MOORE

MOORE MEDIA 360

April 2021

EDITORIAL

I am delighted to present the latest insight from Moore experts on the challenges and opportunities facing media companies around the world as they adapt to the new economic realities posed by Covid.

This has been a period marked by major contrasts in the progress different countries have made in tackling the pandemic. While some, like the UK, are doing relatively well, there are still many hot spots around the globe where efforts to contain Coronavirus are proving more problematic. So, from a global perspective, it is reasonable to expect Covid-related restrictions of some shape or form to be in place for the foreseeable future.

Within this context I was delighted recently to be able to attend the British Arrows Awards, a prestigious annual event which has celebrated innovation and creativity in moving image advertising for more than 40 years. This year's event perhaps represents a parable for these times.

Originally scheduled to be held in late March 2020 in London's Grosvenor House Hotel, it would typically have been attended by around 1,200 people. Lockdown put paid to that and several rescheduled dates came and went until it was decided that 'the show must go on', as they say in showbusiness.

The Arrows team devised a plan for a hybrid celebration which marked their first ever live broadcast event, hosted by actor, comedian and TV presenter Richard Ayoade. He was joined on stage for the awards presentation by some sponsors and a handful of winners who were able to receive their awards in person.

It was all filmed in a small studio and distributed via Zoom to an audience of more than 1,000 people around the world. It was incredibly well done and, from the feedback I have received, greatly appreciated. There was even a special award category 'Made in Lockdown' which recognised work produced in extremely challenging circumstances during the first lockdown.

The lucky few of us who attended in person were tested on arrival and spent the evening drinking water while carefully maintaining a social distance from other attendees. It was most definitely not the usual Grosvenor House awards night experience – but it had a joy of its own and signified that, in some ways, the world was continuing to turn.

I have been struck by the enormous positivity with which the media sector has risen to the challenges presented by the current climate.It is heartening that many in our sector see growth opportunities in 2021 and believe that business will bounce back strongly. Creative people have embraced these challenge head-on: they found different ways to work and new ways to generate income.

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QATAR MEDIA SECTOR TO TAKE OFF!

We know Qatar as strong player in the global energy market and now more recently with the establishment of the Qatar Media City and the hosting of major global events, like FIFA World Cup 2022, it is positioning itself as a leader in the Media Sector" states Sami. The level of investment in the preparation of the infrastructure for global 2022 flagship event is ideal to provide a window on the capabilities of the country to deliver a world class sporting and entertainment event.

Over past years through the foundations of several leading tv and radio channels this profile has been building. The formation of the Qatar Media City and the strategic positioning of sponsorship with major professional soccer team like Barcelona and the quality of service enjoyed on Qatar Airlines are all key elements in the global media and brand strategy of the county.

The telecommunications infrastructure utilizing 5g has also allowed the in-country delivery of media content to be of a high quality and supports the external image of a future looking country ready for the new world ahead. As with most economies the need for alignment of regulatory frameworks with the business of e commerce, digital marketing and the consolidation of technologies Qatar has the potential for attracting large scale investment in the Gulf Region.

"Future investments in the media sector are ready to take off and investors will be looking to professional advisory firms to support these growth plans." At MOORE global and Qatar office level, we have built a strong experience in various areas within the Media and Media Tech sectors and sports industry.

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MATIAS TEJERO IN ARGENTINA

The Asociación Argentina de Publicidad (Argentine Advertising Association) and Agencias Independientes (Independent Agencies Association) agreed to merge on 4 December and Agencias Argentinas (Argentinean Agencies, AA) was born.

Moore Tejero and Máspero Abogados (a member of Adlaw International) supported both associations during the process.

Aixa Rocca, General Coordinator of Agencias Argentinas tells us about the achievement.

HOW AND WHY WAS AGENCIAS ARGENTINAS BORN?

Our industry is facing great challenges that can only be faced by combining our forces and building a space that brings together all the players in the communication industry. AA was born from the understanding that the future is built today.

HOW WERE THE DIFFERENT CHALLENGES OVERCOME?

The foundation of AA was the result of eight months of work between the partners that made up Independent Agencies and the AA to build an overarching proposal, so we can all to push towards the same goal. It is what our industry needs.

We have a 100-day plan to shape an entity that represents us, reflects our horizontal, collaborative and dynamic work, and that will clarify our agenda for 2021. We are building a more efficient and agile structure, outlining the dynamics and schedule of activities for this year.

HOW DID THE MARKET RECEIVE THE CREATION OF THE AA?

We started with a series of Zoom sessions throughout 2020 to create something that integrates and brings together all companies and On 4 December 2020 with the launch of AA we had for the first time, all the communication companies in the country declared that they are united in pushing in the same direction through AA.

The response has been tremendous: we received the support of the Chamber of Advertisers and have been contacted by many stakeholders expressing their interest in being part of this new, fresh, inclusive project.

HOW WILL YOU CONTRIBUTE TO THE DEVELOPMENT OF THE SECTOR AT A NATIONAL AND INTERNATIONAL LEVEL AND GENERATE ADDED VALUE TO MEMBERS?

The new structure seeks to accommodate all the new actors and agency models in the communication industry and bring all the voices together in the same place. Through work commissions the AA will seek to develop and improve intellectual leadership, knowledge and best practice in the industry. The AA will focus on all dimensions of the business: growth, operations, finance, innovation, talent, investments and exports.

IS IT A SPACE THAT WILL INCLUDE ONLY AGENCIES OR DO YOU PLAN TO INCORPORATE OTHER ACTORS IN THE SECTOR?

The AA is committed to the success of its members and that commitment involves an open invitation to all industry players to cooperate in making the future: production houses, media, media agencies, consultancies, and brands.

We have created the AA+ Seal, a special membership process that will guarantee a unique, vibrant, diverse, and collaborative culture. For example, we will have workshops on how to design the business for the next 10 years and conferences to connect talent with the best of the industry in the world. The AA + Seal allows companies not only to participate in our activities during the year but also to access a powerful global network to promote collaboration among peers.

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THE FILM INDUSTRY IN TIMES OF COVID-19: LAUGHING STREAMING PROVIDERS & CINEMAS

The cliffhanger in the latest James Bond film, No Time to Die, comes before it is even released. We are all waiting to see whether it goes on cinema release, like all previous 24 films in the series, or is sold to cash-rich streaming services.

There have been reports of Netflix, Apple and Amazon offering sums well in excess of $500 million to buy the rights. It would be a coup for whichever service snatched the film – and a disaster for traditional theatre operators. Whatever happens, this battle confirms that the streaming services are now a force to be reckoned with.

In times of Covid, a visit to the movies remains a faraway fantasy for many people. In Berlin, we did not see the stars walking down the red carpet in February for the yearly "Berlinale" for the first time since 1951. Times have changed and "Netflix and chill" – the meme that went viral in 2015 – is now truer than ever.

The pandemic has left a huge mark on all stakeholders in the film industry. Rethinking the whole process of making a movie while staying "corona-compliant" is quite a task. Licence fees and pricing models which were previously based on the number of cinema visitors have had to be adapted and renegotiated.

One of the biggest losers has been old-school Hollywood. A lot of huge movies have been held back, which has led to losses of about $20 billion. Meanwhile AMC, one of the world's biggest movie chains had to raise almost $1 billion to stave off bankruptcy. In Germany, movie theatres sold 80.5 million fewer tickets than in the previous year, a drop of about 68%. Revenue slumped by a similar 69% due to Covid restrictions.

Our bridging subsidies (Überbrückungshilfen) only make a small dent in these losses, even though aid programs launched by the film funding agencies at federal and state level are being increased by tens of millions of euros.

On top of all this, a further anxiety has emerged. The theatrical window, the period in which movie theatres have the exclusive right to air the latest blockbusters, is shrinking. In Germany – in particular for state-funded movies – the theatrical window has been around 90 days.

Theatre-owners have been resistant to change for decades, particularly when it comes to the length of time that movies should play in cinemas before being permitted on home video, on-demand or streaming services. As that period shortens, the worry now is whether enough people will still want to buy tickets for a "real" cinema experience.

On the other hand, the growth of the home viewing continues unabated, with the streaming market worldwide increasing about 123%, on average. In the first six months of 2020, Netflix added more than 25 million subscribers, which helped to grow its market capitalisation by $70 billion last year. It is now more valuable than classic media giants such as Walt Disney, AT&T, the parent of HBO, and Comcast, owner of NBC and Universal Studios. Disney is fighting back and its Disney+ platform became the third-biggest player in the streaming market in 2020, growing about 14% during the year.

Without doubt, the pandemic has permanently changed viewing habits and movie release strategies but one thing is for certain: theatres have to change with the evolution of content distribution in order to stay in business. Holding on to an old distribution model predicated on a theatrical window to create an artificial exclusivity is no longer a viable strategy.

The cinema doesn't need to be saved – it needs to be transformed.

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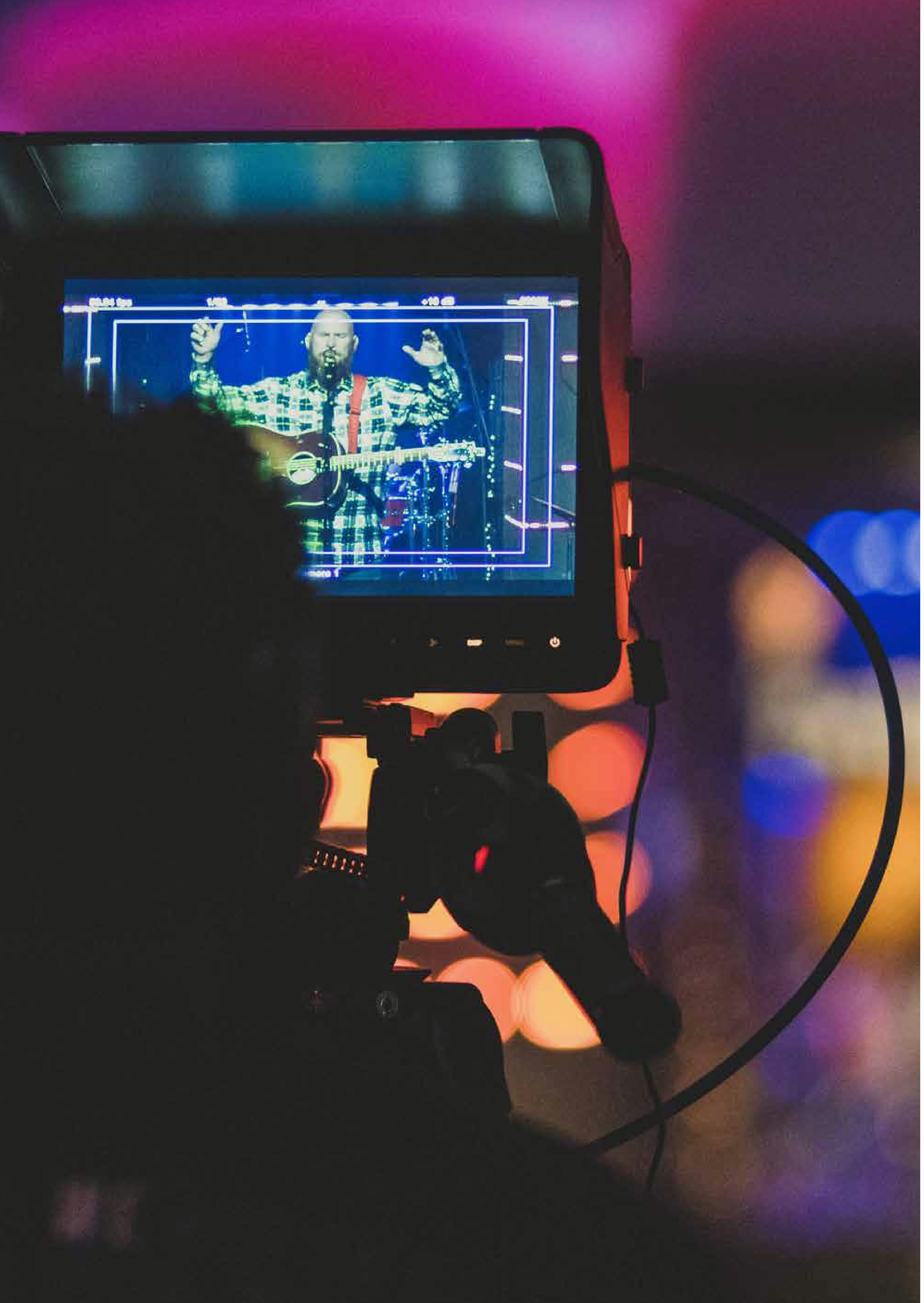
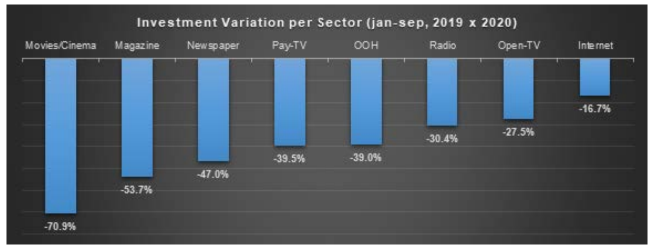


QUICK OVERVIEW OF THE ADVERTISING BRAZILIAN MARKET IN 2020

Latest figures show the dramatic impact of the pandemic on the Brazilian media market.

Investment in publicity between January and September, 2020, was around R$ 9 billion (Brazilian Reals), 29% down on the same period in the previous year. The movie sector was hardest hit, with a 71% reduction.



At the end of the 2nd quarter, when Covid uncertainties were at their peak, a study found that 73% of the advertising agencies have suffered some negative impact on their revenue and 36% had been forced to cut their teams.

The study by Resultados Digitais, Endeavour and Pequenas Empresas Grandes Negócios found almost half of respondents saw their revenue decrease by 20% or more. At that point, 55.8% of agencies said they would only have financial resources to operate for six months or less.

Around two-thirds adjusted annual budgets downwards and 55% said they were discussing reducing fees with clients.

Another natural consequence of the pandemic has been to force the directors of agencies to reinvent work process and models – and that has opened new opportunities for smaller, more nimble agencies. For example, DPZ&T, an important agency in Brazil, launched an autonomous cell in May 2020 created exclusively to serve the coffee brands of Nestlé.

Based on the performance of our clients, and conversations with executives from the industry, it seems that those agencies with larger portfolios and bigger and more solid clients have made it through the year in better shape than small agencies managing smaller clients.

However, the industry has also started a process of improving productivity and efficiency, combined with moves to diversify products and services.

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INDIA'S MEDIA BOOM – THE GOOD NEWS!

"The cable TV market during this covid time has grown exponentially in the Indian market. Large players like Sony, Star. Zee are with the 1500 cable operators providing content on the ever-increasing TV channels. They along with players like Netflix amazon are moving into the space vacated by the traditional cinema and theatre operators by growing their reach in OTT platform "says Prabhat leader of the Media practice since 2013. "The OTT is the future of delivering content and the government is working to ensure that the cost to the consumer is highly competitive and the service is at First Class level."

Big players like Amazon have taken a unique position in this market with their well-known A-Z strategy. This covers home shopping to entertainment as a "one stop shop". This coupled with companies like JIO ensuring solid fiber infrastructure is in place, which is moving people to use online services eg payments, banking, content and gaming at an exponential rate. "The real constraint" says Prabhat, "is around constant supply of internet and connectivity that could hold this new economy wave back."

On the Bollywood side of the media market, Prabhat confirmed that the big productions for cinema have slowed due to the pandemic. However, it has all moved to OTT and the pace is starting to pick up again on the production side. "Cinemas and Theaters are opening; however the patrons are weary."

Cricket is a massive entertainment industry in India and with the current England tour underway people are attending live matches. With the well-structured IPL auction process in place the consumer is ready for the in person as well as the online experience. "Indians have a love for cricket that won't be dampened" ends off Prabhat.

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TV IS GOING TO THE DOGS!

Kobi Zalicha opened up the discussion by saying "there is a network opportunity to support a media client plans to enter the European online TV market". With this great introduction he proceeds to outline the current state of the Israel economy coming back to normal with the significant strides the vaccine rollout has taken in the country that 70 percent of the population over the age of 18 have already been vaccinated . "The traffic jams in Tel Aviv are coming back" he said a means to register the return to near normal.

The firm has 2 large newspapers including the Jerusalem Post on their client list, with a number of tv channels (more of that later he again said), several production companies focused on tv/film, internet production houses and tradition billboard advertising companies. The entire media sector has dropped significantly in 2020 and is now back in business.

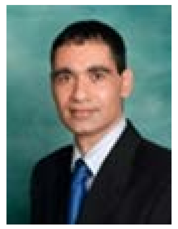
"Now to the exciting news" said Kobi, "my client called dogtv http://dogtv.com took the US market by storm." DOGTV is the only technology created for dogs with sights and sounds scientifically designed to enrich their environment.

DOGTV is a 24/7 channel with programs scientifically developed to provide the right company for dogs when left alone.

Through years of research by some of the world's top pet experts, special content was created to meet specific attributes of a dog's sense of vision and hearing and supports their natural behavior patterns. The result: a confident, happy dog, who's less likely to develop stress, separation anxiety or other related problems.

In 2014 Discovery Communications made a strategic investment in DOGTV, and became a minority stake holder in the company, DOGTV has recently begun working on several content partnerships with Discovery's Animal Planet and Discovery Digital. In April 2016, DOGTV launched a special program for dogs and their humans called "The DOGTV Hour". The show airs on Animal Planet and Discovery Family in 105 territories.

"Entrepreneurial ventures such dogtv are emerging in the media sector in Israel and other major media/telecoms centers around the world, and Moore should be ready to provide support to these growth plans across the network" concludes Kobi.



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"It is heartening that many in our sector see growth opportunities in 2021 and believe that business will bounce back strongly. Creative people have embraced challenge head-on: they have not only found different ways to continue to do their work, they have also identified new avenues for generating income"

Graham Tyler

OPPORTUNITIES AND PITFALLS IN USING SPONSORSHIP COMMUNICATION IN FRANCE

In recent years, sponsorship - or patronage - has become an excellent way of promoting a positive brand image as part of a wider corporate communications strategy.

Sponsorship is often referred to as "communication by the event" when companies support artistic, cultural, humanitarian or sporting events that represent the corporate values they wish to portray to the market. In addition, some large companies now communicate through their sustainable development reports and consider sponsorship as part of their corporate social responsibility policy.

Whichever form it takes, its success in France can be explained by the available tax incentives. Patronage expenditure is eligible for a significant tax credit that reduces the corporate tax burden of companies. This tax credit is equal to 60% of the donations made by a company (40% for donations above €2 million), even if it can be capped at 5 per thousand of the donor company's turnover (i.e., €5 per €1,000 of the company's turnover).

However, even if the tax regime for patronage is a strong incentive, the donor company must watch out for possible pitfalls and strictly comply with the conditions laid down to benefit from this regime.

Firstly, a clear distinction must be made between sponsorship and advertising. Under no circumstances should sponsorship communication be used to promote a product at the risk of being reclassified as advertising. The company's presence around the event must be discreet and no commercial gain should be expected by the company in its media exploitation. Indeed, the objective of sponsorship is the general interest and not the company's interest. From a tax point of view, sponsoring and advertising costs are, in principle, considered as expenses deductible from the taxable result, whereas sponsorship expenses are eligible for a tax credit.

Sometimes the borderline between these different notions is blurred. Therefore, it is generally recommended to draw up a contract between donor and beneficiary to clearly define the purpose of the donation, the obligations of the contracting parties and the absence of consideration (or the existence of insignificant consideration).

The potential beneficiaries of donations are listed exhaustively in the French tax code. These are certain organisations deemed to be of general interest of a philanthropic, educational, scientific, social, humanitarian, sporting, family or cultural nature. Also included are foundations or associations recognised as being of public utility, establishments engaged in scientific and technical research or public or private organisations whose management is disinterested, and which may be active in the field of arts and culture as well as the incubation of start-ups. The donor company must also ensure that all the formalities required to benefit from a risk-free patronage tax credit are complied with. In this respect, French accounting and tax law requires the donation to be recorded in the accounts but not deducted for tax purposes. The sponsorship tax credit must be declared on a specific form and the donor is normally given a tax receipt by the organisation receiving the donation.

Finally, specific rules for accounting and tax deduction through depreciation are provided for certain works of art acquired when the sponsorship action is linked to the acquisition of such work. In conclusion, sponsorship can be a very effective communication tool for companies. However, its financial attractiveness remains subject to compliance with certain legal and tax rules governing the use of the French sponsorship tax credit.

Article written in - collaboration with Stéphane Thomas (Avocat, Tax Partner) and Meabh Allen (Avocat, Tax consultant)

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AUSTRALIAN GOVERNMENT TAKES ON GLOBAL TECH GIANTS ON MEDIA CONTENT

The Need for Change: As we know, Facebook and Google have come to dominate the digital advertising space, with approximately 80% of digital advertising revenue in Australia being shared between the two companies in recent years.

As a result, advertisers are less motivated to invest in advertising in traditional news media than in the past, causing their revenues to drop.

In response to this, and lobbying from the industry, the Australian government passed a bill on 23 February 2020 in relation to the media industry (News Media and Digital Platforms Mandatory Bargaining Code) which amends the Competition and Consumer Act 2010. This bill forces Google and Facebook to pay news outlets licensing fees for displaying original, public interest news-media content on their websites. Other technology companies are likely to be included in the code at a later stage. The government also proposes that Google and Facebook can make default offers to small regional and suburban media outlets so that they will not have to make hundreds of separate deals.

David vs. Goliath – Big Tech Responses: Facebook's Response In response to the proposed bill, Facebook initiated a media blackout on their website within Australia on 18 February. All Australian media and affiliate pages had their content hidden – and unable to be shared – with international news also blocked for Australians. Facebook's actions forced the Canberra government to make concessions to allow Facebook time to negotiate deals before any action can be taken against them. This has had the effect of introducing uncertainty in the landscape as Facebook could ban news content again in response to future government action.

In February, Facebook announced plans to invest $1 billion globally in the news industry over the next three years. Then, on March 15, the company reached multi-million dollar, multi-year deals with Australia's largest news providers, News Corp and Nine Entertainment, to provide news content.

Google's Response: Google initially ran a big public campaign against the bill: at the core of which was the threat of operations being pulled out of Australia. More recently, Google agreed to pay News Corp licensing fees over three years for content to be provided on their new platform, Google News Showcase. It will also share advertising revenue via Google AdSense. Google has also struck a similar deal with Nine Entertainment for a reported $30 million annually over the course of five years. These deals could be a sign that Google is willing to work with the Government on a final industry-wide solution.

The New Media Landscape Global Implications?

The bill signifies a change in the current media landscape. News outlets will be able to fund news content and benefit financially from licensing fees provided by the tech giants. Independent journalism would be more sustainable, as a constant revenue stream will have been established.Governments around the world may be emboldened to move down a similar path with similar reasoning – to assist "struggling" media outlets by giving them a larger slice of the digital advertising pie.

Facebook suffered substantial public backlash on its media blackout of Australia and may be more circumspect if other governments seek to impose similar legislation.

Nevertheless, Facebook's actions helped galvanise global opinion on the tech giants' ability and willingness to wield power against sovereign nations. That, in turn, may be another step towards breaking up these media behemoths.In Australia, the bill has been rated a success by analysts and may yet prove to be a template for other governments.

Some lessons learned?

- New Media businesses should look to open negotiations with Facebook and Google to secure new revenue.
- However, given Facebook's actions in Australia it would be wise to have contingencies in place to mitigate the risk of 'blackouts' to their social media sites.
- Lobbying of the Australian government by the media industry was very successful in Australia and could be just as beneficial in other jurisdictions.

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WHY DO SO MANY PRODUCTION COMPANIES CHOSE IRELAND AS A LOCATION FOR FILM, TELEVISION AND ANIMATION?

As far back as 1953, when John Ford won an Academy Award for best director for The Quiet Man, Ireland has enjoyed a reputation of being a world-class location for international film production. Since those days, numerous blockbuster films, such as Braveheart, Harry Potter and Star Wars, and television series like The Tudors and Vikings have been filmed here. Recently, the Irish animation industry has witnessed significant growth by working on projects with some of the biggest names in global broadcasting, including Disney, Nickelodeon and Cartoon Network.

Today, Ireland's audiovisual sector employs almost 20,000 people and is worth over €1 billion to the digital and creative economy. It includes film, television, animation, commercials, video games and radio. To further enhance Ireland's attractiveness as a key location for this industry the Irish Film Board has introduced a wide range of development funding programmes to enable writers, directors and producers to develop, prepare and produce film, television and animation in Ireland. Meanwhile, generous tax incentives for production companies iare still the main reason why several leading film studios and post-production houses choose the country as their preferred location.

The main aspects of this tax incentive are outlined below.

Ireland has a corporation tax credit available to a "Producer Company" in respect of Irish eligible expenditure incurred by an Irish subsidiary special purpose vehicle defined as a Qualifying Company.

The scheme covers feature films, television drama, animation and creative documentary subject to satisfying a Culture Test and an Industry Development Test.

The scheme allows production companies to avail of a potential tax credit worth up to 32% of eligible Irish expenditure.

A potential 5% uplift is available for projects shooting in certain regions in Ireland, bringing the value of the tax credit up to 37%.

There is no annual cap or limit on the funding of the programme. However, the tax credit has a 'per project' cap of up to 32% (or 37% if applicable) of the lower of:

- All eligible expenditure
- 80% of the total cost of production
- €70 million

The tax credit may be claimed against a Producer Company's corporation tax liabilities. In the event that the relief due is greater than any tax due by a Producer Company in respect of a qualifying period, then a payment of the excess will be made by the Revenue.

A Producer Company must:

- be resident in Ireland or an EEA State and carry on a business in Ireland through a branch or agency
- carry on a trade of producing films on a commercial basis with a view to the realisation of profit that are made for exhibition to the public in cinemas or by means of broadcast
- cannot be a broadcaster or a company whose business consists wholly or mainly of transmitting films on the internet
- hold all of the shares in the qualifying company
- have filed the required Corporation Tax Return with Revenue within 21 months of trading as a producer company

A Qualifying Company must:

- be incorporated and resident in Ireland or be carrying on a trade in Ireland through a branch or agency
- exist solely for the purposes of the production of only one qualifying film
- be a wholly owned subsidiary of the Producer Company

When calculating the amount of the tax credit, eligible expenditure is the portion of the total cost of production of a qualifying film that is expended on the production of the film in Ireland. This expenditure must be incurred by the qualifying company directly on the cost of all cast and crew working in Ireland, and all goods and services sourced in Ireland. This includes post-production and/or visual effects.

A claim cannot be made where the total cost of qualifying expenditure incurred in Ireland on a qualifying film is less than €125,000. Expenditure cannot be qualifying expenditure unless it is incurred on the production of the film, which runs from the development phase up to and including post-production including the cost of providing an archive print. Furthermore, the total cost of the film must not be less than €250,000.

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MOORE GLOBAL NETWORK

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