018

Market share of European films in the EU increased in 2018

As in 2017, the decline in overall EU admissions in 2018 was primarily caused by a decrease in admissions to US films not compensated for by an increase in ticket sales to European films: cumulative admissions to US films dropped by an estimated 54 million in 2018, while estimated cumulative admissions to European films increased from 268 million to 281 million, a 5% increase over 2017. Against a 3.1% decline in overall cinema attendance in the EU in 2018, the market share for European films increased from 27.3% to 29.4%, the second highest level in the past five years, while the estimated US market share in the EU dropped from 65.9% to 62.3% – the lowest level since 2012.

Led by *Bohemian Rhapsody* and *Fantastic Beasts: The Crimes of Grindelwald*, the only two UK incoming investment films in the top 20, European films produced in Europe with incoming US investment (EUR inc) drew an estimated increase of 17 million admissions and saw their estimated market share rise from 4.2% to 6.1%.

Finally, admissions to films originating from other parts of the world declined by an estimated six million (-23%) in 2018 and the market share of such films decreased accordingly, from an estimated 2.6% to 2.1%.

Admissions to European films within the EU increased in both national and non-national markets

The European Audiovisual Observatory estimates that over 6 500 European feature films were on release in at least one EU market in 2018 cumulatively selling an estimated 280 million tickets. About 70% of these tickets (196 million compared to 188 million in 2017) were sold to EU films in their national home markets, while an estimated 84 million admissions were generated by European films in non-national EU markets, compared to 80 million in 2017. Both national and non-national admissions were thus up by an estimated 4.6% compared to 2017.

While UK films, including *Johnny English Strikes Again* (7.1 million tickets sold in the EU), *Darkest Hour* (6.6 million), *Early Man* (3.7 million), *The Commuter* (3.5 million) or *Paddington 2* (2.6 million), represented the most successful export films across the EU, many EU films performed particularly well in their respective national markets and contributed to high national market shares. Examples include: France [39.5%; top film: *La ch'tite famille* (6.4 million)]; Poland [33.5%; top film: *Kler* (5.4 million)]; Denmark [29.6%; top film: *Journal 64* (0.8 million)]; Lithuania (27.5%; top film: *Ashes in the Snow* (0.2 million)]; Finland [23.6%; top film: *Ilosia aikoja, Mielensäpahoittaja* (0.3 million)]; Germany [23.5%; top film: *Jim Knopf und Lukas der Lokomotivführer* (2.0 million)]; the Czech Republic [23.3%; top film: *Po cem muzi touzí* (0.6 million)]; Italy [23.0%; top film: *A casa tutti bene* (1.6 million)]; and Latvia [22.1%; top film: *Homo Novus* (0.1 million)].

What were the three EU markets with the highest market share of European films in 2018?

1 France
52.6%

2 Estonia
47.4%

3 Finland
46.7%

National market share was highest in the following three EU markets (2018)

1 United Kingdom / Ireland
46.1%*

2 France
39.5%

3 Poland
33.5%

* This market share refers to UK qualifying productions which include US studio-backed, UK-made titles like *Avengers: Infinity War*. UK productions captured only 13.2% of admissions in the UK and Ireland.

Source: European Audiovisual Observatory

4.6 Cinema : EU admissions and GBO decrease in 2018

EU cinema attendance drops in 2018

The European Audiovisual Observatory estimates that, after three years of above-average admissions levels, cinema attendance in the 28 EU member states decreased by 2.9%, to 954 million tickets sold - 30.6 million fewer than in 2017, but still well above the low levels registered in 2013 and 2014. For the first time since 2014, gross box office (GBO) revenues did not cross the EUR 7 billion mark but fell by 3.6%, to EUR 6.77 billion. Although the lowest tally since 2014, this was still the fourth highest level in the preceding decade. The average ticket price in the EU decreased marginally, by 0.5%, from EUR 7.13 to EUR 7.09.

Just as in 2017, admissions developed in a fairly heterogeneous manner across Europe in 2018: cinema attendance increased in eight, and decreased in 16, EU markets, while remaining practically stable in four EU markets. Geographically speaking, the decline in EU cinema attendance was primarily caused by a major drop in German admissions (-16.9 million) as well as a comparatively poor year-on-year performance in France (-8.3 million) and Italy (-7.9 million). Out of the five major EU markets, only the United Kingdom registered an increase in cinema attendance, of 3.7%, up 6.4 million to 177 million admissions. This was the highest admissions level in the UK since 1970.

US films continue to dominate EU box office charts

Once again, in 2018, US studio titles dominated the EU box office charts, accounting for 18 out of the top 20 titles. Superhero blockbuster *Avengers: Infinity Wars* was the box office winner in 2018, the only title to generate more than 30 million admissions (31.0 million), followed by family animation feature *Incredibles 2* (27.9 million). Other successful titles included: *Jurassic World: Fallen Kingdom* (22.1 million); *Mamma Mia! Here We Go Again* (19.9 million); *Black Panther* (18.9 million); *Hotel Transylvania 3* (18.4 million); and *Fifty Shades Freed* (17.6 million). In line with previous years, 2018 saw a high prevalence of film franchises, with sequels, prequels, spin-offs or reboots comprising as many as 17 titles out of the top 20 (and nine out of the top 10). Only four films in the top 20 were family animation features, compared to six in 2017 and eight in 2016.

GB inc productions *Bohemian Rhapsody* and *Fantastic Beasts: The Crimes of Grindelwald* were the only two non-US films to feature among the top 20 titles, generating 26.4 and 20.2 million admissions, respectively. Excluding films produced with incoming US studio investment (EUR inc), *Johnny English Strikes Again* was the top European title for the year with 7.2 million admissions, coming in at rank 28, followed by the *Darkest Hour* (6.6 million) at rank 32.

What were the three EU markets with the largest year-on-year growth in cinema admissions in 2018?

1. **UK**
+6.4 million;
+3.7%

2. **Poland**
+3.1 million;
+5.5%

3. **Czech Republic**
+1.1 million;
+7.3%

While the following three EU markets showed the largest year-on-year decline **(2018 vs 2017)**

1. **Germany**
-16.9 million;
-13.9%

2. **France**
-8.3 million;
-4.0%

3. **Italy**
-7.9 million;
-8.0%

Source: European Audiovisual Observatory

4.7 Home video: Retail TVOD on the rise

Rental business gains share of wallet

At the end of 2018, the home video market (physical and digital) amounted to EUR 4.3 billion – just over two thirds of its value in 2014. The steady decrease was mainly due to the shrinking of the physical video retail market by 44% (down to EUR 2.5 billion in 2018). Rental business has also slowed, albeit only half as fast (down to EUR 1.1 billion in 2018), allowing it to steadily capture a higher share of earnings over the last five years. A quarter of home video business revenues in 2018 comprised rentals, as opposed to only 20% half a decade ago. The gain was mostly delivered through the transactional video on demand (TVOD) segment, which has been steadily growing.

If it's home video rental, it's on demand

Despite the near-constant decline over the last decade, DVD and Blu-ray sales remained the pillar of the home video market business in 2018, accounting for 77% (EUR 2.5 billion) of the retail segment. Meanwhile, rentals were chiefly represented by the digital on-demand segment at the European[1] level, with 90% of business delivered by TVOD. With double-digit year-on-year revenue decreases (-29% yearly average drop over the last five years, down to EUR 0.1 billion in 2018), the days of video rentals relying on physical support appear numbered. TVOD growth, meanwhile, has stabilized at around +5% year on year, having remained constant for three years (up to EUR 0.9 billion in 2018). In some markets, however, such as Luxembourg (79%), Malta (77%), Sweden (70%) and Portugal (57%) DVD and Blu-ray discs retain the lion’s share of the home video rental business.

Retail TVOD outruns rental

The digital segment of the home video market, represented by TVOD, doubled its share in five years, capturing 39% (up to EUR 1.7 billion) of the home video market in 2018. This was mainly because retail growth (CAGR +17%) outpaced rental (CAGR +7%) by an average factor of 2.5 over five years, even picking up pace in 2018 (up to three times faster year on year). With physical retail turnover almost halving, retail TVOD saw its market share triple over the same period, to 18% of total home video market revenue in 2018 (EUR 0.75 billion). While rental TVOD still claimed a bigger piece of the pie in 2018 (21% of the total home video market), the digital retail segment appeared to be catching up fast. In countries such as Latvia, Estonia, Sweden, Luxembourg, Portugal and Norway, at least 75% of TVOD spend went to video purchase.

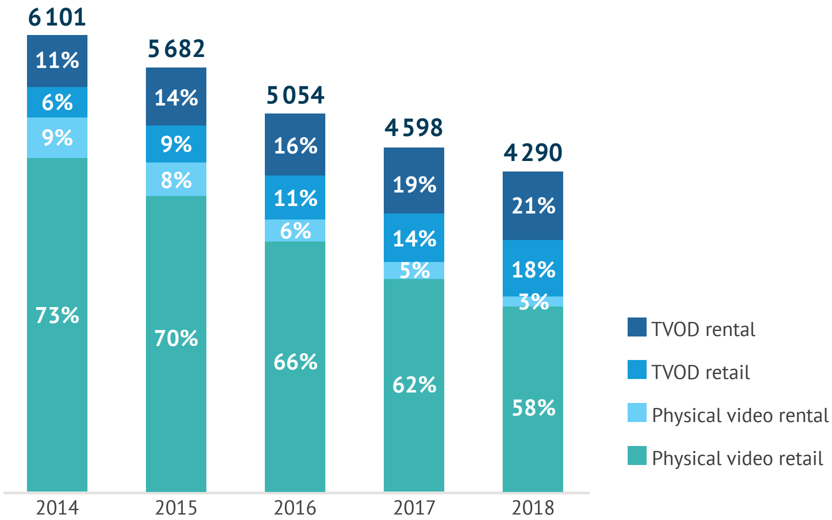
1 34 European countries covered by the European Audiovisual Observatory, for which data were available.

Which is the main home video market segment?

Physical retail

But retail TVOD market share tripled from 2014 to 2018

Home video market evolution (2014-2018 – in EUR million and %)



Source: European Audiovisual Observatory analysis of Ampere Analysis data.

4.8 TV advertising stagnating in real terms

Minimal growth captured by the Internet

Media advertising expenditure has grown at an annual rate of about 3% since 2009, reaching EUR 107 bn in the European Union and EUR 123 bn in 2018 in Europe.[1] However, in real terms, the growth was only 1.5%, with strong variations between countries: at least 8% growth in Bosnia and Herzegovina, Bulgaria, the Czech Republic, Estonia and Portugal; but a decline in expenditure in Croatia, Cyprus, Greece and Luxembourg.

Moreover, advertising spend per inhabitant varies strongly throughout Europe. While the average was about EUR 210 per inhabitant in 2018 in the European Union and about EUR 160 in Europe, figures ranged from over EUR 400 in Austria, Portugal and Switzerland to less than EUR 50 in Bosnia and Herzegovina, Georgia, Latvia, Luxembourg, Romania and Turkey.

The dynamics are also significantly uneven across media: Internet advertising has captured almost all of the market increase since 2009 plus all the losses in market share of the print sector (press and magazines). In 2018, Internet was by far the main advertising medium in Europe (with a 43% share), and in 16 of the 35 countries for which data are available. However, the share of print remains significantly higher than average in Austria, Finland, Germany, Greece and Luxembourg. Meanwhile, television, radio, cinema and outdoor advertising have experienced stagnation or only very modest progress.

TV advertising resists but still stagnates

The annual average growth rate of TV advertising reached 2.1% in nominal value between 2009 and 2018, but only 0.6% discounting inflation. Beyond the economic climate, several factors have affected the market: Internet is increasingly becoming a video medium; television viewing time is no longer growing and is even decreasing among young viewers; the proliferation of TV channels has led to competition over advertising tariffs and has increased the market power of advertisers; subscription video on demand (SVOD) services account for an increasing share of time spent watching video.

At the European level, television's share of advertising remained relatively stable at 30% in 2018 vs 32% in 2009. In 18 of the 35 European countries tracked television was still the leading advertising platform with over 70% ad market share in Bosnia and Herzegovina, Bulgaria, Cyprus and North Macedonia. Conversely, television captured less than 15% of the advertising market in Denmark and Luxembourg. Schematically, countries with higher advertising expenditures per capita are also those where television has a lower share of the advertising pie. And, conversely, television has captured a high share of advertising in countries with lower advertising per capita levels.

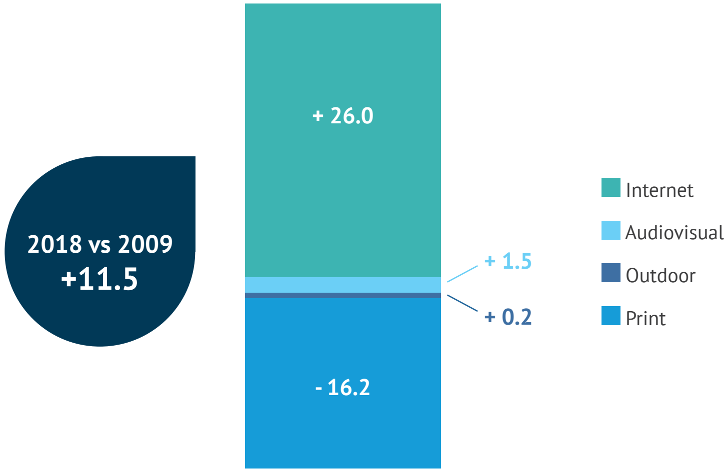
1 EU28+ Bosnia and Herzegovina, Switzerland, Georgia, North Macedonia, Norway, Russia and Turkey.

How much is ad spend growing?

+1.5% per year since 2009 in real value

Internet is primary beneficiary of market growth and losses in print advertising

2018 vs 2009 advertising expenditures in the EU28 (real value, bn EUR)



Source: European Audiovisual Observatory analysis of WARC data

4.9 Pay TV: A highly heterogeneous market

Central & Eastern Europe pay TV revenues on the fast track

Linear pay TV revenues saw growth pick up for the second year in a row at the European[1] level, to EUR 40 billion in 2018, disrupting the slowdown of the last decade. Central and Eastern European countries represented the fastest growing segment between 2014 and 2018, while Northern Europe was the only region to register a drop over the same period due to revenue decreases in Denmark, Sweden and Norway. Three markets alone accounted for a cumulative two thirds of the incremental pay TV revenue delivered between 2014 and 2018, namely Germany (43%), Russia (12%) and Italy (12%).[2]

Subscriptions drive pay TV market in Europe

Although slowing, subscriptions have continued to drive pay TV market growth over the five-year period analysed, reaching 201 million in Europe (CAGR +2.1%) and 143 million in the EU (CAGR +1.3%) by the end of 2018. Net additions were registered in 33 out of the 35 countries studied, and their contribution to the delivery of incremental revenues comprised 91% in Europe and 78% in the EU over the period analysed, with 45% of new subscriptions delivered by Russia alone.

Meanwhile, average revenue per user (ARPU) decreased in Europe (CAGR -0.8%) and stayed almost flat in the EU (CAGR +0.06%) between 2014 and 2018. Markets in which pay TV prices dropped fastest over this period were Spain, Turkey and Greece.

The uptake increase combined with lower or stagnating prices at the European level is only one scenario identifiable at the national level since each market is shaped by very specific conditions. In some countries, ARPU is increasing, thus inhibiting the adoption rate or causing churn.

IPTV takes the lion's share

Most of the increase (87%) in the number of pay TV subscriptions went to Internet protocol television (IPTV), the fastest growing distribution network between 2014 and 2018 (CAGR +8.4%). The roll-out of IPTV backed by triple-play offers was particularly dynamic in Georgia, Malta and Turkey over the five-year period analysed, while in absolute terms almost half of the new subscriptions cumulatively went to Russia, Spain and France.

The rise in IPTV probably happened primarily at the expense of cable which saw its market share drop four points during the period analysed (down to 40% in 2018). While the pay TV customer base was still led by cable in 2018, its evolution was flat (CAGR +0.1%) over the five years studied, with new digital subscribers starting only from 2016 to compensate for the erosion of analog.

With a market share of 31% in 2018, pay satellite TV subscriptions have nonetheless seen growth rates constantly decrease over the last decade. Pay digital terrestrial TV subscriptions have also continued to drop: market share sank to 2% at the end of 2018.

1 35 European countries covered by the European Audiovisual Observatory, for which data were available.

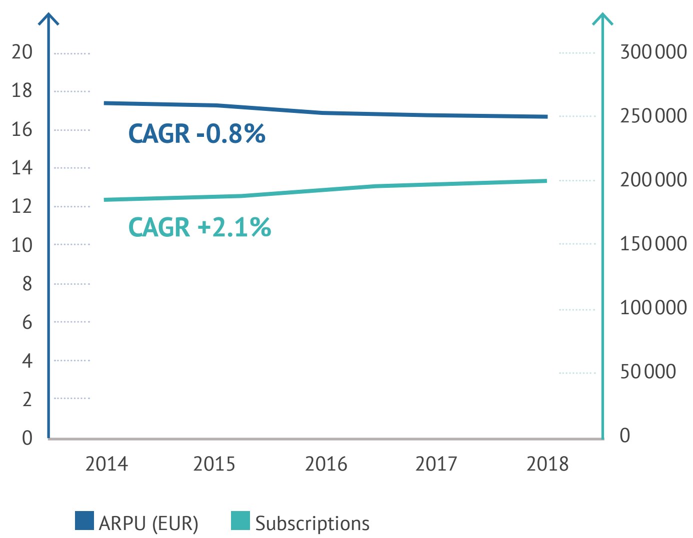
2 Variations in exchange rates may impact the figures.

Are pay TV revenues driven by subscriptions or ARPU?

Subscriptions

But the subscription growth rate is slowing

Pay TV subscriptions and ARPU evolution in Europe (2014-2018 – in thousands and EUR)



Source: European Audiovisual Observatory analysis of Ampere Analysis data

4.10 Pay services in Russia: the challenge to increasing revenues

Slow subscriber growth

At the end of 2018, 43.2 million subscribers were using pay TV services in Russia, a 3.1% increase over 2017.[1] Cable was the prime distributor of pay TV, with a 42% market share. Two thirds of cable customers subscribed to an analogue service, with digital subscriptions increasing by 5% in 2018 and analogue subscriptions decreasing by 1.8%. Satellite followed with a 40% market share, growing in line with the overall market, by 2.8%. IPTV captured 19% of subscribers but grew faster in 2018 (9.6%). The five main providers of pay TV services were Tricolor, Rostelecom, ER-Telecom, MTS and Orion Express.

A need to increase ARPU with on-demand services

The 2018 basic pay TV revenue market was estimated at RUB 95.3 bn (EUR 1.29 bn) with a 2018 year-on-year growth of 14.2%. Average revenue per user (ARPU) in Russia is one of the lowest not just in Europe but also in the Commonwealth of Independent States (CIS). A primary objective of all Russian pay TV operators is, then, to increase revenue per subscriber. Considering the stagnation of the subscriber base size and external threats, there are only two ways of doing this: raising the basic service fee; or increasing the number of subscribers to additional paid services. As a result, average revenue per user for basic pay TV services grew by 10% in 2018, to RUB 182/ month (EUR 2.3/month).

Among additional pay services, all pay TV operators have introduced VOD services that combine VOD libraries and streaming broadcasting channels and are also available to subscribers of other operators. The total revenues of operator VOD services in 2018 totalled RUB 2.46 bn (EUR 33.18 bn), an increase of 35% over the previous year.

Russian players lead the SVOD market

Subscription video on demand (SVOD) services account for a comparatively low share (24%) of the on-demand market in Russia, led by advertising-funded services. The share of SVOD is expected to grow rapidly in the next few years. The major SVOD market players are: the so-called 'online cinemas' (e.g. pure players, live ivi+, Okko); the SVOD services of TV broadcasters (e.g. THT, Dozhd, STS); and the pay TV operators' SVOD services (e.g. Rostelecom's Fandom, Megafon's Amediateka). Russian groups lead the SVOD market with an estimated market share of 28.1% for ivi, 21% for Okko and 12% for Amediateka. The combined market share of global SVOD players Netflix and Amazon is estimated at less than 20%.[2]

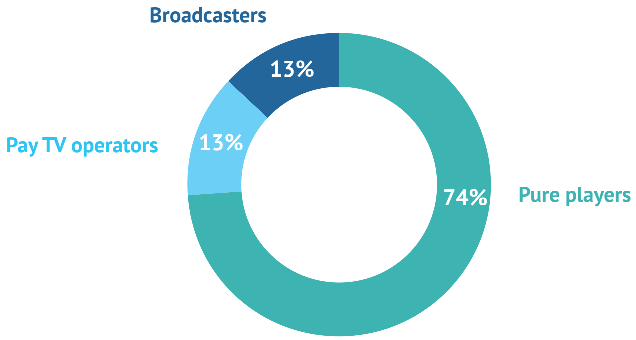
1 All figures quoted in this text are from J'Son & Partners Consulting except when indicated otherwise.
2 Source : Ampere Analysis.

Who leads the SVOD market in Russia?

ivi and Okko

with a 49% market share in 2018
Pure players have captured the bulk of the Russian SVOD market

SVOD revenues in Russia by category of operator (2018)



Source: European Audiovisual Observatory analysis of J'Son & Partners Consulting data

4.11 On-demand services: Continued growth in SVOD market; AVOD services on the rise

SVOD services still the main growth driver in the audiovisual market

In 2018, subscription video on demand (SVOD) revenues remained the main growth driver of the EU audiovisual market, representing 82% (EUR 1.55 billion) of total revenue growth (EUR 1.87 billion).

As new international services enter the European market (The Walt Disney Company's Disney +; Apple's TV+; Warner-Media's HBO Max[upcoming]), and European media groups launch their own services (ProSiebenSat.1/Discovery Inc.'s Joyn in Germany; BBC Studios and ITV plc's Britbox in the United Kingdom), SVOD services are expected to continue to increase in significance within the European audiovisual services market, and to pose a challenge to traditional media business models.

Furthermore, distribution deals between the main SVOD services, like Netflix and Amazon, and major telecommunication and pay TV providers, like Sky or Orange, are enlarging the addressable market and the penetration into households for SVOD services.

Generalisation of direct-to-consumer over the top services by media groups

The rapid rise of SVOD services and the increasing number of subscribers they can attract have triggered a generalisation of the direct-to-consumer business model, by which studios, media groups and content producers aim to establish a direct link with their viewers and subscribers.

Not only can they bypass traditional intermediaries through over the top distribution, they are now also able to collect valuable data on the behaviour of their audience – a major competitive advantage for tech companies over traditional media players, which have not had access to such data.

Heavy content investments to draw subscribers

With the increased competition for subscribers and eyeballs, players in the audiovisual sector are investing heavily in content, be it original content or licensing. Recent years have seen mega-deals for exclusive rights to valuable TV series such as *Friends* or *The Office*, and an increase in the investments in original content. In the age of peak TV (more than 532 TV shows produced in the US alone in 2019), it is important to be able to recommend the right TV show or film to each subscriber – recommendation tools and content editorialisation done right will be a major advantage in the battle to gain and keep subscribers.

Advertising-financed services as an alternative to SVOD services in a crowded market?

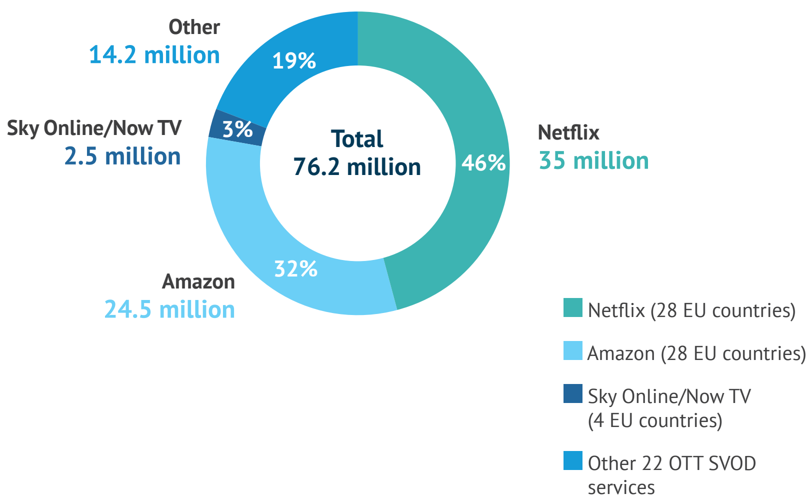
Consumer spending on media services is limited, and as the number of SVOD services increases, subscription fatigue looms. Ad-based video on demand (AVOD) services may be an alternative for several media companies, as the acquisition of Pluto TV by ViacomCBS demonstrates. AVOD revenues, which remain quite low, are expected to grow quickly in the coming years, as content offerings are enlarged, and AVOD services are expected to follow the lead of their bigger SVOD cousins by starting to roll out internationally.

Who are the main SVOD players by subscribers in the EU?

Netflix and Amazon

are the leading players, operating in every EU country

Leading OTT SVOD services in the EU by subscribers (2018 – in million subscribers)



Source: Ampere Analysis

4.12 Europe is not cord-cutting across the board

This chapter is based on the main findings of the "Pay AV services in Europe: The state of play" report published by the European Audiovisual Observatory in June 2019.

SVOD captures most pay AV services revenue growth

Growing faster than other segments, pay AV services (pay TV and subscription video on demand [SVOD]) drove AV services market revenues in Europe[1] between 2008 and 2017 (CAGR +5.2%, up to EUR 43 billion), with a 40% lion's share at the end of 2017; pay TV represented 90% and SVOD the remaining 10%.

SVOD contributed to more than half (54%) of the EUR 7 billion pay AV services incremental revenues delivered between 2013 and 2017 in Europe. The surge of SVOD revenues (CAGR +74%), growing much faster than pay TV (CAGR +2.2%) over this period, translated into an overall subscriptions uptake (CAGR +8.5%) but weighed (CAGR -3.3%) on average revenue per user (ARPU). This did not, however, cause a significant slowdown in pay AV services revenues. While pay TV subscriptions growth slowed over the period studied, both pay TV and SVOD revenue growth was driven by uptake rather than by ARPU.

The Central and Eastern Europe region registered the fastest pay TV revenue growth rate (CAGR +5.4%) between 2013 and 2017, mainly due to Russia. SVOD revenues registered the highest market share in Northern Europe (17% at regional level) at the end of 2017.

Cord-cutting depends primarily on local market conditions

The slowdown in pay TV subscription growth registered at the European level was not always identified at country level and did not always coincide with an SVOD surge. Each national market has been, and is still, shaped by very specific conditions, often exogenous to the pay audiovisual services, including purchasing power, supply of free services, penetration and performance of broadband access and, obviously, regulation. These realities generate a strong granularity of pay AV service market strategies and make for a very different picture from one country to another as well as from one player to another, as regards both pay TV and SVOD uptakes and market shares.

Cord-cutting is thus but one of several pay AV service market realities in Europe. It was mostly observed in premium and high-penetration pay TV markets mainly in Northern Europe, where SVOD already claims a significant share of the market. In this type of market, pay TV operators tend to prioritise the protection and growth of ARPU for high-end customers rather than invest in retention products by dumping prices and benefits. This approach has generated pay TV base erosion in the face of the SVOD expansion, also referred to as cord-cutting. Other strategies related to different market conditions saw pay TV operators capitalising on relatively low pay TV penetration rates by boosting adoption at the expense of ARPU, or pay TV operators able to concentrate on upselling as well as on expanding uptake without putting pressure on prices.

1 34 European countries covered by the European Audiovisual Observatory, for which data were available.

Is pay TV losing subscribers to SVOD across Europe?

No

The pay TV – SVOD switch has only happened in specific national European markets

Main European country groups by pay TV - SVOD dynamics

The SWITCHERS

- Northern Europe & UK
- Premium pay TV
- High SVOD market share
- High pay TV price
- High pay TV penetration

The PRICE-WARRIORS

- Western & Southern Europe
- Premium pay TV
- High SVOD market share
- High pay TV ARPU
- Low pay TV penetration

The WINNERS

- Central & Eastern Europe
- Pay TV in premiumisation phase
- Low SVOD market share
- Low pay TV ARPU
- High/Low pay TV penetration

Source: European Audiovisual Observatory

4.13 Artificial intelligence in the AV sector

Whenever there is talk of artificial intelligence these days (and there is lots of it), it is all hype and hyperbole. Indeed, AI's potential is awe-inspiring. From medicine and economics, to transportation and energy, the practical applications are seemingly limitless. Obviously, as with any other technical development, AI is not without risk. AI also has a dark side, and there are well-respected voices in the tech industry raising doubts - which they often overstate. To name just one of the most famous ones, the late theoretical physicist Stephen Hawkins said that "success in creating AI would be the biggest event in human history. Unfortunately, it might also be the last, unless we learn how to avoid the risks."[1]

But what is AI? It is certainly not the dystopian vision served up by Hollywood in films, from *2001, Space Odyssey* to *Blade Runner* or *Terminator*. Not yet, at least. In the end, AI is mostly computers being computers, software code gulping tons of data and using all this raw information according to predefined instructions.

In the audiovisual industry, as in other sectors, the increasing use of AI is likely to herald a change of paradigm, as it may transform the entire value chain, from content production and programming to advertising. Consumer expectations and behaviours may also shift, due to the abundance of offers and devices, and the personalisation of content.

Regarding the dark side of AI, there are several legal issues raised by the introduction of AI in the production and distribution of information: AI can contribute to the proliferation of fake news, and it raises issues of users' right to information, media diversity and pluralism, and data protection. Legal issues also arise through the use of AI in the production and distribution of works of fiction. If a machine can create works of art and literature, can it be a holder of copyrights too? What are the legal issues raised by the introduction of AI-generated virtual actors? Will algorithms decide for us what we should watch, to the detriment of cultural diversity?

These issues may seem imaginary, but some of them are already very real. News personalisation and recommendation algorithms need no presentation anymore. Deepfakes appear to be here to stay. And whereas no computer has yet supplanted a scriptwriter, the possibilities offered by AI to introduce virtual actors in a film are the talk of the day: think about the de-aging procedure applied to the main characters in Martin Scorsese's *The Irishman*, or Peter Cushing's moment of post-mortem glory in *Star Wars: Rogue One*, just to cite two recent examples.

As intelligent machines increasingly take over jobs originally performed by humans, actual rules must be devised so that, in the words of Isaac Asimov, "AI does not harm humanity, or, by inaction, allows humanity to come to harm". AI has become an item at international fora such as UNESCO and the Council of Europe, and the European Commission has also jumped on the bandwagon. Although regulatory measures are still in their infancy , it is to be expected that as technology evolves, so too will legislation.

1 https://dzone.com/articles/top-10-artificial-intelligence-quotes-that-will-in

> *"Success in creating AI would be the biggest event in human history. Unfortunately, it might also be the last, unless we learn how to avoid the risks."*
>
> *Stephen Hawking*

5 PLAYERS

5.1 Worldwide audiovisual leaders topped by US

US groups accounted for 70% of the top 50 audiovisual groups' revenues in 2018

Analysis of the world's top 50 audiovisual groups[1] clearly shows the predominance of the US-based companies, which account for about 70% of the top 50 groups' cumulated revenues, a share that has on the whole stabilised in recent years. Groups from Japan and Europe accounted for about 12% and 11%, respectively. China's share remains small but has more than doubled since 2013 (5% in 2018), with companies present in particular in the video games segment. Other countries represented in the top 50 are Mexico (Televisa), Brazil (Globo) and South Africa (Multichoice).

Consolidation under way

Among the top 50 audiovisual groups there is a trend towards consolidation as fuel for growth. Cumulated revenue growth of 12% annually, on average, has increasingly been concentrated around a handful of top 50 groups: the share of the top 5 and top 10 companies increased from 32% in 2013 to 38% in 2018, and from 50% to 56%, respectively. And this does not take into account certain market moves such as the late-2018 acquisition of Sky by Comcast and of 20th Century Fox by The Walt Disney Company – a consolidatory trend already illustrated by the merger of AT&T and Time Warner as well as Charterhouse and Time Warner Cable. A CBS-Viacom merger will likely be confirmed in 2019.

New entrants and legacy players, vertically integrated and content-focused groups

The five audiovisual leaders exemplify the complexity of the sector's ecosystem. Comcast and AT&T are originally network operators and distribution companies which integrated the production of content (Universal for Comcast, Warner for AT&T). The Walt Disney Company is focused on the production of content and on TV and on-demand channels. Sony and Apple, originally consumer electronics manufacturers, have invested in the production and/or distribution of film and TV content, music and video games.

Other recent entrants into the audiovisual sector include groups such as Microsoft (mainly video games), Netflix (now ranks 11th), Tencent, Google, Netease, iQIYI and Alibaba.[2]

Public groups strongly represented among European leaders

A total of 10 Europe-based groups are among the top 50 audiovisual groups worldwide. Of the 10, six are private (Vivendi, RTL Group, ProSiebenSat.1, ITV, Cineworld and Mediaset) and four are public (ARD, BBC, France Télévisions, RAI). The strong public media presence may be regarded as a European specificity – the only other public service media group in the top 50 is Japan's NHK. Out of the 10 Europe-based groups, three are based in Germany, three in the United Kingdom, two in France and two in Italy. All of the European players in the top 50 are, notably, legacy groups, historically active in the television or music segments.

1 Audiovisual is approached here in the broader sense of the word, i.e. including music and video games.

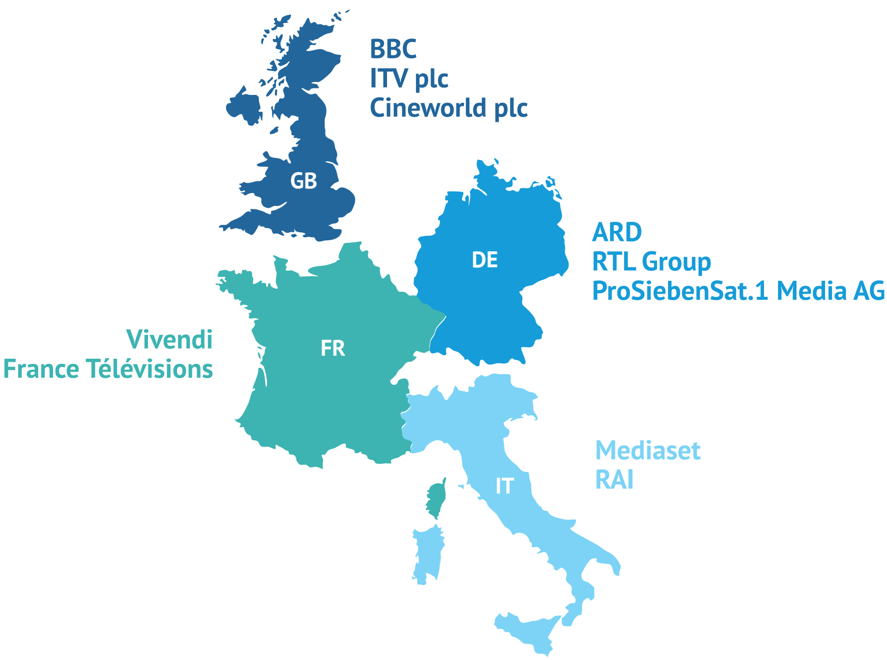
2 Please note that data on the audiovisual revenues of some groups are not available (e.g. Amazon) or are estimates (e.g. Google).

How many European companies are among the 50 major audiovisual groups?

10

6 are private and 4 are public

European companies among the top 50 audiovisual leaders worldwide (2018)



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus and annual reports data

5.2 Top 100 Europe: Sustained growth driven by US-based groups

Top 100 European audiovisual groups' revenues growing at above-market pace

In 2018, the cumulated revenues of the top 100 audiovisual groups active in Europe[1] were EUR 113 bn. It may be estimated that these 100 companies represented about 88% of the total audiovisual market (EUR 129 bn).[2] Between 2013 and 2018 their revenues increased, on average, by 5.9% per year, much faster than the market as a whole (1.6%), due to a series of factors:

- A surge of new SVOD players: Netflix is estimated to rank 6th and Amazon 21st among the top 100 groups active in Europe.
- Mergers and acquisitions (e.g. the acquisition of Scripps Networks – including its Polish properties – and of Eurosport by Discovery; the merger of Sky's activities in the United Kingdom, Germany and Italy prior to its takeover by Comcast).
- The development of IPTV and concomitant integration of telecommunications operators (alongside cable operations) in the top 100 on the TV distribution front.

Concentration among the top 100 companies has, however, remained comparatively stable since 2013, with the top 10 accounting for about half of revenues.

Private groups account for 68% of the top 100 revenues

In 2018, the top 100 groups active in Europe comprised 57 private and 43 public companies, representing 68% and 32% of cumulated revenues, respectively. The revenues of the public companies have increased at a significantly lower pace since 2013 (0.5% annually) than those of the private groups' (9.3% annually) because public companies are not participating in the consolidation of the sector.

Steady increase of US-based groups' share of the European market

Groups based in the United Kingdom (Sky, BBC, ITV in the top 10), Germany (ARD, RTL Group, ProSiebenSat.1) and France (Groupe Canal Plus, France Télévisions) account for 62% of top 100 cumulated revenues.

A different perspective emerges when the focus is on the country or region of origin of the groups' ultimate owners. In 2018, US-based companies controlled about 25% of cumulated revenues of the top 100 audiovisual groups active in Europe, up from 15% in 2013. The figures are of course higher when only private groups are considered: 37% in 2018, up from 25% in 2013. But most of this share is accounted for by the Comcast ownership of pay TV operator Sky. Other US groups with significant assets in Europe include Netflix, Discovery, Warner Media (AT&T), Viacom, Amazon, and the Walt Disney Company.[3]

1 Data available for the European Union + Bosnia and Herzegovina, Georgia, Iceland, Montenegro, North Macedonia, Norway, Russia, Switzerland and Turkey.

2 This figure is only an estimate as 1) revenues from the top 100 groups may include a share of revenues generated outside Europe and 2) revenues can include double-counts, i.e. between a TV channel and a TV distributor.

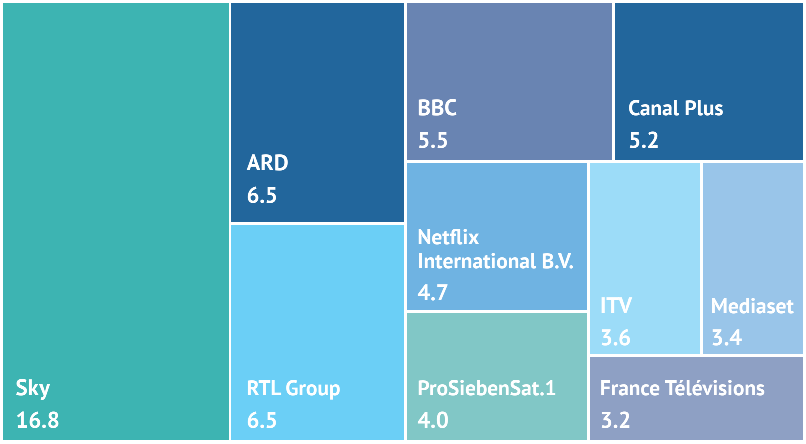
3 Please note that only revenues generated by audiovisual services are considered in these figures. Sales of films or TV programmes by US studios to European audiovisual services are not and cannot be included.

Which is the leading audiovisual group in Europe?

Sky

Sky's revenues are 2.5 times higher than the revenues of the 2 following groups (ARD and RTL Group)

Top 10 audiovisual groups active in Europe (2018 revenues, bn EUR)



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus and annual reports data

5.3 Public broadcasters under pressure

Different trends in viewing shares

The weight of public service broadcasting (PSB) groups in national audience markets is in decline. From 2013 to 2018, the average audience market share of European[1] PSBs contracted by 4 percent and stagnated at 0.2% in the EU28.

Irrespective of their audience share, PSBs, just like their commercial competitors, face increasing audience fragmentation due to the multiplication of digital television channels. Changing audience tastes fostered by increased consumption of video content on streaming platforms pose additional challenges to viewing share retention.

Differences in levels of funding are a key factor explaining why European PSB audience shares in 2018 ranged from below 5% to more than 70%, with a notable gap between Nordic countries and some Baltic and Eastern European states.

Pressure on public service broadcaster revenues

In 2018, the total operating revenues of PSBs in the 38 European Audiovisual Observatory (EAO) countries for which data were available, were EUR 35.84 billion. The EU28 organisations accounted for 93% of this total income (33.18 billion). The largest budgets in 2018 were those of PSBs in Germany (28% of total revenues in the EU28), the UK (20%) and France (14%). Together, they accounted for 63% of total PSB revenues in the EU28, a combined EUR 20.80 billion.

For the third year running, inflation in 2018 outpaced a moderate average PSB annual revenue increase of 0.9% in the EU28 member states (an increase of EUR 280.42 million) and those in the EAO countries (0.2%; an increase of EUR 36.47 million). Excluding Germany, there was zero annual growth in the EU28 and a decrease of -0.9% in the EAO markets.

On a country level, in more than half of the EAO countries, the PSBs revenues increased less than inflation between 2017 and 2018 or actually decreased. PSBs in Malta, Turkey and Bulgaria experienced the most significant declines in annual revenues.

PSB revenues varied strongly between countries, not only in absolute terms, but also per household: for example, the per-inhabitant revenue of SSR-SRG (Switzerland) was EUR 170.6 in 2017, closely followed by Denmark's DR (EUR 168.5). This compared to EUR 4.0 in Georgia and EUR 9.1 in Romania, the latter holding the lowest EU rate for per-inhabitant revenue.

Both pressure on public funding and the advertising crisis explain this stagnation (a downward trend in real terms), as PSBs generally rely on these two resources, although to varying degrees: on average in the EU28 public funding accounted for 77.8% of PSB resources in 2018 (78.3% in the 38 EAO countries) but the share varied between more than 95% in Finland, Luxembourg, Sweden and Norway, and less than 50% in Poland and Malta.

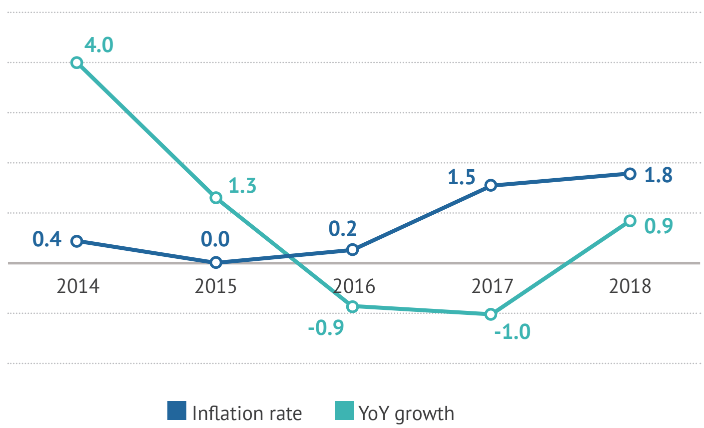
1 Includes EU (without Luxembourg and Malta) and Armenia, Bosnia and Herzegovina, Switzerland, Georgia, Iceland, North Macedonia, Norway, and Turkey.

What was the annual growth of PSB operating revenues in the EU28 in 2018?

0.9%

Well below the 2018 average harmonised inflation rate of 1.8%

Average annual revenue growth of public service broadcasters and average harmonised inflation by year in the EU28 (2014-2018 – in %)



Source: European Audiovisual Observatory analysis of EBU/MIS and company reports data, GLANCE audience data and Eurostat data.

Note: The introduction of a household-based licensing system in Germany in 2013 and the resulting additional revenues explain the 2014 peak in EU28 average annual revenue growth.

5.4 Production: European consolidation driven by TV content

Over 500 companies active in European high-end fiction series between 2015 and 2018

The Walt Disney Company's acquisition of 20th Century Fox is but the most recent illustration of the race for scale in the production of content. Beyond the Hollywood studios, other groups are also building up, following a consolidation path mainly driven by the production of TV content. Among the most significant are European-based companies.

Ranking the main production companies active in Europe by revenue is no simple task, as many of them combine production, distribution, broadcasting and technical service activities and others are active beyond Europe. However, the top 10 list indicates that the production leaders in Europe are primarily TV production companies that are either subsidiaries of large broadcasting groups (e.g. Red Arrow Studios [ProSiebenSat.1]), or independent groups with no or limited activities in the field of broadcasting.

Additional information is offered by analysis of high-end fiction series showing that a total of 546 production companies or groups were active in the production of European 2-13 episode fiction series between 2015 and 2018. Among them, only 10% were active in each of the four years and the top 20 accounted for about 40% of all titles.[1]

Independent groups and broadcaster subsidiaries

Here again, the ranking of high-end fiction series producers includes: subsidiaries of broadcasting groups producing mainly for themselves (ARD; BBC Studios) or also for other broadcasters (ITV Studios, RTL Group [Fremantle], Vivendi [StudioCanal], TF1 [Newen]); independent European production companies with no or limited broadcasting activities (e.g. Banijay[2] - EndemolShine,[3] Mediawan, Lagardère, Tele München Group,[4] Neue Deutsche Filmgesellschaft, JLA Productions); and subsidiaries of US companies (e.g. Discovery [All3Media], Warner Media).

Significant internationalisation

The level of internationalisation of these leading groups is already significant: between 2015 and 2018 Warner Media produced high-end fiction series in 10 different European countries and Banijay in 10 countries. ITV produced more hours outside than inside the United Kingdom, and RTL Group more hours outside than inside Germany. EndemolShine's major market, the United Kingdom, accounted for only 36% of high-end fiction series hours; Vivendi produced more in Spain and in the United Kingdom than in France.

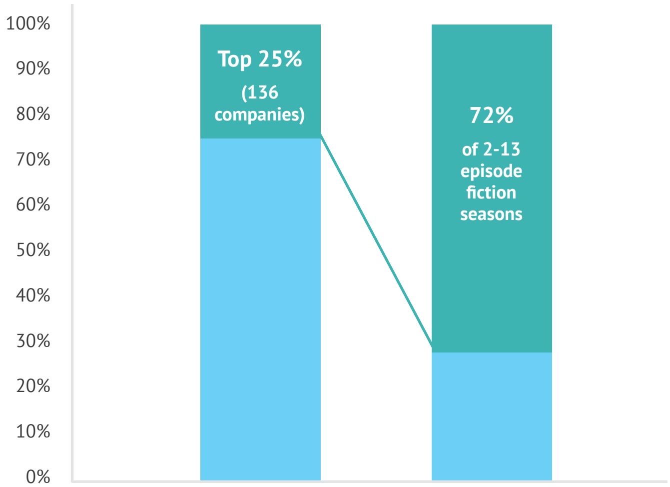
1 Counting each TV series season as a title.
2 Vivendi holds a 26% stake in Banijay.
3 The acquisition of EndemolShine by Banijay was announced in October 2019.
4 Acquired by investment firm KKR in February 2019.

How many production groups are active in the production of high-end fiction series in Europe?

536 between 2015 and 2018

Top 25% accounted for 72% of all seasons

Share of top 25% production groups among 2-13 episodes European fiction series (2015-2018)



Source: European Audiovisual Observatory analysis of Plurimedia data

5.5 Overview of the EU's efforts to tackle disinformation in 2019

Responding to the rise of disinformation on the Internet in recent years, the European Commission has sought to concretely address the phenomenon. Its strategy is focused on engaging member states and EU institutions in joint efforts to ensure time and resource efficiency along with greater stakeholder involvement.

The Rapid Alert System

In March 2019, the Rapid Alert System (RAS) was launched as part of the EU's Action Plan against disinformation. It was set up among EU institutions and member states as a platform for better cooperation in tackling disinformation, to share data and insights, and to enable coordinated responses to rising challenges, threats and coordinated attempts to hinder democracy by foreign actors. It provides real-time alerts on disinformation campaigns through a specifically dedicated infrastructure, to ultimately flag serious cases to online platforms.

RAS is based on open-source information and involves academics, fact-checkers, online platforms and international partners. It comprises a network of national contact points, designated by each member state, to oversee the governments' participation in sharing information.

In addition to internal cooperation with EU structures, such as the European External Action Service, there is also room for regular exchanges with international key partners including the G7 and NATO. In cases where disinformation would affect political elections or the functioning of democratic institutions, national contact points should closely cooperate with the national election networks and with the European cooperation election network, to tackle potential threats and support the possible application of sanctions.

The Code of Practice on Disinformation

In October 2019, the European Commission published an annual self-assessment report by signatory companies on the implementation and effectiveness of the measures foreseen by a Code of Practice on Disinformation adopted in 2018 as a non-binding agreement between several major tech companies and various trade associations, in order to identify relevant actions to address the challenges raised by disinformation online. Its implementation is monitored by the EU Commission, with assistance from the European Regulators Group for Audiovisual Media Services (ERGA) and other contributions. A first assessment will be presented in early 2020, potentially leading to further regulatory measures.

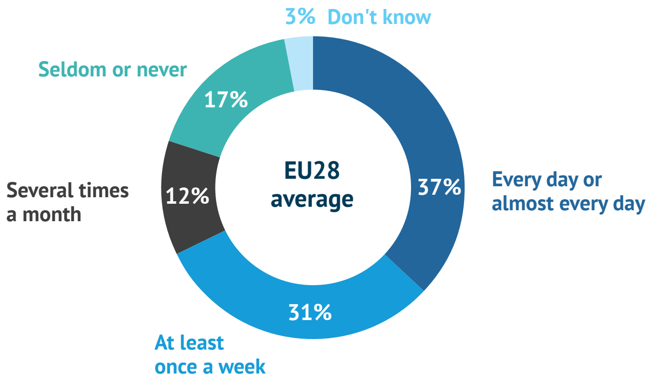
The Code has offered greater transparency in the platforms' policies on disinformation and reinforced cooperation between platforms and other stakeholders (fact-checkers, researchers, civil society and national authorities). Reported actions have helped identify certain areas where actions need to be improved, including consumer empowerment and consistency in the provision of data and search tools to match research needs.

How often are European citizens confronted with misrepresentative or false news?

Once a day for 37% of citizens

And at least once a week for another 31%

"How often do you come across news of information that you believe misrepresent reality or is even false?"

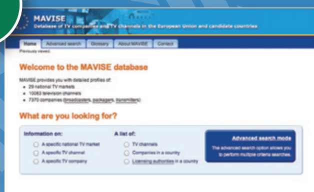


Source: Eurobarometer survey on Fake news and disinformation online, European Commission, 2018

Free access

4 Databases

1



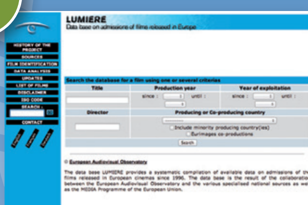
MAVISE

Database on television and audiovisual services and companies in Europe

More than 11 000 television channels, 3 000 on-demand audiovisual services and 8 000 companies.

http://mavise.obs.coe.int/

2



LUMIERE

Database on film admissions in Europe

More than 60 000 films, including co-productions.

http://lumiere.obs.coe.int

3

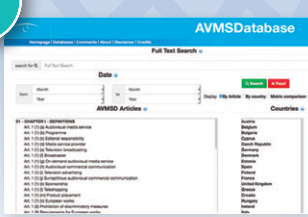
IRIS MERLIN

Database on legal issues of the audiovisual industry in Europe

More than 8 500 articles and references to more than 8 600 source documents.

http://merlin.obs.coe.int

4



AVMS

Database on the transposition of the AVMS Directive into national legislation

More than 2 300 articles covering the 28 member states of the EU.

http://avmsd.obs.coe.int

European Audiovisual Observatory

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European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 41 member states and the European Union, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partners and professional organisations from within the industry and with a network of correspondents.

Major activities of the Observatory are

• the online-Yearbook, the online service for data and analysis on television, cinema, VOD and home video in 40 countries
www.yearbook.obs.coe.int

• the publication of newsletters and reports
www.obs.coe.int/publications

• the provision of information through the Observatory's Internet site
www.obs.coe.int

• contributions to conferences
www.obs.coe.int/events

The Observatory also makes available free online databases:

LUMIERE
Database on admissions to films released in Europe
www.lumiere.obs.coe.int

MAVISE
Database on TV and on-demand audiovisual services and companies in Europe
www.mavise.obs.coe.int

IRIS Merlin
Database on legal information relevant to the audiovisual sector in Europe
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