



## MEDIA AND ENTERTAINMENT SECTOR REPORT

**GROWTH IN STREAMING SERVICES CONTINUED IN 2024 (UP 12.5%),  
WITH SUBSCRIPTIONS NOW EXCEEDING THOSE FOR PAY TV  
REACHING 20.4% OF TOTAL REVENUES**

**CONSOLIDATED PODIUM IN ITALY: RAI LEADS THE WAY IN TERMS OF REVENUES,  
FOLLOWED BY SKY AND MEDIASET  
SUBSCRIPTIONS TO STREAMING SERVICES ROSE BY 9.2% IN 2023**

**AGGREGATE REVENUES EXPECTED TO INCREASE BY 2% IN 2024**

Milan, 23 July 2024

The **Mediobanca Research Area** has presented the new version of its **media and entertainment report, with analysis of the sector at global and Italian level**. The report analyses the 2019-24 performances of the leading Italian media and entertainment groups and the 21 leading sector players worldwide, **nine** of which are based in the **United States**, **ten** in **Europe**, and **one** each in **Japan and South Africa**. The report also contains a **comparison between the largest European public television broadcasters**.

The full presentation is available for download from: [www.areastudimediobanca.com](http://www.areastudimediobanca.com).

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### The leading international M&E players

**In the first three months of 2024, total sales** posted by the leading international media and entertainment companies grew by **1.7%** versus the same period in 2023, representing a slowdown compared to the performance reported in the previous annual figures (up 2.0% in 2023-22). Growth in revenues generated from **streaming services** appears inexorable (**up 12.5%**), they now account for **20.4% of the aggregate turnover** for the sector, overtaking **traditional Pay TV** for the first time, whose share was stable at **20.1%** but down 3.2% vs 1Q 2023. Content production and distribution, the third business line with a share of 18.4% of the aggregate revenues, is the area that suffered most, with total sales down 8.1%, reflecting the consequences of the record strike action by actors and script-writers which lasted a total of 118 consecutive days at the studios of Hollywood (from May to September 2023).

There was a 2.4% increase in the number of **users of the leading streaming platforms** in 1Q 2024. **Netflix returned to first place** with nearly 270 million subscribers, equal to 26.9% of the aggregate S-Vod (subscription video on demand) market (up 3.6% vs end-December 2023). Netflix was followed by **Walt Disney**, with its three platforms (Disney+, Hulu, and ESPN+) which together have a total of almost 230 million subscribers, and **Amazon**, with over 200 million subscribers. These three were followed, some way behind, by **Warner Bros.**, **Discovery** (9.9%, with almost 100 million subscribers, up 3.3% vs end-December 2023), and **Paramount Global** (7.1%, with more than 70 million users, up 5.5%).

The process of contents being digitalized and distributed using the internet has led to the establishment of user models based on the concept of **"whenever, wherever and on any device"**. The increased use of high definition video contents via broadband has also led inevitably to the need to extend and modernize network infrastructure and expertise in terms

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of digital knowhow, which in turn has offered the internet and software giants an opportunity to gain further market shares. These issues emphasize the crucial role played by technology infrastructure, and raise questions about which stakeholders will be involved in financing the massive investments required.

In 2023, the **aggregate turnover** of the 21 **leading international private-sector operators** amounted to **€361.6.1bn** (up 2% on 2022), some 85% of which was generated by the US-based operators, seven of which were included in the top ten ranking by revenues headed by **Comcast** (€110bn). The top non-US company is **Vivendi (France)**, ranking seventh with revenues of €10.5bn, while the only other European company in the top ten is **RTL Group** of Luxembourg, which ranks ninth (€6.2bn).

In response to the relentless expansion in streaming services, the leading US operators were the first to launch a strong sector consolidation process, with six major combinations signed since 2018 (in addition to the planned merger between Paramount and Skydance approved in July 2024). The first signs of international expansion are also beginning to be seen in Europe, with different timescales and by different means: in April 2024 **Canal+ Group (Vivendi group)** launched a takeover bid for South African company **MultiChoice** (which ranked seventeenth, with 2023 revenues of €2.8bn), in which it already held a 45.2% stake. The **MFE** group (which ranked fifteenth, with €2.8bn in revenues), has acquired stakes in the voting rights of German company ProSiebenSat.1 (thirteenth, with revenues of €3.9bn), in different stages, to reach 28.87% of the voting rights, taking it close to the threshold that would trigger a compulsory takeover bid, that could lead to the future creation of a **pan-European group** in the entertainment and media contents industry.

In terms of **industrial profitability**, in 2023 the Ebit margin stood at 11.8%, 0.6 p.p. lower than in 2022; of the seven companies reporting above-average returns, four are based in the United States, while two are European (**DPG** of Belgium with 16.5%, and **TF1** of France with 11.9%), and one is South African **MultiChoice** (13.7%). The top three performers, in order, were **Netflix** with 20.6% (up 2.8 p.p.), **Comcast** with 19.2% (up 0.5 p.p.), and **AMC Networks** with 18.9% (up 0.3 p.p.). Four operators reported negative performances in 2023: **ViaPlay** of Sweden (minus 6.8%), US groups **Warner Bros. Discovery** (minus 2.1%) and **Paramount** (minus 1.9%), and German operator **ProSiebenSat.1** (minus 1.2%).

**Extending the analysis to cover the 2019-23**, the revenues posted by the giant private-sector television broadcasters increased on average by 3.2%, with the ongoing growth by the streaming platforms offsetting the slowdown in traditional TV services. The best performances were reported by UK-based OTT **Dazn**, with a CAGR of +28.9% and by US group **Netflix** (CAGR +13.7%), followed by **Sony Pictures** (CAGR +10.2%) and **Banjay Group** (CAGR +8.3%), both contents production and distribution groups. Six operators posted negative growth rates, four of which were European and two US-based, including **AMC Networks** which posted the worst result (CAGR -7.7%).

## The Italian radio and television broadcasting sector in 2023<sup>1</sup>

In 2023, the Italian radio and television broadcasting sector posted aggregate turnover of **€8.9bn** (up 1.6% on 2022), after last year almost matching its pre-Covid levels (2022 total revenues 0.1% lower than in 2019). All segments reflected the recovery: Free-to-air TV reported a 0.2% increase in revenues (to €4.8bn), Pay TV an increase of 3.0% (€3.4bn), and radio broadcasting a 4.9% increase (€0.6bn). Pay TV reflects conflicting trends, with traditional pay TV continuing to decline (down 4.9%), albeit more slowly than in previous years, while S-Vod services continue to post double-digit growth (up 10.4%). The percentage accounted for by streaming services has increased strongly, which now account for 53% of the aggregate pay

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1) Compiled by Mediobanca Research Area based on Agcom data.



TV sector revenues (€1.8bn), more than 38 p.p. higher than five years previously. The top three television operators (Rai, Sky and Mediaset) account for approx. 70% of the aggregate Italian television revenues, but continue to lose ground versus the online platforms, which in 2023 reached 20% of the sector turnover (nearly 13 p.p. higher than in 2019). Advertising revenues have risen by 2.0% since 2022; 1.2% in television and 7.1% in radio.

## The leading players in the Italian media and entertainment industry

**In 2023, the aggregate turnover posted by the ten leading Italian media and entertainment operators** was 1.6% higher than in 2022 (but 6.9% lower than in 2019), driven by the continuing expansion of the S-Vod segment (revenues up 9.2%) and the recovery by the **advertising** market (up 3.0%). Conversely, Pay TV services continue to underperform (revenues down 4.9%).

**The panel remains strongly concentrated**, with the top three television operators (Rai, Sky and Mediaset) accounting for 77% of the aggregate turnover. **Rai** ranked first of these companies by turnover in 2023, with revenues of €2.7bn, up 0.3% on 2022), followed by **Sky** with €2.1bn (up 2.3% on 2022) and **Mediaset** (€2.0bn, up 2.5%). The unprecedented growth by the online platforms continues, which are now also active in the advertising market through the launch of ad-supported subscription plans, with **Netflix** recording turnover of €616m in 2022 (most recent available data), on the back of its more than 5 million subscribers.

Despite the increasingly fiercely competitive scenario due to the ongoing changes in technology and growing product and service offering, the sector shows relative stability in terms of employment levels for 2023 (down just 0.9%). The reduction in headcount is more pronounced compared to the pre-Covid period, mainly due to the gradual switch between linear TV business and the increasing offering in terms of streaming services, which are less labour-intensive than the former.

The aggregate Ebit margin is still in negative territory at -1.4% in 2023, but reflects strong improvement on 2022 (up 4.0 p.p.). The leading operators' unsatisfactory returns are a direct consequence of OTTs such as Netflix and Dazn entering the sector.

**For FY 2024, the aggregate revenues of the leading Italian sector operators are expected to grow by 2%**, because of the expected recovery in the advertising market (which is expected to increase by 5% in the twelve months), driven primarily by the major sports events that will take place during the year (in football the European Championships, plus the Olympics), the increasing growth of ad-supported subscription programmes, and the increase in streaming service subscriptions, albeit slower than in the past.

As the S-Vod segment becomes more and more competitive and nears saturation, in view, among other things, of the reduction in average consumer's purchasing power, competition will also increase in terms of the offerings of A-Vod (Advertising Video on Demand) and Subscription Ad-Supported (a hybrid between S-Vod and A-Vod) services. A slowdown in pay subscriptions is to be expected in the near future.

## The European television market and the licence fee

The **German** national public radio and television broadcasting service has the highest revenues in the European panorama, totalling €9.6bn, equal to three times the amount generated by its Italian counterpart (€2.7bn). Second place goes to the **United Kingdom** with €7.9bn, while **France** ranks third with €3.9bn. In 2022 Italy ranked third in terms of revenue growth (up 1.2% on 2021), behind only the United Kingdom (up 5.7%) and Germany (up 2.6%).

**Rai in Italy also impressed at the level of industrial profitability:** in 2022 the Italian public TV operator reported an Ebit margin of 2.5% (1.1 p.p. lower than in 2021), ahead of the 1.7% reported by its counterpart in Spain, whereas the French and UK national public broadcasters both returned negative performances (Ebit margins of minus 1.5% and minus 2.4% respectively).

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Analysing the leading European public issuers' revenues, one factor that emerges very clearly is how low the percentage accounted for by the licence fee is for Italy, while another is the importance that the production of original contents has for the United Kingdom (generating over 20% of its total revenues).

**Licence fees: Italy has the lowest per capita licence fee** among the leading European countries, and below the European average (€0.25 a day per person, compared with an average of €0.34). The fees are much more expensive for licence fee payers in Germany (€0.60 a day) and the United Kingdom (€0.51). The process of abolishing the licence fee is continuing across Europe, with only ten countries collecting the licence fee in 2022, 37% of total EU countries (it was about 50% in 2019); the most recent nation to abolish the licence fee was France in 2023.

In 2023 Rai collected just €77.8 of the €90 licence fee, or 86%, which again was below the European average of 90.5%. The licence fee has been reduced to €70 for 2024, of which Rai expects to collect 83.7% (approx. €58.6). To offset the reduction, the Italian budget law for 2024 (Italian law no. 213 of 30 December 2023) provided for a one-off grant for a net amount of €413m to the public broadcaster.

The changes in the ways by which contents are consumed based on a multi-device approach will have to be reflected in changes in the assumptions on which the licence fee is charged, given that in Italy the licence fee is still mandatory for owners of television sets.