

# IABM Webinar: Broadcast and Media Industry in the MENA region - Outlook

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## Business Environment in the MENA region:

Fragmented market consisting of resource-rich, resource-poor and countries affected by conflict. Resource-rich countries leading the market, but heavily dependent on global oil prices – and global economic growth

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Television sector currently going through a massive transition; new Pay-TV and OTT players emerge, while ad-funded FTA direct-to-home (DTH) broadcasting remains dominant. Pay-TV growth challenged by the predominance of FTA channels, piracy and the lack of a uniform payment mechanism

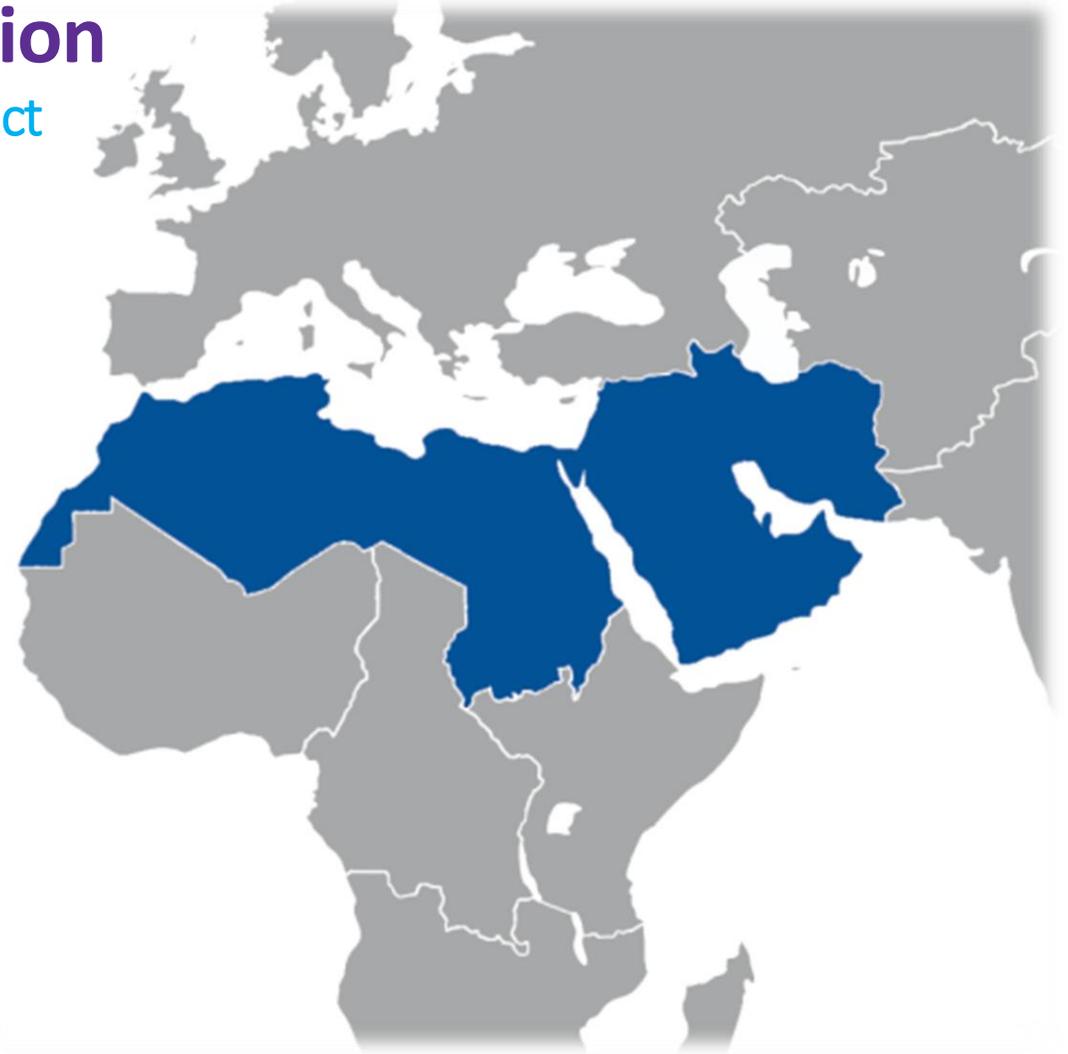
## Technology Demand Drivers:

Transition to digital broadcasting varying in each country depending on government support, viewers' adaptability and agreements with broadcasters and content owners. The transition to HD in the region still at an early stage, but increasingly driven by the expansion of satellite. OTT market growing rapidly

# Business Environment in the MENA region

## Resource-rich, resource-poor and countries affected by conflict

- The region's economy continues to suffer from political instability and a lack of regime legitimacy resulting in an uncertain investment climate
- In terms of economic dynamics, the region can be divided into:
  - resource-rich countries* (i.e. GCC countries)
  - resource-poor countries* (e.g. Morocco and Tunisia)
  - countries affected by fragility, conflict and violence* (e.g. Syria, Yemen)
- Particularly the young population aged under 25 – accounting for nearly half of total population in the Middle East – suffering from very high rates of unemployment



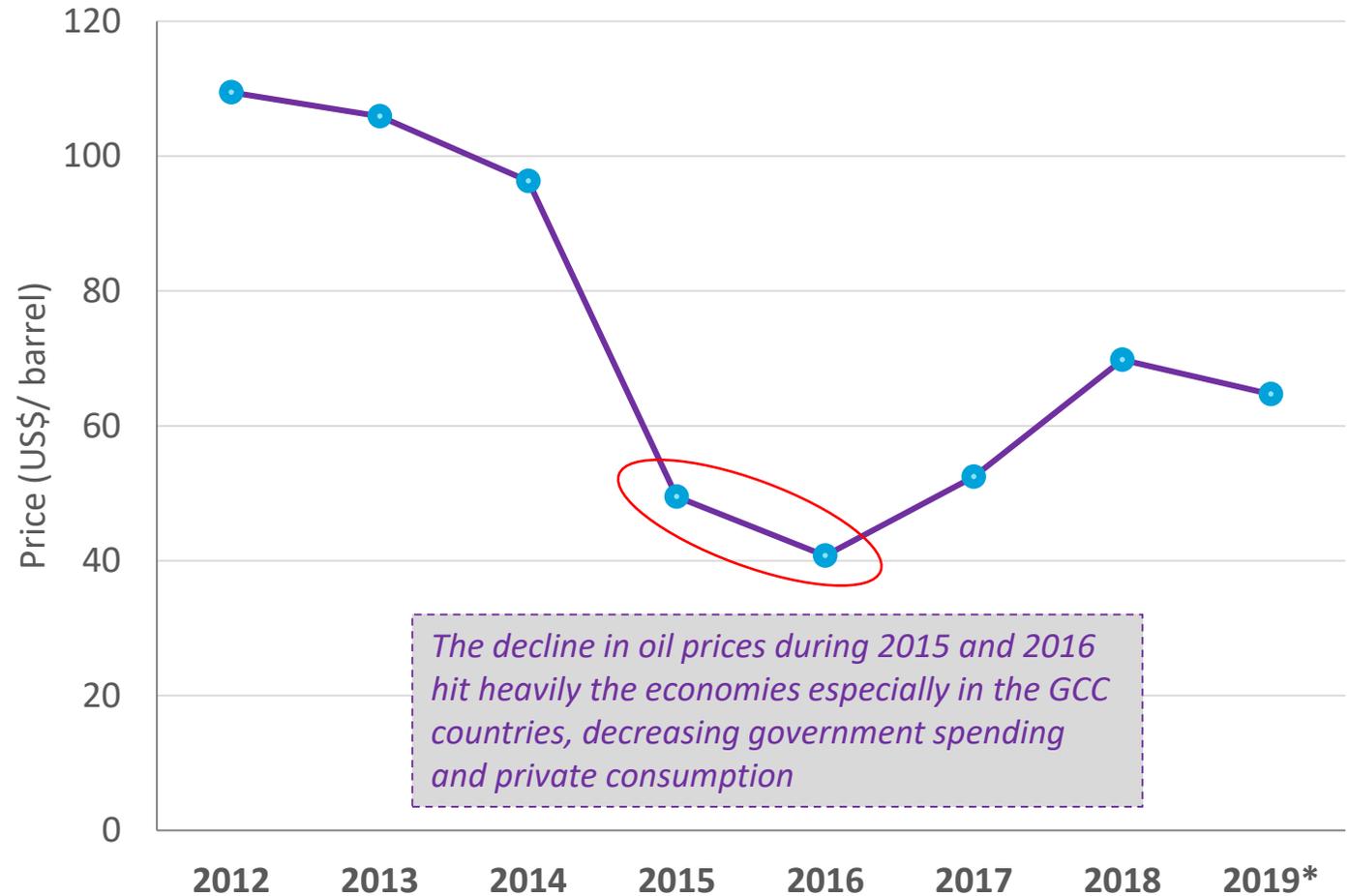
Sources: World Bank, IABM, UN-Igrac.com

# Business Environment

## Resource-rich countries dependent on oil prices

- Resource-rich countries – heavily dependent on global oil prices – have suffered from a decline in oil prices in the previous years
- The new set of sanctions imposed by the US on Iran (in October 2018 and November 2019) pushed the OPEC basket oil price down to an average of about \$60 per barrel in 2019
- As most broadcasters in the MENA region are either state-funded or backed by private companies relying on oil to drive their businesses, the decline in global oil prices directly cut broadcast and media technology spending

Average monthly OPEC basket crude oil price 2012-2019 (US\$ per barrel)

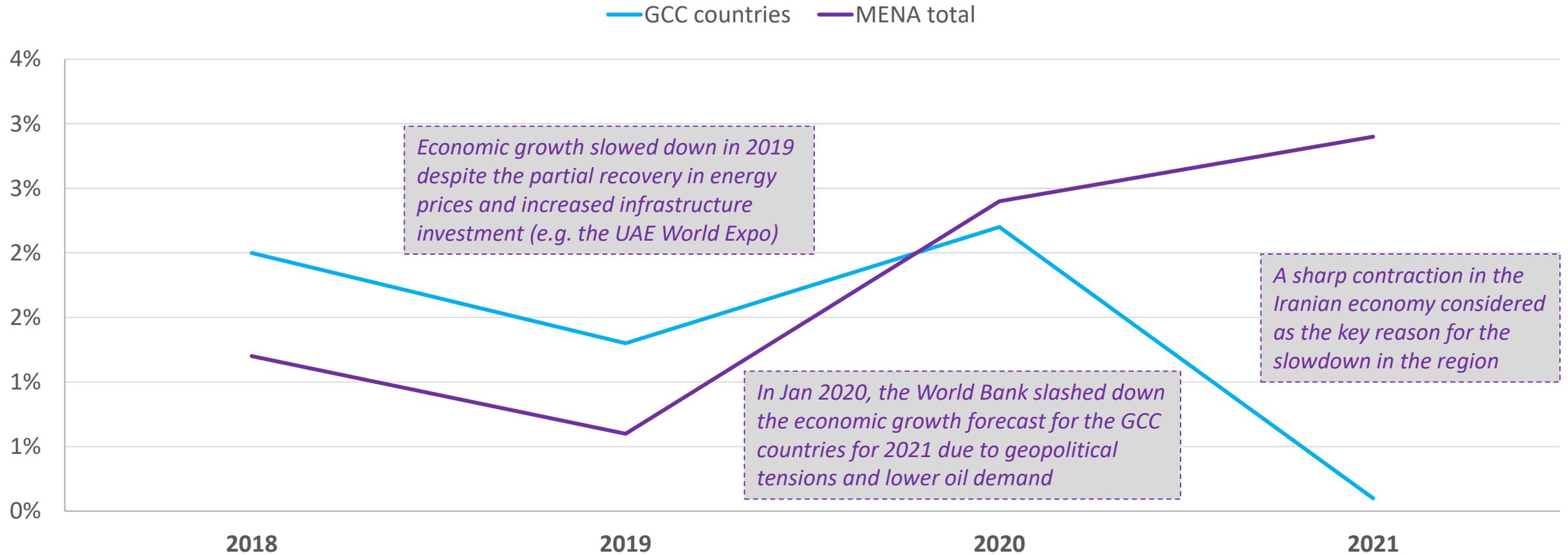


Sources: IABM, World Bank, OPEC

# Business Environment

Elevated economic uncertainty amidst the weakened global growth

### GDP growth in the MENA region – Forecast



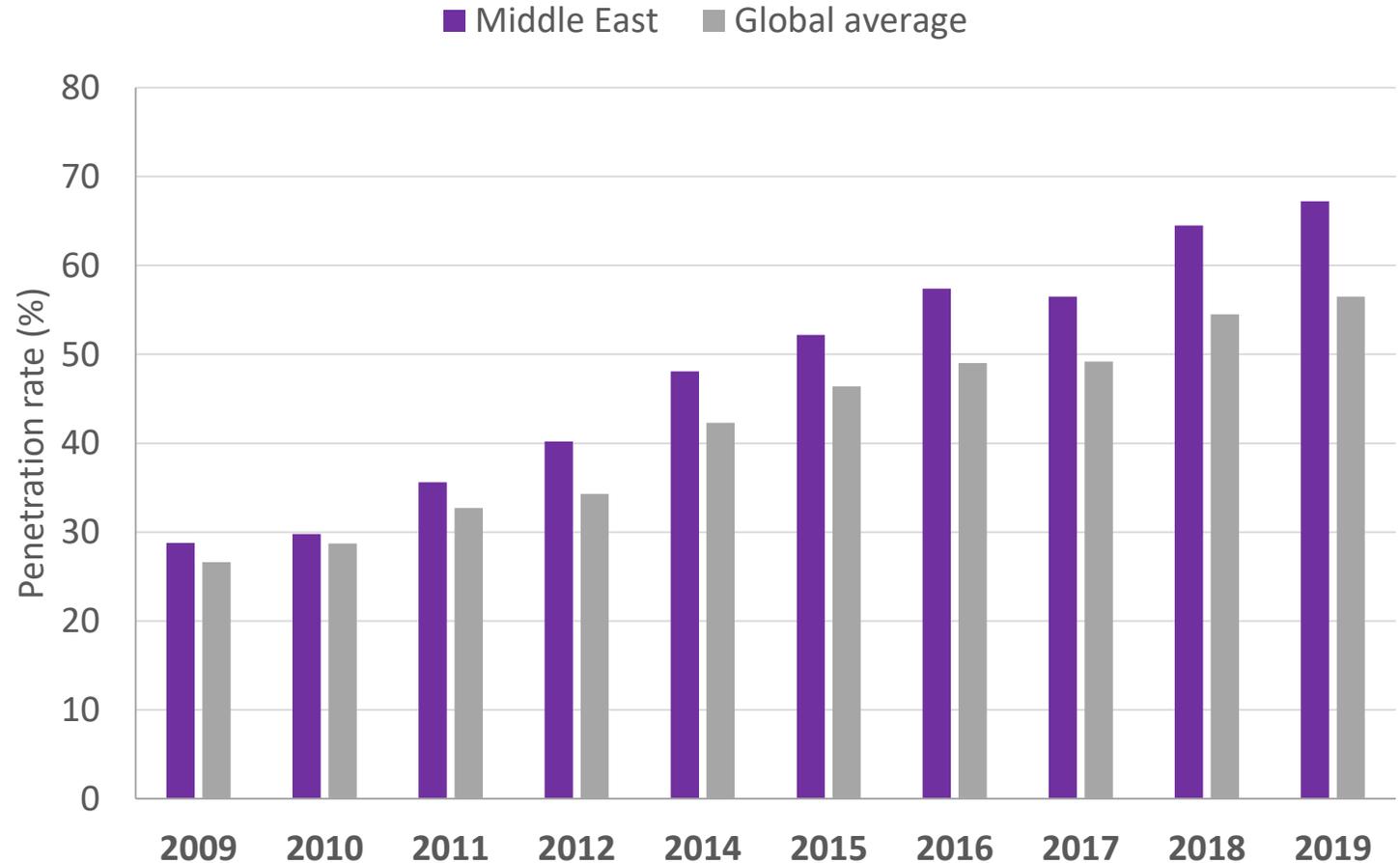
Sources: IABM, World Bank

# Business Environment

## Rising internet penetration challenged by financial exclusion

- As of April 2019, the average internet penetration rate in the region was 67% – well above the world’s average
- In some of the smaller GCC countries, the internet penetration rate already exceeds 90%
- On average 14% of adults in the MENA region have a bank account – the lowest level in the world – which limits digital development in the region
- Massive levels of piracy a major problem in the region; piracy costing the broadcast and media industry about US\$500 million/year

## Internet penetration rate in the Middle East vs. globally (2009-2019)



Sources: IABM, Internet World Stats, Global Index database, Frost & Sullivan

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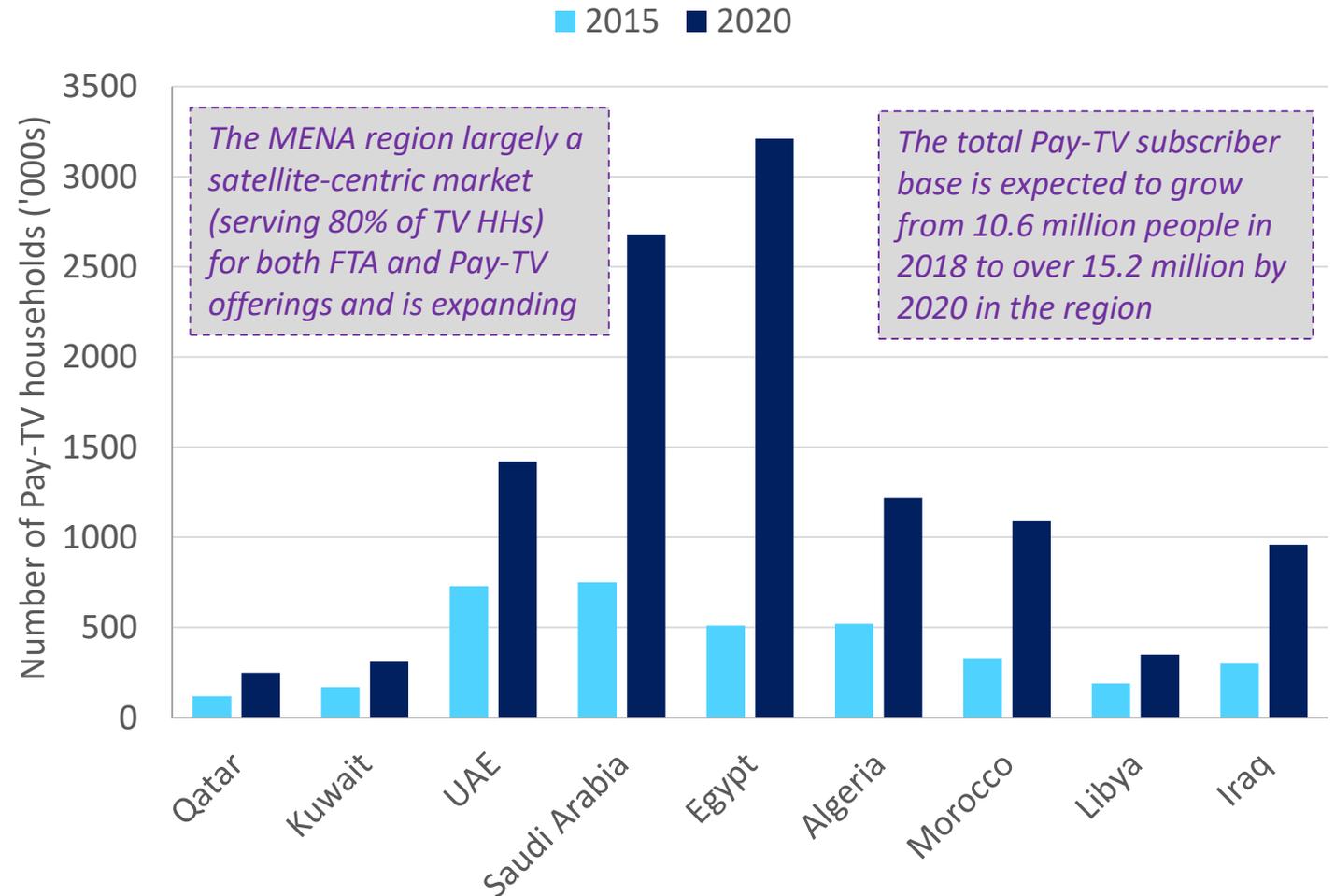
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# Broadcast and Media Industry Outlook

- In terms of broadcast technology investment and adoption, the region is fragmented (the GCC vs. others)
- The television sector currently going through a massive transition; new Pay-TV and OTT players emerge, while ad-funded FTA direct-to-home (DTH) broadcasting remains dominant
- Pay-TV penetration still generally low due to the predominance of FTA channels, piracy and the lack of a uniform payment mechanism, causing difficulties in monetizing content
- IPTV installations on the increase thanks to the gradual expansion of fiber-to-the-home (FTTH) connections and broadband internet

Number of Pay-TV households in selected countries in MENA (2020\*)

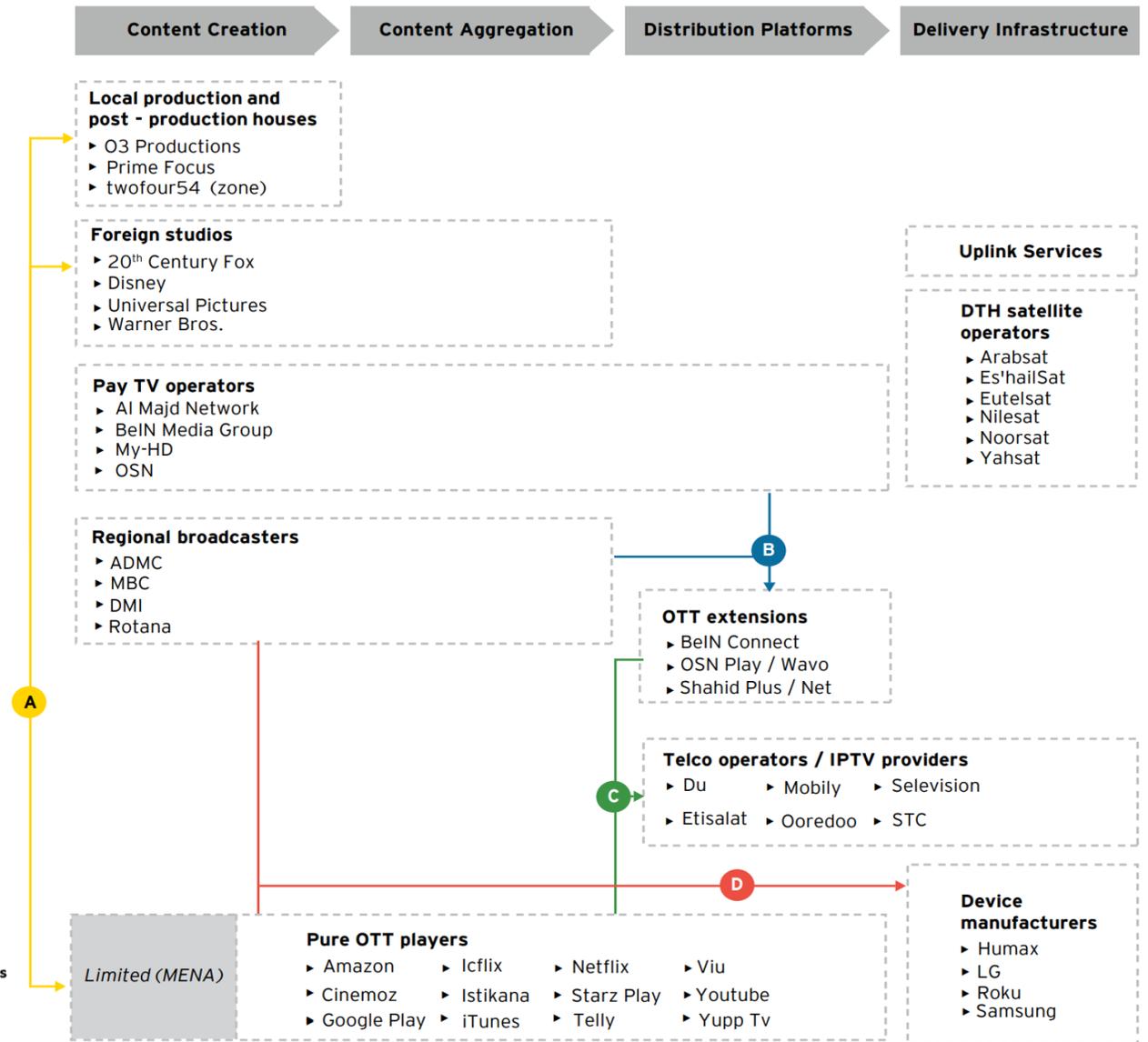


Sources: IABM, Ovum, A.T. Kearney

# Broadcast and Media Industry

## Key Stakeholders in the MENA region

- The TV market ecosystem divided into five major categories based on business models:
  - Broadcasters – FTA dominance*
  - Satellite operators – FTA dominance*
  - Pay-TV operators – Stable growth*
  - IPTV platforms – Moderate growth*
  - Pure OTT players – Rapid growth*
- In general, OTT penetration still relatively modest due to undeveloped payment infrastructure, low broadband quality, piracy
- Broadcasters adopting advanced technologies to increase productivity, launching OTT, on-demand and to live streaming services



Sources: IABM, EY

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# Technology Demand Drivers in the MENA region

## Outlook

**Transition to Digital Broadcasting:** In the MENA region, the transition to digital broadcasting has been completed only by few countries – Saudi Arabia, UAE, Qatar, Israel, Morocco and Algeria

- Lack of investment and the uncertain monetization schemes hindering faster uptake of digital transmission
- Progress varying in each country depending on government support, viewers' adaptability and agreements with broadcasters and content owners

**Transition to HD and UHD:** The transition to HD in the region still at an early stage, but increasingly driven by the expansion of satellite, showing a similar development pattern to Latin America

- Lack of awareness, education, technological development and political instability limiting HD market growth
- High distribution costs and bandwidth issues hindering adoption of UHD technology

**OTT and Multi-Platform Delivery:** OTT penetration still at low levels compared to US and Europe, but OTT market growing rapidly with nearly 2 million paid OTT subscriptions in 2018 – expected to reach 4.8 million by 2024

- Low broadband quality, poor payment infrastructure and piracy limiting growth

Sources: IABM, IHS Markit

# Technology Demand Drivers in the MENA region

## Transition to digital broadcasting – Status by selected countries

	Year of launch	Year of ASO	TV standard	Status
Algeria	2010	2015	DVB-T2	Completed
Bahrain	2015	2015	DVB-T2	Ongoing
Egypt	2015	2020	DVB-T2	Ongoing
Iran	2009	n.a.	DVB-T	Ongoing
Israel	2008	2011	DVB-T	Completed
Jordan	2018	2015	DVB-T2	Ongoing
Lebanon	n.a.	2015	DVB-T2	Not started
Libya	n.a.	2015	DVB-T2	Not started
Morocco	2007	2015	DVB-T	Completed
Oman	n.a.	2015	DVB-T2	Ongoing
Qatar	2014	2018	DVB-T2	Completed
Saudi Arabia	2006	2013	DVB-T/ DVB-T2	Completed
Tunisia	2010	2015	DVB-T	Ongoing
UAE	2014	2014	DVB-T2	Completed

Sources: IABM, IHS Markit

# Technology Demand Drivers in the MENA region

## Transition to HD (and UHD) driven by satellite expansion

- Both the number of HD channels and HD equipment penetration have grown significantly in the region over the past few years; in 2019, about 28 million homes in the MENA region had at least one HDTV screen
- The average HD adoption is clearly higher in the GCC countries due to their higher level of disposable incomes
- Increasing demand for satellites has resulted in a surge in HD-equipped homes and channels converting to HD
- Major sporting events driving UHD adoption, though slowly



Case: In 2018, Eutelsat-owned E-Vision was the first content provider to launch 4K UHD channels in UAE. Later in 2018, it made an agreement with beIN Media Group to broadcast live matches of 2018 FIFA World Cup in 4K/UHD.

Case: In 2019, Insight TV launched an HD channel on My-HD, a low-pay DTH Pay-TV platform in the MENA region. Insight TV's HD content is available in the UAE, Saudi Arabia, Kuwait, Oman, Qatar, Bahrain, Jordan, Lebanon, Egypt, Morocco, Algeria, Tunisia, Libya and Yemen

Sources: IABM, beIN Sports, Eutelsat Survey 2018

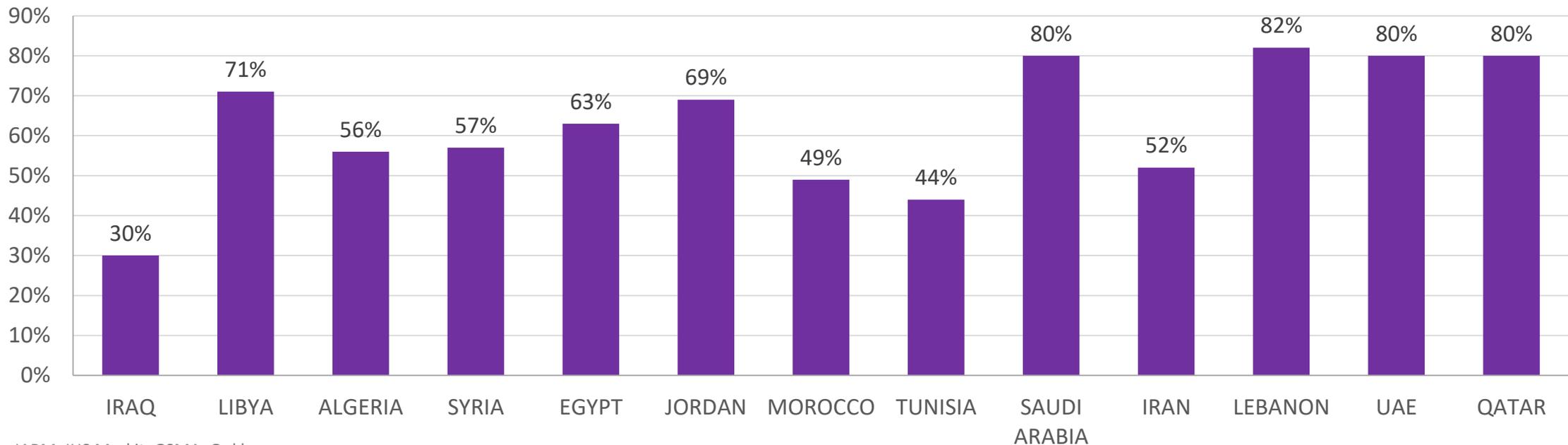
# Technology Demand Drivers in the MENA region

## OTT market growth driven by mobile broadband penetration

- The growth of OTT market driven by the expansion of mobile broadband penetration, being much higher than that of fixed broadband
- High income countries having high coverage targets and penetration levels, while lower income countries relying on mobile coverage for broadband

*Mobile devices remain the most preferred method of watching streamed content in the region*

Mobile broadband penetration % in MENA

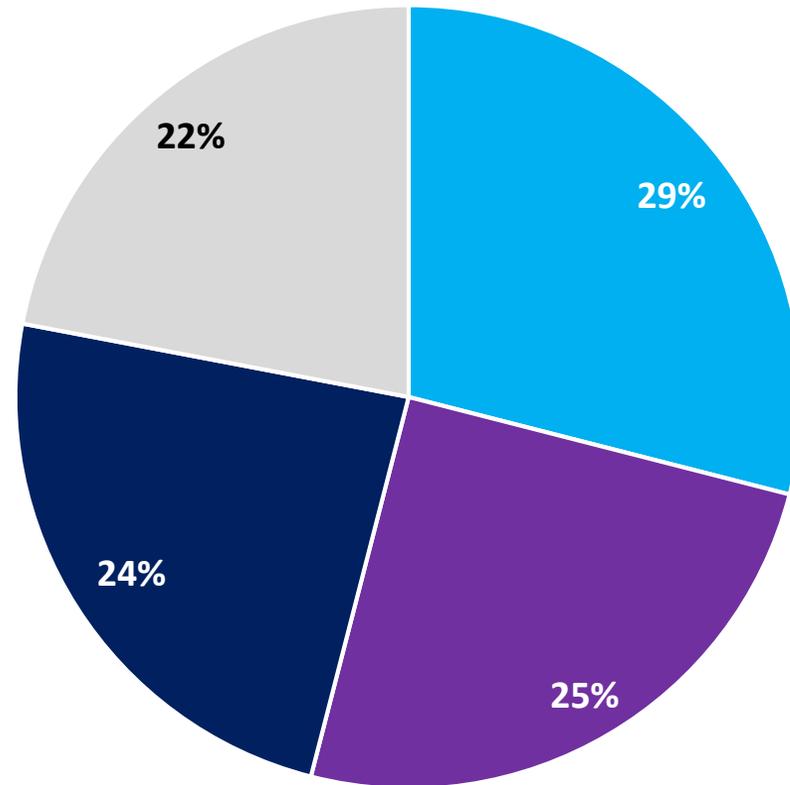


Sources: IABM, IHS Markit, GSMA, Ookla

# Technology Demand Drivers in the MENA region

Market shares of OTT service providers in the MENA region (2018)

■ Starz Play Arabia ■ Netflix ■ Shahid Plus (MBC) ■ Other



*Other formerly strong OTT service providers like major Pay-TV operators (OSN, beIN) who launched their OTT services in 2014, have recently faced difficulties to compete with new OTT entrants*

*MBC relies on an ad-based business model and is known for its FTA broadcasts of Ramadan series and localized versions of international formats like The Voice and Arabs Got Talent*

*According to Starz Play, 80% of its SVOD revenue comes from the Gulf countries*

*In 2018, Netflix and Starz Play were estimated to account for a third of all SVOD market revenues*

*Netflix launched its service in the MENA region in 2016 and formed a partnership with OSN in 2018 to start offering its own service without being obliged to bill customers directly*

**Thank you – Q&A?**

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