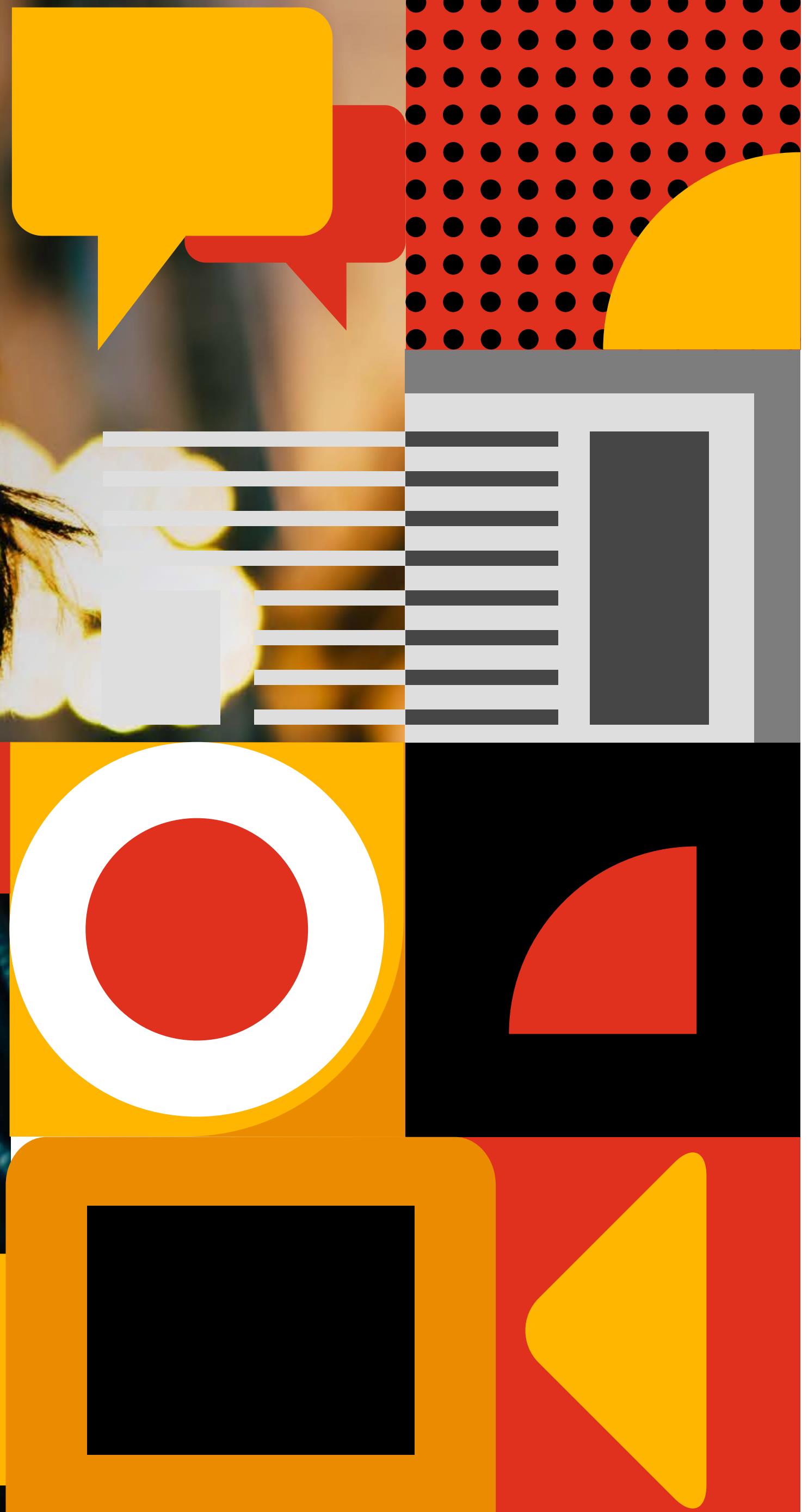




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Entertainment & Media Outlook in Italy

2022 - 2026





Executive Summary

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In line with the general Global trend, in 2021 the Italian economy rebounded from the depths of 2020 caused by the COVID-19 pandemic with a +6.6% GDP growth. Likewise, overall Entertainment and Media (E&M) revenues experienced a considerable +9.6% growth, peaking at over €34.3bn in 2021 and confirming its role as a solid contributor to the National economy.

Fewer and shorter lockdowns and social restrictions greatly helped the industry and allowed entertainment in-person events to retake their florid spot as one of the main sources of revenue, with the advertising sector leading the way. On the other hand, a lighter focus on coping with the pandemic crisis allowed the Italian government to once again deepen its attention towards social and welfare themes such as infrastructural investments and technological developments.

Moreover, private firms rode this wave and increased their investments in both company assets and products, trying to identify and leverage at their best the new trends emerging from this new landscape.

However, this picture does not tell the whole story. Since the beginning of 2022, the geopolitical conflict-based turmoil following the Russia-Ukraine conflict (and the China-Taiwan-US tension, although to a lesser extent) has been reshaping the landscape the world came to know in 2021's second half; indeed, the fact that the E&M industry does not lay among the most disrupted sectors, does not necessarily mean that it has been immune to the general wave of uncertainty spreading all over the globe, which in this specific context can be directly linked to well known phenomena such as increased sourcing costs and supply chain-related hindrances.

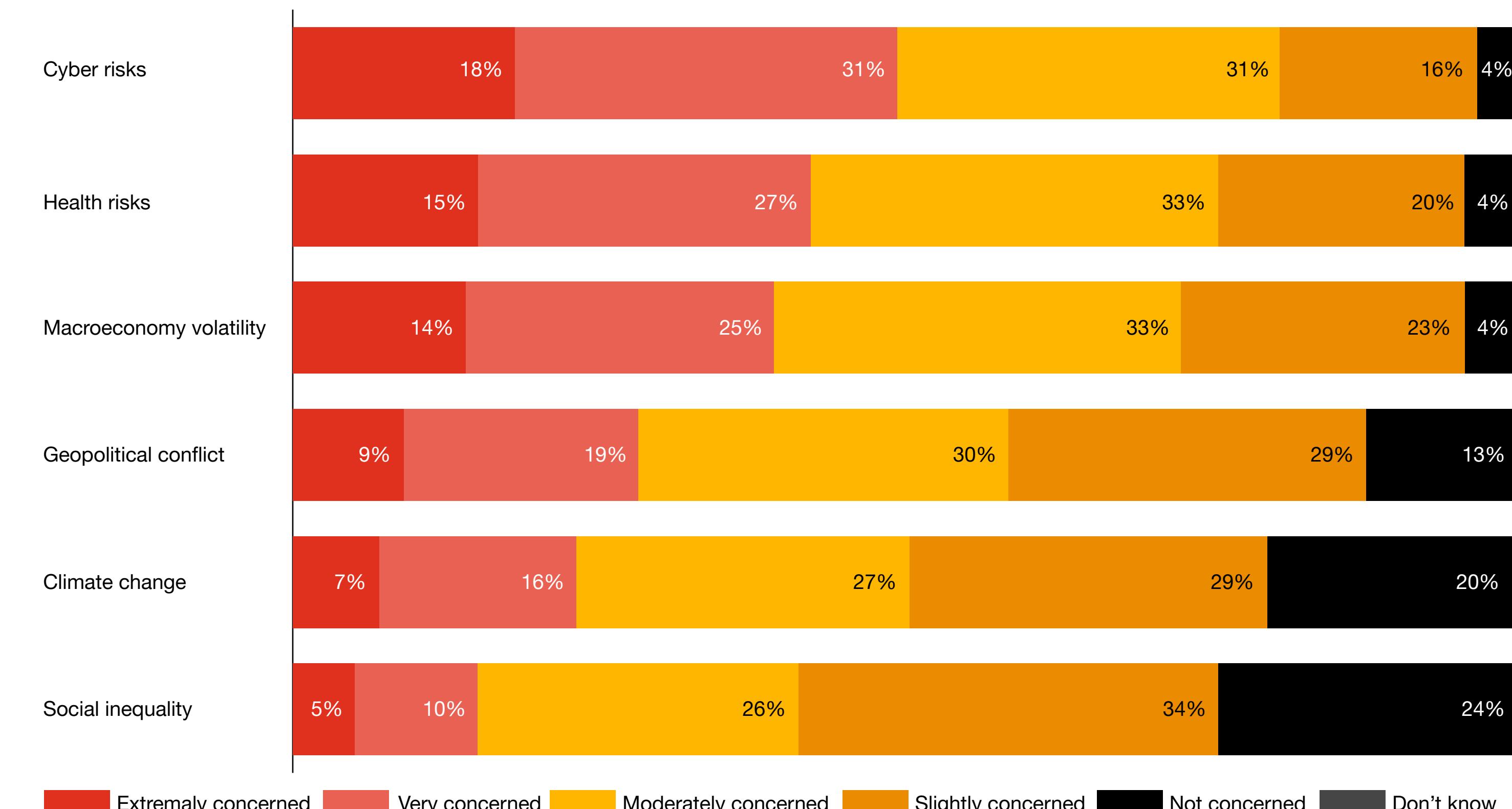
Having been released in January 2022, the PwC's 25th Global CEO Survey - which more than 4000 Top Managers from 89 countries took part in - in all likelihood did not fully reflect a truly comprehensive scenario, displaying optimism about continued economic recovery and resilience, thus fundamentally confirming - in fact slightly improving - the recent years' findings, with 77% of respondents expecting global economic growth to improve during the year ahead (numbers stood at 73% last year).

Furthermore, more than half of the Top Management reports high levels of confidence about their own profitability growth over the next 12 months. The figures above are basically confirmed when it comes to the almost 600 respondents from the Italian E&M industry, with over 60% of them believing that their revenues will grow over both the next 12 and 36 months.

It is not all fun and games though. Along with an improved and more advanced economic landscape might come specific risks for companies. In fact, when questioned about potential threats impacting their organisations, the Italian E&M industry Top Managers appeared largely concerned especially regarding Cyber risks, which top other worrying aspects that our society came to know quite well in recent years, such as health risks, macroeconomic volatility and geopolitical conflicts.

Fig.1: CEOs rank cyber risks as the top threat to growth, with health risks close behind

Question: How concerned are you about the following global threats negatively impacting your company over the next 12 months?



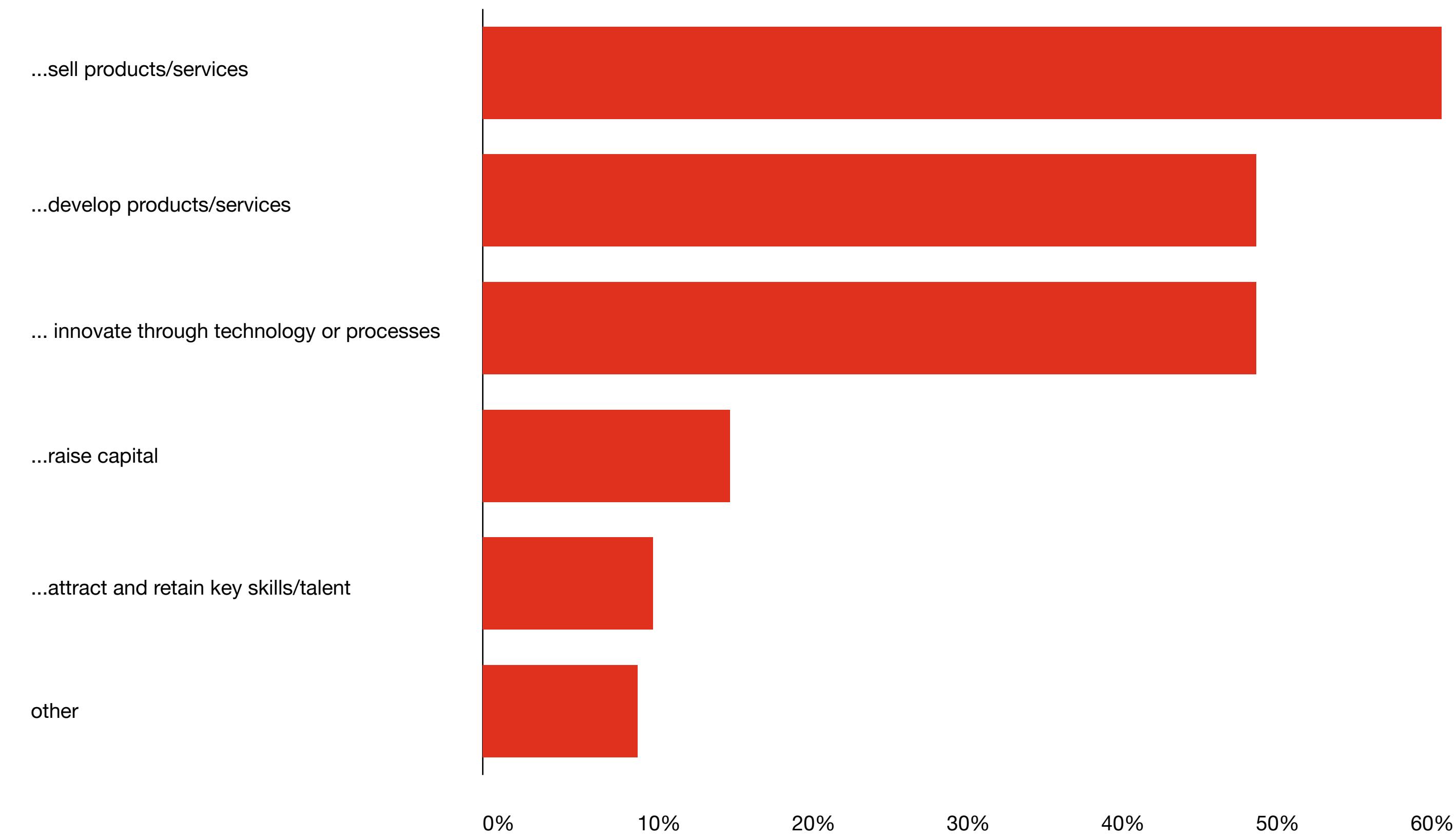
Source: PwC, 25th Global CEO Survey, 2022

Moreover, cyber risks are especially thought to negatively influence crucial business areas such as products/services sales and development and innovation through technology or processes.

There is no doubt that firms have been increasingly focusing their attention on cyber threats, as advanced technologies become more and more available not only for companies but for malicious entities as well. This is particularly relevant when E&M revenue composition is taken into account, as digital revenue's share is now the largest accounting for over half of total revenue, an upward trend that is expected to continue. Therefore, the aforementioned infrastructure investments are not only established to diversify and improve companies' portfolio offerings, but also target security solutions that aim at protecting the business' more critical assets.

Fig.2: No matter the threat, CEOs are most concerned about near-term impact to the top line

Question: How do you anticipate your company could be impacted by Cyber risks over the next 12 months?



Source: PwC, 25th Global CEO Survey, 2022

0% 10% 20% 30% 40% 50% 60%

Turning the spotlight on other kinds of insecurities, it is plain to see how geopolitical conflict does not rank as strong as other threats in Top Managers perspective, probably due to the already mentioned early timing of the PwC Global CEO Survey's release. Regardless, the current geopolitical situation cannot be ignored in order to have the full picture.

The E&M industry has been coping with the negative influence of this situation, which is leading to a general increase in production costs and consequent difficulties in production processes across various sectors - most notably Publishing - whose production and distribution stages are struggling to keep pace with a demand that shows not as strong signs of decline; moreover, advertisers' propensity to spend has been also hampered, thus jeopardising the resilience of publishing revenues on the advertising side as well.

All in all, 2022 will probably be a year of uncertainty given the effects the outbreak of hostilities in Eastern Europe will have on supply chains as well as energy and production costs.

The optimism characterising the industry by end-2021 might have been short-lived due to geopolitical disruption and its corresponding impact on energy and raw material costs (particularly paper), as well as the knock-on effect on supply chains, the performance of the advertising market and a resurgent inflation that will surely smack end-customers' spending power down as well.

At this stage, it is still hard to fully and thoroughly assess the effects of the current geopolitical instability. The evolution context of the economy will be more evident and clearer over the coming months, when the full repercussions of the war in Ukraine is likely to lead to further effects on the costs of production and distribution of the E&M industry's sectors.

To wrap it up, considering all the elements above, the often mentioned stable overall growth pattern masks what has been identified as an underlying volatility that finds its roots once again within the most recent health emergency.

It is clear that the pandemic accelerated changes in digital adoption and consumer behaviour in ways that will affect future trends. Some of the E&M sectors that experienced massive growth amid the pandemic landscape will hardly sustain such gains. Some formerly niche sectors, such as gaming, will barrel their way into prominence, as other formerly dominant sectors will see their historical competitive positions erode.

In this complex scenario, as the E&M industry grows faster than the economy as a whole and people are more and more enticed by new and increasingly immersive E&M experiences - referring to them as mere "products" would be heavily underwhelming -, the traditional connections across entertainment and media segments are now more than ever jeopardised by fault lines and fractures that are opening up between entertainment and media industries, companies and within sectors.

Industry Overview: The Main Trends

Closing the Digital Divide and beyond

Following what has been a recurring trend within the European Union in recent years, the Italian government established that building and leveraging technologically advanced Internet capabilities is one of the pivot drivers to support the country's economic growth and welfare. Therefore, in June 2022 the Italian government finalised the allocation of all funds amounting to a total of €6.7bn and reserved for the *Italian Strategy for Ultra Broadband Towards the Gigabit Society* (part of the wider *National Recovery and Resiliency Plan - NRRP* - initiative), which includes several projects aimed at developing both Fixed-line fiber networks and 5G infrastructures in the so-called "market failure areas". The long-lasting rumours about the creation of a unique national network leveraging the assets of both the main wholesale players - TIM's and Open Fiber's - are becoming increasingly insistent and this fact is mostly thought as beneficial for revamping the current Italian Internet infrastructure.

In this scenario, the Telecommunications competitive landscape remain quite stable, with a few bigger players and a plethora of smaller actors (especially MVNOs) trying to think out-of-the-box to avoid the traditional market stagnancy mainly due to price pressure and product commoditization (total Internet access revenue - Fixed plus Mobile-line - will slowly grow until 2026, rising at a +2.4% CAGR); this includes pursuing non-core business opportunities such as partnerships with OTT and IT players for diversifying their portfolio through value-added services and with other Telco players to leverage on cost-saving network-sharing agreements. Specifically, network infrastructures have been growing in interest for Telco companies and are now considered true strategic assets to exploit by further developing the relevant and responsible company division.

Most of the mentioned initiatives revolve around developing 5G active and passive networks, which are deemed to be one of the most crucial assets for the future outlook. As Italy already stands out with the highest coverage of 5G networks compared to the rest of Europe with an outstanding 99.7%, the number of 5G connections will grow rapidly as coverage increases, tariffs

will fall and 5G will become increasingly mass market: as a result, revenue from 5G will account for over half Italy's total mobile Internet access revenue from 2023, growing at almost +50% CAGR to top at over €3.2bn in 2026. Moreover, 5G technology and its characteristic high speed and low latency are critical in supporting other connection technologies such as FWA, which can vastly aid in serving areas that are difficult to reach due to difficult geographical and morphological traits.

The development of new-generation infrastructures with both underlying public and private investments will further pave the way for a trend that already manifested itself during the COVID-19 pandemic, namely the massive data demand for entertainment purposes. As total data consumed in Italy will reach 100.2k PB in 2026 (increasing at a +25.4% CAGR between 2021 and 2026), portable devices and mobile handsets will account for more than 70% of all data consumed in Italy.

For what concerns product consumption, video will still be by far the biggest content category and is expected to account for 78.8% of data consumption by 2026, with OTT video as the fastest-growing video format, with a +27.8% CAGR expected over the forecast period; on the other hand, gaming will be the fastest-growing content category, with a +33.2% CAGR expected. These numbers not only depict an increased network capacity, but also clearly show that users are and will increasingly benefit from new and improved entertainment products.

TV advertising is becoming increasingly shoppable

Broadcasters have operated in the one-to-many space for decades and, for the most part, TV's ability to drive mass, simultaneous reach has been its biggest appeal to advertisers. However, the advent of data-driven and addressable TV advertising, and a general trend toward ad performance, has driven broadcasters further into more outcome-based advertising and measurement services.

The rapid rise of e-commerce, spurred by the ongoing COVID-19 pandemic, has also driven up the importance of tying advertising investment to purchases and, as a result, shoppable advertising units, across both digital and traditional media channels.

“Shoppable TV” is nothing new but the convergence of addressable linear TV, OTT streaming, connected TV (CTV) ads, and mass online retail is now laying the groundwork for “Shoppable TV 2.0”.

Broadcasters may have kickstarted the renewed interest around shoppable TV, but it is digital incumbents Google and Amazon that look set to dictate its future. In 2021, Google’s YouTube announced “brand extensions”, a new ad type for connected TV devices, which are the platform’s fastest-growing screen in terms of watch time. Brand extensions allow viewers to use their TV remote to send a notification to their smartphone containing a link to a product being advertised on the TV screen. While this is, in effect, similar to the QR codes being employed by broadcasters, it offers a more frictionless experience for both viewers and advertisers, enabled by YouTube’s dominance on mobile.

Amazon has also been stepping up its shoppable TV game through its *Amazon Freevee* AVOD service (the rebranded IMDb TV). While not currently available in Italy, Amazon announced in April 2022 that it would be rolling out the service to more markets by the end of the year. In addition to a number of new original ad-supported shows, Amazon revealed a new interactive CTV ad format for *Amazon Freevee*: “actionable video ads”. These allow viewers to actively buy a product being advertised through a click of their remote control or through interaction with the company’s virtual assistant, Alexa.

The potential here is huge, especially given Amazon’s access to first-party, commerce-driven data on its users and vast online retail infrastructure. In May 2022, Amazon also announced that both Prime Video and Freevee platforms will feature virtual product placements. Such a frictionless combination of TV, commerce and the smart home is the long-term future of shoppable TV.

The gaming opportunity for online video

With streaming platforms integrating games into their platforms, they are now diving into a product that has interaction at its core. Gaming as an add-on can be an attractive proposition because it improves the experience for the subscriber and discourages churn. With the production capacity of both film and TV studios, and gaming developers, there is a growth opportunity: gaming developers can leverage existing IP and vice versa.

Mobile gaming is Netflix's main games-related objective. In May 2022, the platform announced that it was looking to offer 50 games to subscribers by the end of the year. It also made a series of acquisitions in 2021, including mobile gaming companies Boss Fight Entertainment and Next Games.

Amazon's proposition for gaming is different from that of Netflix, especially given Amazon's cloud-gaming platform Luna (although currently not available in Italy). The company also has Prime Gaming, with which it can attract a portion of its Prime subscribers.

This service offers free access to a series of games and access to paid channels inside the Twitch platform. Amazon has wide ambitions for games development and its large video content portfolio could support the creation of new games.

Similarly, Disney has, for many decades, been a very high-profile holder of one of the most expansive content portfolios in the entertainment industry. But since 2016 Disney has decided to drop a significant part of its gaming offering and opt instead to focus on being a provider instead of a developer. Meanwhile, Bethesda's MachineGames is developing a new *Indiana Jones* title, a sign of the attractiveness of Disney's Lucasfilm franchises. The offering of games brings a different proposition to consumers. Games can be casual or based on a particular series or game. This integration helps to further engage the viewer with a specific series or film by providing further interaction, giving the viewer the possibility of becoming a player and "controlling" their favourite characters.

Overall, including games improves the user's experience and enhances engagement with the service and brand.

Another benefit gaming could bring to online video is the creation of new cross-media franchises, helping to generate new revenue streams. It can bring new games to a given service, with the possibility of creating additional subscription tiers.



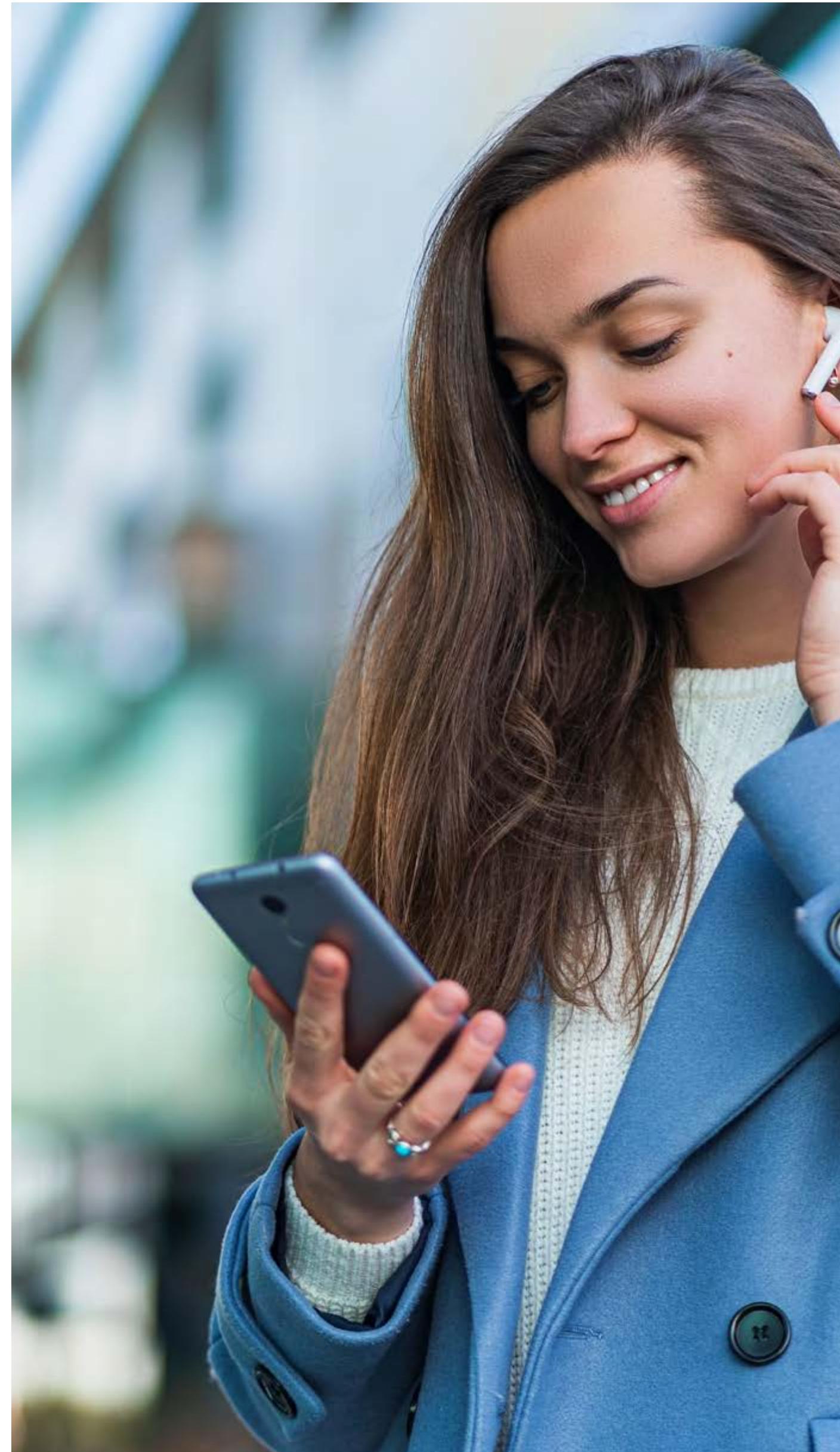
The monetisation of digital audio

Some of the most exciting developments in the media and entertainment space over the last few years have come from the digital audio sector, and there were a host of acquisitions, content production and distribution deals, and service launches and rollouts in 2021.

Experimentation with monetization models is well under way, and interest in the sector is increasing.

Podcast advertising proved itself to be largely “pandemic-proof” throughout 2020, with revenue growing by +10.4% in that year. Podcasts are a rapidly increasing sector of the wider audio landscape, fostering strong personal connections between podcast hosts and listeners. These relationships create engaged audiences that are more receptive to advertising, especially to those read by hosts, as they can be viewed more as recommendations from one friend to another and are thus seen as more trustworthy.

There will be growing interest in advertising on podcast platforms and alongside podcast content. Those services with stronger content portfolios and wider listener bases will benefit the most, but there are some hurdles to overcome.



While there has been a major increase in advertiser interest in podcasts, advertisers are concerned about measuring the effectiveness of their campaigns. Scalability and brand safety are also areas the sector is working to address.

The overwhelming consumer expectation is that podcasts should be free. However, with audiobooks the expectation is very different, with regular consumer payment given, for either downloads or a subscription. Audiobooks revenue in Italy is set to increase at a +10.8% CAGR over the next five years to reach €84mn in 2026, which is higher than podcast advertising revenues of €61mn in the same year. The challenge for industry players is to transition tranches of podcast content to the premium feel of audiobooks, thus justifying a recurring consumer revenue stream alongside, or instead of, advertising. As with so much media, exclusive content will justify consumers taking the plunge. Cross-pollination, whereby audiobooks providers offer podcast content and vice versa, will also help to establish and cement consumer payment.

A whole new metaverse

With the evolution of the Entertainment & Media industry, the way audiences consume content is also evolving. People are increasingly moving towards immersive digital experiences that offer a sense of escapism and allow them to explore new worlds. This is where the metaverse comes in.

The metaverse is a digital universe that people can enter and interact in and that offers endless possibilities for entertainment and media. From virtual reality games and movies to digital concerts and conferences, the metaverse is changing the way we experience content.

Moreover, the metaverse offers users a more personalised experience customised to their interests and consequently new opportunities for marketers and for content creators.

In addition, as 5G technology enables increasingly realistic and seamless metaverse experiences, it will become increasingly important to the entertainment and media industry. For this reason, it is necessary to fully leverage on this technology so as to focus both on short-term use cases and possibly laying the groundwork for the future towards virtual economies.

Although at this early stage only big tech firms represent the key enablers in the development of technologies that might make the metaverse a true “virtual reality”, it is important to consider that requirements in terms of network capabilities that are necessary to fully exploit the experiences in the metaverse (e.g., high-speed, low latency) can represent a challenge for Italian infrastructures, hence the need to continue to heavily invest in roll-out campaigns of ultra-broadband networks.



Entertainment and Media by Segment

Segments at a glance

- **Virtual reality (VR):** VR continues to take small steps toward becoming a mass-market proposition in Italy, boosted by significant improvements in VR hardware, software, and content over the past few years. The future development of the metaverse will inevitably lead to more spend on video and other interactive content, but gaming is expected to remain the primary content on social VR worlds and platforms. Although investments in VR are expected to be focused mainly around the consumer world, there is growing evidence that this technology can be effectively applied across a wide array of vertical sectors in Italy, including fashion, retail, tourism, healthcare and education; in this sense, the flexibility characterising VR's use cases application could result in different kinds of benefits (e.g., new and innovative offering proposition, improved and streamlined business processes, etc.) in the B2B context. Total VR revenue is set to increase from €56mn in 2021 to €148mn in 2026 at a +21.3% CAGR.

- **Video games and esports:** Italy's total video games and esports revenue was €2.8bn in 2021 and is expected to reach €3.9bn in 2026 after increasing at a +6.6% CAGR. This growth is driven primarily by a booming social/casual gaming sector, which is growing at over four times the rate of the traditional gaming market. Italy's total esports revenue reached €14mn in 2021. Partnerships with iconic Italian brands is a crucial part of the strategy to legitimise esports in the country. In June 2022, Dolce & Gabbana announced a collaboration with the esports organisation Mkers, creating a documentary series about the lives of esports players.
- **Business-to-business (B2B):** The B2B market in Italy bounced back sharply in 2021, with annual growth of +13.1% comfortably outpacing the economic rebound of +6.6%. By the end of 2022, Italy's B2B market will be valued at €2.9bn, meaning it will have nearly recovered all value lost to the COVID-19 pandemic in 2020. This marker will be surpassed in 2023. Business information is the largest source of revenues. The segment's market share increased significantly during the pandemic as a consequence of its durability while other segments contracted.

- **Internet:** Italy's highly competitive telecoms sector is undergoing a degree of realignment, with many alternative operators creating alliances ranging from cost-saving network-sharing agreements to full mergers. Italy lags behind some of its European neighbours in terms of Internet infrastructure, but planned improvements will bolster the Internet access and advertising markets. Total Internet access revenue will grow steadily over the forecast period, rising at a +2.4% CAGR. Meanwhile, in the years to 2026, total revenue from digital advertising is set to grow at a +6.7% CAGR to reach €7.0bn.
- **Data consumption:** Total data consumed in Italy will reach 100.2k PB in 2026, having increased at a +25.4% CAGR between 2021 and 2026. Video is the most popular content category for data consumption in Italy, accounting for 73.5% of total data consumption in 2021. Video is a data-intensive content format, and recent years have seen increased use of VOD and data-heavy 4k formats. Gaming is the fastest-growing content category overall, with a +33.2% CAGR expected between 2021 and 2026.

- **TV and video:** Total OTT revenue in Italy passed the €1.0bn mark for the first time in 2021, up 56% on the previous year with continued COVID-19 lockdowns increasing the time Italians were spending at home seeking entertainment. In the traditional TV sector, increasingly intense competition for key content rights from the OTT sector has seen cord-cutting, with many opting for the flexible non-contract terms of streaming services. This trend will see pay-TV revenues decline at a -1.5% CAGR to reach €2.3bn in 2026. In advertising, the continued shift in viewing habits away from broadcast content and towards on-demand, catch-up services and the OTT sector will mean revenue will decline at a -1.2% CAGR over the forecast period, with TV advertising revenue reaching €3.1bn in 2026.
- **OOH:** The OOH advertising market in Italy, like so many others, had an exceptional year in 2021. The outbreak of the COVID-19 pandemic a year prior temporarily brought the market to a near standstill; the lifting of lockdown measures and the economic restart that followed undergirding the sharpest annual rise in OOH revenues ever recorded in 2021. An infrastructure decree that was passed into law in 2020 presages an increase

in investment into the country's highways, which in turn should be positive for expanding roadside Digital-out-of-home (DOOH) inventory. DOOH revenues are expected to grow at a CAGR of +10.9% to 2026 compared with a -0.2% CAGR for physical revenues.

- **Newspapers:** The Italian newspaper industry witnessed a degree of recovery in both its print and digital businesses during 2021 following the easing of COVID-19 restrictions in the early part of the year. As a result, total newspaper revenue for 2021 came in at €1.3bn, up 2.7% from the previous year. The newspaper industry continues to offset the decline in print revenue by cutting costs and expanding its digital strategies. However, these initiatives still remain insufficient to compensate for the waning print sector so that total newspaper revenue by 2026 will amount to €1.2bn.

- **Magazines:** The Italian magazine market contracted by 2.3% in 2021 and is not predicted to recover to pre-pandemic levels within the next five years. The impact of the COVID-19 pandemic on the trade magazine market was slightly less severe than it was on its consumer counterpart as generally these B2B titles cater for

dedicated, specialist audiences. Despite the efforts of publishing houses to cut costs and expand their digital businesses, the persistent decline in print circulation and corresponding advertising investment over the next five years will continue to pull down the market, resulting in €992mn revenue in 2026 (well below pre-pandemic levels of €1.6bn) at a -3.0% CAGR.

- **Books:** The recovery in 2021 was strong, with the Italian publishing sector seeing +10.9% year-on-year growth overall during that year, with total revenue worth €2.4bn. Total books revenue in the Italian market is predicted to fall at a -0.3% CAGR in the years to 2026. The Italian books market benefits from various government initiatives that aim to promote reading and support the sector, such as the 18App scheme, which provides Italians turning 18 with €500 to spend on cultural products, and the #IoLeggoPerchè book donation project. Audiobook revenue is set to increase at a +10.8% CAGR between 2021 and 2026, making it the fastest-growing part of the Italian books market.

- **5G:** Italy has high overall 5G coverage, but individual operators are at varying stages of network deployment. Mobile and fixed wireless providers are focusing on improving 5G coverage, introducing new technologies and services, and exploring the opportunities for 5G in vertical sectors such as automotive, health, smart cities and agriculture. The number of 5G connections will grow rapidly as coverage increases, tariffs fall and 5G becomes increasingly mass market. Revenue from 5G will account for over half Italy's total mobile Internet access revenue from 2023.

- **Music, radio and podcasts:** Recorded music was led by domestic musicians in Italy in 2021. Not only was every entry in the country's top 20 album chart for the full year from a local act, the market's top 10 singles chart was also 100% Italian. In radio, Rai Radio is pushing for a 2030 shutdown for Italian FM radio. The broadcaster says the country should begin switching off its FM transmitters as soon as 2025, with the aim of turning fully digital five years later.

In podcasts, the number of monthly listeners (defined as people who listened to at least one podcast in the last month) reached 18.6mn in 2021, up from 15.6mn in the previous year.

Spotify is Italy's leading podcasting platform and the company reported that the catalogue of podcasts on its Italian site almost doubled over the course of 2021.

- **Cinema:** Box office revenue in Italy was at €170mn in 2021, down from €183mn in 2020 - and a long way short of the €635mn achieved pre-pandemic in 2019. Cinema advertising has fallen too, and revenue was at €5.3mn in 2021, up from €3.9mn in 2020, but well below the 2019 figure of €13mn. With a strong slate of studio blockbusters scheduled for the rest of 2022 (including James Cameron's Avatar sequel), box office revenue is forecast to reach €424mn by the end of 2022, reaching €707mn by 2026, at a +33.0% CAGR.

- **Metaverse and NFTs:** In the metaverse, one is able to do almost anything that is possible in the real world such as interacting in social spaces, collaboratively working, attending cultural events and buying goods and services. The strength of Italian luxury brands and its design culture makes it one of the country's key strengths as opportunities in the metaverse are developed. Some Italian brands have also tested the potential for the monetisation of digital assets and tapped into the NFT boom of 2021 and early 2022. Gucci established the Vault Art space on the SuperRare NFT marketplace and Gucci Town in Roblox. Meanwhile, Diesel dropped the D:Verse NFT collection – art showing key pieces from their collection. Prada collaborated with Adidas in the metaverse in January 2022, turning 3,000 works of art into NFTs. Prada also launched "physical NFTs" coupled with real world items of clothing; a strategy viewed as a way of transforming real-world value into digital identities.

Fig. 3: Total E&M revenues surpassed pre-pandemic levels in 2021
 Italy, entertainment & media spending by segment, 2017-2026 (€mn)

	Total E&M (€ millions)											
	Historical data						Forecast data					CAGR %
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26	
Books	2,133	2,111	2,163	2,149	2,382	2,376	2,367	2,361	2,354	2,349		
year-on-year (%)		-1.0%	2.5%	-0.7%	10.9%	-0.3%	-0.4%	-0.2%	-0.3%	-0.2%	-0.3%	
Business-to-business	2,921	2,918	2,930	2,198	2,486	2,926	2,989	3,033	3,063	3,087		
year-on-year (%)		-0.1%	0.4%	-25.0%	13.1%	17.7%	2.2%	1.4%	1.0%	0.8%	4.4%	
Cinema	596	567	649	186	175	431	639	671	695	720		
year-on-year (%)		-4.8%	14.4%	-71.3%	-5.9%	146.1%	48.0%	5.0%	3.7%	3.6%	32.7%	
Internet	13,731	13,664	13,783	13,697	15,001	16,067	16,810	17,380	17,793	18,163		
year-on-year (%)		-0.5%	0.9%	-0.6%	9.5%	7.1%	4.6%	3.4%	2.4%	2.1%	3.9%	
Magazines	1,909	1,724	1,623	1,184	1,157	1,134	1,090	1,052	1,020	992		
year-on-year (%)		-9.7%	-5.8%	-27.1%	-2.3%	-2.0%	-3.8%	-3.5%	-3.1%	-2.7%	-3.0%	
Music and podcasts	922	958	1,014	469	732	971	1,131	1,238	1,316	1,382		
year-on-year (%)		4.0%	5.8%	-53.8%	56.2%	32.7%	16.4%	9.4%	6.4%	5.0%	13.5%	
Newspapers	1,653	1,543	1,466	1,291	1,326	1,298	1,265	1,235	1,206	1,176		
year-on-year (%)		-6.6%	-5.0%	-12.0%	2.7%	-2.1%	-2.5%	-2.4%	-2.4%	-2.4%	-2.4%	
Out-of-home	440	445	434	246	286	317	338	342	340	327		
year-on-year (%)		1.1%	-2.4%	-43.3%	16.3%	10.8%	6.6%	1.4%	-0.8%	-3.8%	2.7%	

Total excludes double counting.

Source: PwC, Omdia

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Italy, entertainment & media spending by segment, 2017-2026 (€mn)

	Total E&M (€ millions)												
	Historical data						Forecast data						CAGR %
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26		
Radio	516	538	545	442	477	491	505	520	533	538			
year-on-year (%)		4.3%	1.4%	-18.9%	7.8%	3.0%	2.9%	2.8%	2.7%	0.9%		2.5%	
TV and video	8,636	8,802	8,606	8,197	8,820	9,041	9,148	9,356	9,480	9,620			
year-on-year (%)		1.9%	-2.2%	-4.8%	7.6%	2.5%	1.2%	2.3%	1.3%	1.5%		1.8%	
Video games	1,564	1,819	2,102	2,520	2,823	2,998	3,298	3,524	3,714	3,870			
year-on-year (%)		16.3%	15.6%	19.9%	12.0%	6.2%	10.0%	6.8%	5.4%	4.2%		6.5%	
VR	22	31	42	53	56	73	90	108	127	148			
year-on-year (%)		39.7%	34.3%	25.9%	6.2%	29.4%	24.1%	19.8%	16.9%	17.0%		21.3%	
Esports	2.9	5.0	8.6	10.2	14	20	24	28	32	36			
year-on-year (%)		69.9%	71.1%	19.6%	39.0%	41.3%	19.6%	17.7%	14.1%	12.9%		20.7%	
Total	33,656	33,726	33,933	31,304	34,303	36,647	38,158	39,267	40,059	40,764			
year-on-year (%)		0.2%	0.6%	-7.7%	9.6%	6.8%	4.1%	2.9%	2.0%	1.8%		3.5%	

Total excludes double counting.

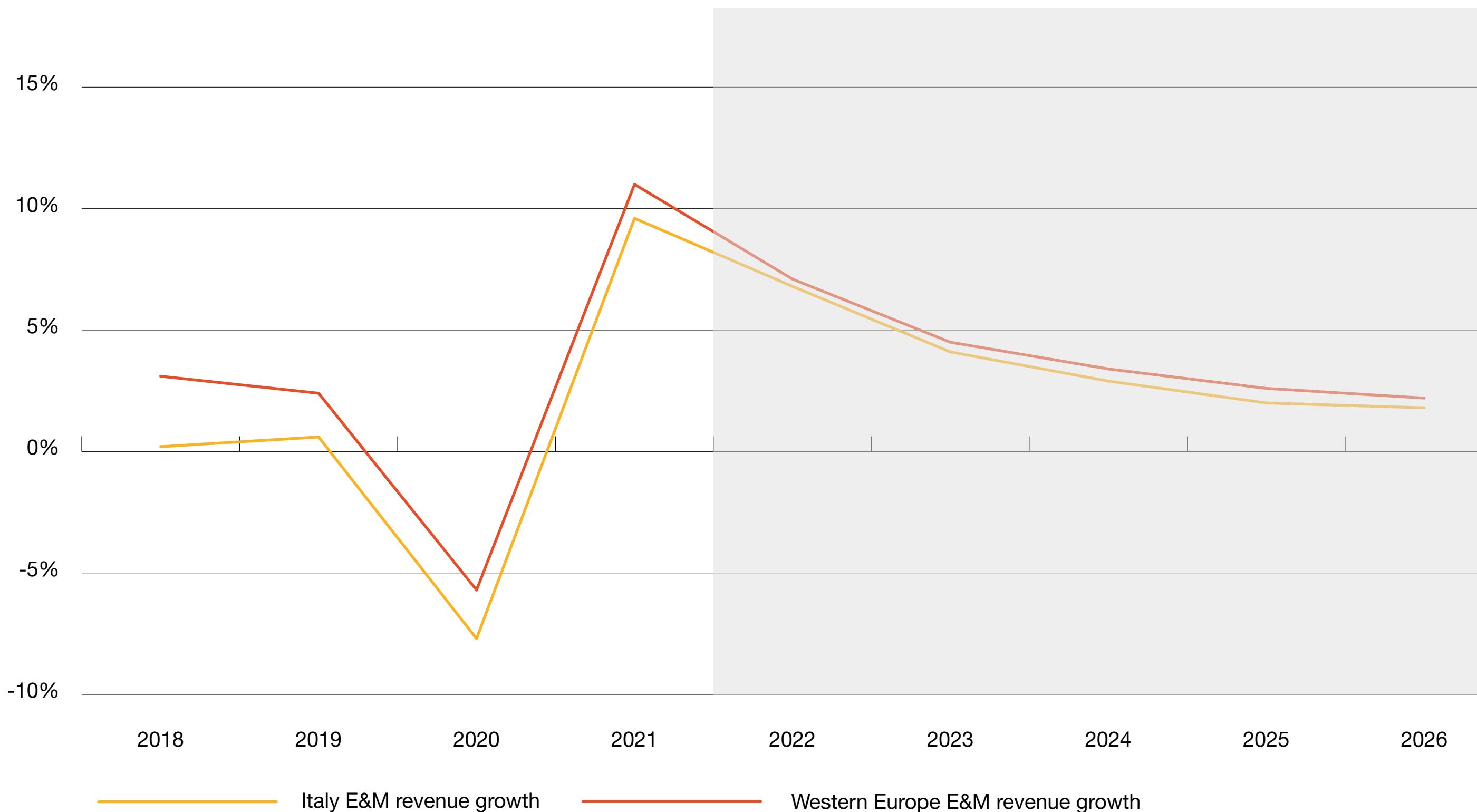
Source: PwC, Omdia

After COVID-19 caused the sector to contract in 2020, Italy's E&M market rebounded by +9.6% in 2021. The strength of the rebound propelled total E&M revenue to €34.3bn, meaning that the sector exceeded pre-pandemic revenue levels and added €370mn worth of new, organic revenue growth.

Over the next five years, total revenue will increase at a +3.5% CAGR to reach €40.8bn in 2026, driven primarily by gains in Internet access and advertising, alongside video games and OTT.

Italy suffered heavier losses in 2020 as a result of the COVID-19 pandemic when compared to the wider Western European region. This, therefore, meant that Italy experienced a sharper rebound in 2021, although this will settle after the first couple of years of the forecast period and the two markets will grow at broadly similar rates to 2026.

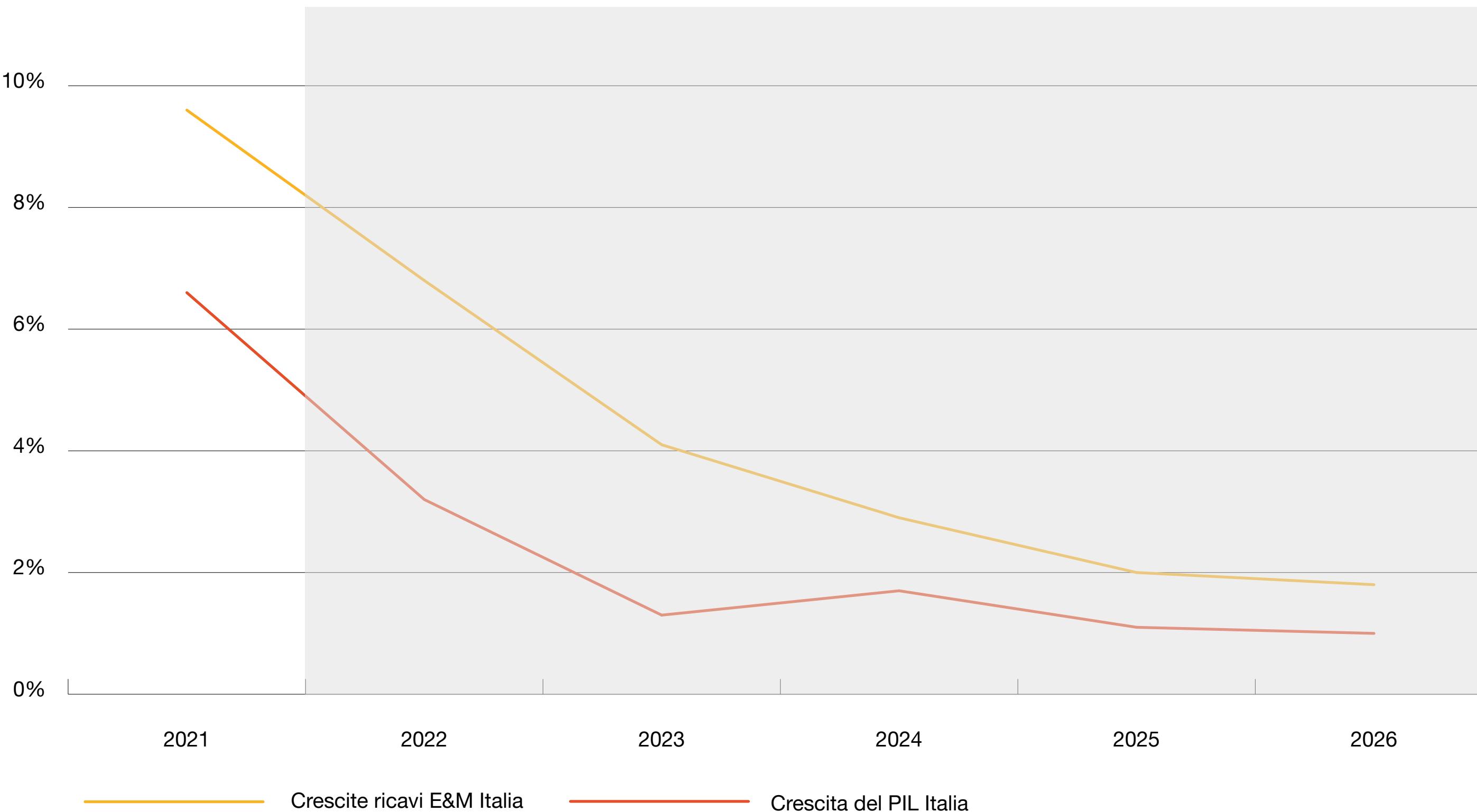
Fig. 4: Italy and Western Europe to see similar annual growth rates to 2026
Italy E&M revenue growth vs Western Europe; 2018-2026 (%)



Source: PwC, Omdia

The strength of the post-COVID-19 rebound in Italy's E&M market in 2021 exceeded the country's economic rebound. This will remain the trend over the five-year forecast period, as real GDP growth is hampered by rising inflation and issues surrounding the cost of living.

Fig. 5: Italy's E&M sector will outpace real GDP growth
Italy, E&M spend vs real GDP growth, 2021-2026 (%)



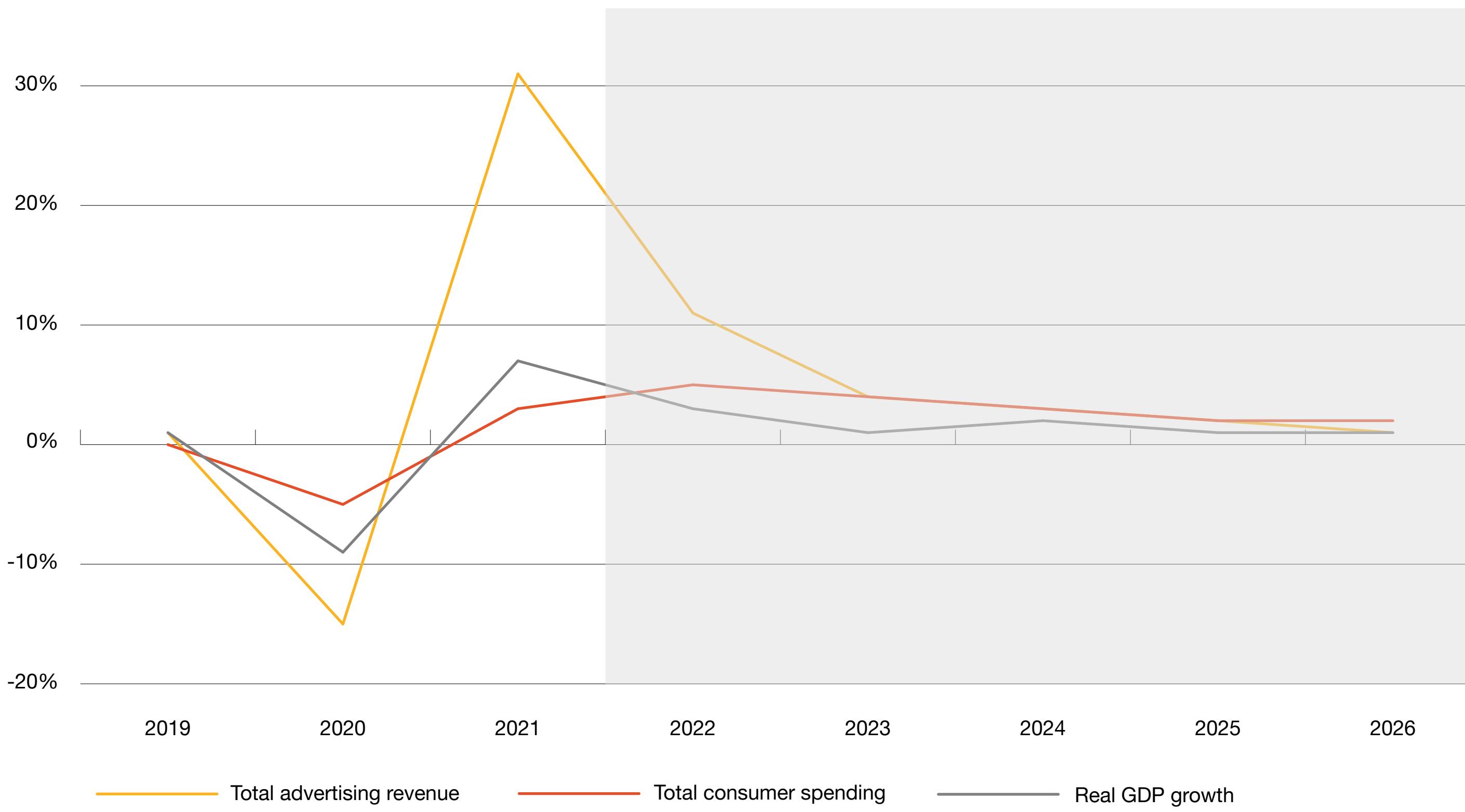
Source: PwC, Omdia, IMF

On the other hand, Italy's real GDP trends can be linked to some of the most important cross-segment E&M revenue indicators, such as Advertising and Consumer ones, as fluctuations are often reflected on both elements.

However, this is not always the case. Occasionally, the lines connecting social welfare and Advertising and Consumer spending might be quite blurred, as an improvement for the former does not always result in an increase for the latter and vice-versa. Indeed, experience has shown that some historical periods characterised by high levels of social welfare lead to overall lower investments in Advertising - with Consumer spending remaining high, as consumers' purchasing power surged -, while other periods saw an increase in Advertising investments purposely carried out to stimulate consumers' spending in difficult times: it is safe to assume that these trends vary on a cyclical basis.

On another note, digital revenue has accounted for over half of E&M revenue since 2020, when the pandemic accelerated the adoption and consumption of digital formats.

Fig. 6: Italy's Advertising and Consumer revenues are strictly influenced by real GDP growth
Italy, E&M total advertising and consumer revenues vs real GDP growth, 2019-2026 (%)



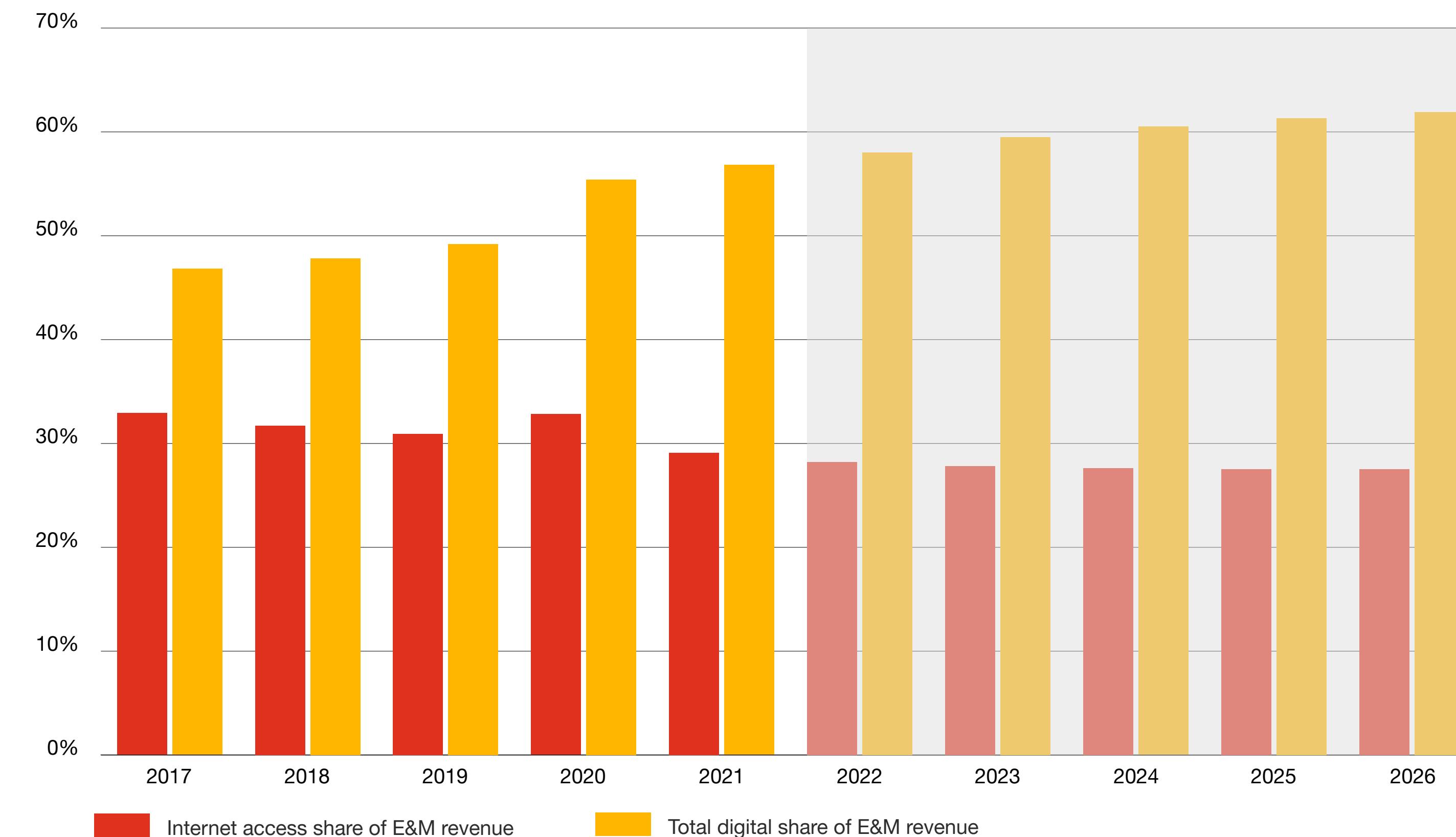
Source: PwC

This trend will continue, with digital continuing to take share from its physical counterpart year-on-year. By 2026, 61.9% of E&M revenue in Italy will be digital.

Internet advertising and access lead the digital sub-sector and will contribute most of the revenue added to 2026. While the fastest-rising digital categories include VR and esports, this growth is from a low base and will not add significant revenue over the forecast period.

Across the non-digital sub-sector, several segments are experiencing revenue declines. Non-digital TV and print-reliant segments such as newspapers and magazines will see the largest falls over the forecast period, but the non-digital category will rise overall at a +0.9% CAGR to 2026, driven by gains in cinema, B2B and music. Cinema attendance, B2B trade shows and live music events were heavily affected by the pandemic, and their rebound will help support non-digital revenue growth.

Fig. 7: Digital will account for nearly two-thirds of total E&M revenue in 2026
Italy, Internet access share and total digital share of E&M spending, 2017-2026 (%)



Source: PwC, Omdia

Consumer spending

Consumer revenue accounted for nearly three-quarters of total E&M spend in Italy in 2021. Of the €24.6bn in revenue, Internet access accounted for 40.6%, making it the largest consumer segment ahead of TV and Video. These two segments will retain their positions over the forecast period, and they will contribute over half of the absolute revenue gains made in the consumer sub-segment



Fig. 8: Consumer revenues will grow at a +3.3% CAGR to 2026

End-user E&M spending, 2017-2026 (€mn)

	Total E&M (€ millions) Consumer spending												
	Historical data						Forecast data						CAGR %
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26		
Books	2,133	2,111	2,163	2,149	2,382	2,376	2,367	2,361	2,354	2,349			
year-on-year (%)		-1.0%	2.5%	-0.7%	10.9%	-0.3%	-0.4%	-0.2%	-0.3%	-0.2%		-0.3%	
Business-to-business	1,907	1,910	1,924	1,758	1,879	1,969	1,991	2,010	2,025	2,036			
year-on-year (%)		0.1%	0.7%	-8.6%	6.9%	4.7%	1.1%	1.0%	0.7%	0.6%		1.6%	
Cinema	585	555	635	183	170	424	628	659	683	707			
year-on-year (%)		-5.0%	14.4%	-71.3%	-6.9%	149.3%	48.2%	4.9%	3.6%	3.6%		33.0%	
Internet	11,060	10,680	10,470	10,260	9,970	10,344	10,619	10,844	11,021	11,198			
year-on-year (%)		-3.4%	-2.0%	-2.0%	-2.8%	3.8%	2.7%	2.1%	1.6%	1.6%		2.4%	
Magazines	1,351	1,217	1,139	796	774	742	703	669	640	615			
year-on-year (%)		-9.9%	-6.4%	-30.1%	-2.8%	-4.1%	-5.4%	-4.8%	-4.3%	-3.8%		-4.5%	
Music	750	771	805	369	592	774	893	971	1027	1078			
year-on-year (%)		2.9%	4.4%	-54.2%	60.4%	30.7%	15.4%	8.7%	5.8%	4.9%		12.7%	
Newspapers	1,015	945	903	817	832	811	791	773	758	743			
year-on-year (%)		-6.9%	-4.4%	-9.5%	1.8%	-2.5%	-2.5%	-2.2%	-2.0%	-2.0%		-2.2%	
Radio	112	113	113	114	114	114	114	115	115	115			
year-on-year (%)		0.2%	0.2%	0.7%	0.1%	0.3%	0.3%	0.2%	0.2%	0.1%		0.2%	

Includes Internet access. Total excludes double counting.

Source: PwC, Omdia

Fig. 8: Consumer revenues will grow at a +3.3% CAGR to 2026
End-user E&M spending, 2017-2026 (€mn)

Total E&M (€ millions) Consumer spending												
	Historical data					Forecast data					CAGR %	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26	
TV and video	5,513	5,639	5,573	5,447	5,575	5,861	6,060	6,260	6,427	6,564		
year-on-year (%)		2.3%	-1.2%	-2.3%	2.3%	5.1%	3.4%	3.3%	2.7%	2.1%	3.3%	
Video games	1,523	1,776	2,056	2,473	2,775	2,948	3,247	3,470	3,658	3,814		
year-on-year (%)		16.6%	15.8%	20.3%	12.2%	6.2%	10.1%	6.9%	5.4%	4.3%	6.6%	
VR	22	31	42	53	56	73	90	108	127	148		
year-on-year (%)		39.7%	34.3%	25.9%	6.2%	29.4%	24.1%	19.8%	16.9%	17.0%	21.3%	
Esports	0.5	0.8	1.5	1.4	0.7	2.9	3.6	4.2	4.7	5.3		
year-on-year (%)		75.8%	78.5%	-7.4%	-47.3%	299.5%	23.4%	16.8%	11.0%	12.0%	48.2%	
Total consumer	25,342	25,150	25,244	23,892	24,569	25,889	26,968	27,715	28,317	28,857		
year-on-year (%)		-0.8%	0.4%	-5.4%	2.8%	5.4%	4.2%	2.8%	2.2%	1.9%	3.3%	

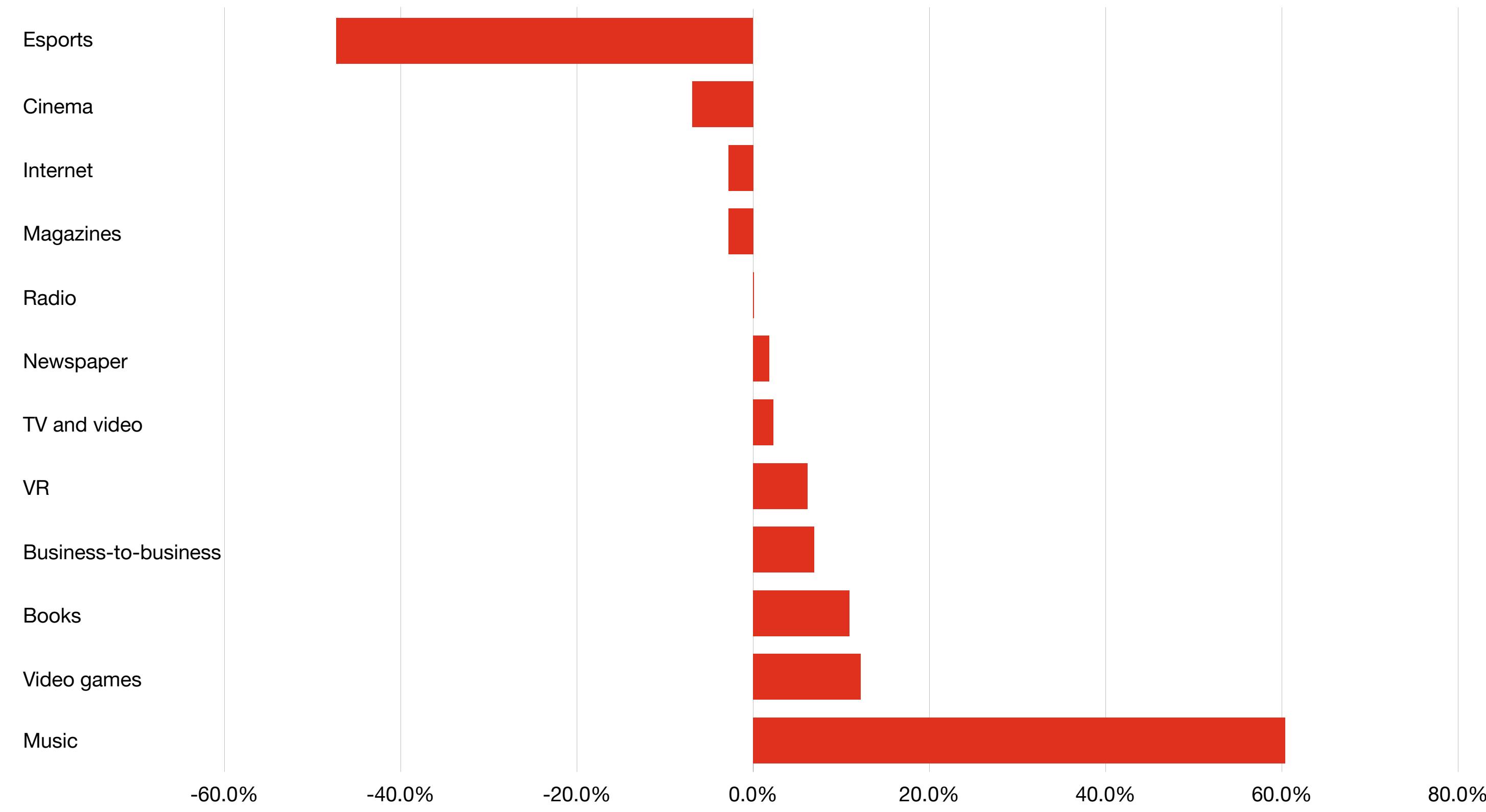
Includes Internet access. Total excludes double counting.

Source: PwC, Omdia

The fastest growing categories are esports and cinema, which were both severely hit by COVID-19 restrictions preventing consumers from socialising and attending events and screenings. This affected both 2020 and 2021, and esports was hit further in 2021 by the temporary removal of battle passes at major event *The International*.

Music was another segment hit by the pandemic, particularly the live sector. But consumer revenue across the music segment saw the sharpest rebound of any segment in 2021, highlighting both the appetite consumers had to return to live shows once more, as well as the scale of the contraction in 2020.

Fig. 9: Music was the fastest-growing consumer segment in 2021
Annual growth in consumer spend by category (%), 2020-2021



Source: PwC, Omdia

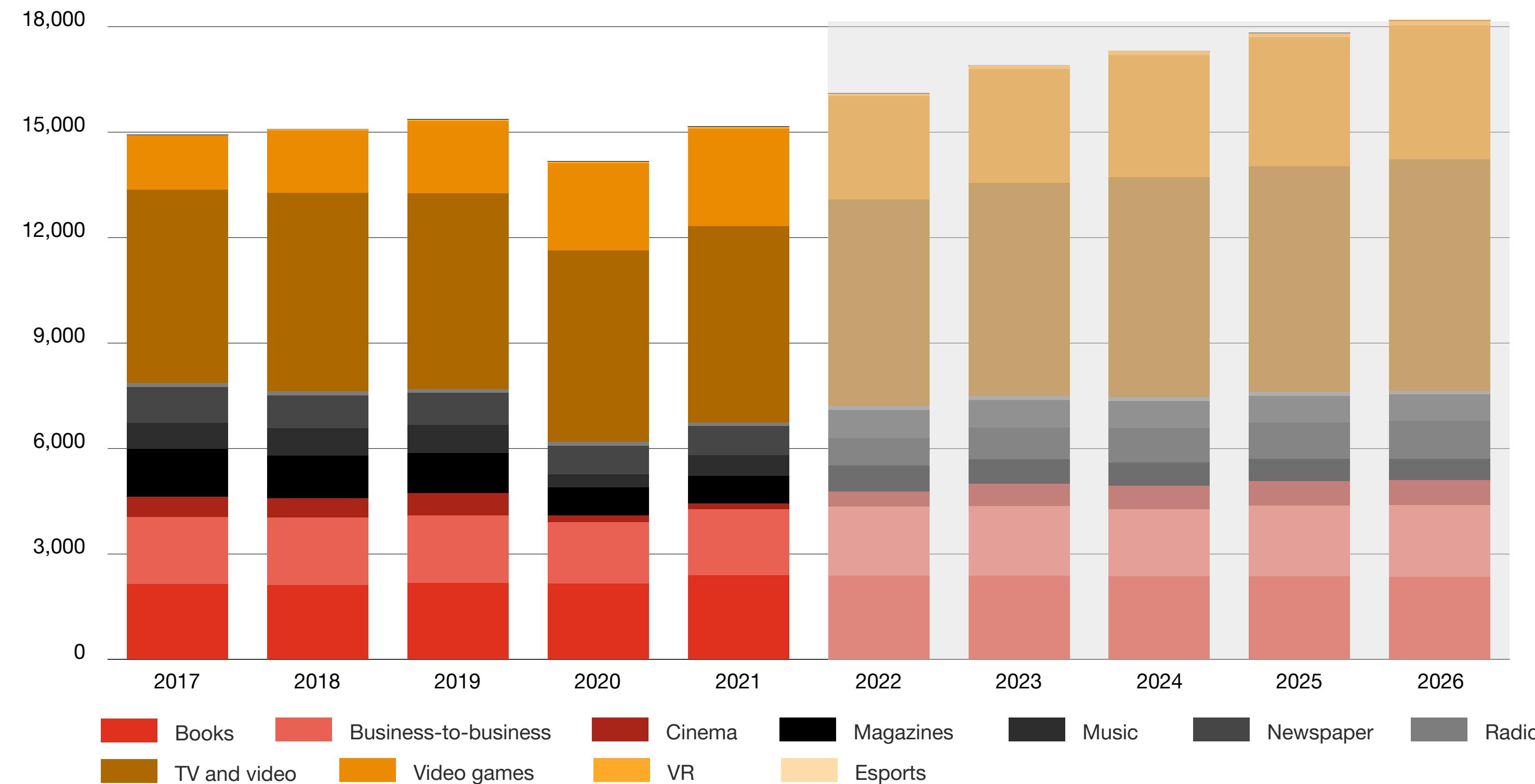
If Internet access, which is the largest consumer segment, is excluded from the picture, it is TV and video which leads the market. While OTT is seeing rapid growth, traditional TV takes the largest share of that segment's revenues. But traditional subscription TV revenues have not grown since 2018, and subscription TV households fell to 4.3mn in 2021. While the decline is expected to slow, subscription households will contract at a -1.9% CAGR to 3.9mn in 2026. As such, traditional TV will lose share to OTT over the forecast period, although it will still lead the segment. In 2026, TV and video will comfortably remain the largest consumer sector, driven primarily by OTT.

Netflix leads an increasing competitive OTT market in Italy. The strength of the content proposition from Disney+ will see it expand at an +11.1% CAGR and overtake Amazon Prime Video to provide the main competition to Netflix in terms of entertainment services. However, DAZN will retain the second-largest subscriber base due to its investment in key sporting rights.

Excludes Internet access

Source: PwC, Omdia

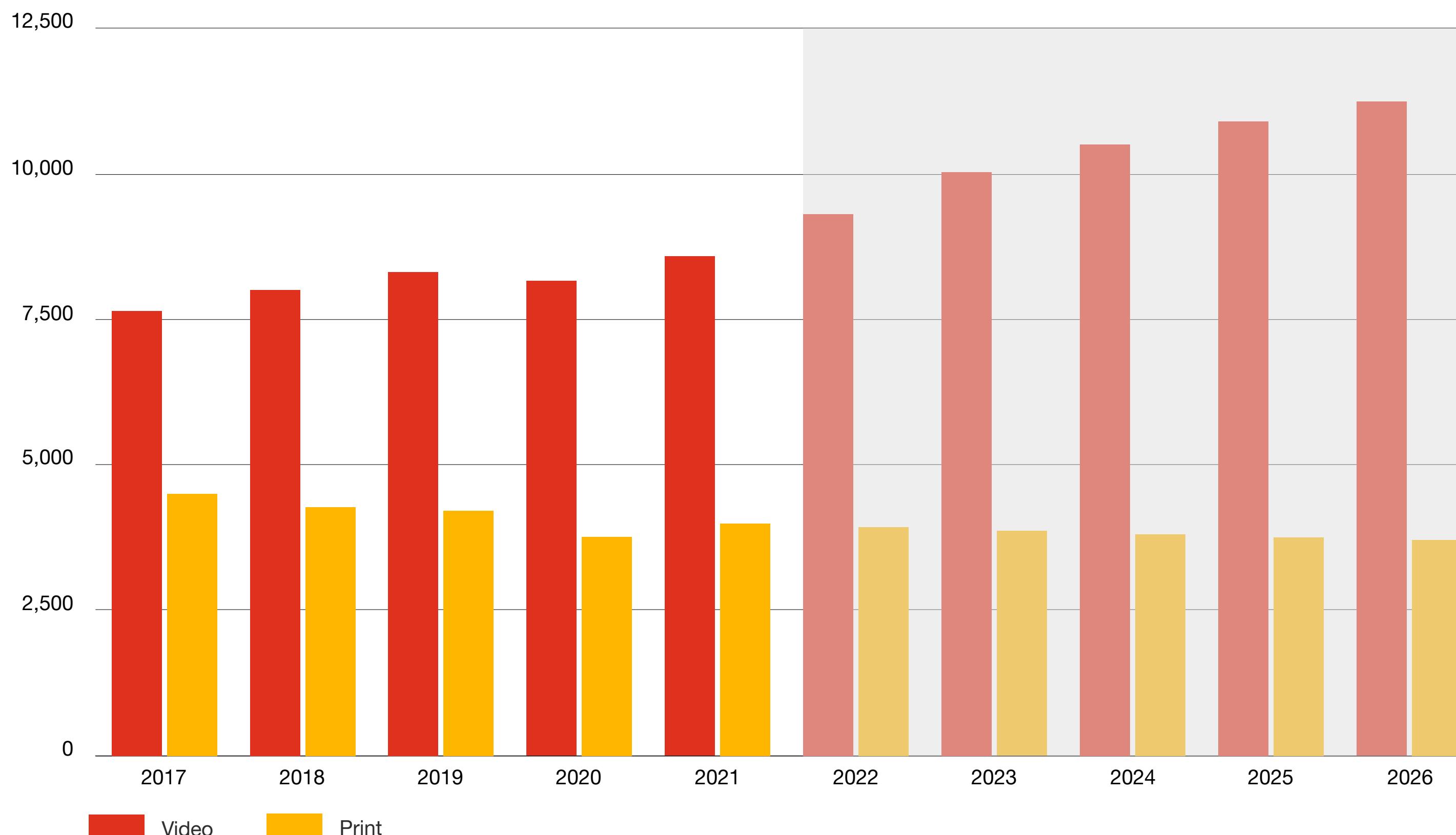
Fig. 10: TV and video is by far the largest consumer sector
Consumer revenue split by category (excluding Internet access), 2017-2026 (€mn)



Video revenues were more than double print's in 2021, and this trend is continuing apace. Newspapers, books and magazines will all see revenue contract over the forecast period.

Meanwhile, gaming will see rapid growth. Video games have been buoyed by the Xbox Series X/S and PS5, the latest generation of consoles which were both launched in late 2020. Additionally, the cinema sector is rebounding from its pandemic-induced low, supported by US blockbusters such as *Doctor Strange in the Multiverse of Madness* and *Top Gun: Maverick*.

Fig. 11: Consumer video revenues to be more than triple print's in 2026
Video vs print, 2017-2026 (€mn)



Source: PwC, Omdia

Advertising revenue

E&M advertising revenue in Italy was more negatively affected by the COVID-19 pandemic than its consumer counterpart, meaning that the rebound in 2021 was also much stronger. Sector revenues increased by 31.3%, surpassing 2019 levels comfortably. Over the next five years, advertising revenue will increase at a +4.1% CAGR to reach €11.9bn, with 89.0% of the revenue gained coming from the Internet advertising sector.



Fig. 12: Advertising revenues will near €12.0bn in 2026

Advertising E&M spending, 2017-2026 (€mn)

	Total E&M (€ millions) Advertising revenues											
	Historical data					Forecast data					CAGR %	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26	
Business-to-business	1,013	1,008	1,006	440	606	957	999	1,023	1,039	1,051		
year-on-year (%)		-0.5%	-0.2%	-56.3%	37.8%	57.9%	4.3%	2.4%	1.6%	1.1%	11.6%	
Cinema	11	12	13	3.9	5.3	8	10	11	12	13		
year-on-year (%)		6.4%	13.8%	-70.4%	37.6%	43.3%	36.5%	9.4%	7.6%	6.2%	19.6%	
Internet	2,671	2,984	3,313	3,437	5,031	5,723	6,191	6,536	6,772	6,965		
year-on-year (%)		11.7%	11.0%	3.7%	46.4%	13.7%	8.2%	5.6%	3.6%	2.9%	6.7%	
Magazines	558	507	484	388	383	391	388	384	380	377		
year-on-year (%)		-9.1%	-4.5%	-19.9%	-1.2%	2.2%	-1.0%	-1.0%	-1.0%	-0.9%	-0.3%	
Music and podcasts	172	187	209	99	140	198	238	267	289	304		
year-on-year (%)		8.8%	11.5%	-52.4%	40.8%	41.1%	20.5%	12.1%	8.3%	5.2%	16.8%	
Newspapers	638	598	563	474	494	487	474	462	448	433		
year-on-year (%)		-6.2%	-5.9%	-15.9%	4.3%	-1.4%	-2.7%	-2.7%	-2.9%	-3.2%	-2.6%	
Out-of-home	440	445	434	246	286	317	338	342	340	327		
year-on-year (%)		1.1%	-2.4%	-43.3%	16.3%	10.8%	6.6%	1.4%	-0.8%	-3.8%	2.7%	
Radio	403	425	433	329	363	377	391	405	419	423		
year-on-year (%)		5.5%	1.7%	-24.0%	10.4%	3.9%	3.7%	3.5%	3.4%	1.1%	3.1%	

Total excludes double counting.

Source: PwC, Omdia

Fig. 12: Advertising revenues will near €12.0bn in 2026

Advertising E&M spending, 2017-2026 (€mn)

Total E&M (€ millions) Advertising revenues												
	Historical data					Forecast data					CAGR %	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		2021-26
TV and video	3,124	3,163	3,034	2,749	3,245	3,180	3,088	3,096	3,053	3,056		
year-on-year (%)		1.3%	-4.1%	-9.4%	18.0%	-2.0%	-2.9%	0.3%	-1.4%	0.1%		-1.2%
Video games	41	43	46	47	48	50	52	54	56	57		
year-on-year (%)		4.8%	7.8%	1.5%	3.0%	4.8%	3.0%	4.2%	2.9%	2.0%		3.3%
Esports	2.5	4.2	7.0	8.8	13	17	20	24	28	31		
year-on-year (%)		68.8%	69.5%	25.4%	52.6%	27.2%	18.9%	17.8%	14.6%	13.1%		18.2%
Total advertising	8,313	8,576	8,689	7,413	9,734	10,758	11,190	11,552	11,742	11,907		
year-on-year (%)		3.2%	1.3%	-14.7%	31.3%	10.5%	4.0%	3.2%	1.6%	1.4%		4.1%

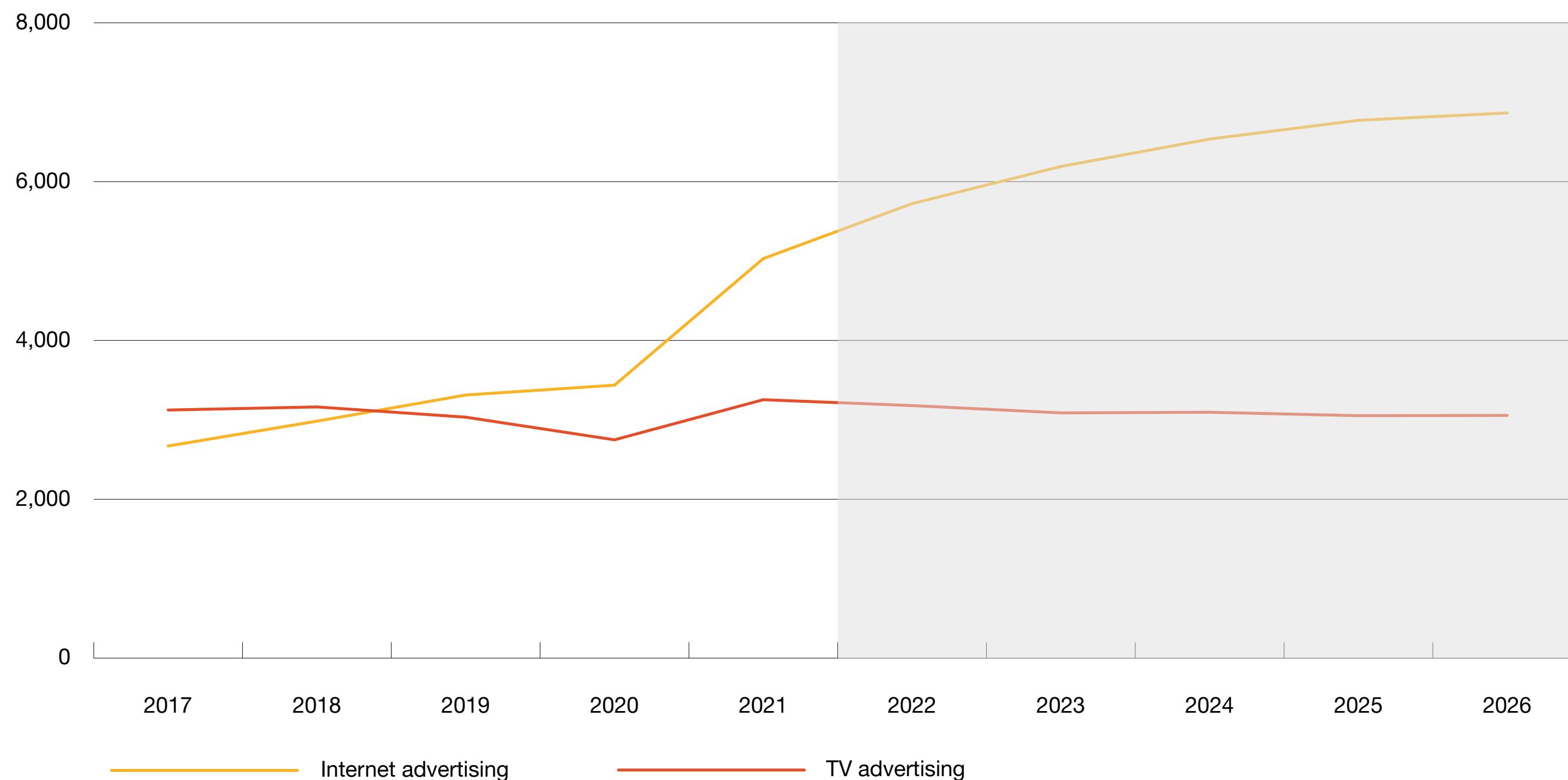
Total excludes double counting.

Source: PwC, Omdia

Internet advertising is now the dominant advertising format in Italy and globally. As such, its dynamic growth is having an increasing impact on the overall media advertising space, especially as advertisers and consumers shift more spend and attention away from traditional media toward online channels. Internet advertising overtook TV advertising in revenue terms in 2019 and will be more than double the size of the sector in 2026.

Despite this, TV advertising in Italy rebounded strongly from the COVID-19-related fallout and continues to see high levels of demand among prominent brand advertisers. Yet, as consumers shift increasing attention toward online-delivered video platforms away from traditional linear TV channels, the connected TV advertising segment is becoming more important to advertisers, broadcasters and online video service providers alike. Indeed, the connected TV advertising segment will be one of the fastest-growing Internet advertising segments over the forecast period, expanding at a +20.9% CAGR between 2021 and 2026 to reach a value of €355mn.

Fig. 13: Internet advertising will be more than double the size of TV in 2026
Italy, Internet advertising vs TV advertising, 2017-2026 (€mn)



Source: PwC, Omdia

Italy's share of Western European revenue

Italy accounted for 8.4% of total Western European E&M spend in 2021, a share which has declined slightly over the last few years and will continue to do so over the forecast period. The country will take a 8.2% share in 2026.

The segments which contribute the most revenue to the regional total are books, TV and video and Internet access, with the former enjoying a boost in 2021 as bookshops reopened after COVID-19 restrictions were lifted.

Meanwhile, in mid-2022, TIM, Vodafone and Iliad gained access to their 700MHz frequencies, and the release

of this spectrum and the completion of the *Italia 5G* tenders should result in accelerated 5G network rollouts and the rapid expansion of 5G into rural areas.

5G packages currently have a more premium price point and will help to drive ARPU and Internet access revenue in Italy.

Cinema will see the largest increase in share to 2026, with the segment set to account for 9.0% of regional spend in 2026, up from 5.6% in 2021, as the sector recovers from the pandemic.

Esports will also increase its share, as partnerships between the sport and iconic Italian brands support the strategy to legitimise esports in the country.

Meanwhile, revenue from Internet access, OOH and magazines in Italy will lose the most ground to the wider Western European region over the next five years. Consumer magazines in particular are losing share, as market leaders like publisher Mondadori continue to shed magazine titles in favour of a focus on its book publishing and retail bookstore business.



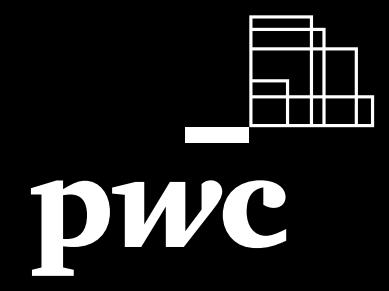
Fig. 14: Italy will account for 8.2% of Western European E&M revenues in 2026

Italy's share of Western Europe spending, 2017-2026 (%)

	Total E&M (€ millions)												
	Historical data						Forecast data						CAGR %
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021-26		
Books	2,133	2,111	2,163	2,149	2,382	2,376	2,367	2,361	2,354	2,349	10.4%		
Business-to-business	2,921	2,918	2,930	2,198	2,486	2,926	2,989	3,033	3,063	3,087	6.8%		
Cinema	596	567	649	186	175	431	639	671	695	720	9.0%		
Esports	2.9	5.0	8.6	10.2	14	20	24	28	32	36	8.3%		
Internet access	11,060	10,680	10,470	10,260	9,970	10,344	10,619	10,844	11,021	11,198	8.3%		
Internet advertising	2,671	2,984	3,313	3,437	5,031	5,723	6,191	6,536	6,772	6,965	7.0%		
Magazines	1,909	1,724	1,623	1,184	1,157	1,134	1,090	1,052	1,020	992	5.9%		
Music and podcasts	922	958	1,014	469	732	971	1,131	1,238	1,316	1,382	7.0%		
Newspapers	1,653	1,543	1,466	1,291	1,326	1,298	1,265	1,235	1,206	1,176	5.6%		
Out-of-home	440	445	434	246	286	317	338	342	340	327	4.7%		
Radio	516	538	545	442	477	491	505	520	533	538	5.5%		
TV and video	8,636	8,802	8,606	8,197	8,820	9,041	9,148	9,356	9,480	9,620	9.9%		
Video games	1,564	1,819	2,102	2,520	2,823	2,998	3,298	3,524	3,714	3,870	8.6%		
VR	22	31	42	53	56	73	90	108	127	148	2.3%		
Total	33,656	33,726	33,933	31,304	34,303	36,647	38,158	39,267	40,059	40,764	8.2%		

Total excludes double counting.

Source: PwC, Omdia



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