PRIMEIRO PARTNERS

The Daily Dispatch

Friday Special Feature

November 27, 2020

Covid-19 and the business of crowds

By: The Economist *(Published on November 22, 2020)*

THIS MONTH Britain's National Exhibition Centre (NEC), the country's largest events venue, was due to host shows including Motorcycle Live, Simply Christmas and Cake International. Yet instead of being filled with bikes, toys and confectionery, the space has been fitted with 380 hospital beds. Covid-19 has wiped out the planned exhibitions, tipped the NEC's management company into restructuring and caused the government to turn one of its halls into an emergency field hospital.

The Economist

Social-distancing rules have forced all businesses to think hard about how to keep their customers safely apart. But for events companies the rules pose a particular problem, for these firms' purpose is to bring people together.

Trade shows and conferences lose their value if attendees cannot mingle. Concerts are no fun alone. And the excitement of a goal, slam dunk or home run is not the same without thousands of fans roaring their support. While stockmarkets have mostly recouped their losses since January, the market capitalisation of listed "crowds businesses" identified by The Economist has collapsed from $254bn to $142bn (see chart 1).

Some live-events industries are dealing with the crowds problem more easily than others. But as the pandemic grinds on, it looks as if those that have had the hardest time in 2020 will emerge least scathed when things get back to normal—whereas those that have found ways to adapt may find that the temporary fixes cause long-lasting disruption.

The Economist

Hardest hit has been the exhibitions industry, which makes up just over half of the crowds sector's market value. According to AMR International, a consultancy, its global revenues will contract by two-thirds this year, to $9bn (see chart 2). The outlook is so uncertain that AMR's analysts have not hazarded an estimate for next year's revenues.

Take the colossal trade-fair centre in Hanover, the size of 60 football pitches. It closed in March and has been empty most of the time since. Deutsche Messe, which runs it, expected revenues of €330m ($392m) this year; Andreas Gruchow, a member of its managing board, says it will end up with about €100m, partly from events it has run in China, which has controlled covid-19 better than America or Europe. A few events have been held in Hanover, following new rules mandating masks, a reduced headcount and so on. But exhibitors "expect the whole world to come to Hanover and visit them at their booth", observes Mr Gruchow; with international travel on hold, the big fairs are not happening.

Event organisers have dabbled online with limited success. Some exhibitions, like Cake International, are best enjoyed in person. And even the liveliest Zoom panels lack the opportunities for networking that justify conferences' admission price. Exhibitors pay a four- or five-figure fee for a spot in one of Deutsche Messe's online trade fairs, says Mr Gruchow; for a physical booth at Hanover they would pay up to €300 per square metre, leading to seven-figure bills for the largest exhibitors.

Yet trade fairs' clunkiness online will protect the industry from disruption. "You can't 'Amazon' the events business," points out Marcus Diebel of JPMorgan Chase, a bank. He cites this as a reason for long-term optimism about the industry. RELX, owner of Reed Exhibitions, the world's second-largest exhibitions company by sales, saw its revenues fall by 70% year on year in the first half of 2020, but its share price is down only 6% since January. That of Informa, the largest, has shot up by around 40% this month, as successful late-stage trial of a covid-19 vaccines have been reported. Organisers agree that future events will have more digital elements. But a dire couple of years are likely to give way to something much like the old normal. amr expects revenues to rebound to 78% of last year's level by 2022.

The opposite is true in sport, another crowd-dependent business. After a pause in the spring, most professional leagues have managed to play on, getting around the lack of spectators in novel ways. FC Seoul populated its stadium with mannequins from a sex-toy supplier (and in the process earned a fine from the South Korean football league for indecency). Others have piped in sound, added cardboard cut-out or CGI spectators or even live-streamed fans' faces onto screens in the stands, as in WWE wrestling's new "ThunderDome" in Florida.

Yet the smooth transition disguises disruption that may last. The cost of forgone ticket revenue has been borne unevenly. In the main American leagues teams keep the income from tickets—and the drinks, hot dogs and so on that go with them—whereas leagues get the proceeds of national broadcasting rights. So teams are on the rack. Major League Baseball, with its long season and relatively modest TV deals, is in bigger trouble than the National Football League, which has fewer games and pricier TV rights. The New York Mets, a struggling baseball team that was sold last month, is expected to lose out on nearly $250m in ticket sales this year.

The pandemic has also accelerated changes in how people watch sports at home. The lack of crowds has contributed to a fall in viewership of full games, as fans switch to highlights and new formats. America's National Basketball Association (NBA) highlights show on Snapchat, a social app, has had 37% more viewers this year, even as TV ratings for the NBA finals fell by 49%. People are spending more time on betting sites and forums like Barstool Sports, says Brandon Ross of LightShed Partners, a media-research firm. "There are millennials and Gen Z-ers who would rather just sit and watch the Barstool personalities pontificate...than watch the games themselves," he says.

The decline in whole-game viewing bodes ill for the big sports broadcasters. ESPN, owned by Disney, announced this month that it was cutting 500 jobs amid "tremendous disruption in how fans consume sports". Its chairman, Jimmy Pitaro, said the company would focus on "serving sports fans in a myriad of new ways"; some written and audio content has gone behind its paywall. Lower whole-game audiences will mean lower ad revenues for broadcasters and, ultimately, lower budgets for rights deals, "the overwhelming financial engine for sports", warns Mr Ross. These trends will persist long after covid-19 is defeated.

A different tune

If the exhibitions industry looks stable and sport is heading for disruption, live music combines both trends. Coronavirus has pulled the plug on concerts. Live Nation, the world's biggest live-entertainment company, reported this month that its revenues plummeted by 95% in the third quarter, compared with a year ago. CTS Eventim, a European rival, saw its sales slide by 79% in the first nine months of 2020, year on year. Yet, rather like the exhibition organisers, the big music promoters are protected by investors' faith that mosh pits and muddy festivals are not easily replicable online. Live Nation and CTS's share prices are down by, respectively, only 10% and 15% since February—not bad for firms that have lost nearly all their revenue.

This suggests that live-music companies can outlive the pandemic. The giants should have no problem. Live Nation has nearly $1bn of cash and the same again in undrawn debt facilities, comfortably enough to see it through to next summer. But many smaller operators will not make it. America's National Independent Venue Association says that 90% of its 2,900 members expect to close permanently without a bail-out. Live Nation will get a chance to hoover them up, entrenching its dominant position.

That does not mean the live-music industry will escape disruption. Early in the pandemic artists, who these days make more money from touring than recording, performed amateurish streaming concerts from makeshift home studios. Online gigs have since become more professional with the help of companies such as Driift and Dice, which organise elaborate streamed productions. Tickets are much cheaper than those for in-person gigs—entry to an online show later this month by Dua Lipa, a British singer, costs €12.99, about a quarter of the minimum that fans pay to see her in real life. But there is no limit to capacity. And stars can attract fans in locations where they would never tour. BTS, a South Korean boy band, did an online concert last month which brought in almost 1m viewers from 191 countries.

There are also glimpses of completely new forms of entertainment. In April Travis Scott, an American rapper, appeared in virtual form in Fortnite, an online video game. Some 28m players attended the free concert in avatar form. Experiences such as these are not replacements for in-person live music. But they are the makings of a sub-industry that will supplement the incomes of stars with global followings. Covid-19 has dealt live music a severe blow in 2020, but the resulting innovation could help the industry come back stronger—if, perhaps, a bit less crowded.

Source:
The Economist (2020) 'Covid-19 and the business of crowds', *The Economist,* 22 November. Available at: https://www.economist.com/business/2020/11/22/covid-19-and-the-business-of-crowds (Accessed 25 November 2020)

PRIMEIRO PARTNERS

The Daily Dispatch

November 27, 2020
TODAY'S TOP NEWS

CREATE bill finally hurdles Senate

The Senate on Thursday approved on third and final reading a measure that will immediately lower the corporate income tax (CIT) to 25% from the current 30% rate as well as streamline fiscal incentives.

Jobless rate seen to remain high until mid-2021

The country's unemployment rate will likely remain at around 9-10%, roughly double its pre-pandemic level, until mid-2021, ADB Country Director for PH Kelly Bird said. The unemployment rate stood at 5.1% at the end of 2019, but the strict lockdown imposed in mid-March caused joblessness to spike to a multi-year high of 17.7% in April.

ICTSI raises nearly P5B in share sale

Listed port operator International Container Terminal Services Inc. (ICTSI) said on Thursday it had entered into a placement agreement for the sale of its 40 million treasury shares to raise funds for general corporate purposes. Proceeds will also be used to fund the company's committed capital expenditure.

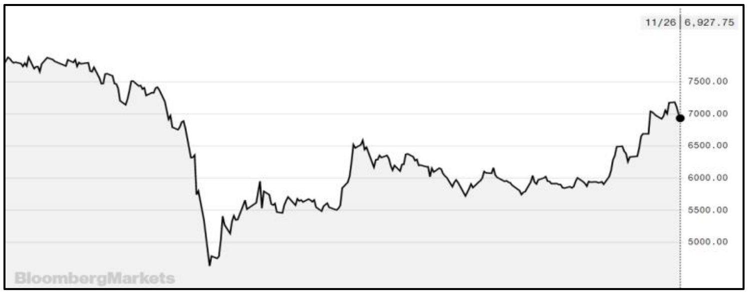
AgriNurture, PITC import rice-corn production inputs

LISTED agricultural firm AgriNurture, Inc. has partnered with the Philippine International Trading Corp. (PITC) on the importation of raw materials for the production of Bigas-Mais (BigMa) or rice-corn blend.

ATN aims to hit P1B in sales

Holding firm ATN Holdings aims to sell about P1 billion worth of premium construction materials this year and next year as part of its transformation into a key producer of rock aggregates and precast concrete required by big-ticket infrastructure builders.

Philippine Stock Market Update



Previous Close:
6,927.75

1 Yr Return:
-9.54%

Open:
6,885.07

YTD Return:
-12.07%

52-Week Range:
4,039.15 - 7,892.29

Source:
Bloomberg

Foreign Exchange

As of Nov. 26, 2020

US Dollar	Philippine Peso
1	**48.13**

BVAL Reference Rates

As of Nov. 26, 2020

Tenor	Rate
1Y	**1.666**
3Y	**2.191**
5Y	**2.639**
7Y	**2.841**
10Y	**2.928**
20Y	**3.857**

Daily Quote

"The impossible exists only until
we find a way to make it possible"

-- *Mike Horn*

MORE LOCAL NEWS

Coal remains top fuel source of PH power plants

The Philippines remains heavily reliant on coal, with the fossil fuel powering 54 percent of the total electricity output even during the coronavirus pandemic, data from the Wholesale Electricity Spot Market (WESM) show.

Cavite scrutinizes partner for Sangley airport

The Cavite government is already evaluating the final submission of a China-backed consortium for the proposed Sangley Point International Airport (SPIA) project, according to Gov. Jonvic Remulla.

Dyson to set up software R&D laboratory in Alabang

Dyson, known for its fans, hand dryers and hair care products, said it will open a new laboratory in the Philippines to develop software for a new generation of intelligent machines. The company said the new R&D center will be on top its existing advanced motors manufacturing facility in Carmelray Industrial Park II in Calamba, Laguna.

Delta US flights from Manila to resume in January

With the easing of travel restrictions following the lifting of lockdowns, Delta Air Lines said it is set to resume service between the Philippines and the United States on January 2, 2021.

PLDT sets sights on expanding capacity

PLDT Inc. and subsidiary Smart Communications Inc. are ramping up their capacities to meet the growing demand for Internet connectivity, with their chief honcho saying the group will prioritize 5G and the addition of more cable landing stations to increase capacity.

$439-M net hot money inflows posted in October

For the first time during the pandemic, the Bangko Sentral ng Pilipinas (BSP) reported $439.46 million of foreign portfolio investments or hot money net inflows in October, reversing the $493.65 million net outflows in September and all other months of fund withdrawals since March this year when the country was placed in lockdown.

Typhoon Ulysses' P12.8-B damage to the agri sector

Typhoon Ulysses' damage and losses to the agriculture sector grew to P12.8 billion, from the previously reported P4 billion, due to production losses at farm commodities like rice, corn, high-value crops, among others. This is according to Department of Agriculture Spokesperson Noel Reyes.

WB: PH recovery to trail rest of the world

World Bank country director for the Philippines Ndiame Diop said the unique impact of the COVID-19 pandemic and the economic scaring it caused on the domestic economy would make it more likely that a complete rebound would not be sooner than that of the rest of the world.

BDO completes Nomura buyout

BDO Unibank Inc. has completed the acquisition of the 49 percent stake of Nomura Holdings Inc. in BDO Nomura Securities Inc. as part of the Sy family's plan to consolidate its securities brokerage business. The country's largest lender in terms of assets and capitalization said BDO Nomura would then be merged with BDO Securities Corp.

Stock selldown continues as US markets pull back

The stock market continued its downward spiral yesterday, falling back below the 7,000 mark, as investors continued to take profits after weeks of gains, mostly on concerns over developments overseas. The PSEi finished at 6,927.75, down 73.76 points or 1.05 percent.

PRIMEIRO PARTNERS

The Daily Dispatch

TODAY'S TOP ASIAN NEWS

Thailand beats Singapore as top IPO market in SEA

Thailand's initial public offering market has chalked up another stellar performance, beating Singapore for the second year running as the top IPO market in South-east Asiam with the largest amount of funds raised, according to research from professional services firm Deloitte.

SPH Reit to focus on 'sustainable rental income'

SPH Reit will now focus on providing "sustainable rental income" by minimising vacancies for FY2021, it said at an annual general meeting (AGM). It added that it is committed to supporting tenants through this challenging Covid-19 period, so as to position assets to be ready to capture the business opportunity when recovery begins.

Going green will mean $1.35tn opportunities for Asean

Going green could bring up to US$1 trillion (S$1.35 trillion) in annual economic benefits to South-east Asian economies by 2030, a report by global management consulting firm Bain and Company said on Thursday (Nov 26).

Japan's export credit agency to lend $2 bn to Nissan

Japan's state-owned export credit agency has agreed to give Nissan Motor Co up to $2 billion as part of a credit agreement to help it finance car sales in the United States. The money should help the Japanese company sell cars in the world's second-biggest automarket after China by allowing it to provide customers with loans.

Foxconn shifts some Apple production to Vietnam

TAIPEI (Reuters) - Foxconn is moving some iPad and MacBook assembly to Vietnam from China at the request of Apple Inc, said a person with knowledge of the plan, as the U.S. firm diversifies production to minimise the impact of a Sino-U.S. trade war.

Evergrande Property's HK IPO raises HK$14.3b

Evergrande Property Services Group's IPO in Hong Kong has raised HK$14.3 billion, with stock sold at the lower end of the price range, three sources with direct knowledge of the matter said. Half the funds raised will go to the company with the other half earmarked for its debt-laden parent China Evergrande Group.

TODAY'S TOP GLOBAL NEWS

Disney increases layoff plans to 32,000 workers

Walt Disney Co said on Wednesday (Nov 25) it would lay off 32,000 workers, primarily at its theme parks, an increase from the 28,000 it announced in September as the company struggles with limited customers due to the pandemic.

Ikea arm in talks to buy prime retail property in EU

Ikea's Ingka Investments is in talks to buy commercial property in prime locations in several big European cities after it finalised its first such acquisition last month, its managing director said. The investment arm of Ingka Group, is pushing into the real estate market as part of Ikea's shift towards big city-centres from out-of-town.

Bitcoin dives as red-hot rally hits the buffers

Bitcoin plunged on Thursday to its lowest level in 10 days, slamming the brakes on its blistering rally and sparking a sell-off among smaller digital coins. It has rallied around 140% this year to just shy of its all-time high of $19,666, fuelled by demand for riskier assets, a perception it is resistant to inflation.

Aviation bodies seek airport slots waiver for 2021

Global aviation heavyweights led by airline body Iata are pushing to suspend airport slot access rules until next October, according to a document seen by Reuters, while giving some ground to budget carriers angered by measures they deem anti-competitive.