



Market Study

Sports TV Broadcasting - KSA

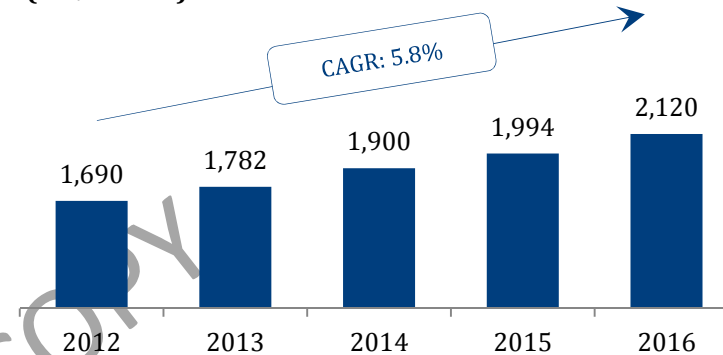
January 2014

MARKET OPPORTUNITIES

Global Entertainment & Media Industry is poised to grow at a CAGR of 5.8% to reach US\$2,120 billion in 2016 from US\$1,690 billion in 2012

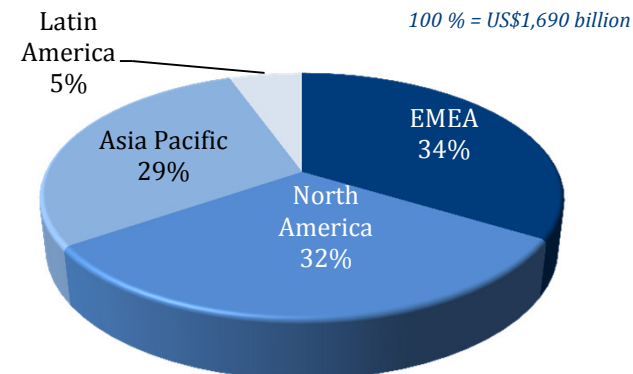
- Global Entertainment & Media (E&M) Industry comprises businesses engaged in the creation, aggregation and distribution of news, information, advertising, entertainment and other content via numerous media platforms
 - It primarily consists of companies operating in the TV, Print, Films, Radio, Music and Advertising space
- The highly fragmented Entertainment & Media Industry is estimated to worth US\$1,690 billion as of 2012.
 - The US is the largest contributor to the Global E&M Industry, contributing 28% of the total size
- After successfully coping with the tough market conditions due to the global financial crisis, the industry is currently poised for growth once again
- Improved economic conditions worldwide from 2009 levels are expected to boost the demand for the products and services of the industry, going forward
 - As per PricewaterhouseCoopers (PWC), the Global Entertainment & Media Industry is expected to grow at a CAGR of 5.8% to reach US\$2,120 billion in 2016 from US\$1,690 billion in 2012

Global Entertainment & Media Industry, 2012 - 2016 (US\$ billion)



Source : PWC Report, Global Entertainment & Media Outlook, 2012 - 2016

Global Entertainment & Media Industry by region, 2012 (US\$ billion)



Source : PWC Report, Global Entertainment & Media Outlook, 2012 - 2016

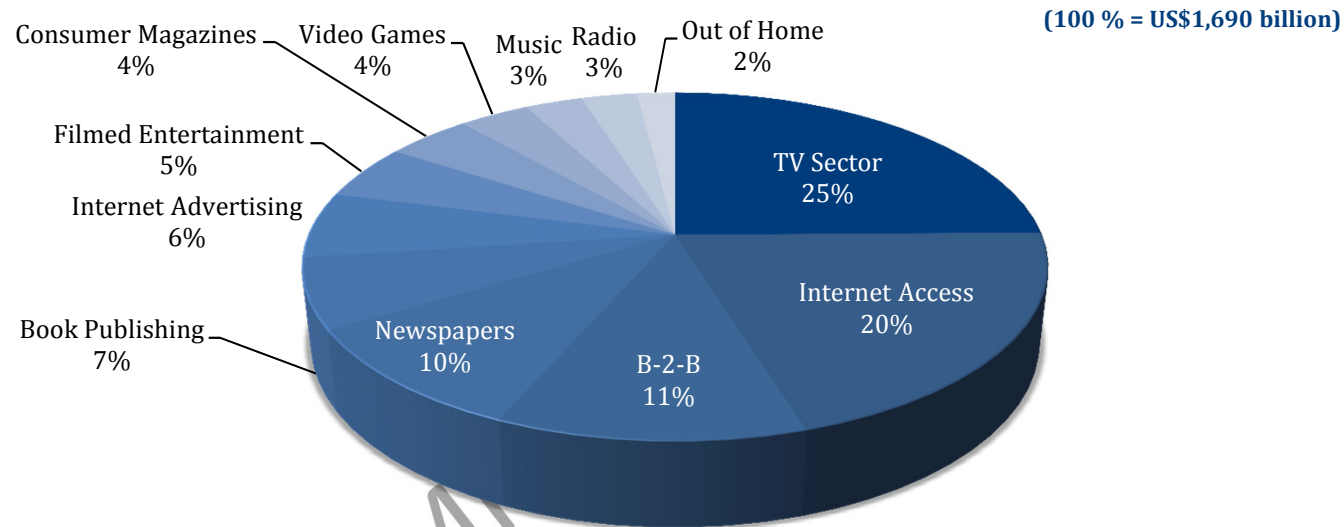
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MARKET OPPORTUNITIES

TV sector is the largest segment, estimated at 25% of the total Global Media & Entertainment Industry as of 2012

Global Entertainment & Media Industry by segment, 2012



Source : PWC Report, Global Entertainment & Media Outlook, 2012 - 2016

- Major segments of the Global Entertainment & Media Industry includes, TV sector, Internet Access, B2B and Newspapers. Collectively these segments are estimated to have accounted for ~66% share of the E&M Industry in 2012
- TV sector is the largest segment of the Industry with a market share of 25% as of 2012. It comprises TV subscription revenues and TV based advertising. TV Sector is the focal point of further analysis presented in subsequent slides

Note: Internet Access is not an E&M industry segment in itself but consists of fees for accessing the content & is a key driver of E&M spending in most segments

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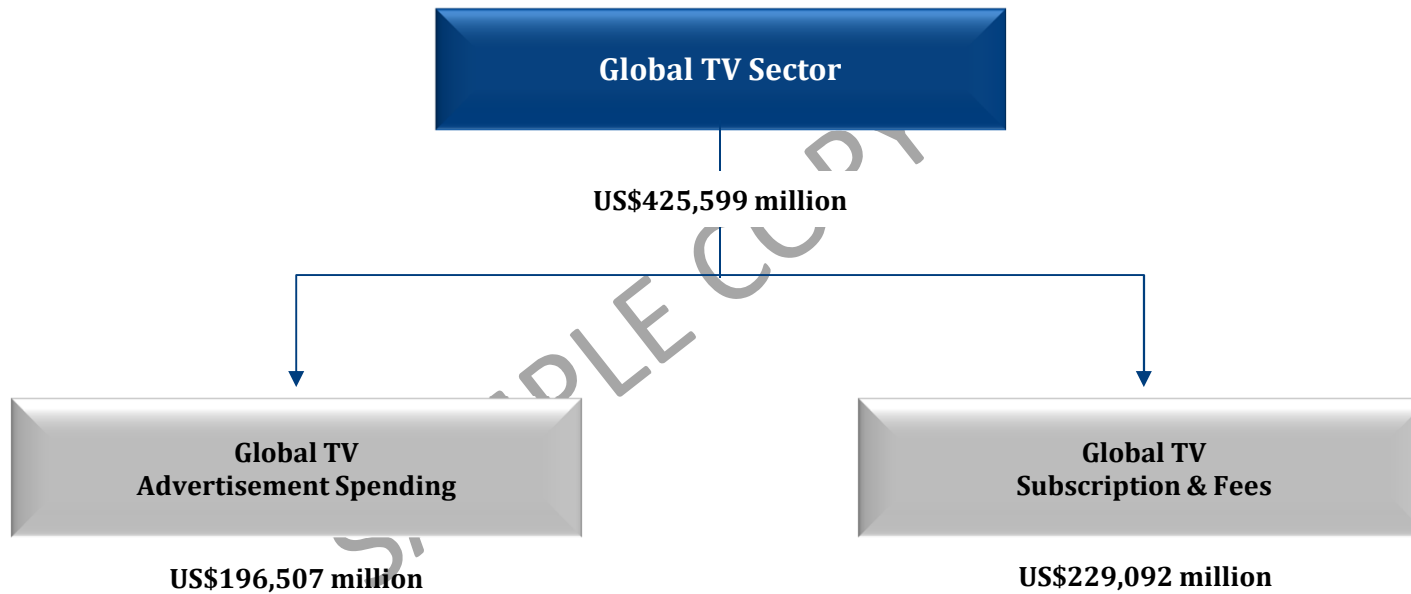
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MARKET OPPORTUNITIES

As of 2012, the Global TV sector is estimated at US\$425 billion

The Global TV Sector is estimated at around US\$425 billion and is composed of Global TV Advertisement Segment and Global TV Subscription Segment

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MARKET OPPORTUNITIES

Multiple players are involved in production, broadcasting, distribution & consumption of TV content along the TV broadcasting value chain

TV Broadcasting Value Chain



Examples of TV Broadcasting Value Chain Participants



Role of Participants in the TV Broadcasting Value Chain

<ul style="list-style-type: none"> Content Creators develop popular/entertaining TV content relevant to the target audience with an objective of effective monetization They also provide niche content e.g. cartoons, local content etc. to target audiences 	<ul style="list-style-type: none"> TV Broadcasters may produce content in-house or buy from independent content creators or even co-produce with them They are also responsible for content transmission through audio/video signals, to be further used by Distributors 	<ul style="list-style-type: none"> Distribution companies use multiple technologies for making TV content available to audiences Typical examples include the satellite operators like NILESAT, IPTV providers & Telco operators 	<ul style="list-style-type: none"> End users get access to the TV content either for free or by paying subscription fee to distributor companies like Cable TV Operators, DTH Companies etc.
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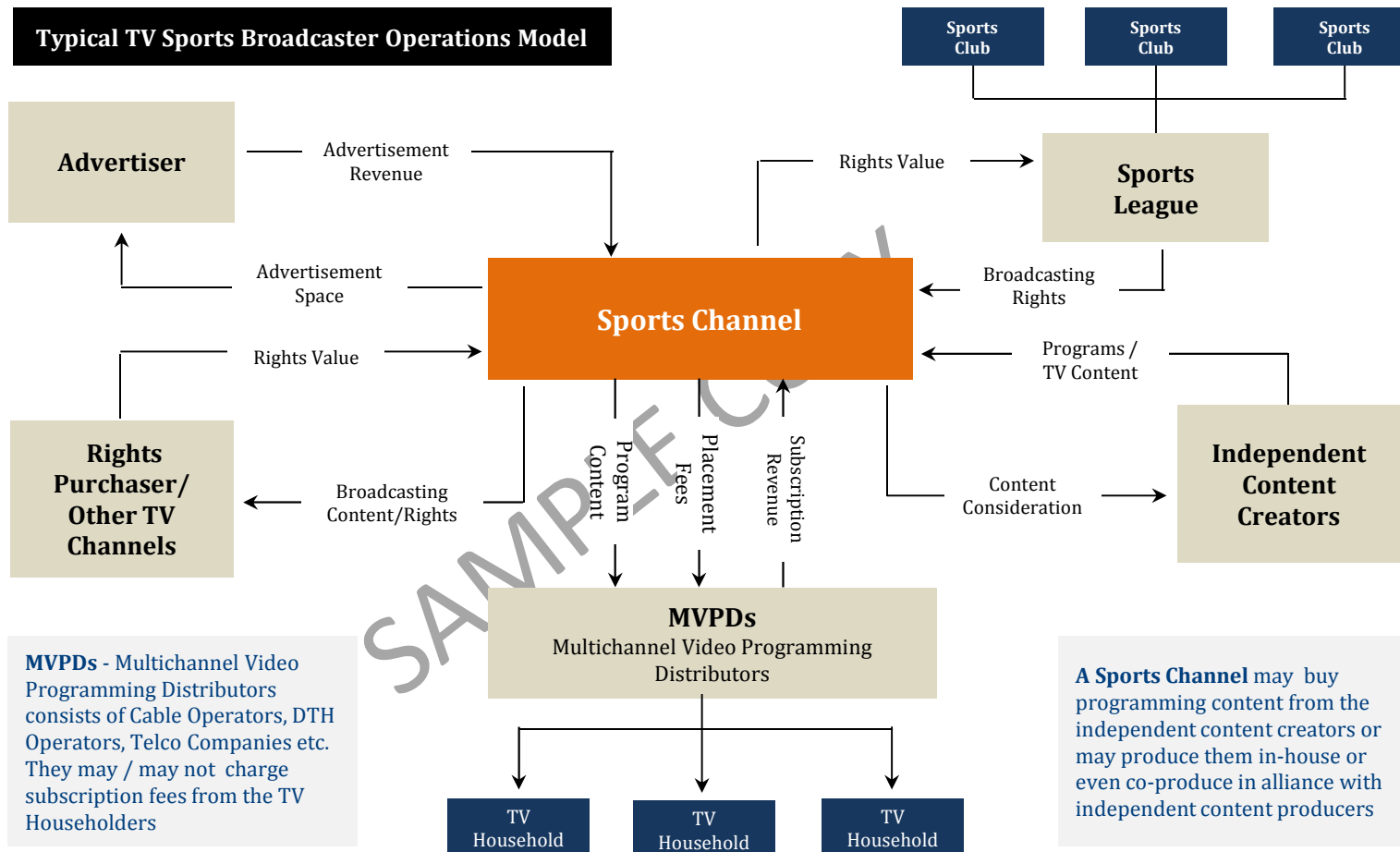
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MARKET OPPORTUNITIES

A typical sports TV channel business operations model.....

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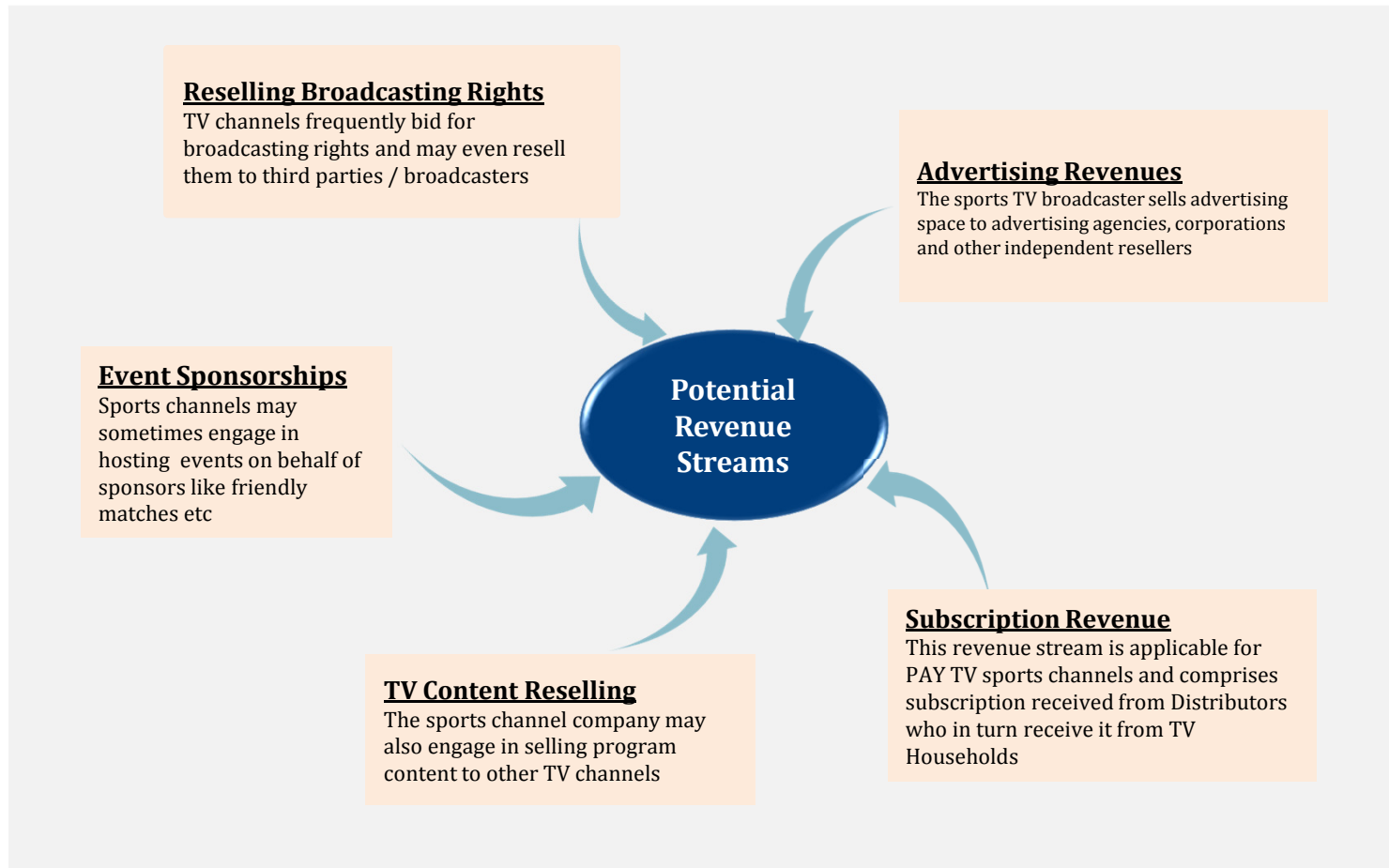
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MARKET OPPORTUNITIES

A sports channel company typically earns revenue from multiple sources

There exists a number of sources that Sports TV Channels usually utilize to diversify and enhance their topline

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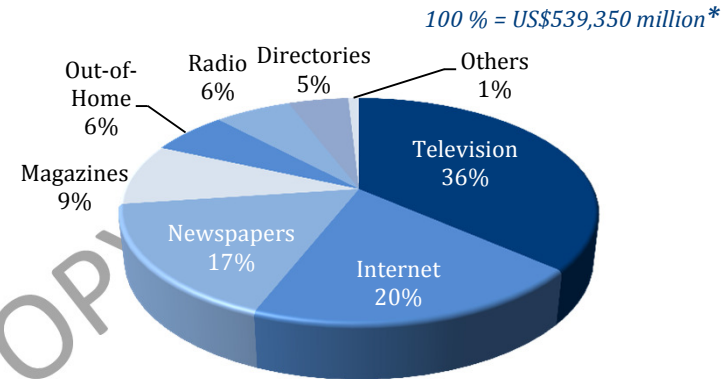
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MARKET OPPORTUNITIES

Television Advertising accounts for the largest share in the global advertisement spending and is expected to grow at a CAGR of 6.7% to reach US\$254 billion in 2016 from US\$196 billion in 2012

- Television has been the largest mass communication medium used for advertising for more than 60 years, even after fast proliferation of internet
- Television viewing continues to rise despite people allocating more time online, pointing to the fact that increased internet usage has benefitted TV viewing
- Television advertisements continue to have a big impact on general public because of its capability to attract large audiences
 - Global TV advertising spending in 2012 is estimated at US\$196,507 million and comprised 36% of the total global media advertisement segment
 - Global television based advertising spend is expected to grow consistently through 2012 – 2016 at a CAGR of 6.7% to reach US\$254,745 million in 2016
- **2014 is going to be the year of some of the major international sporting events, which are expected to provide impetus to TV based advertising globally**

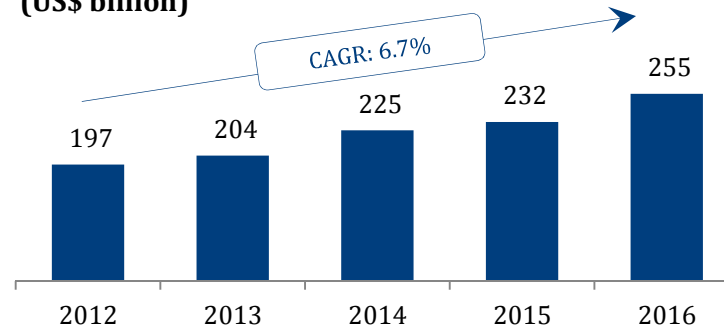
Global Advertisement Spending, 2012 - (US\$ million)



Source: PWC Report, Global E&M Outlook 2012 – 2016

***Note:** Certain advertising expenditures are double counted between respective segment and the Internet segment but only once in overall total of Global Advertising Spend

Global TV Advertisement Spending, 2012 – 2016 (US\$ billion)



Source: PWC Report, Global E&M Outlook 2012 – 2016

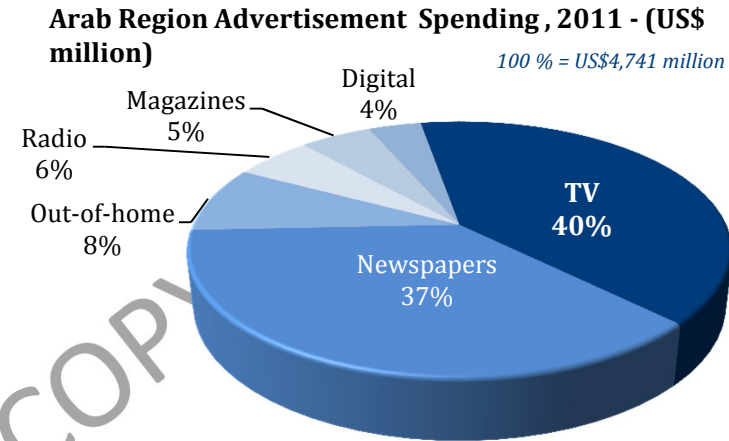
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MARKET OPPORTUNITIES

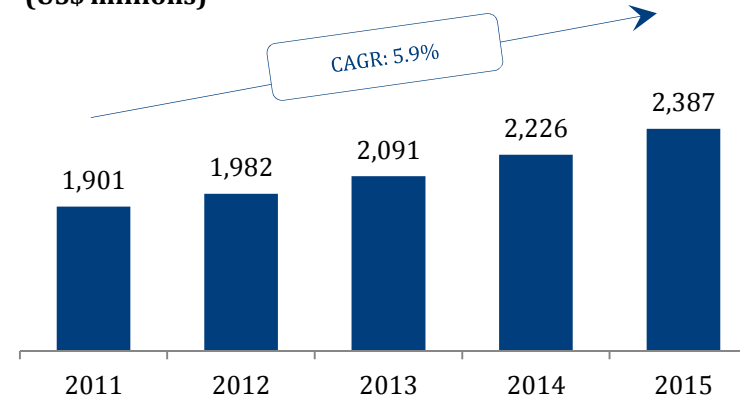
TV Advertising comprised 40% of the total Arab Media Advertising Segment, as of 2011, and is expected to grow at a CAGR of 5.9% to reach US\$2,387 million in 2015

- Over the years there has been a global trend of TV audiences migrating to other alternative media platforms, but this hasn't been true for the Arab region as TV media platform seems to be fairly resilient
 - As per a survey conducted regarding TV viewing habits in Saudi Arabia and Egypt, average TV viewing time has slightly increased from 3.10 hrs per day in 2009 to 3.11 hrs per day to 2012
- Television based advertising continues to dominate over all other advertising media and totaled US\$1,901 million in 2011, comprising 40% of the total advertising spend in the region
- Arab TV advertising spend is expected to grow consistently through 2011 - 2015 at a CAGR of 5.9% to reach US\$2,387 million in 2015 from US\$1,901 million in 2011
- TV industry revenues primarily constitute advertising income and Pay TV Subscriptions. Advertising revenues represented 78% of the total industry in the Arab region in 2011



Source : Deloitte Analysis, Arab Media Outlook Report - 2011 - 2015

Arab Region TV Advertisement Spending, 2011 - 2015 (US\$ millions)



Source : Deloitte Analysis, Arab Media Outlook Report - 2011 - 2015

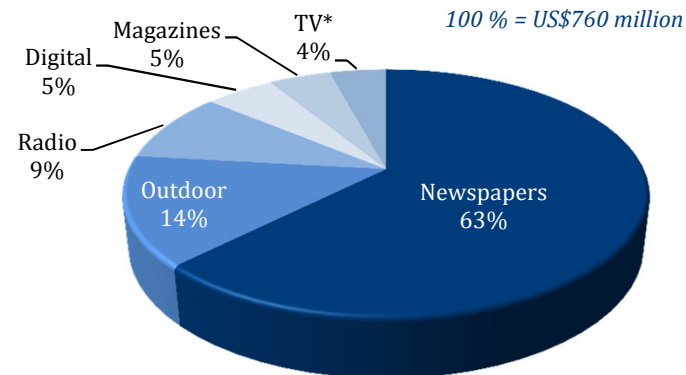
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MARKET OPPORTUNITIES

Television advertising spend comprised 93% in the Pan-Arab segment in 2011

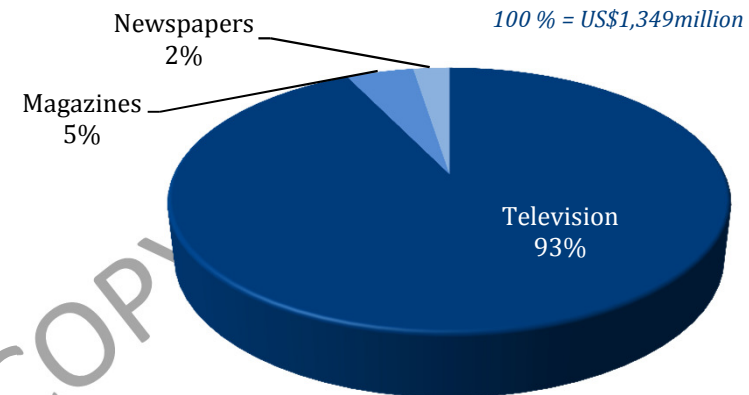
KSA Advertising Spend, 2011 (US\$ million)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

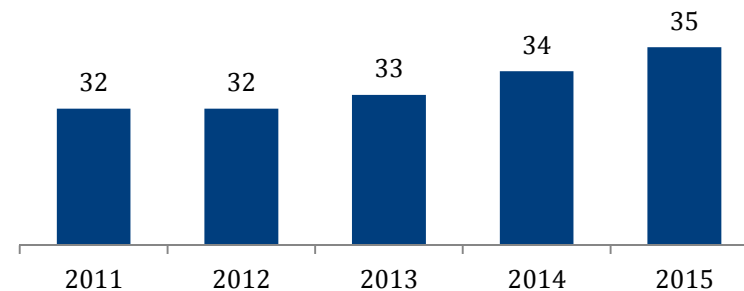
*Note: TV Advertising excludes Pan-Arab Advertising by KSA Companies

Pan - Arab Advertising Spend, 2011 (US\$ million)



Source : Deloitte Analysis, Arab Media Outlook 2011 - 2015

Domestic KSA TV Advertisement Spend, 2011 - 2015 (US\$ million)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

- The low TV based advertising spend in KSA is explained by the fact that it excludes advertising spend by KSA advertising companies designed for multiple countries in the region. It also highlights lack of adequate quality content for viewership
- A popular TV content like football in sports (that attracts women as well as men viewership) can substantially support growth in TV spending which has till now been much less than its potential in KSA
- The pan Arab TV based advertising spend (advertising spend by regional media outlets covering multiple countries in Arab region) comprised 93% of the total pan Arab advertising spend as of 2011
- **Large TV advertising share in the Pan Arab region highlights the importance of TV as an advertising medium both in local and regional markets**

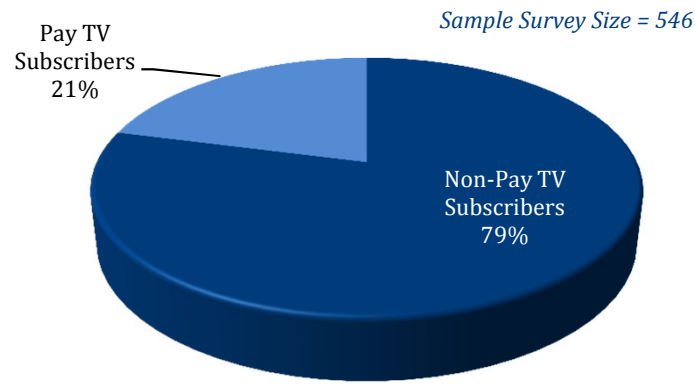
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MARKET OPPORTUNITIES

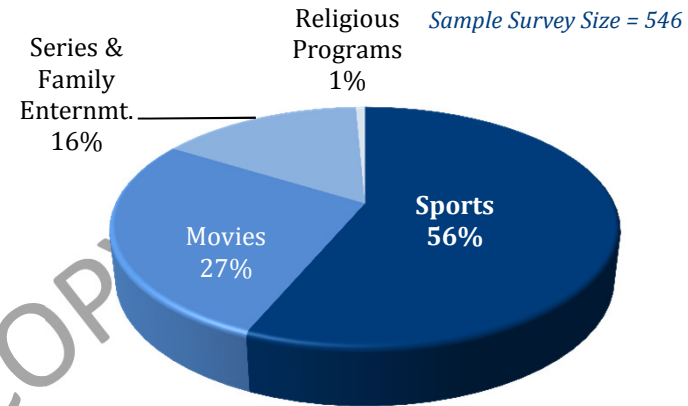
Viewing sports is the most important reason among Saudis for subscribing to Pay TV

Pay TV distribution in KSA, 2011



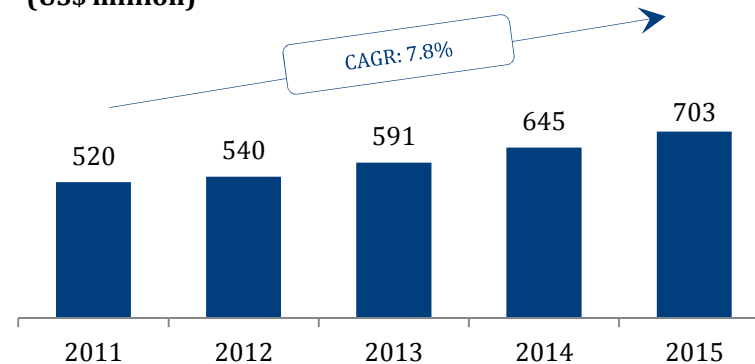
Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

Main Driver for Pay TV Subscription in KSA , 2011



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

Arab Region Pay TV Subscription Market, 2011 - 2015 (US\$ million)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

- KSA's domestic Pay TV market is small as approximately 80% of the TV households do not subscribe to it, due to cost considerations and availability of free satellite channels offering similar content
- Based on a survey conducted by Deloitte with a sample consisting of 546 respondents, viewing sports was cited as the most important motivation for subscribing to Pay TV
- **The Arab Pay TV subscription market is expected to grow at a CAGR of 7.8% to reach US\$703 million in 2015 from US\$520 in 2011**

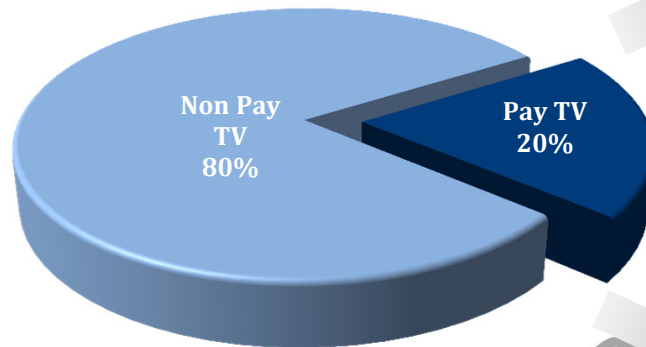
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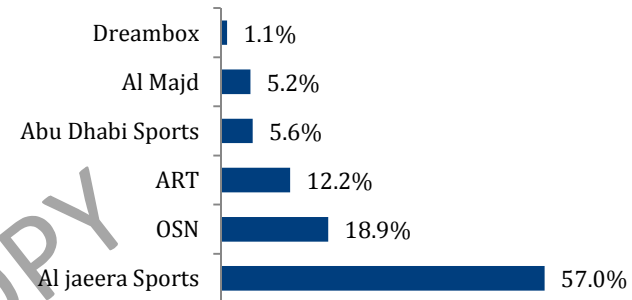
MARKET OPPORTUNITIES

Competitive Landscape

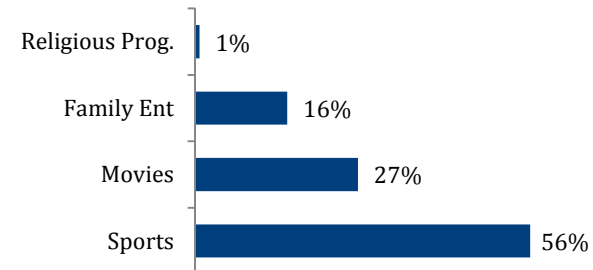
Pay TV Subscriptions in KSA



Pay TV Subscriber Distribution



Main Driver for Pay TV Subscription in KSA , 2011



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

- The Pay TV penetration in Saudi TV Market remains low at 20%, with most of these subscriptions coming from low -ARPU bundle of Al Jazeera channels. Current launch of IPTV and absence of Cinema in the country provide ample room for increase in the Pay TV penetration in KSA going forward
- **Sports is the number one driver for subscribing to Pay TV Channels in the region with current most Pay TV market concentrated with Al Jazeera channels**

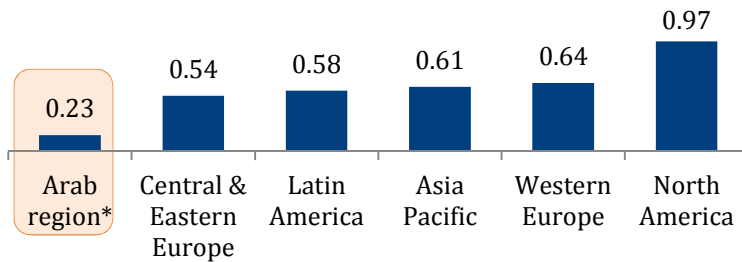
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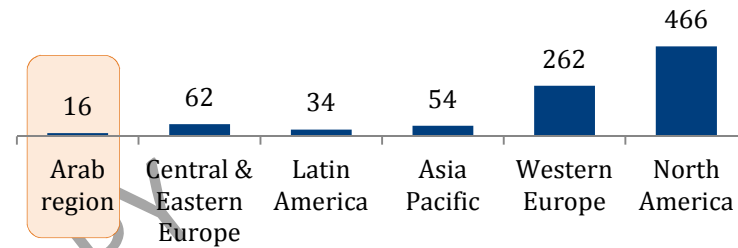
Key Drivers – Huge upside potential for per capita Ad spending in the Arab region

Advertising spend as % of GDP, 2011 (% of GDP)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

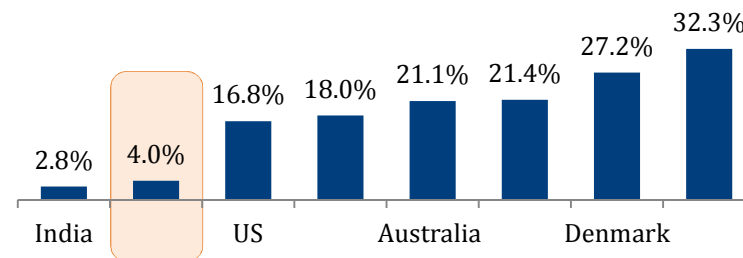
Advertising spend per Capita, 2011 (US\$)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

- Arab Region's ratio of advertising spend to GDP and advertising spend per capita are among the lowest in the world as shown in the figures above
 - Arab region's advertising spend per capita of US\$16 is much lower compared to Latin America (US\$34) or Asia Pacific (US\$54)
- The gap between Arab region's per capita ad spend and global benchmarks points to huge upside potential for growth in the advertising spending segment
- The immediate beneficiary of any increased advertising spending is going to be the TV Industry especially the TV broadcasters

Digital Advertising Share, 2011 (% of total advertising share)



Source : Deloitte Analysis, Arab Media Outlook, 2011 - 2015

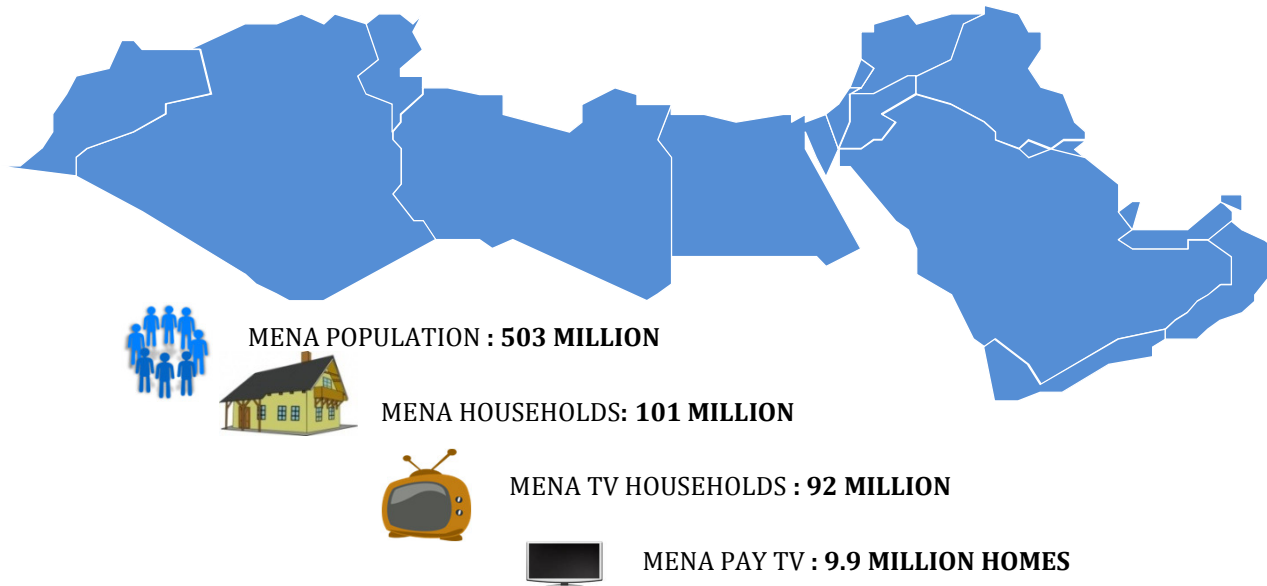
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MARKET OPPORTUNITIES

Higher popularity of sports is expected to drive the Pay TV market in the MENA region. The Pay TV subscribers are expected to reach 15.8 million in 2017 from 9.9 million in 2011

MENA region TV Overview - 2011



As discussed earlier, watching sports is the prime reason for people subscribing to the Pay TV. Higher sports viewership is expected to further drive the demand for Pay TV in the MENA region. As per Globesoccer.com, the number of Pay TV subscribers in the region are expected to reach 15.8 million in 2017 from 9.9 million in 2011

Source : Informa Telecoms & Media, www.globesoccer.com Report - Development of Local Football Through Media

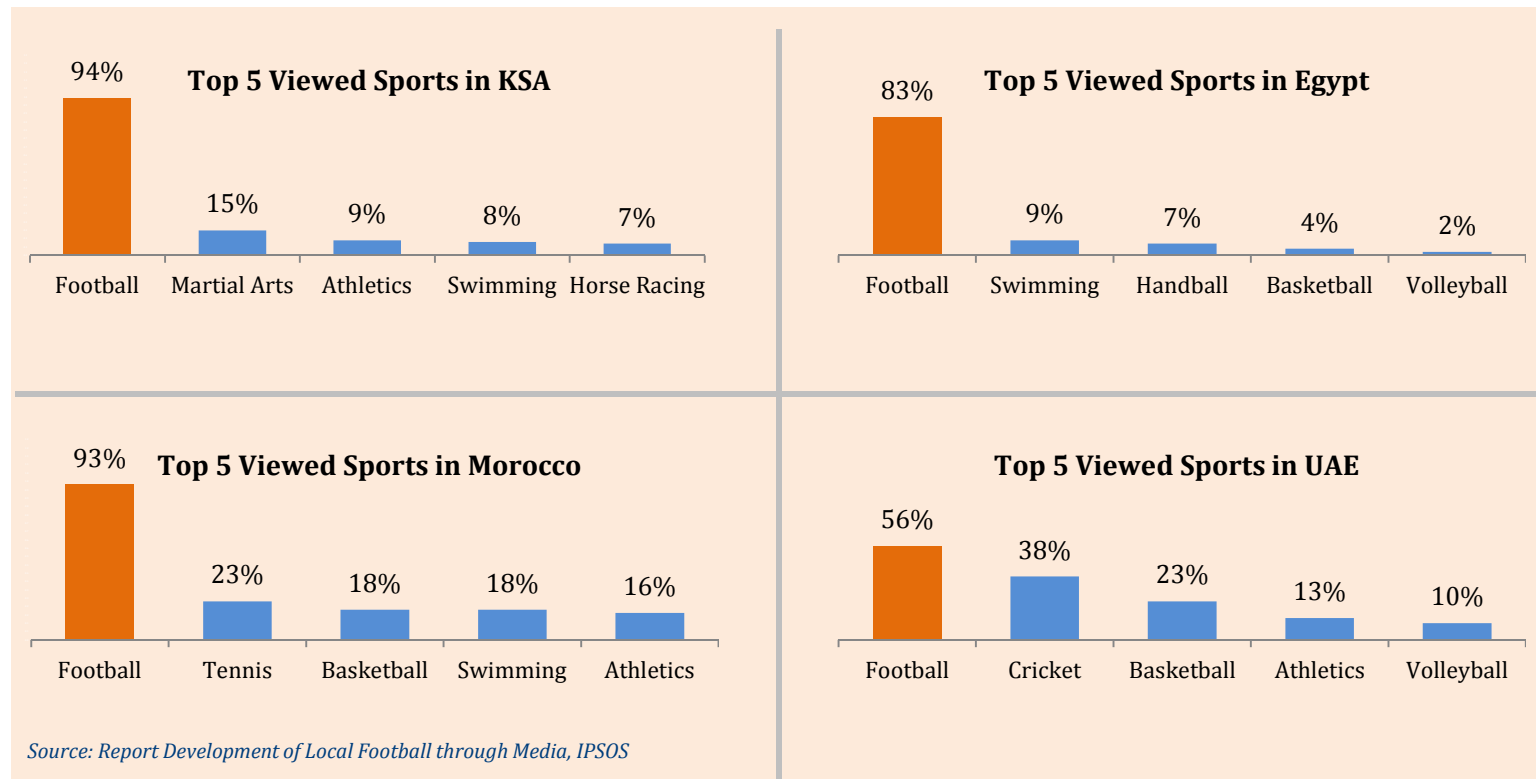
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MARKET OPPORTUNITIES

Football is the most viewed sports in the MENA region, especially in the KSA

Sports viewership in selected MENA countries



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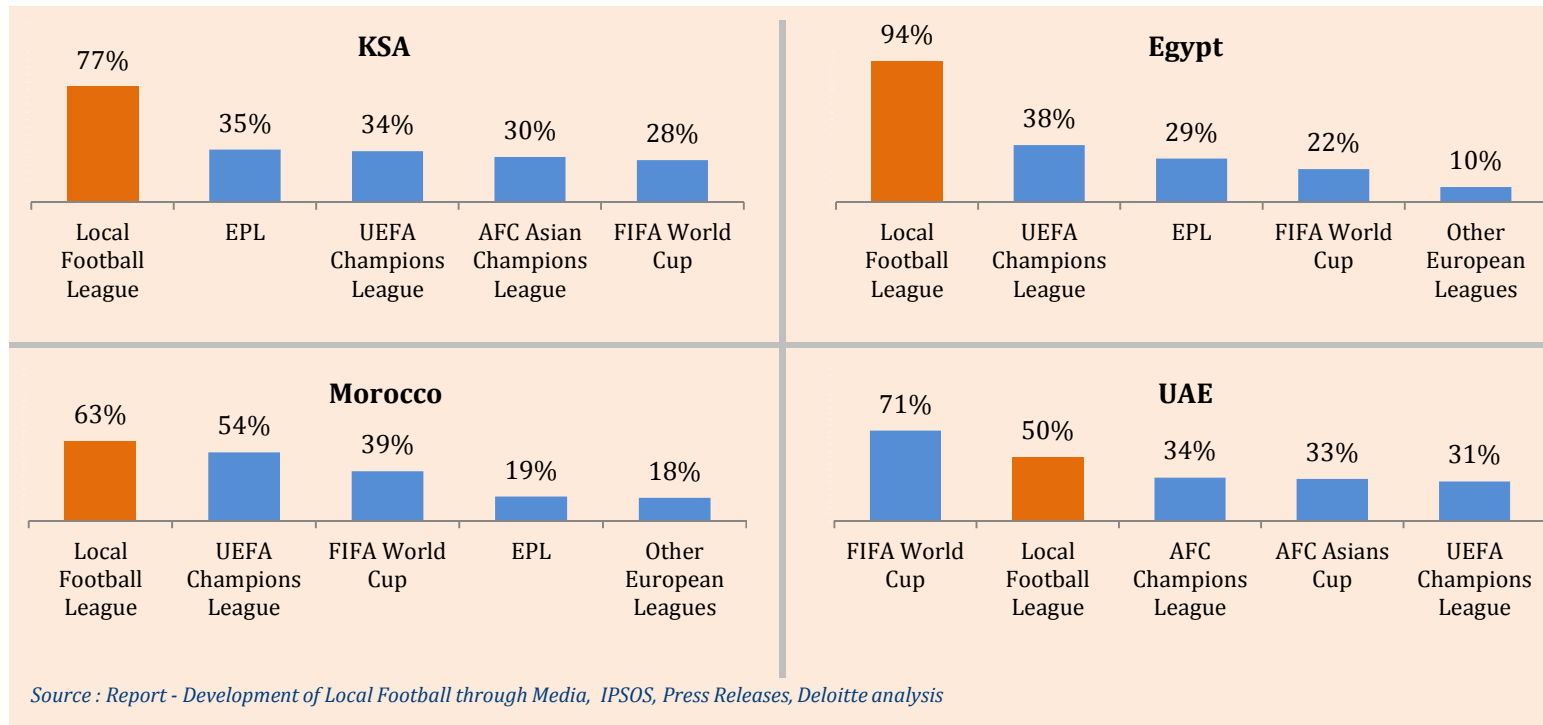
As per a report named *“Development of Local Football through Media”*, 90% of the youth male population (defined as under 35 years) in the 4 countries of the KSA, Morocco, the UAE and Egypt, watch sports. In the same set of countries, football is the most watched sport with KSA leading the group

In KSA, it is estimated that around 94% of the youth male population watch football. **Thus Football is undoubtedly the most watched sports in the kingdom.**

MARKET OPPORTUNITIES

Viewership of local league football exceeds the viewership for other international football matches in the Kingdom

Local football viewership in selected MENA countries



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Local football league matches are very popular in the MENA region. The local football viewership significantly exceeds the viewership of other international football matches including FIFA World Cup, in 3 out of 4 countries surveyed. In the KSA, viewership of local football league matches is estimated at 77%, which is more than double for the FIFA World Cup

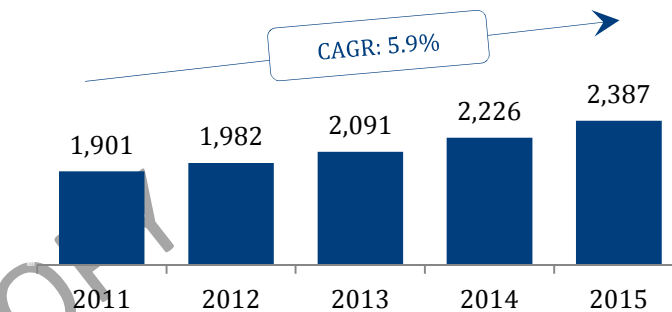
MARKET OPPORTUNITIES

Local League matches enjoy a much higher popularity than other international football competitions in KSA making their telecast rights even more valuable to a regional sports broadcaster

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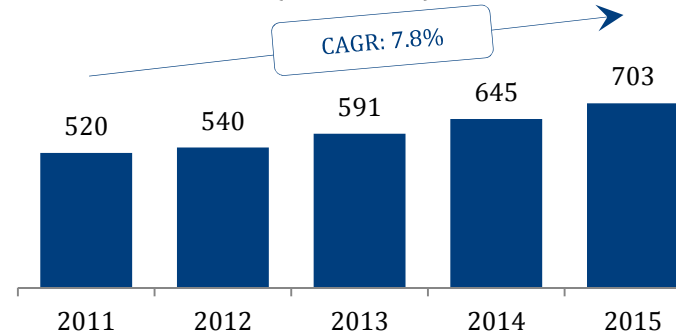
- Football is the most viewed sport in KSA. And the viewing of local leagues drive the popularity for the sport. The Saudi national football team qualifying for FIFA 4 times since 1994 has intensified the interest for football even further in the region
- Apart from significant interest from the male population, the interest for football among Saudi females is not only growing rapidly but also getting noticed positively by the government authorities. Government is mulling to allow female spectators by allowing separate sections to be build in football stadiums
- As the local league matches enjoy great viewership interest, the telecast rights for all local football competitions even more interesting and valuable to the KSA based Sports TV broadcaster
- Increasing penetration of Pay TV market will continue to provide a steady stream of subscription revenues to the sport broadcasters. TV based ad expenditure revenue, though more volatile than subscription based revenue, will continue to grow especially in cases of TV content enjoying high viewership like football matches, popular movies and soaps
- *To conclude, given the current market conditions in the KSA, broadcasting of local football matches shall provide the broadcaster with ample huge growth opportunities going forward*

**Arab Region TV Ad Spend
(US\$ million)**



Source : Deloitte Analysis, Arab Media Outlook Report

**Arab Region Pay TV Subscription Market,
(US\$ million)**



Source : Deloitte Analysis, Arab Media Outlook Report

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