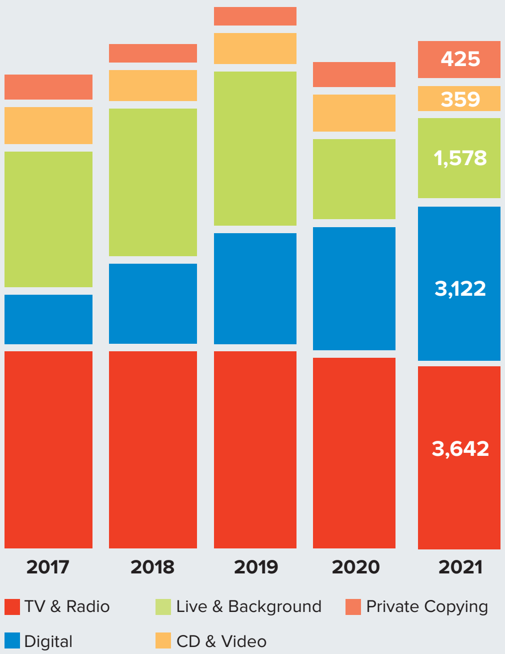
COLLECTIONS GROW +5.8% BUT THE ROAD TO RECOVERY IS FAR FROM COMPLETE

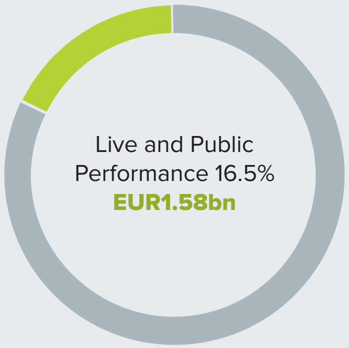
After more than two years of losses, creators' royalties are on the path to recovery to their pre-pandemic levels. The recovery is far from complete, however: while collections rose +5.8% in 2021, they remain -5.3% below the pre-pandemic result of 2019. The COVID crisis transformed the shares of two major income streams: live/public performance and digital. Although these two royalty channels are expected to see robust growth in 2022, the growth of streaming consumption continues to undervalue and deliver poor returns to creators.

Creators' major collections sources, 2017–2021
(EUR million)



LIVE SECTOR RECOVERS SLOWER THAN PUBLIC PERFORMANCE

Live and public performance, which accounted for 29.5% of all creators' royalties in 2017, has now shrunk to account for only 16.5% of global collections.



The live and public performance sector, taking in the exhibitions, cinema and public events sector, remained largely flat in 2021, with very few signs of recovery overall and collections declining by just under 1% for the year. This leaves annual royalty payments in 2021 -45.8% below 2019. The business arising from the concerts, theatres and exhibitions sector remained in a state of near-collapse through 2021 due to a combination of restrictions and reluctance to return to events, especially among an older demographic.

The two-year COVID period devastated careers for many creators. Brazil, one of the epicentres of COVID, saw live and public performance collections for 2021 down -72.4% on pre-pandemic levels. A January 2022 survey led by UBC, along with cRio and ESPM, reveals that approximately 50% of all musicians had lost 100% of their pre-pandemic income. Half of these have been forced to find another professional activity.

> *Data from a large sample representing around two-thirds of CISAC societies shows the live sector in 2021 -73% below 2019 levels.*

CISAC member societies continued to play a key role through 2021 in supporting creators through the crisis, as the case studies in this report illustrate (see page 15).

The path back to full recovery of live and background collections is not smooth, especially for live performance and exhibitions. Data from a large sample representing around two-thirds of CISAC societies shows the live sector in 2021 -73% below 2019 levels, while background uses are only -30% below that pre-pandemic result.

Concerts and festivals surge back in 2022

The lifting of COVID restrictions in most countries from the second quarter of 2022 triggered an explosion of sold-out live events and festivals. Brazil has seen a strong recovery in 2022, driven by local events, national tours and large-scale festivals such as MITA, Rock in Rio and Lollapalooza. Societies in the UK, France, Belgium, Germany and elsewhere have seen the same pattern.

Global events company Live Nation reported a strong start to 2022, with income up +52% in the first quarter, stating that events were "back on the road and fan demand has never been stronger, a reflection that live events remain a clear priority for consumers as our social lives restart".

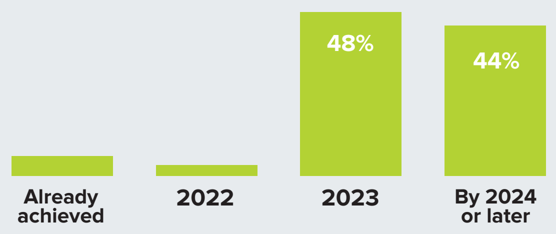
Looking ahead, it may take until 2023 or even 2024 for live royalties to recover their pre-pandemic level. Several factors underlie this slow recovery, including the permanent collapse of some businesses during the pandemic; the sluggish return of small-scale events featuring local artists in some countries; and initial delays in the return of world tours for the big stadium-filling acts. Australasian society APRA AMCOS said high costs, COVID restrictions and lengthy planning periods initially deterred promoters, although many tours are now confirmed for 2023.

Tourism eyes 2023–24 for full recovery

Tourism, an estimated US$1.9 trillion global industry, is a driver of royalty income for creators. Following its collapse in early 2020, global tourism rose by only +4% in 2021, according to the world tourism organisation UNWTO. International arrivals at the end of 2021 were still -72% down on pre-pandemic levels.

While tourism is now strongly recovering, a return to pre-pandemic levels may only come in 2023, according to UNWTO. Its expert panel survey of June 2022 showed expectations of recovery to 2019 levels split between 2023 (48%) and 2024 (44%). The Asia-Pacific region is the least optimistic, with only 26% expecting full recovery in 2023.

When do you expect international tourism to return to pre-pandemic 2019 levels in your country?



UNWTO panel of tourism experts, June 2022

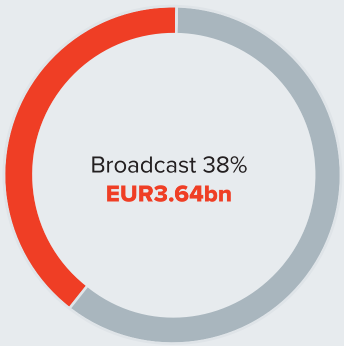
As a counterbalance, many governments are helping the recovery of domestic tourism. For example, the Japanese government has rolled out programmes that provide discounts, coupons and subsidies for domestic travel. For the creative sector, this has helped in the return of large-scale festivals like Fuji Rock and Summer Sonic as well as in the hospitality sector. ■

BROADCAST REMAINS THE MAINSTAY FOR CREATORS

Broadcast collections have maintained a long-term trajectory of slight year-on-year decline in recent years, reflecting the general shift from linear to OTT and on-demand subscription streaming.

COVID has had a smaller impact than on the other two main income streams. Broadcast royalties have proved resilient as ad revenues fell less than expected and recovered more quickly than foreseen over the two years.

Broadcast remains the largest source of global royalty collections, accounting for 38% in 2021 and leading creator's income sources in most countries. Collections from TV and radio declined -1.5% to EUR3.64bn in 2021, down -5.7% from pre-pandemic levels



According to PwC's Global Entertainment and Media Outlook (2022–2026), advertising leaped +22.6% in 2021 following a -7% decline in 2020. Global advertising revenues are projected at annual growth of +6.6% up to 2026. This growth, however, is fed largely by digital while a decline in non-digital advertising is predicted after 2025.

The value of CMOs in broadcast licensing

CISAC's broadcast collection statistics reflect a relentless effort by member societies to negotiate the best possible rates for creators in licensing negotiations with broadcasters. Examples from societies around the world in 2021 illustrate the vital role played by CMOs in this area:

- TONO, Norway: settlement of a major court case with national broadcaster TV2
- SACM, Mexico: new licensing deal with satellite service "SKY"
- GEMA, Germany: new cable retransmission deal with Vodafone
- KODA, Denmark: new agreements on revenue splits with other rightsholders
- JASRAC, Japan: negotiated higher payments for licensing despite a headline rate that has been unchanged in 20 years
- KOMCA, Korea: civil lawsuits regarding terrestrial broadcast management rates
- SABAM, Belgium: settlement with major cable distributor including better remuneration for composers and publishers. ■

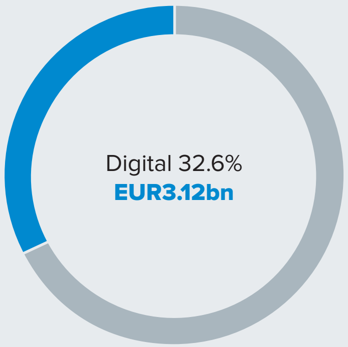
DIGITAL NEARS ONE-THIRD OF ALL COLLECTIONS

Digital's rapid growth has continued into 2022, helped by the sustained organic growth of streaming and subscription services and the success of CMOs in getting new and renewed licensing agreements with services. Further strong music streaming growth is expected in 2022. Spotify reported a +14% increase in global music subscribers in the second quarter of 2022 combined with a +31% rise in ad revenue.

Subscription video on demand (SVOD) consumption has also boosted many societies' digital collections, helped by new market entrants and increased competition (see Futuresource projections, page 12). SVOD is seen as vulnerable to the global cost of living crisis, more so than music streaming since most consumers or families have one music streaming service package but, by contrast, multiple SVOD subscriptions. Consumers may therefore cut costs by reducing their number of SVOD packages.

In the music sector, a steady spread of new services globally is also helping grow streaming income. Licensing deals have been made in recent years led by platforms such as Facebook, TikTok and YouTube.

Digital collections rose +27.9% to EUR3.12bn in 2021, and now account for 32.6% of all global collections (up +49.1% from 2019).



Are creators getting fair value from streaming subscriptions?

Music subscriptions remain strongly undervalued for creators, in the opinion of many societies. The monthly EUR9.99 subscription has been unchanged for nearly two decades, despite the dramatic increase in consumption and availability of repertoire and long-term year-on-year inflation, which in 2021 has accelerated sharply.

Average monthly streams on a single user music subscription have risen from 400 to 700 in recent years, according to one large society, increasing the mismatch between the value derived by the user and the value returned to the creator. Furthermore, the freemium model continues to offer a lower-value alternative which cannibalises premium subscription. Increased use of discounted bundled offers further erodes average revenue per user.

89% **of creators surveyed consider remuneration not adequate (GEMA)**

These factors combined are fuelling a debate internationally on the value of streaming to creators. Among some societies, there is significant support for digital services to increase their subscription rates from the typical EUR9.99 established at the outset of music streaming subscription some 15 years ago.

A GEMA-commissioned study by Goldmedia on the streaming market in Germany in September 2022 further informed the debate. Findings include that music authors and publishers receive 15% of the net proceeds of a music subscription, less than streaming services (30%) and labels (42%).

The study found 89% of music creators assess the remuneration from music streaming as inadequate. "The figures of the study prove the urgency of this debate". says GEMA CEO Harald Heker. ■