Industry Top Trends Update

Media and Entertainment

Hit hard by COVID with a long road to recovery

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What's changed post-COVID?

Out-of-home (OOH) entertainment is not available now. Lockdowns and social distancing have put all large gatherings on hold. As a result, companies managing live events like sports, trade shows, conferences, concerts, theaters, and cinemas are generating no earnings, while burning cash on high fixed costs.

Macroeconomic shock is curbing advertising. Demand for advertising has significantly reduced, affecting advertising-dependent companies, including TV broadcasters, print and digital publishers, radio, outdoor, and ad agencies.

Subscription businesses show resilience but are not completely immune. Streaming services, B2B online service providers, and professional data publishers operating via subscription-based business models were not severely hit, as most of their revenues are contracted. However, as some clients are asking for delays in payments, working capital and cash flows are affected.

What is the likely path to recovery?

A long way back for OOH entertainment. We expect recovery will be very slow with cinemas and trade shows returning to 2019 pre-COVID activity only toward end-2022 due to ongoing social distancing and consumers' health and safety concerns.

Uneven recovery in advertising. Digital advertising should be the first to recover, absorbing the pent-up demand from low activity during the pandemic. More traditional advertising media like television, print, and radio, will take longer. In outdoor advertising, demand for transport advertising will hinge on lockdown releases, while street furniture and billboards should bounce back faster.

Ratings will be under pressure as leverage spikes in 2020, before slowly reducing. Due to high cash burn and negative free cash flows in 2020, liquidity will be key for many companies. As a result, borrowing will significantly increase, including drawing on RCFs. From 2021, cash generation should start improving slowly but we expect leverage will remain elevated until 2022-2023.

What are the key risks around the baseline?

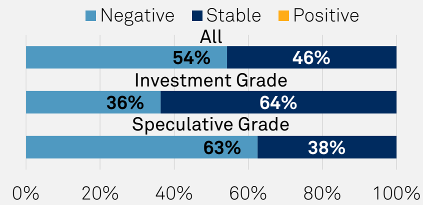
Second pandemic wave could delay recovery further. If a second wave happens later in summer or in autumn and lockdowns are imposed again, the recovery for OOH entertainment will be even later than 2023. Some businesses might not survive due to depletion of liquidity and an inability to refinance existing capital structures.

Longer term secular trends to accelerate. Negative trends in segments that already were in secular decline pre-COVID might accelerate, especially in print, radio, and TV-advertising, while digital advertising continues to strengthen.

Latest Related Research

- Cineworld Rating Affirmed At 'CCC+' And Removed From Watch Negative On Improving Liquidity; Outlook Stable, June 26, 2020
- Banijay Group SAS Ratings Lowered To 'B' From 'B+' On Weakening Metrics; Off Watch; Outlook Negative, June 11, 2020
- Television Francaise 1 'BBB+' Rating Affirmed On Expected Weaker Operating Performance, Higher Leverage; Outlook Stable, May 21, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	11	24	35
Downgrades	2	10	12
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Media and Entertainment	
COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
25% to 50%	40% to 60%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
20% to 30%	20% to 30%