Industry Top Trends Update

Media and Entertainment

Waiting for a post-COVID world

Naveen Sarma
New York
naveen.sarma@
spglobal.com
+1 212 438 7833

What's changed post-COVID?

Over half of rated media and entertainment companies are affected by the pandemic or economic recession. Since February, we have taken 84 rating actions on over 50 rated companies. Currently 55 companies have either negative outlooks or are on CreditWatch Negative.

Out-of-home (OOH) entertainment has taken the hardest hit. Social distancing measures and government-mandated closures have taken a serious toll on live events, theme park operators, film and TV studios, movie exhibitors, and travel-related trade show and conference operators.

Ad markets are weak. Media sectors dependent on ad revenues such as digital publishers, TV, radio, outdoor, and print-based media, are suffering more from the accompanying economic recession than the pandemic itself.

What is the likely path to recovery?

OOH entertainment. The pace of recovery may lag both the general economic recovery and the end of formal social distancing measures. Venue reopenings may vary by country and region. Still, consumers may be unwilling to return to these venues until a vaccine is available, and their behavior may permanently change following this pandemic.

Advertising-dependent sectors. While we see ad spending growing in the second half of 2020, the recovery will be uneven in timing and degree. Short-cycle media should recover the fastest. TV will benefit from political advertising as candidates increase TV spending, particularly if in-person rallies remain challenging.

Credit metrics may rebound but ratings may not. While revenues and credit metrics could generally return to 2019 levels by 2021-2022, the trends unleashed or accelerated by the pandemic may delay rating recoveries in many media sectors.

What are the key risks around the baseline?

Timing of return of major sports leagues. If major sports programming doesn't resume in September (in particular, the National Football League and major college football), national advertisers may slash their budgets, which would stall any advertising recovery.

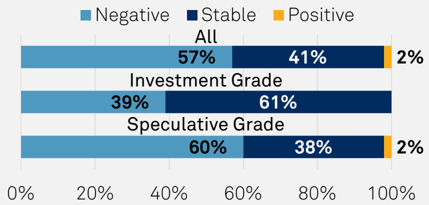
Consumer behavior towards OOH entertainment. Even when these venues and businesses do reopen, consumers may stay home until a vaccine or a reliable treatment are widely available.

Accelerating secular trends. Fragmenting audiences and shifts in advertising toward digital platforms may accelerate post-pandemic, increasing pressures on legacy media—in particular, television.

Latest Related Research

- Rebooting The U.S. Media Sector In A Post COVID-19 World, June 10, 2020
- Pandemic And Recession Deal Blows To Credit Metrics Of U.S. Media And Entertainment Industry, June 10, 2020
- The COVID-19 Fallout Is Squeezing U.S. Advertising Spending More Than Expected, May 21, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	13	83	96
Downgrades	2	33	35
Upgrades	0	3	3

Ratings data as of end-June, 2020

COVID-19 Heat Map

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

2020 Estimates v. 2019		
Revenue Decline	**EBITDA Decline**	**Incremental Borrowings**
10% to 15%	15% to 25%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	**EBITDA Decline**
0% to 10%	0% to 10%

Out-of-Home 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**
>50%	>60%	>10%

2021 Estimates v. 2019	
Revenue Decline	**EBITDA Decline**
20% to 30%	30% to 40%