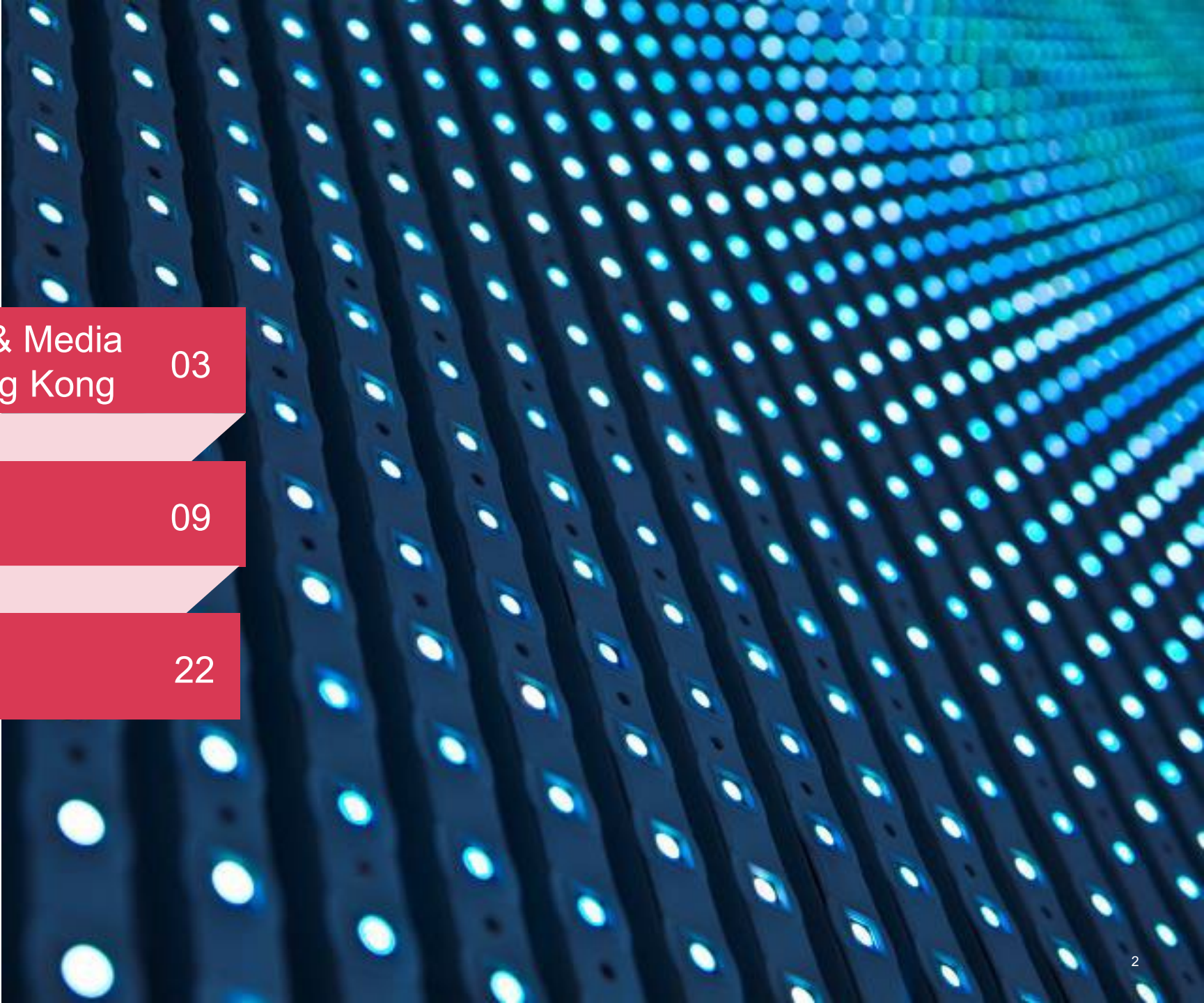


Global Entertainment & Media Outlook 2022-2026: Hong Kong summary

June 2022



Contents

- 
- 01 Overview: Entertainment & Media Outlook – Global and Hong Kong 03
 - 02 Segment deep dive 09
 - 03 Metaverse & NFT 22

01


Overview: Entertainment & Media Outlook – Global and Hong Kong



The Outlook covers five-year projections of consumer and advertiser spending data across 14 segments and 52 territories

 14 segments

- Business-to-Business
- Cinema
- Consumer books
- Data consumption
- Internet access
- Internet advertising
- Music, radio and podcasts
- Newspaper & consumer magazines
- OTT Video
- Out-of-home (OOH)
- Traditional TV and home video
- TV advertising
- Video games and esports
- Virtual reality

 52 territories

- United States
- Mainland China
- Hong Kong
- Japan
- Germany
- United Kingdom
- France
- India
- Brazil
- ... and more

Projected E&M revenue in 2026 and growth 2021-2026 (CAGR)

Global	Mainland China	Hong Kong
4.6%	5.65%	3.51%
(US\$2,932 bn)	(US\$527 bn)	(US\$11 bn)

Fault lines and fractures: Innovation and growth in a new competitive landscape

2022 is full of changes, the COVID-19 pandemic and supply chain continuing to affect consumer behaviour and the development of the entertainment and media industries



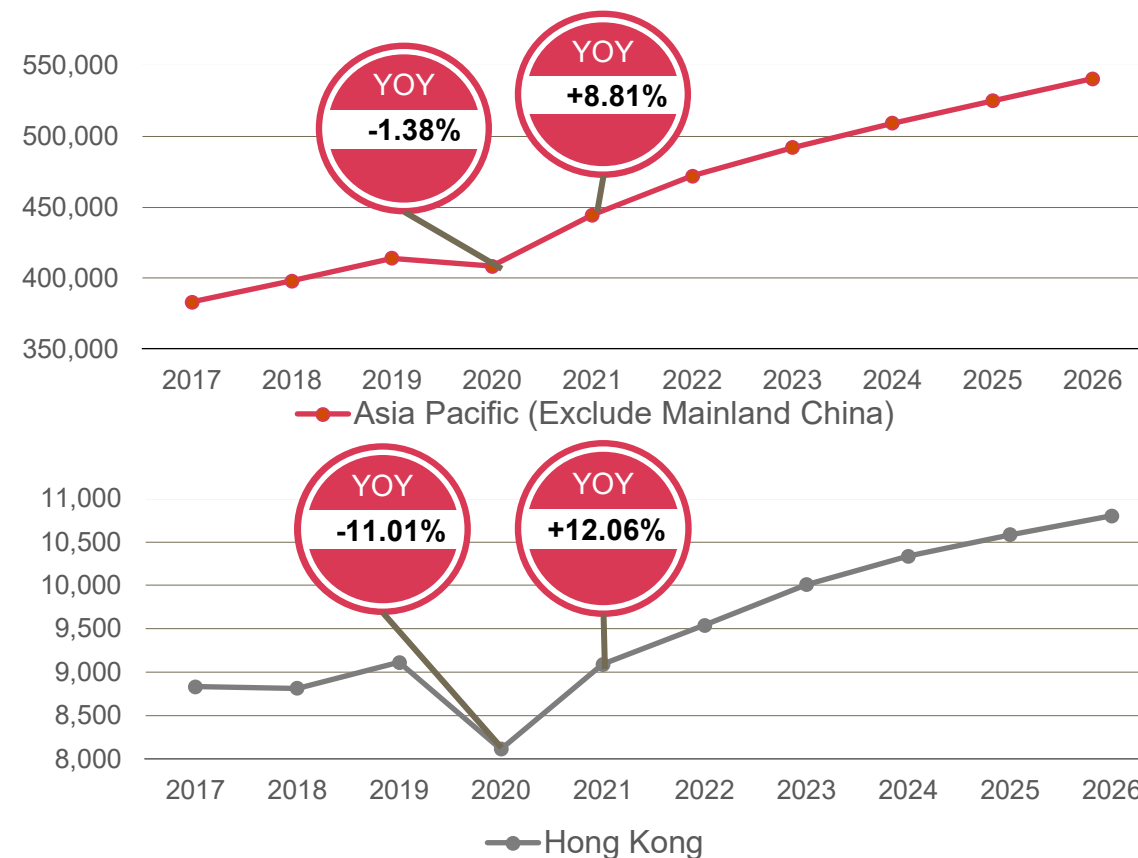
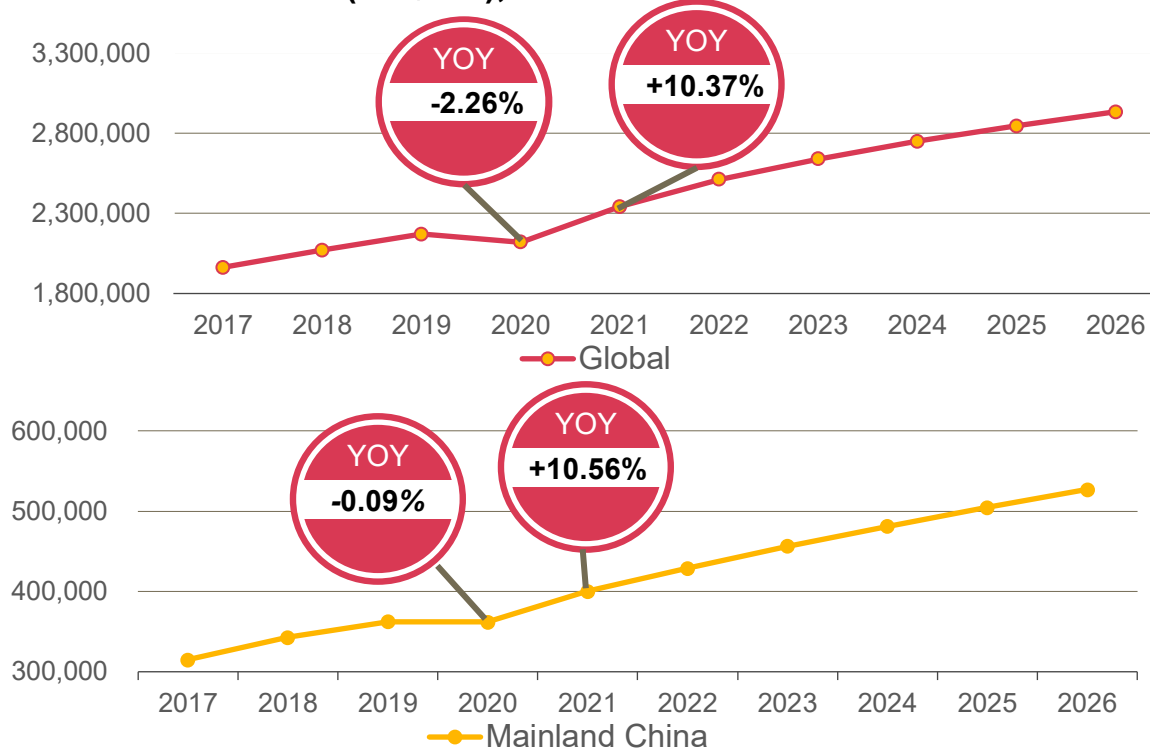
- Public health, supply chains and geopolitics make 2022 a year of uncertainty
- With all the uncertainty, the overall market trend and driving force are clearer, given a new understanding of the unpredictability and changes that are changing the entertainment and media landscape.
- Regulators step up on overseeing big tech companies and data privacy protections
- Metaverse sets a new wave of digitalisation
- Investment on Non-Fungible Tokens (NFTs) has emerged among collectors and speculators

Dynamic trend

Due to the new global landscape has brought unpredictability and changes to the entertainment and media industries, consumption patterns may change dramatically. In the future, there may be more regulation on NFTs and cryptocurrencies.

Hong Kong revenue showed a strong rebound in 2021 after heavily hit in 2020

Total E&M revenue (US\$m), 2017-2026



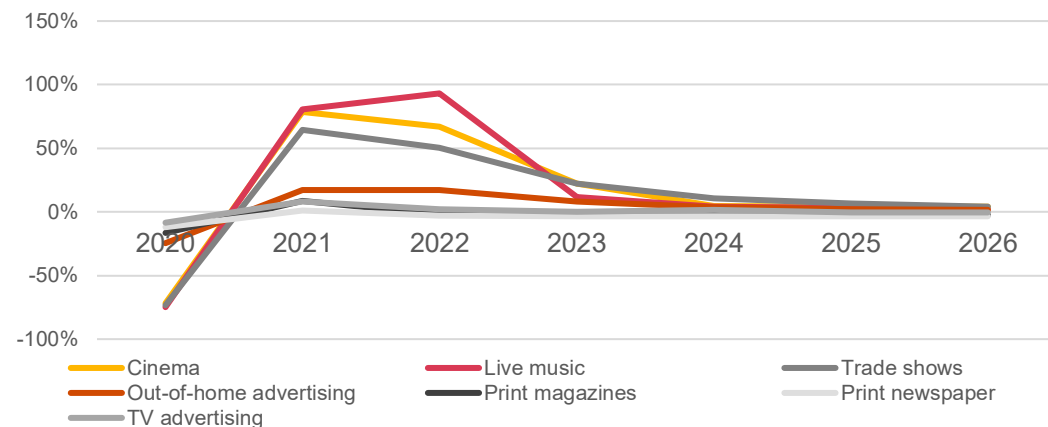
- Global E&M revenue rebound significantly in 2021, reaching US\$2.7trn after the biggest year-on-year drop in 2020.
- Entertainment and media revenue in Hong Kong increased 12.05% from 2020 (\$8.1 billion) to \$9.1 billion in 2021 due to COVID-19 recovery

Note: 2021 is the latest available data. 2022-2026 values are forecast projections
Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

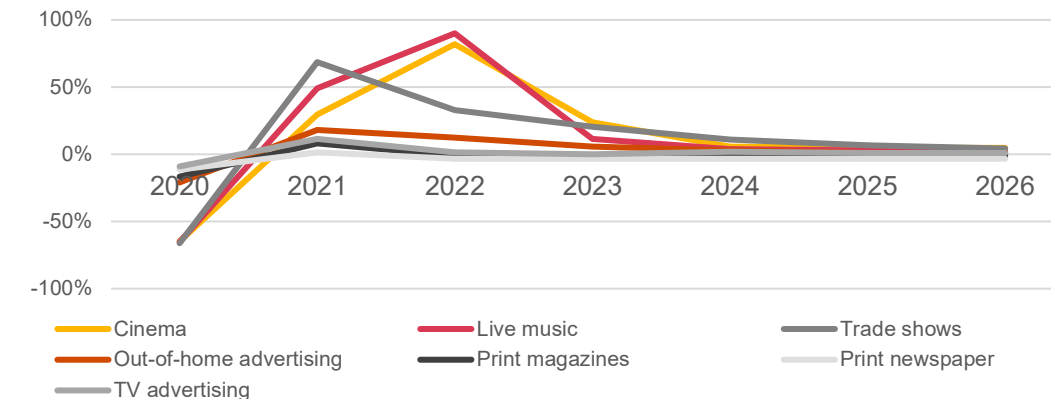
Diverse trend of recovery in certain Hong Kong segments – Cinema and trade show was slightly slow in picking up due to COVID-19 lockdown in 2021

Select metrics year on year growth rate (%) 2020-2026

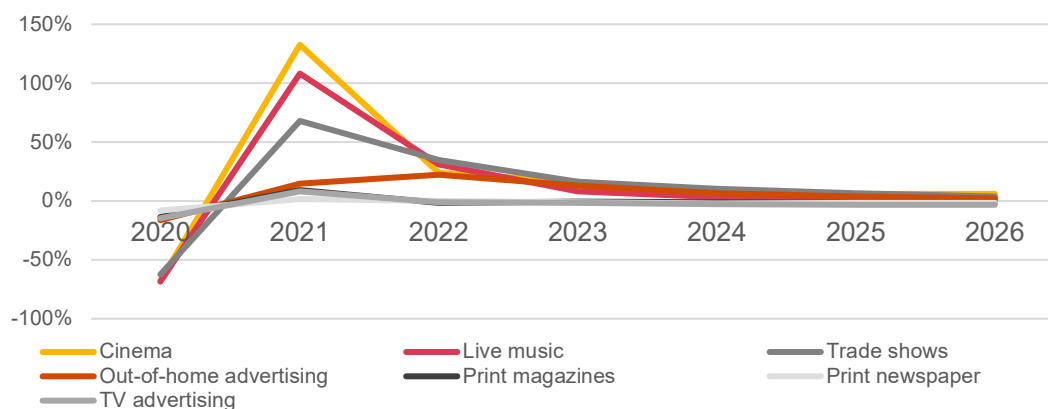
Global



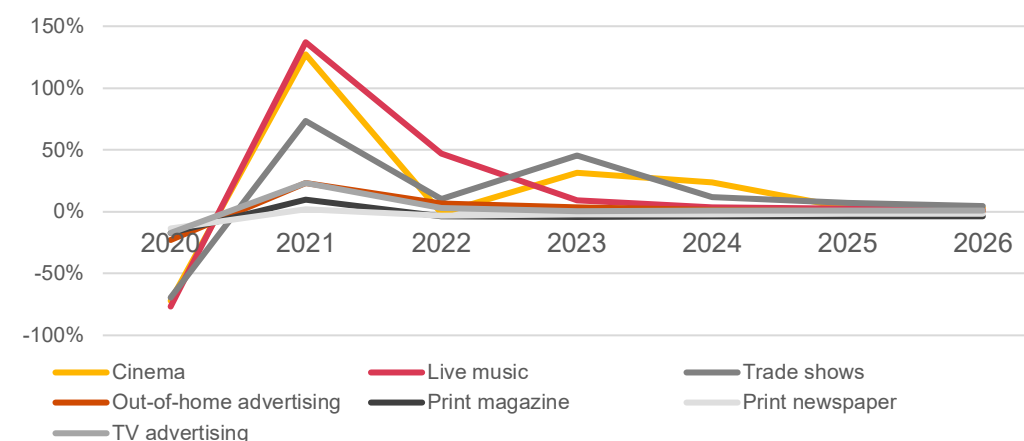
Asia Pacific (exclude Mainland China)



Mainland China



Hong Kong



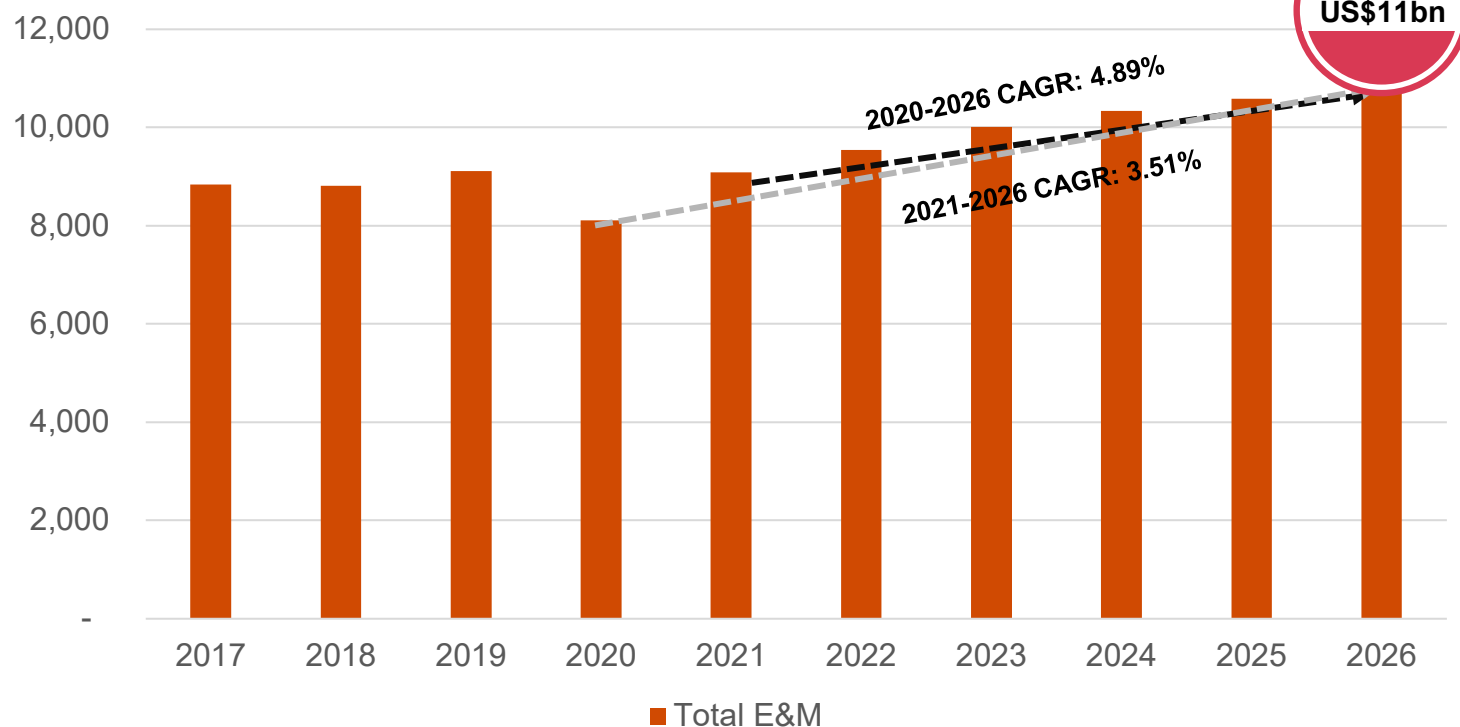
Note: 2021 is the latest available data. 2022-2026 values are forecast projections

Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

After a strong rebound in 2021, Hong Kong projects the entire E&M growth to be steady at 3.51% within 2021-2026

- Except for cinema and trade show, majority of the Hong Kong segments poses a healthy recovery trend
- Hong Kong E&M revenue is expected to reach US\$11bn in 2026.

Total HK E&M revenue and year-on-year growth (%), 2017-2026 (US\$ mn)



Note: 2021 is the latest available data. 2022-2026 values are forecast projections

Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

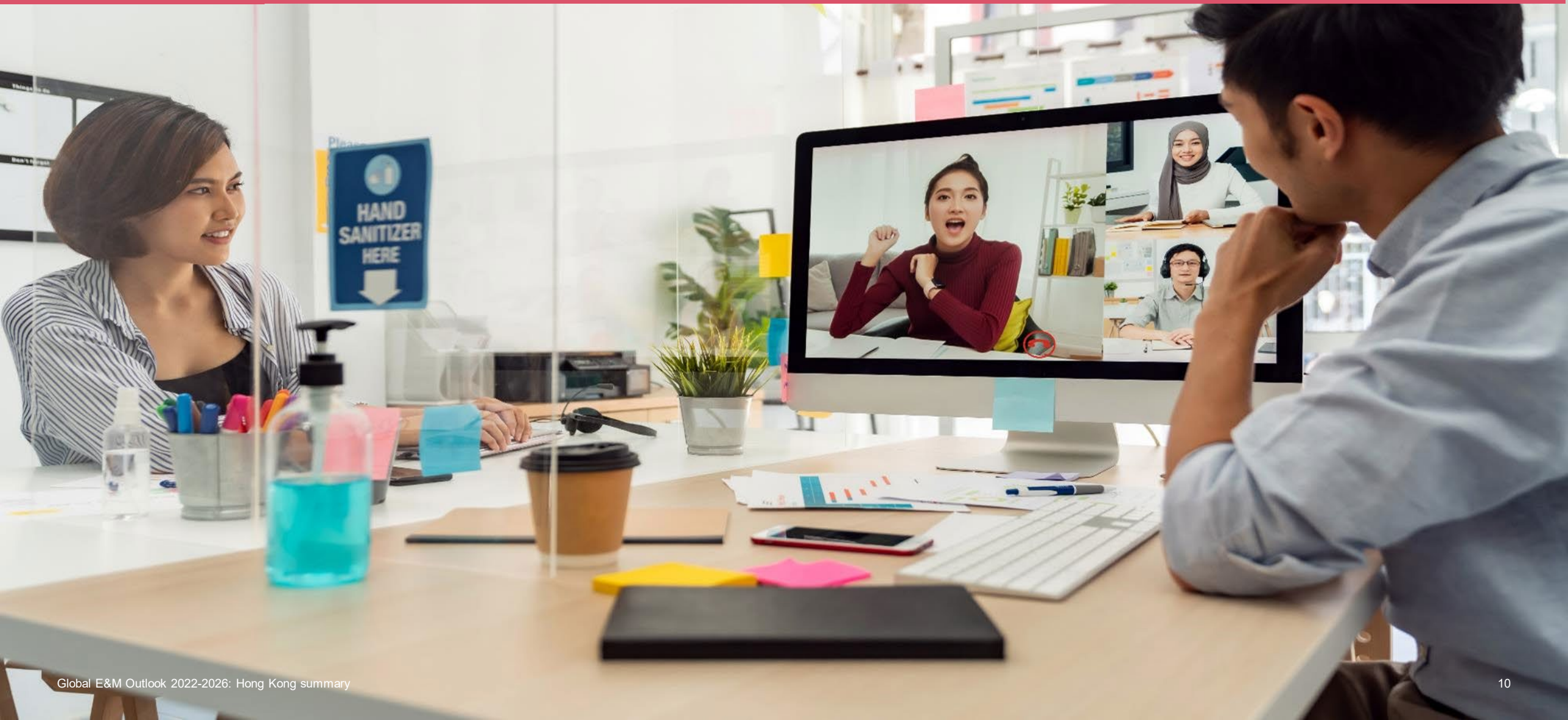
02

Segment deep dives



2.1

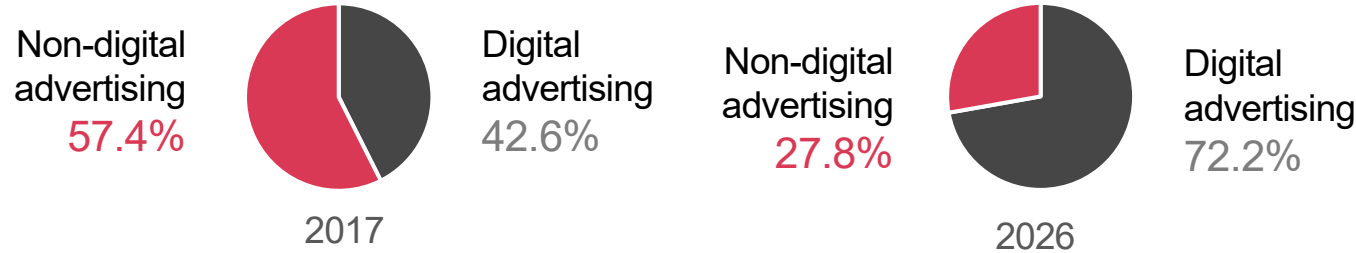
Internet advertising



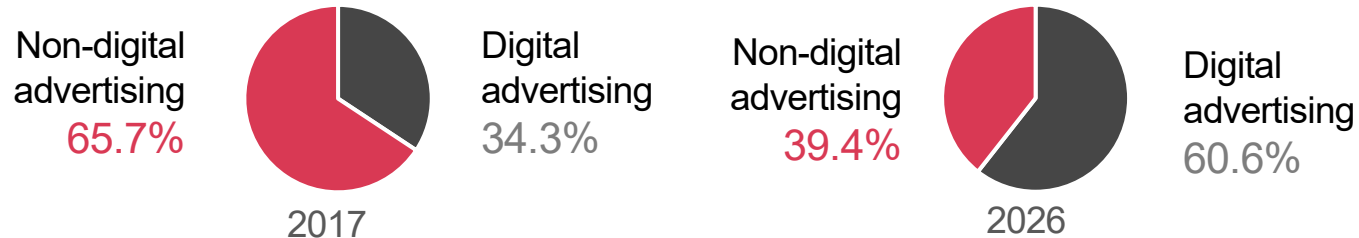
Hong Kong's advertising will be dominated by digital, which is similar to Global and Asia Pacific

Advertising revenues (Global vs Asia Pacific vs. Hong Kong)
(in terms of digital and non digital, 2017 vs. 2026 (%))

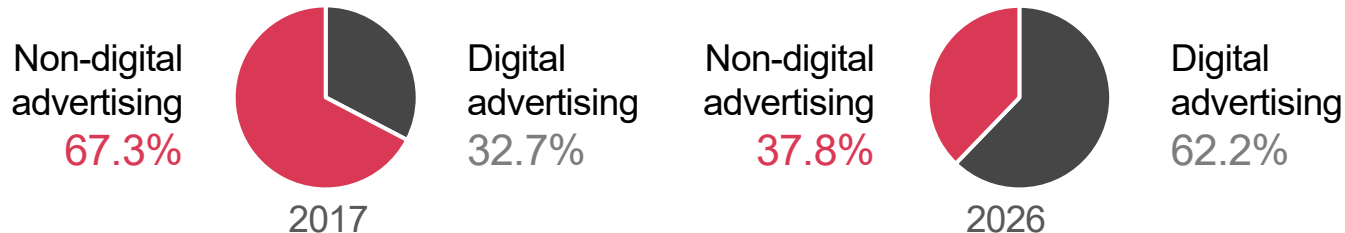
Global



Asia Pacific (exclude Mainland China)



Hong Kong



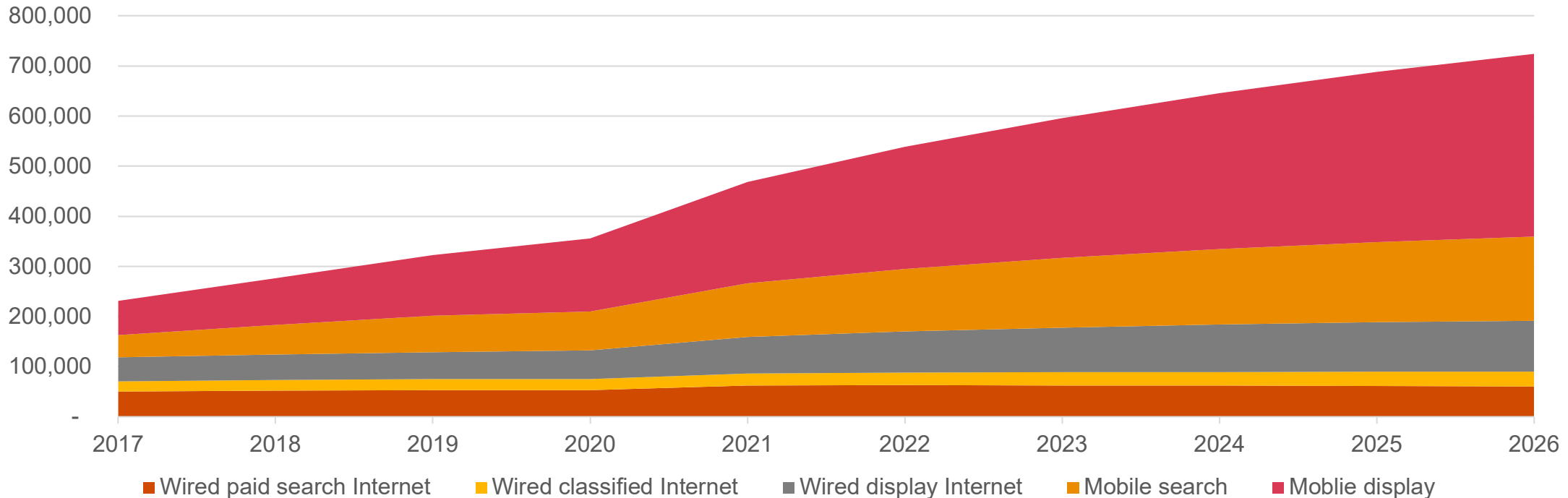
Traditional advertising will lose the market shares to digital advertising

- **Internet advertising in Hong Kong continues to grow** at 7.49% CAGR, at US\$2,007mn in 2026 from US\$1,398mn in 2021.
- Digital advertising growth in Hong Kong will be similar to Asia Pacific.
- The advertising market is shifting further towards mobile, as the acceleration of 5G application and usage continue to shift the trend to digital advertising.
- The high penetration of smartphone and high data consumption in Hong Kong drives the change in the advertising trend.

Note: 2021 is the latest available data. 2022-2026 values are forecast projections
Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

The pandemic has led to increased consumer interest in digital content and services in which mobile display will dominate the market

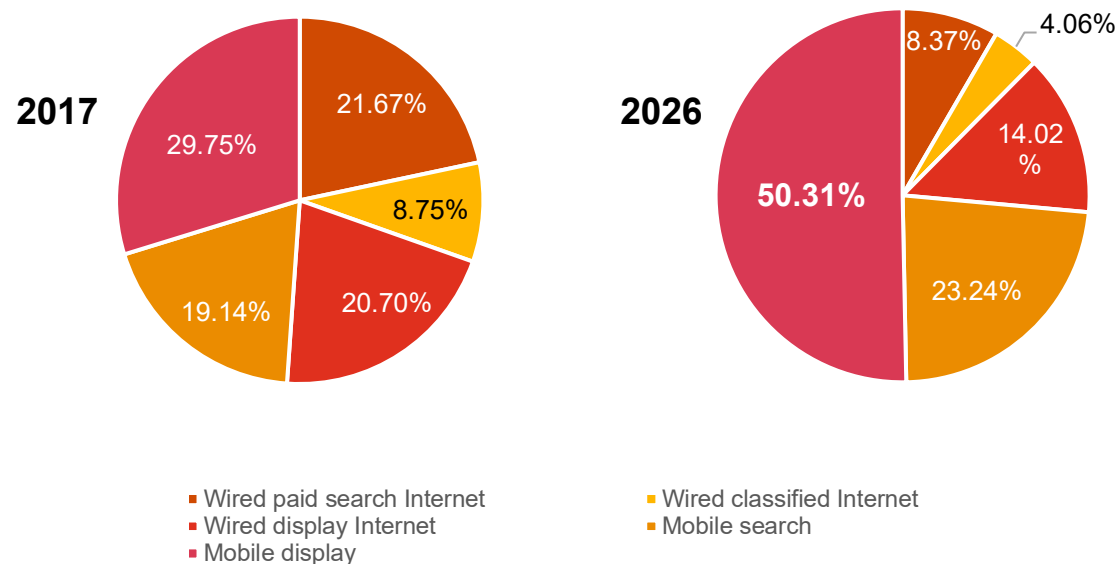
Global Internet advertising revenue, 2017-2026 (US\$mn)



- Video on social and CTV platforms, coupled with in-app mobile ads, will drive display growth
- This growth will be driven by the increasing consumption of mobile media across the globe, with almost all of the digital media consumption in emerging markets occurring on mobile devices.

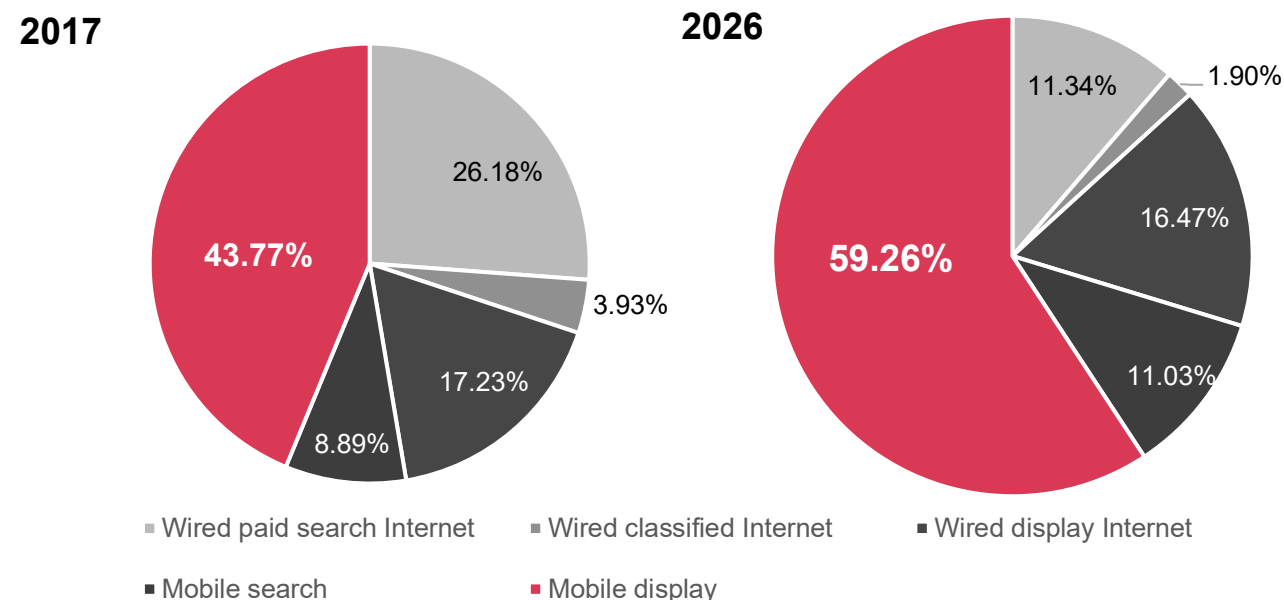
Hong Kong's Mobile display advertising will reach 59.26% of the market by 2026

Global – Internet advertising revenue, % of total



- Mobile display advertising revenues will grow at a CAGR of 12.44% for 2021-2026.

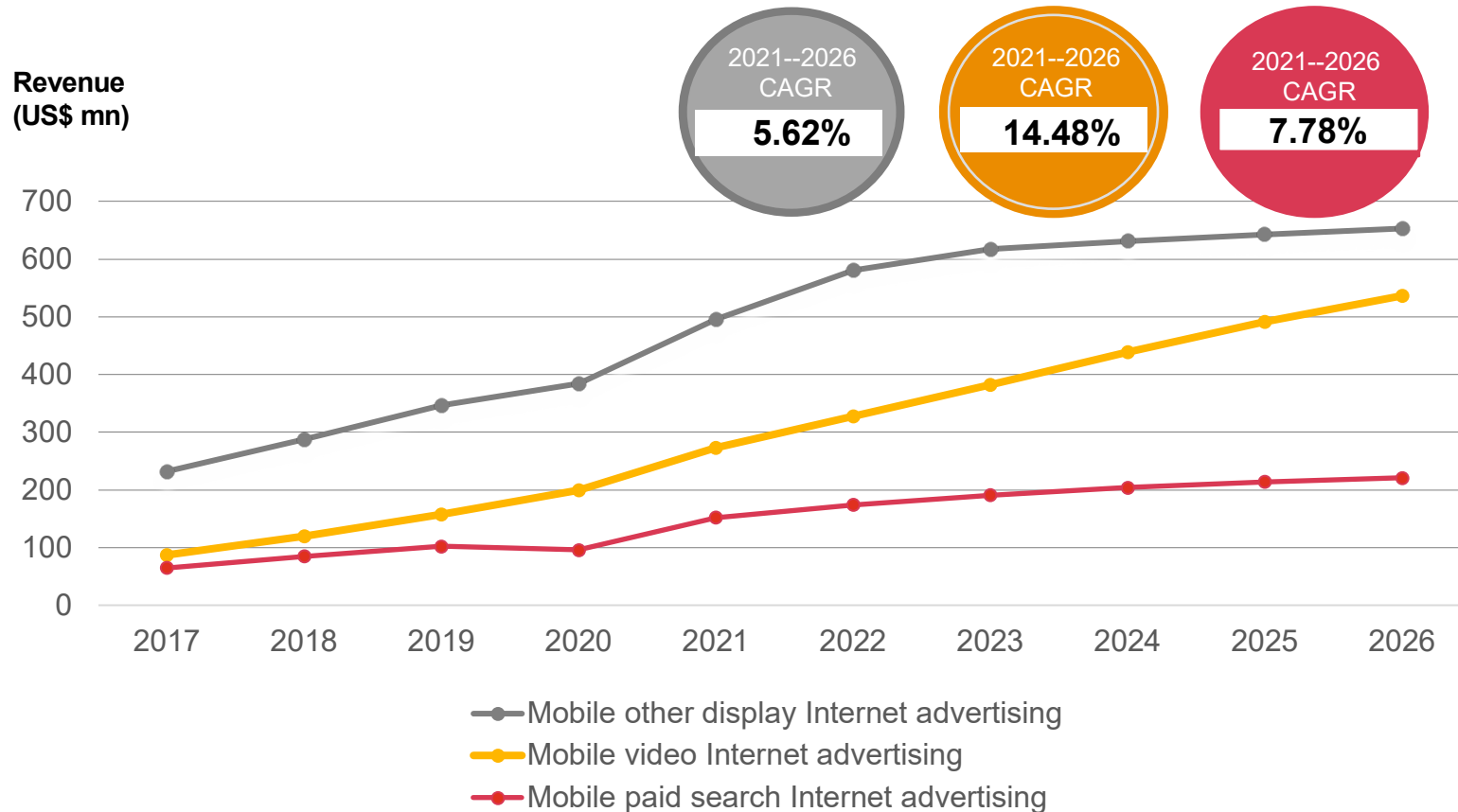
Hong Kong – Internet advertising revenue, % of total



- Mobile display advertising revenues will grow at a CAGR of 9.1% for 2021-2026

Mobile video remains the key driver in the growth in the Internet advertising

Hong Kong mobile video Internet advertising 2017-2026 (US\$mn)



Drivers of mobile video advertising

- Mobile video internet advertising will growth at 14.48% in 2021 to 2026.
- The acceleration of 5G application and increase in data usage drive the growth
- More and more content creators in **social media platforms**

Note: 2021 is the latest available data. 2022-2026 values are forecast projections

Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

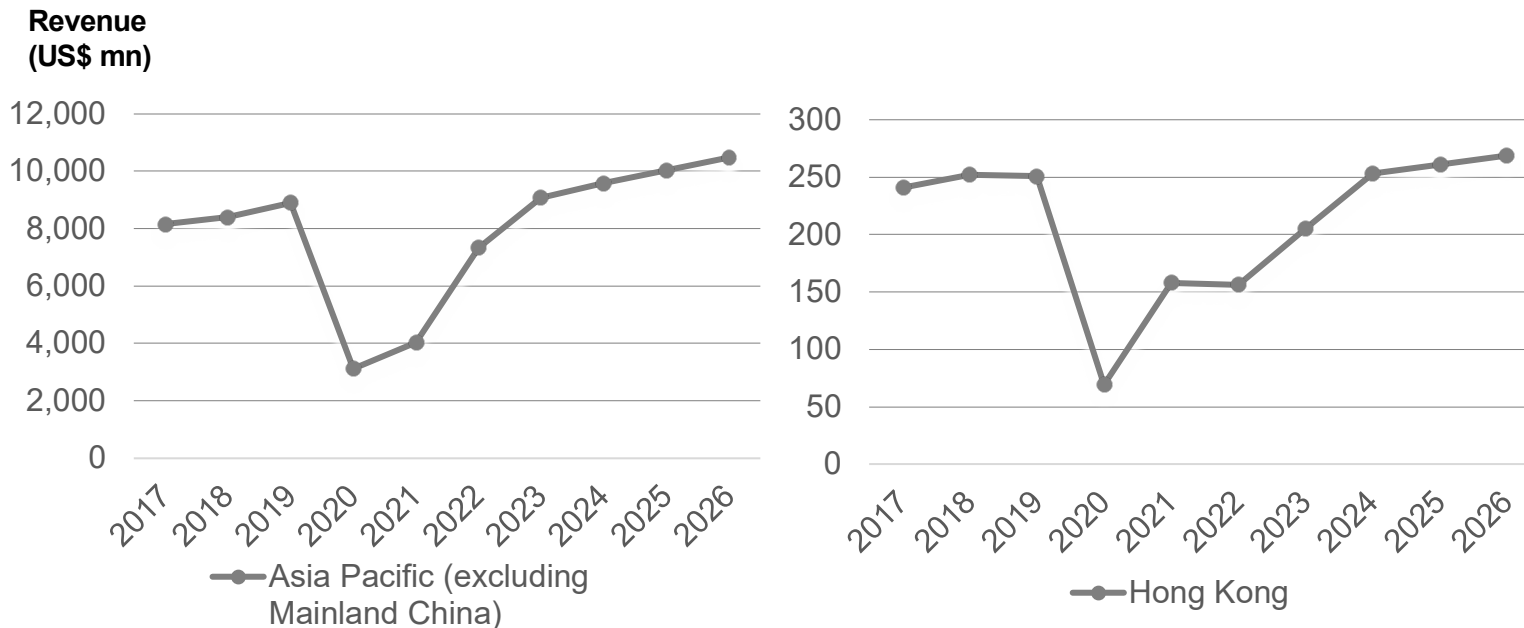
2.2

Cinema



Recovery of box office revenue in Hong Kong is expected to slow down in 2022 due to COVID-19 impact, while Asia Pacific (excluding Mainland China) continues to rebound

Cinema revenue – Asia Pacific (excluding Mainland China) vs. Hong Kong 2017-2026 (US\$mn)



Asia Pacific and Hong Kong shows a different rebound trend

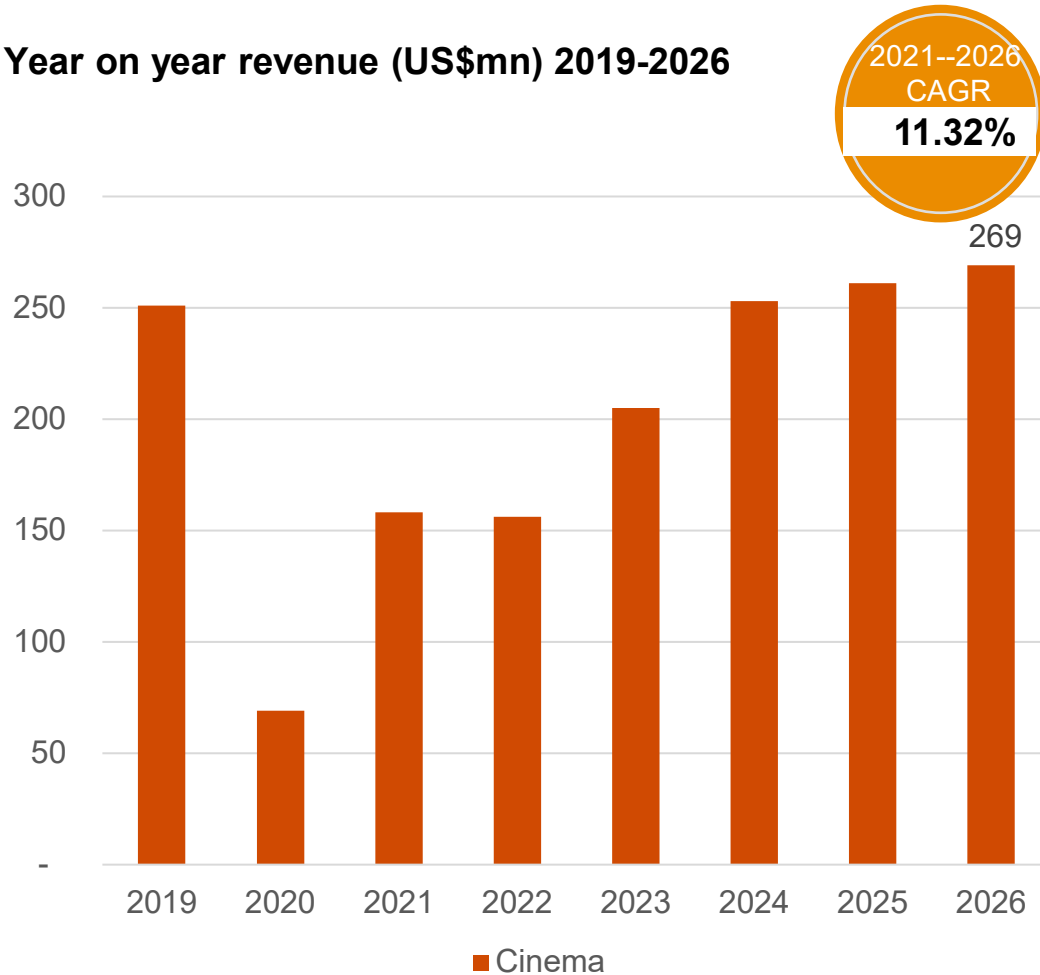
- For Hong Kong, there was a partial recovery in sales in 2021 to US\$157mn and revenue should exceed pre-pandemic levels by 2024
- While in Asia Pacific (excluding Mainland China), the growth in 2021 was not as significant as Hong Kong, however, due to the relaxation of social distance measures in 2022, Asia Pacific is expected to record a higher growth rate than Hong Kong

Note: 2021 is the latest available data. 2022-2026 values are forecast projections

Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

Cinema in Hong Kong to resume to pre-COVID level in 2024 and rise to US\$269mn in 2026

Year on year revenue (US\$mn) 2019-2026



Note: 2021 is the latest available data. 2022-2026 values are forecast projections
Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

- For Cinema, Mainland China is of a unique trend and being less severely impacted as the rest of the world due to the country's fast recovery from COVID-19.
- Hong Kong recorded an increase in COVID-19 cases at the beginning of 2022 and as such, cinemas were required to close for several months.
- Some cinemas were forced to close permanently, such as Broadway Circuit's Diamond Hill branch and Cinema City Victoria in Causeway Bay.
- Increased COVID-19 restrictions also led to the indefinitely postpone of Hong Kong International film festival, which it was originally scheduled in the end of March.
- Meanwhile, since the reopening of the cinema in May, several Hollywood movies – "Doctor Strange in the Multiverse of Madness", "Top Gun: Maverick" have boosted the market.

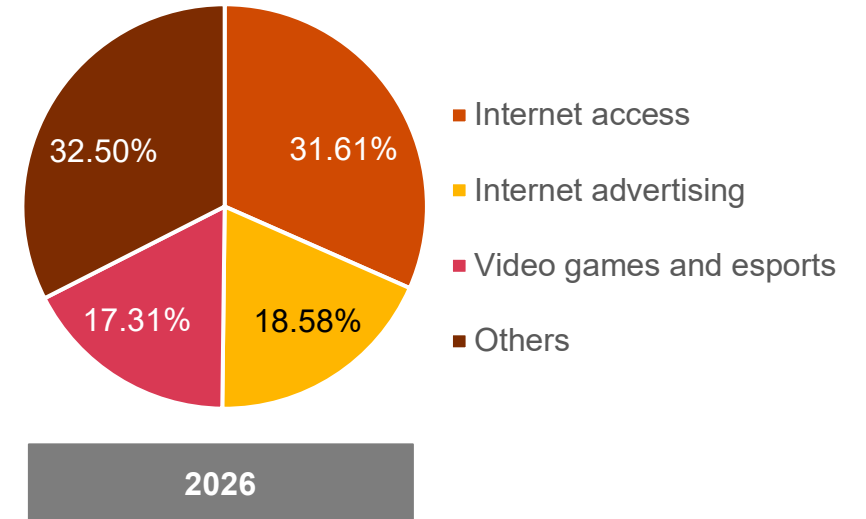
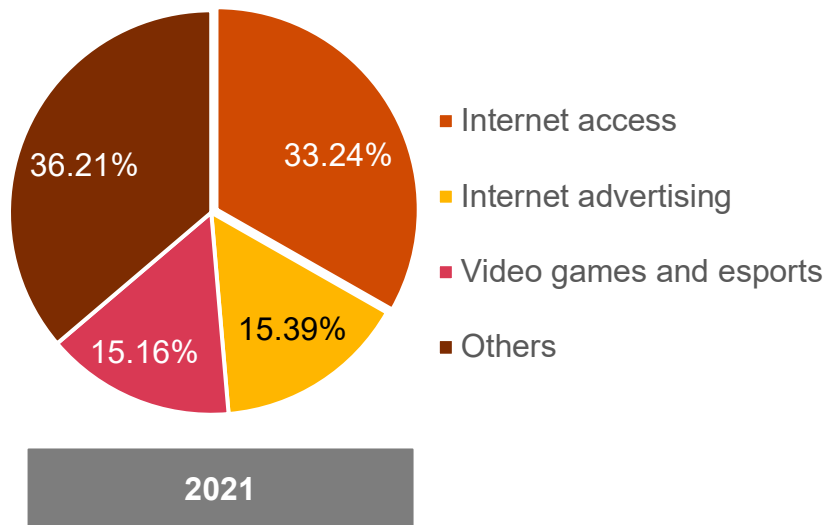
2.3

Video games



Hong Kong Video games play an important role in the overall E&M market, being the 3rd largest segment

Hong Kong revenue by segments, 2021 vs. 2026



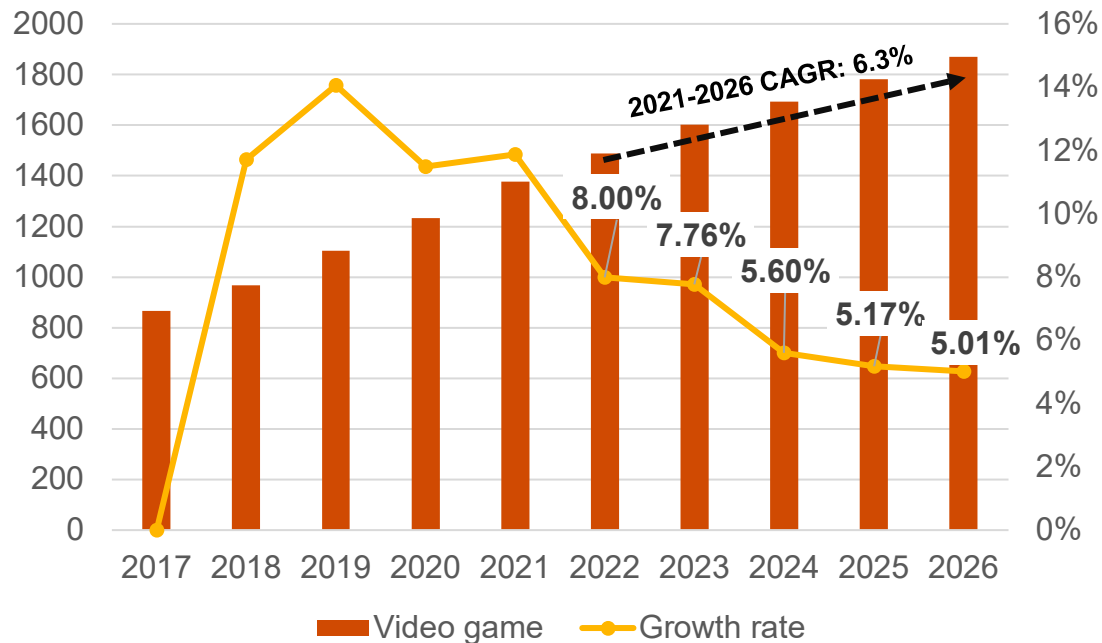
- Hong Kong Video games market is the third largest segment in terms of revenue in Hong Kong E&M market which accounts for 15.16% in 2021 and expected to reach 17.31% by 2026 following internet access and internet advertising.

Note: 2021 is the latest available data. 2022-2026 values are forecast projections

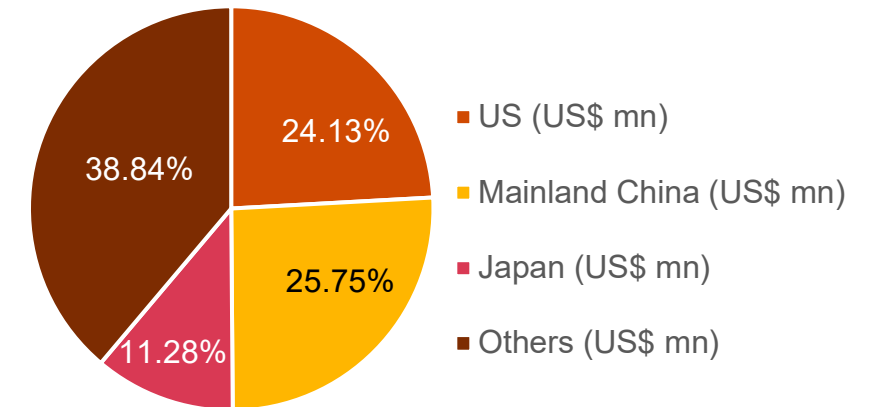
Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

Hong Kong Video games continues with a stable growth and revenue expects to hit US\$1.87bn by 2026 at 6.3% CAGR

Hong Kong Video games, revenue in US\$mn and year-on-year growth (%) from 2017 - 2026



US, Mainland China and Japan were the lead contributors to Video games revenue (61%) in 2021

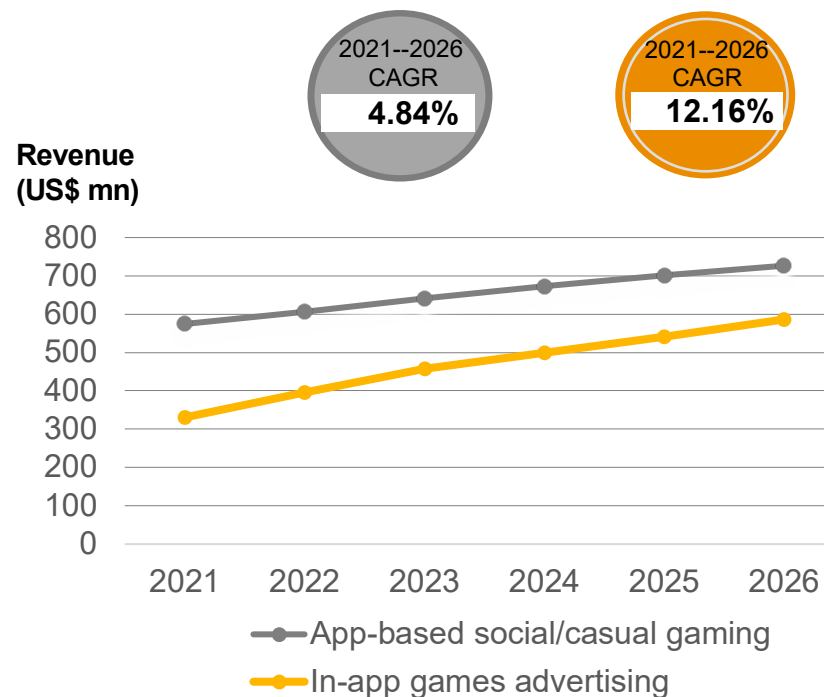
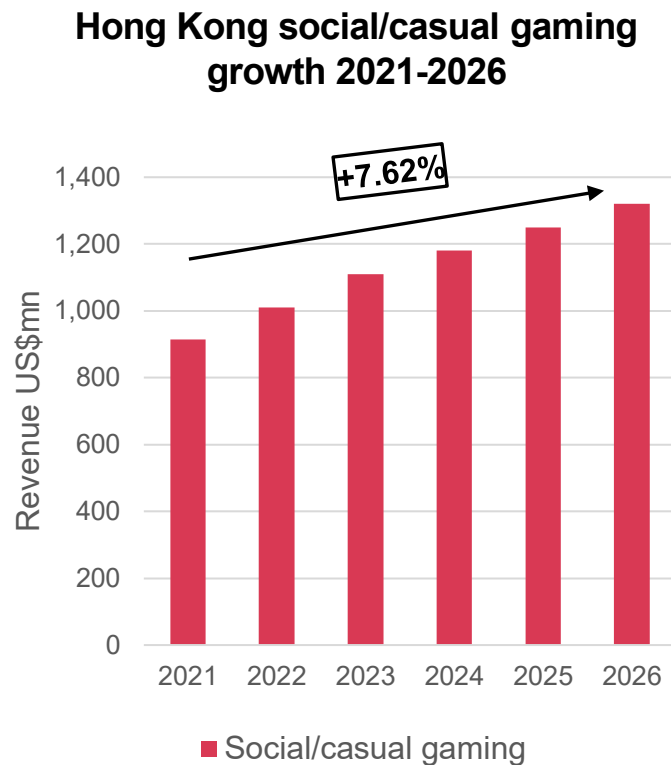


Global Video games revenue

Note: 2021 is the latest available data. 2022-2026 values are forecast projections

Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

Social/casual gaming holds a major share in video games and to reach 71% of the total video game revenue in 2026



- In-app advertising revenue, which will grow rapidly to account for 44.4% of the social/casual sub-segment by 2026
- Almost all major social/fast video platforms have embraced more and more social/casual gaming market, so casual mobile games are also more accessible and addictive, which will affect the user base
- High penetration of smartphone and high data consumption in Hong Kong has driven the growth in social/casual gaming

Note: 2021 is the latest available data. 2022-2026 values are forecast projections

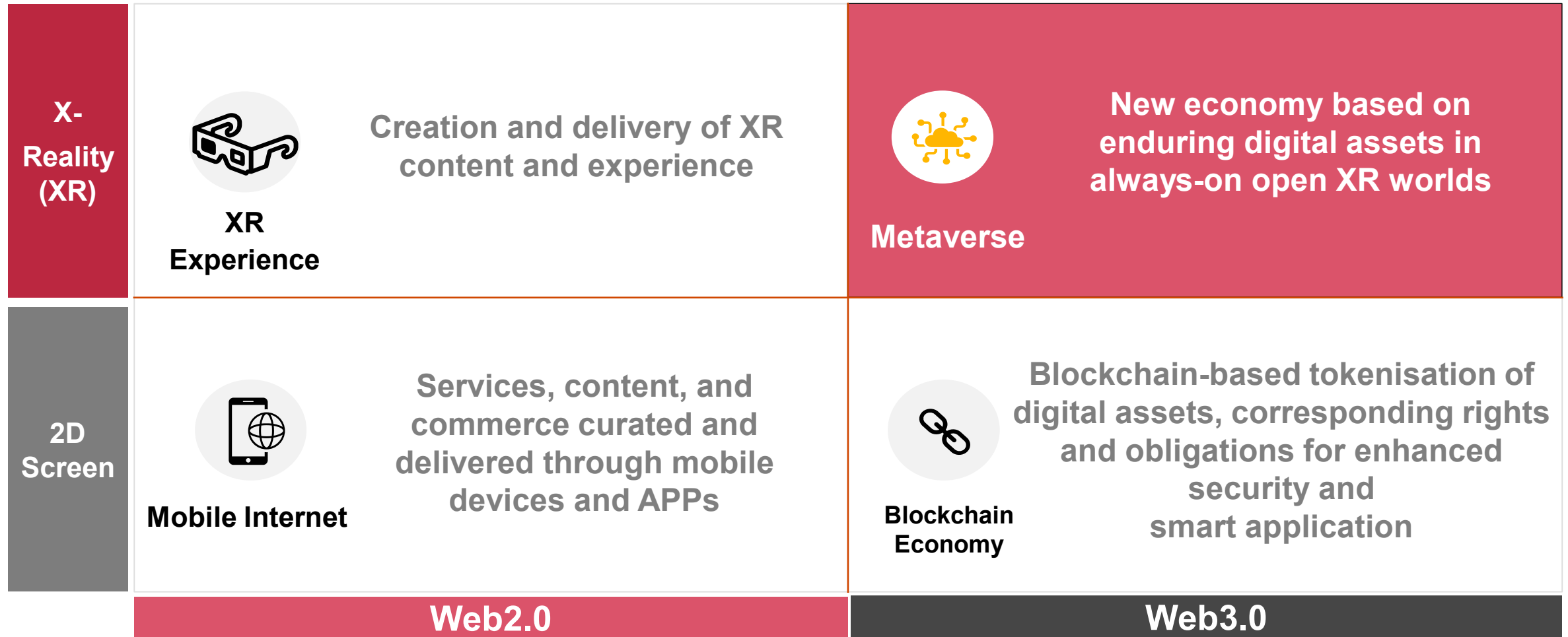
Source: PwC Global Entertainment & Media Outlook 2022-2026, www.pwc.com/outlook

03

Metaverse & NFT

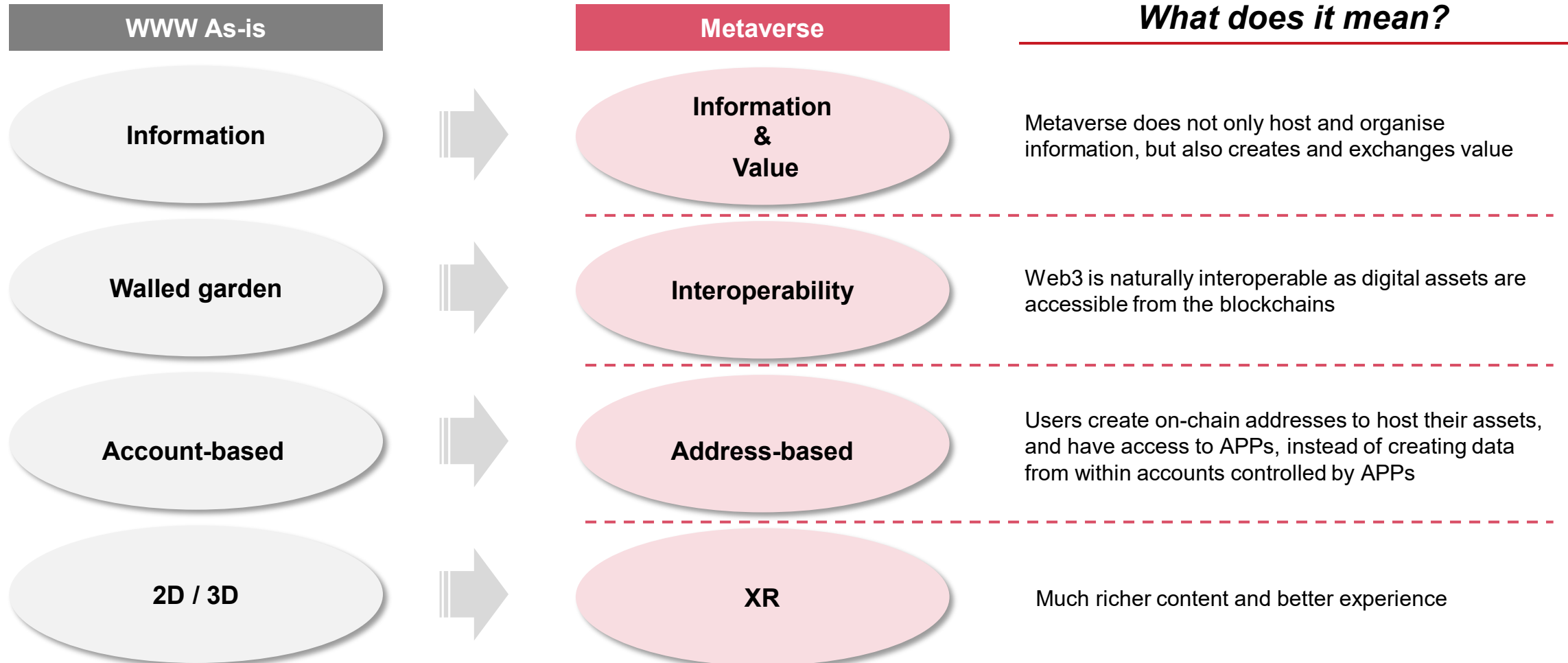


What is Metaverse?



Source: literature search, Strategy& analysis

Significant change from web today with deep implications



Source: literature search, Strategy& analysis

Broad use cases in entertainment and media

Metaverse/NFT has the potential to introduce significant changes to the industry

	How it will work	Examples
Creator	<ul style="list-style-type: none"> Use blockchains to create content in metaverse/as NFTs with more degree of freedom and monetise directly from content consumption 	<ul style="list-style-type: none"> IP rights recognition based on contributions Royalty distribution to creators via smart contracts in NFTs (e.g. music)
Content	<ul style="list-style-type: none"> Interactive content based on real-time XR interface Content with on-chain records of authorship, ownership, and consumption histories 	<ul style="list-style-type: none"> Concert in a metaverse virtual space Blockchain based libraries/book marketplace
Channel	<ul style="list-style-type: none"> DTC content creation and distribution from creators to consumers/fans/investors Metaverse platforms as new gravity centres of content distribution channels and social networking 	<ul style="list-style-type: none"> Self-funded publication/crowd-sourcing Virtual meeting, training, recruiting, shopping, and other social activities in metaverses
Consumer	<ul style="list-style-type: none"> Entertainment and media content in virtual spaces Consumers create and manage their digital identities and digital assets in metaverses 	<ul style="list-style-type: none"> Subscribe to/purchase metaverse world entrance, event, and other experiences Avatar as second life

Hong Kong is taking steps to enter metaverse and has strong potential to build advantage

Select noticeable movements in Hong Kong

- **Artifact NFTs** based on historical news archive are created to monetise iconic **media assets** and preserve history on blockchain
- Media, entertainment, real estate companies entering virtual communities on blockchains and offer **gamified experiences** in the metaverse
- Artists and collectors are exploring opportunities in NFT to create, discover, and trade **digital artworks**
- **Exchanges** are building platforms to trade **digital assets**
- Metaverse-themed ETF launched by Hong Kong **asset manager**

Strong potential to build advantage

- Strong media and entertainment asset and industry competitiveness to leverage
- Highly developed urban landscape and commercial infrastructure to deploy metaverse/NFT use cases
- Legal and financial systems ready and running to incubate metaverse/NFT projects for APAC and global marketplace
- Local talent and investor base for web3 innovation
- Channel to connect China and the world

About the Global Entertainment & Media Outlook and glossary

Global Entertainment & Media Outlook

- PwC's 23rd annual edition of the Global Entertainment & Media Outlook is a comprehensive online source of global analysis for consumer and advertising spending. With like-for-like, five-year historical and five-year forecast data and commentary for 14 defined industry segments in 52 territories, the Outlook makes it easy to compare and contrast consumer and advertising spending across segments and territories. Find out more at www.pwc.com/outlook.
- A total of 52 territories are represented within the Outlook spread across North America, Western Europe, Central Europe, Middle East & Africa, Latin America and Asia Pacific.

Glossary

- Revenue includes: Advertising and consumer revenue streams
- Digital revenue - Digital is revenue delivered through the Internet. Internet access revenue is obviously included in, and the majority part of, "digital." In advertising, this is effectively Internet advertising and digital OOH advertising. In consumer it's areas like OTT video revenue, digital forms of books/newspaper/magazine purchases, video game downloads and online/microtransaction revenue, VR revenue, and digital music revenue (downloads, streaming, ringtones).

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Thank you.

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