Regional Trends

Middle East and Africa (MEA)

OCTOBER 2021

iabm

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Business Environment

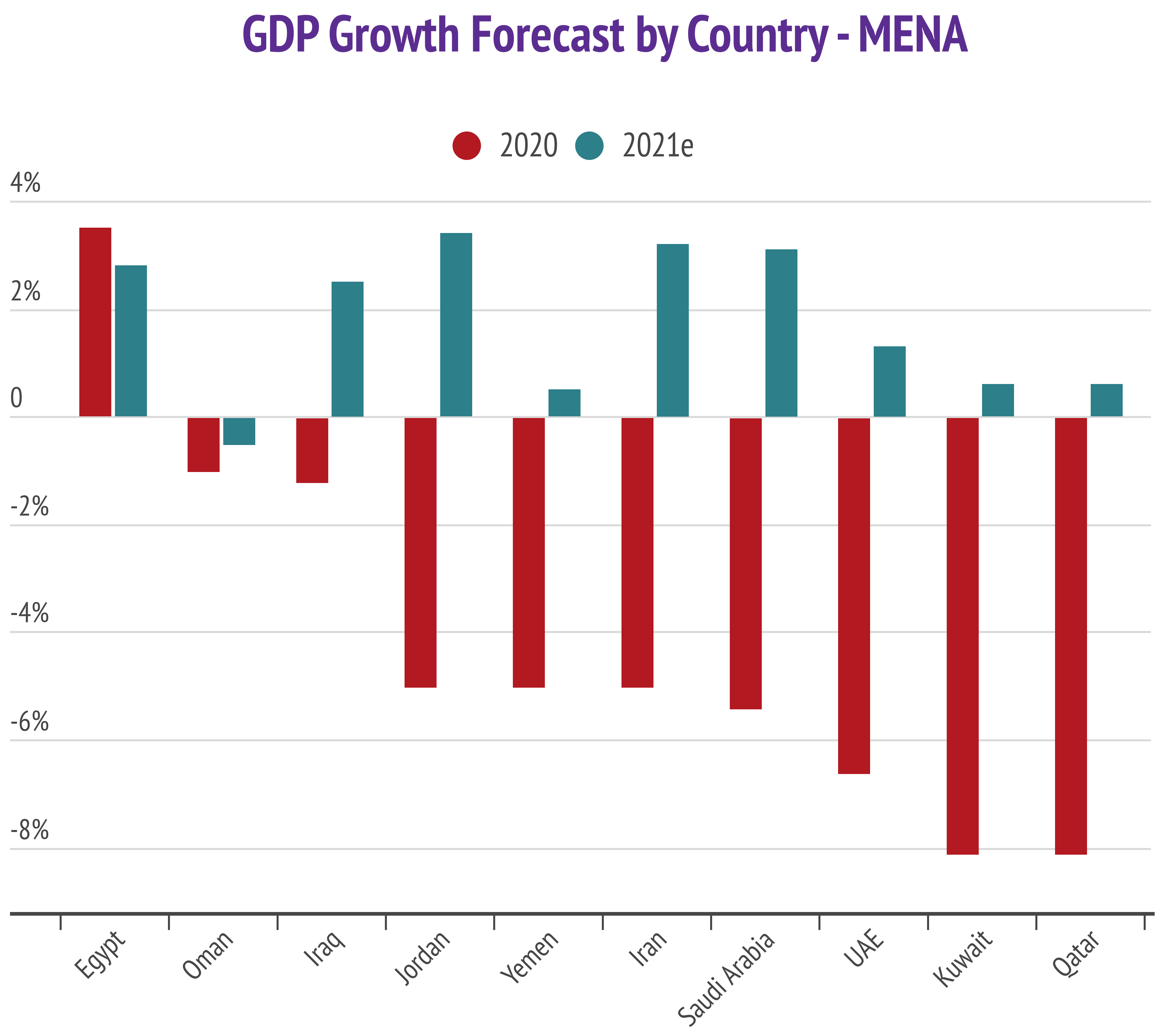
Middle East (MENA)

Business Environment

MENA - Subdued Growth

Economic growth in the MENA region is expected to remain subdued (2.4%) in 2021 due to new COVID-19 outbreaks and limited vaccine progress, according to the Wold Bank. Despite higher oil prices - driving growth in the regions' oil exporting countries - the overall risks of social unrest and conflicts (e.g. Afghanistan) in the region hinder post-pandemic recovery.

In the context of limited economic diversification, growth projections remain uncertain having a negative impact on the region's investment climate.



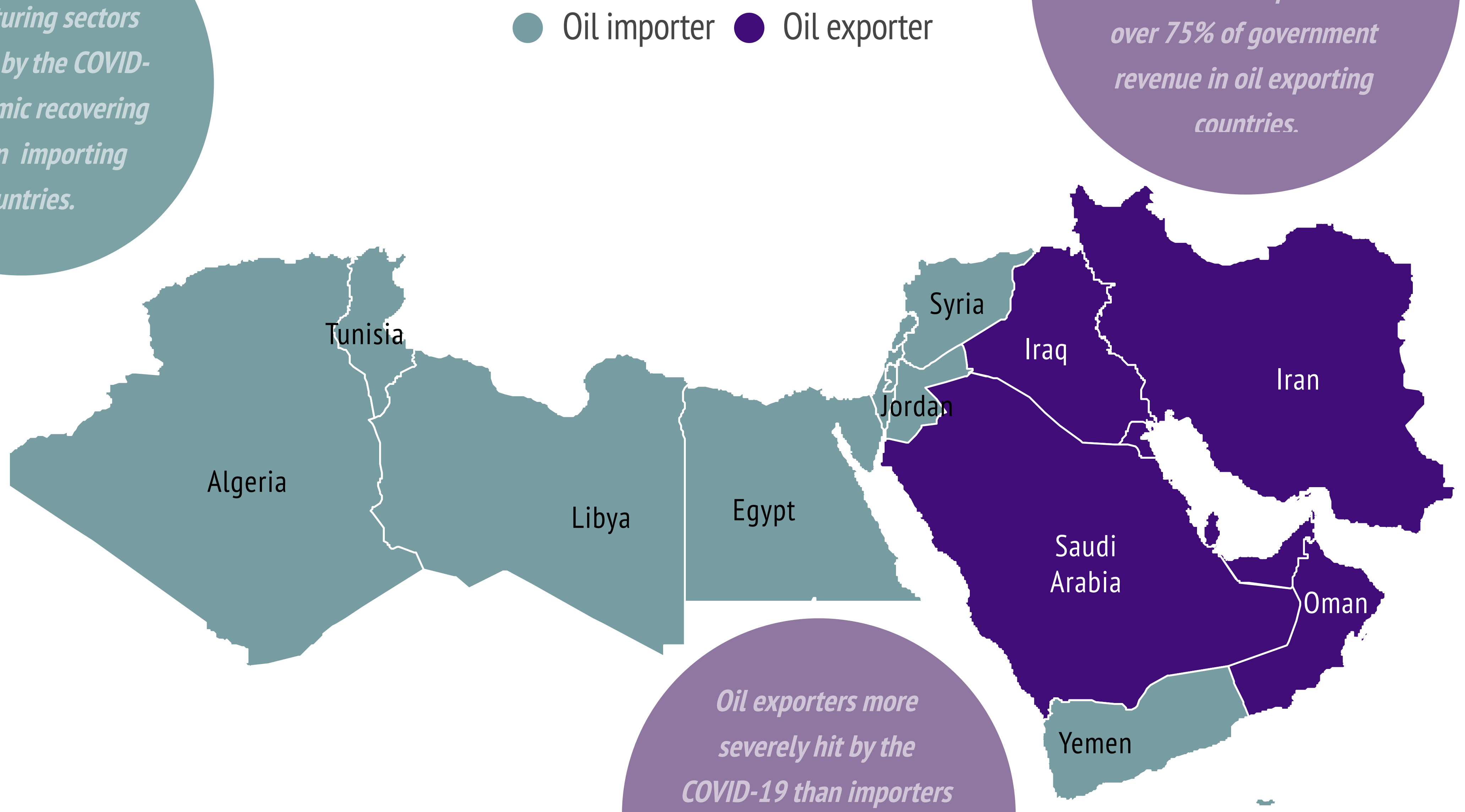
Sources: IMF, Oxford Business Group, Altibbi

Business Environment

MENA - Global Oil Prices as Determinant

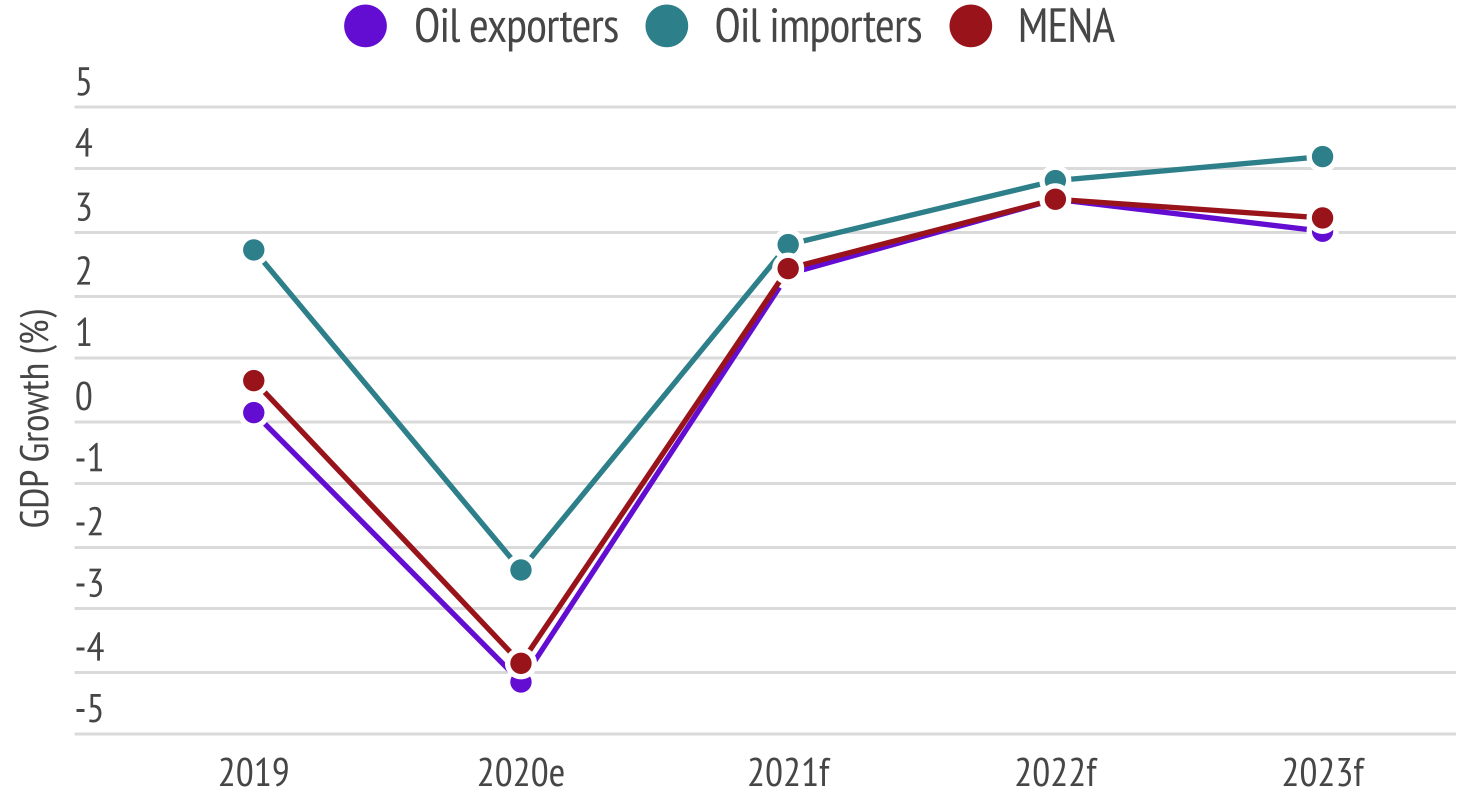
Tourism and manufacturing sectors damaged by the COVID-19 pandemic recovering slowly in importing countries.

In 2019, oil revenue accounted for about 30% of GDP, over 60% of merchandise exports and over 75% of government revenue in oil exporting countries.

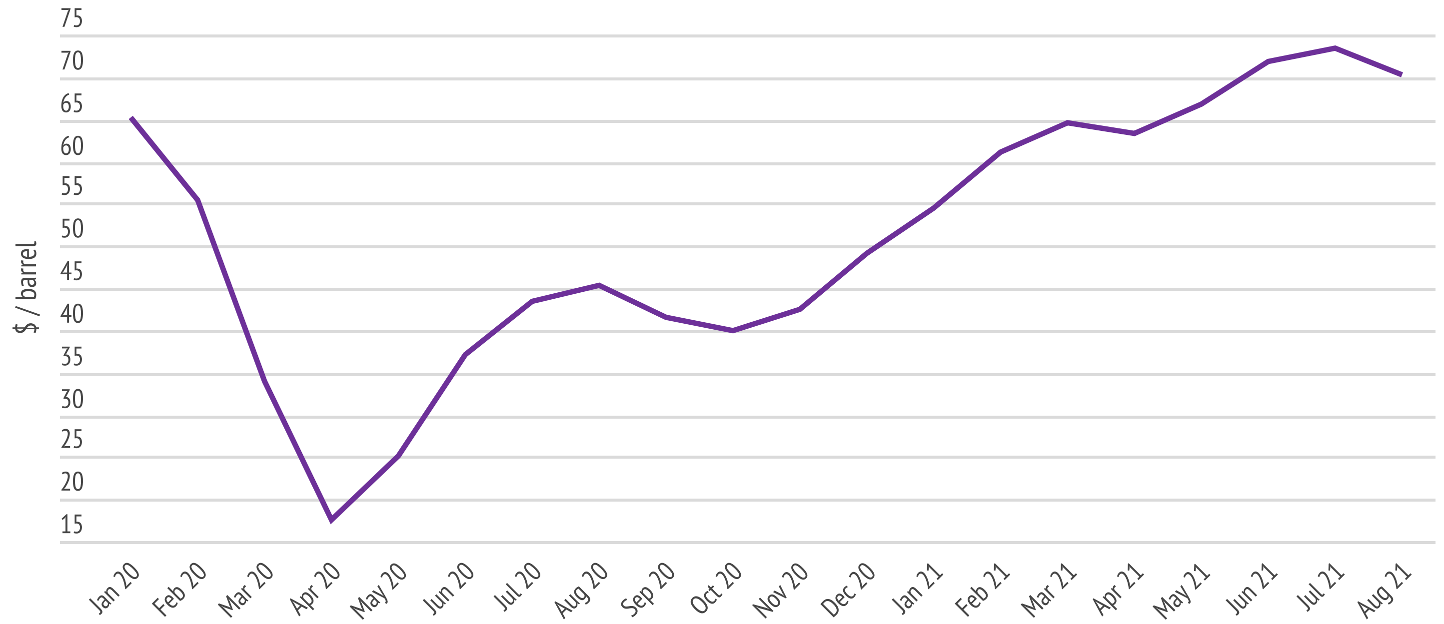


Oil exporters more severely hit by the COVID-19 than importers due to their direct dependency on global oil prices and demand.

Estimated GDP Growth by Category



Monthly OPEC Basket Crude Oil Price (2020-2021)



Sources: World Bank, OPEC

The Broadcast & Media Industry

Middle East (MENA)

The Broadcast & Media Industry

MENA - Market characteristics

Fragmented Broadcast & Media Market

(GCC countries vs. Levant countries)

Diverse Tech Needs: Regional markets within the MENA region differ by market maturity, technological readiness and needs. The GCC countries have a more mature media infrastructure in place and they account for the major share of tech investment. Levant countries (e.g. Lebanon, Jordan) are gradually adopting OTT, IPTV and 4K/UHD.

Content Piracy & Islamic Law

Content Theft: Piracy remains a massive challenge in the region; piracy costs the broadcast and media industry an estimated US$500 million each year, fuelled by the increase of online streaming and live sporting events. The practice of Islamic law poses a framework for content restrictions and themes.

Tech Investment & Oil Prices

Dependency on Oil: As most broadcasters in the region are either state-funded or backed by private companies relying on oil to drive their businesses, the decline in global oil prices has a direct impact on broadcast and media technology spending.

Sources: Frost&Sullivan, IABM

The Broadcast & Media Industry

MENA - TV Market Ecosystem

Content Creation → Content Aggregation → Content Distribution → Delivery Infrastructure

Local (Post) Production Houses

Prime Focus *O3 Productions* *twofour54*

Telcos / IPTV Operators

Foreign Studios

Uplink Services

Pay-TV Operators

OTT Extensions

DTH Satellite Operators

Regional Broadcasters

Limited (OTT Originals)

OTT Players

Device Manufacturers

Sources: IABM, EY

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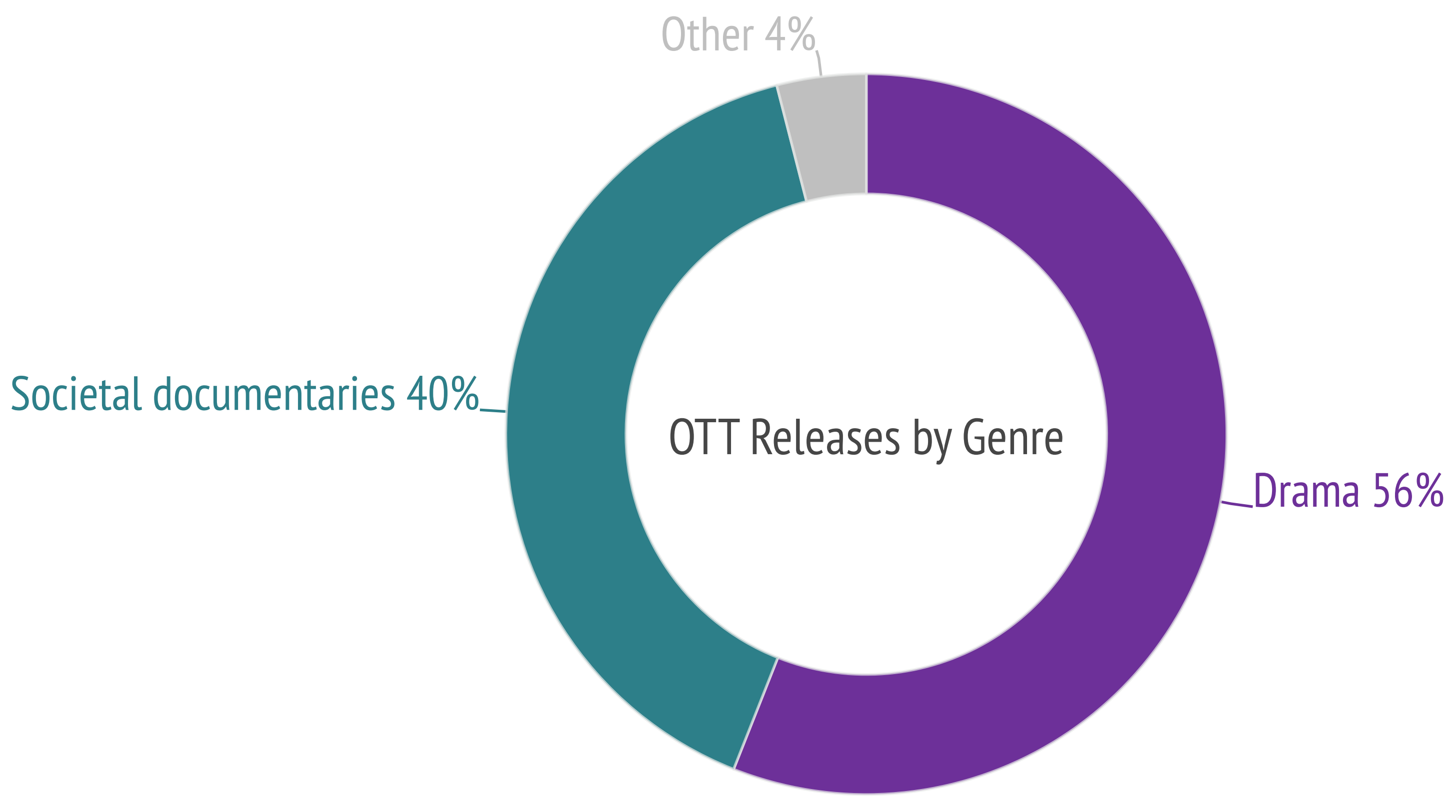
Sources: IABM, EY

The Broadcast & Media Industry

MENA - Local Content Production

Prior to 2017, when OTT platforms started to ramp up their services in the region, the Arabic content industry was characterized by a limited selection of production houses producing content for TV and theatres with a simple windowing process only involving theatre for movies, followed by Pay-TV and finally FTA. The abundance of free Arabic content and the strict censorship rules have limited media companies' incentives to invest in local originals. As audience data is not publicly available in the region, the choice of genre for content investment has been difficult. Only recently, OTT platforms - being able to collect and analyse their own data about each viewer - have formed content partnerships with local production houses and foreign studios and invested in original content.

OTT - Arab Content Investment by Genre



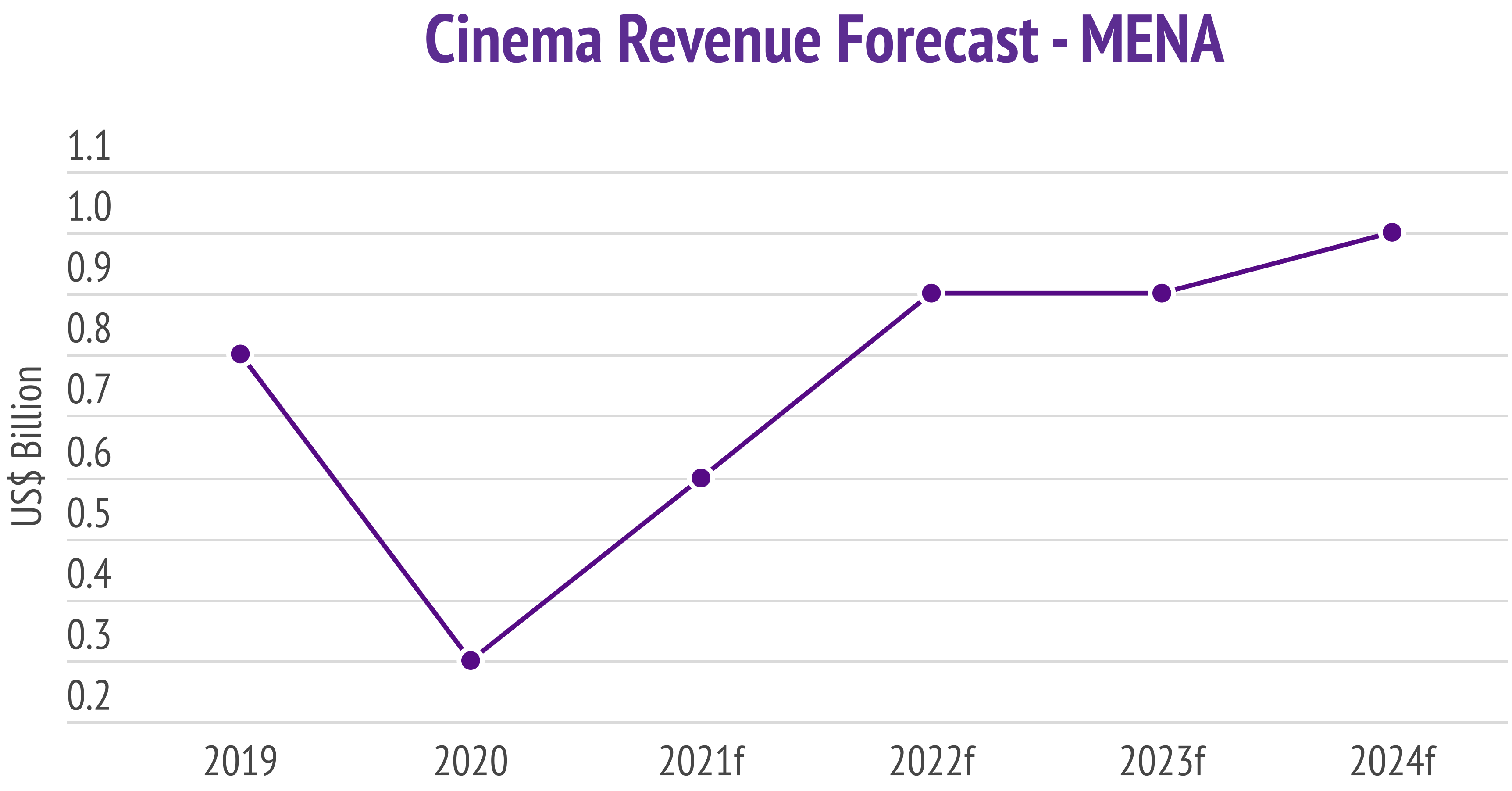
Sources: IABM, IHS Markit, broadcastprome.com

The Broadcast & Media Industry

MENA - Local Film Industry

The Arab film industry has suffered from tighter budgets over the past years. While Egypt remains the major hub for Arab film-making producing about 40 films per year, the annual combined film budget in the Arab world stands at a modest US$50 million, according to the Arab Cinema Center (ACC). Broadcasters like Rotana have cut the number of films they buy, constraining local film production, while massive levels of piracy devalue film sales to legitimate TV stations.

The ACC estimates that the Arab film industry generated US$25 million in cinema ticket sales in 2020. Saudi Arabia's recent removal of 35-year ban on cinemas is expected to funnel investments in the Arab film industry after the COVID-19 pandemic.



Sources: IABM, ACC, PwC, PBS, Arab News

The Broadcast & Media Industry

MENA - Saudi Arabia Invests in Cinema Industry

CASE - Saudi Arabia Removes The Ban On Cinemas

In 2018, Saudi Arabia announced the end of the cinema ban after 35 years, as part of "Vision 2030" socio-economic reform plan. By 2030, the country expects to have about 350 cinemas and 2,500 movie screens equating to an industry worth of US$ 1 billion. Despite the opening-up of the cinema sector, Saudi films remain subject to strict censorship. However, the announced US$64 billion investment in the production of TV series and films in the coming years has attracted regional and global market entrants. For example, a Saudi Arabian production studio Telfaz11 has signed a multi-picture partnership with Netflix to co-produce local original content.

Recent Cinema Infrastructure Deals in Saudi Arabia

Year	Investment Partner	Expansion Plans
2018	AMC Theatres	> 100 cinema sites in 25 cities by 2023
2018	Vox	> 600 screens by 2023
2018	Al-Rashed United Group - Empire Cinema	30 cinema sites by 2022
2018	Lux Entertainment - Fawaz Alhokai	300 cinema sites by 2024
2018	Cinemacity	Several sites
2018	Kuwait National Cinema	12 cinema sites
2018	iPic Entertainment	25-30 cinema sites
2019	Light Cinemas	6 cinema sites
2019	Muvi Cinemas KSA	10 cinema sites
2019	Saudi Entertainment Ventures	50 cinema sites by 2022
2019	Cinepolis	Several cinema sites
2019	Next Generation	50 screens
2020	Muvi Cinemas KSA	> 600 screens by 2024

Sources: IABM, IHS Markit, Arab News

The Broadcast & Media Industry

MENA - TV Market Ecosystem

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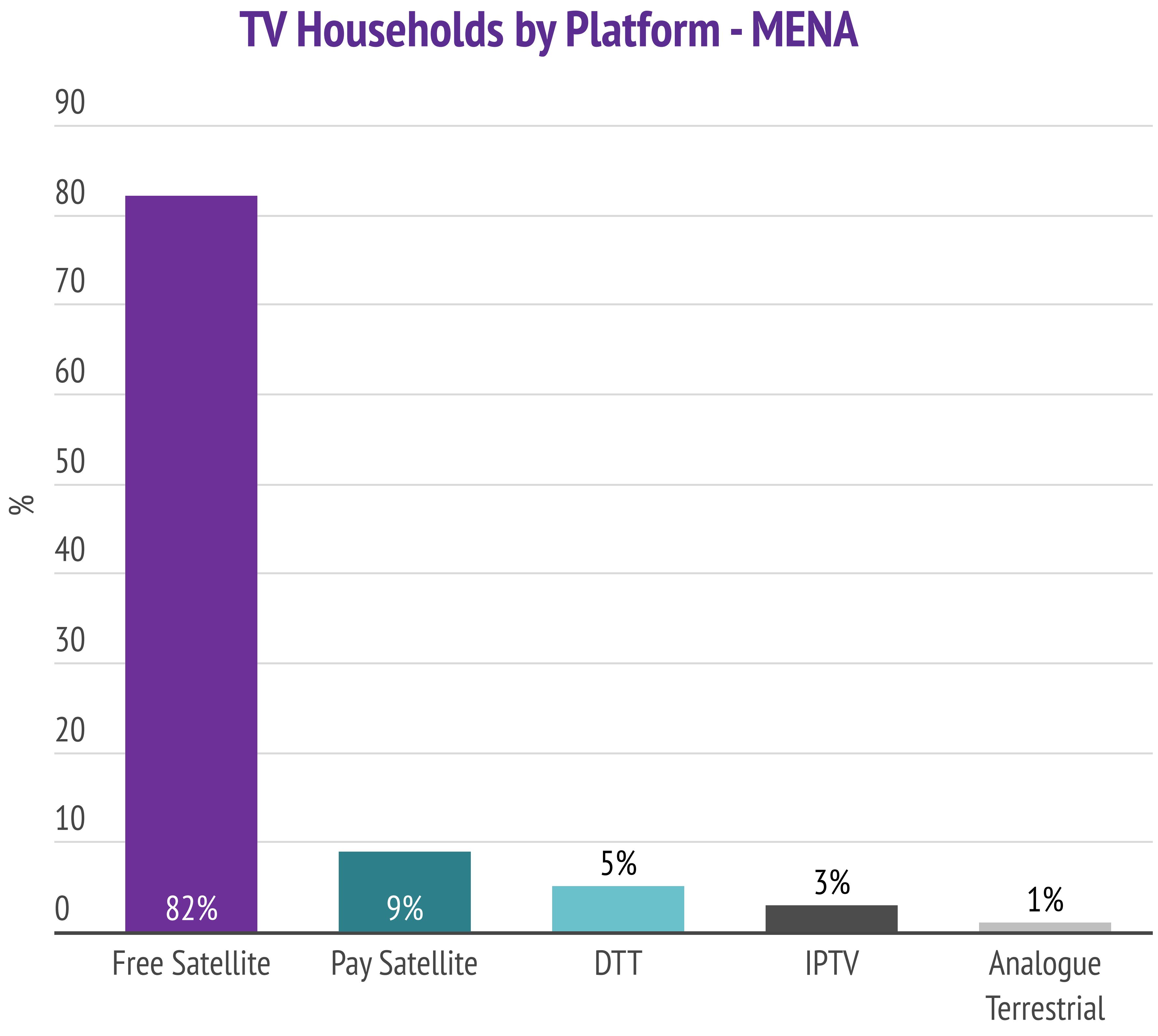
Device Manufacturers

Sources: IABM, EY

The Broadcast & Media Industry

MENA - Pay-TV

Pay-TV penetration is still generally low (around 10%) in the MENA region, largely due to the predominance of FTA channels, piracy and the lack of a uniform payment mechanism, which causes difficulties in monetizing content. In 2020, Pay-TV revenues in the region stood at US$2.74 billion, showing a downward trend, according to data from Digital TV Research. Turkey and Israel remain the largest regional Pay-TV markets, accounting for nearly half of the region's total Pay-TV revenues. IPTV is the second largest Pay-TV platform in the region, but it is mainly present in the Gulf countries, where cable TV viewers have converted to IPTV. Satellite Pay-TV operators (e.g. OSN) have begun to switch to OTT, enabling them to approach new, younger audiences unfamiliar with Pay-TV.



Sources: IABM, IHS Markit (2019)

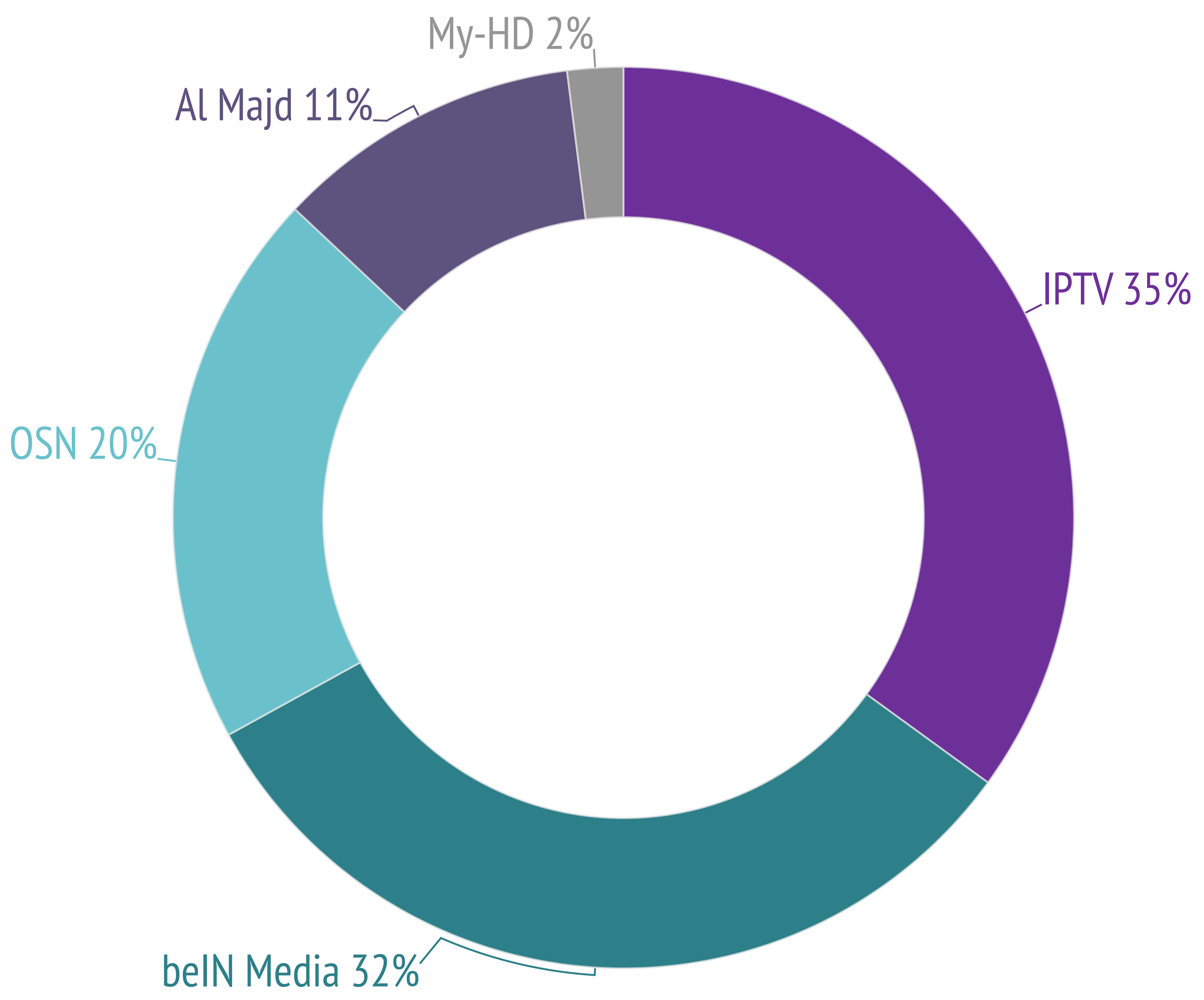
The Broadcast & Media Industry

MENA - Pay-TV

Satellite operators continue to dominate the market due to the fact that over 85% of TV households have a satellite dish. Two satellite operators - OSN and BeIN Media Group (formerly Al Jazeera Group) - control over half of Pay-TV subscriptions in the region. Since 2017, the region's Pay-TV market has suffered from a blockade against BeIN Media, orchestrated by Saudi Arabia, Egypt, Bahrain and the UAE. The blockade has led to the emergence of a network of pirated channels called BeoutQ, jeopardizing the growth of the entire Pay-TV industry.

	CONTENT FOCUS
BeIN Media Group	Sports, entertainment
OSN	Low-cost, Arabic entertainment for youth
Al Majd	Religious, conservative programs
My-HD	Entertainment for French-speaking North African viewers, Asian expat communities

Pay-TV Households by Operator - MENA



Sources: IABM, IHS Markit

The Broadcast & Media Industry

MENA - BeIN Media Fighting Against Politically Motivated Piracy

CASE - BeIN Media Under Attack of BeoutQ Piracy Network

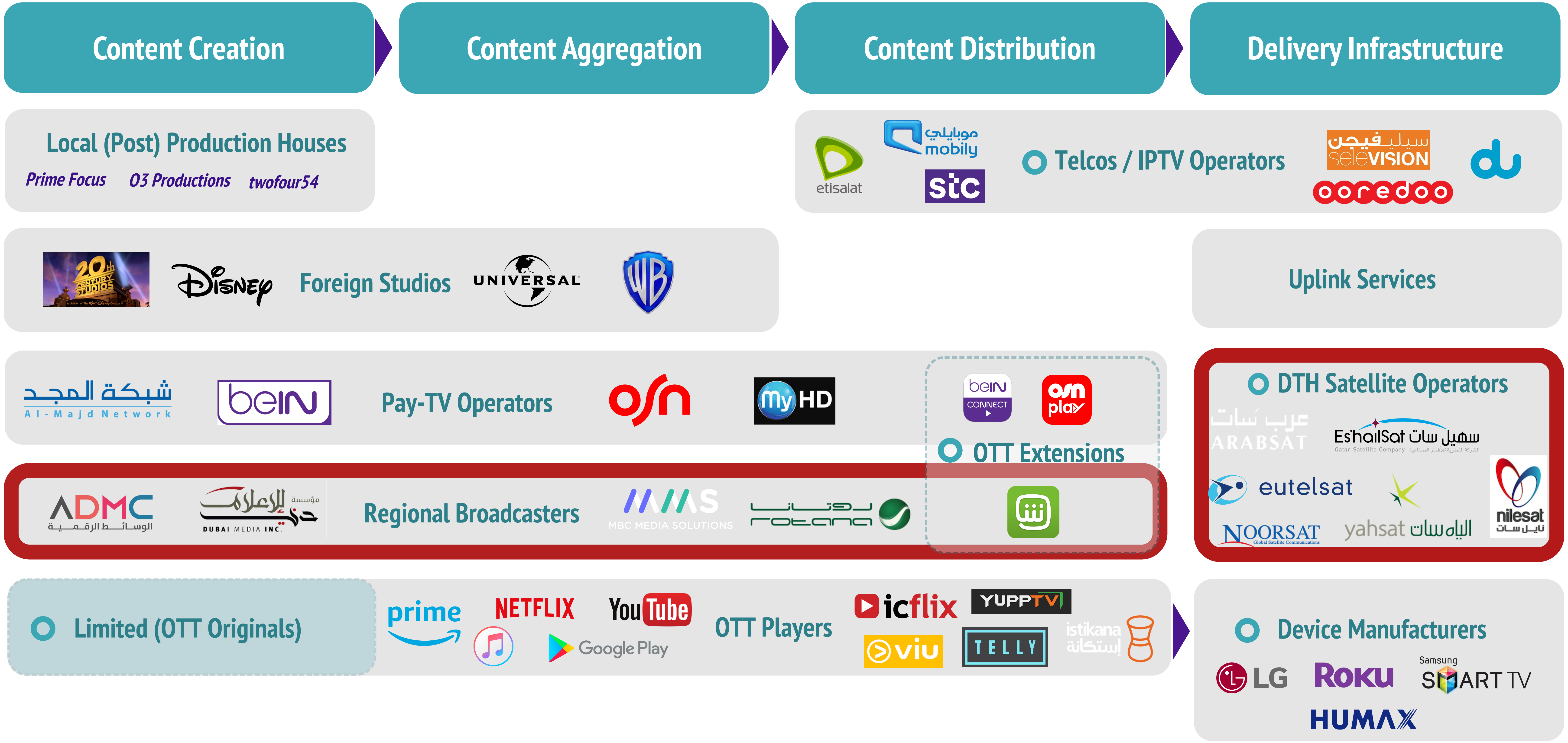
In 2017, Saudi Arabia allowed the launch of BeoutQ, a geo-blocked streaming service only available for Saudi viewers, offering full Pay-TV packages, set-top-boxes and smart cards for illegal broadcasting of BeIN Sports' content (with a delay of 15 seconds). While Saudi Arabia, Egypt, Bahrain and the UAE blocked BeIN Group from their markets, BeoutQ expanded its broadcasts of pirated content in other Arab countries. According to Cisco Systems' investigations, BeoutQ is being distributed via the commercial satellite system of Arabsat, owned by the government of Saudi Arabia. The Qatar-based Pay-TV operator, BeIN Group, is estimated to have lost several US$ billions of revenues due to the politically motivated blockade. Even though Saudi Arabia restored diplomatic ties with Qatar in January 2021, the blockade has had a negative, long-term impact on the entire Pay-TV sector in the region; in the absence of protection of intellectual property rights, global content owners and Pay-TV operators have started to avoid negotiating content rights with MENA operators, decreasing their investment in the region's TV ecosystem.

beoutQ Sports

Source: IABM, IHS Markit, Bloomberg

The Broadcast & Media Industry

MENA - TV Market Ecosystem



Sources: IABM, EY

The Broadcast & Media Industry

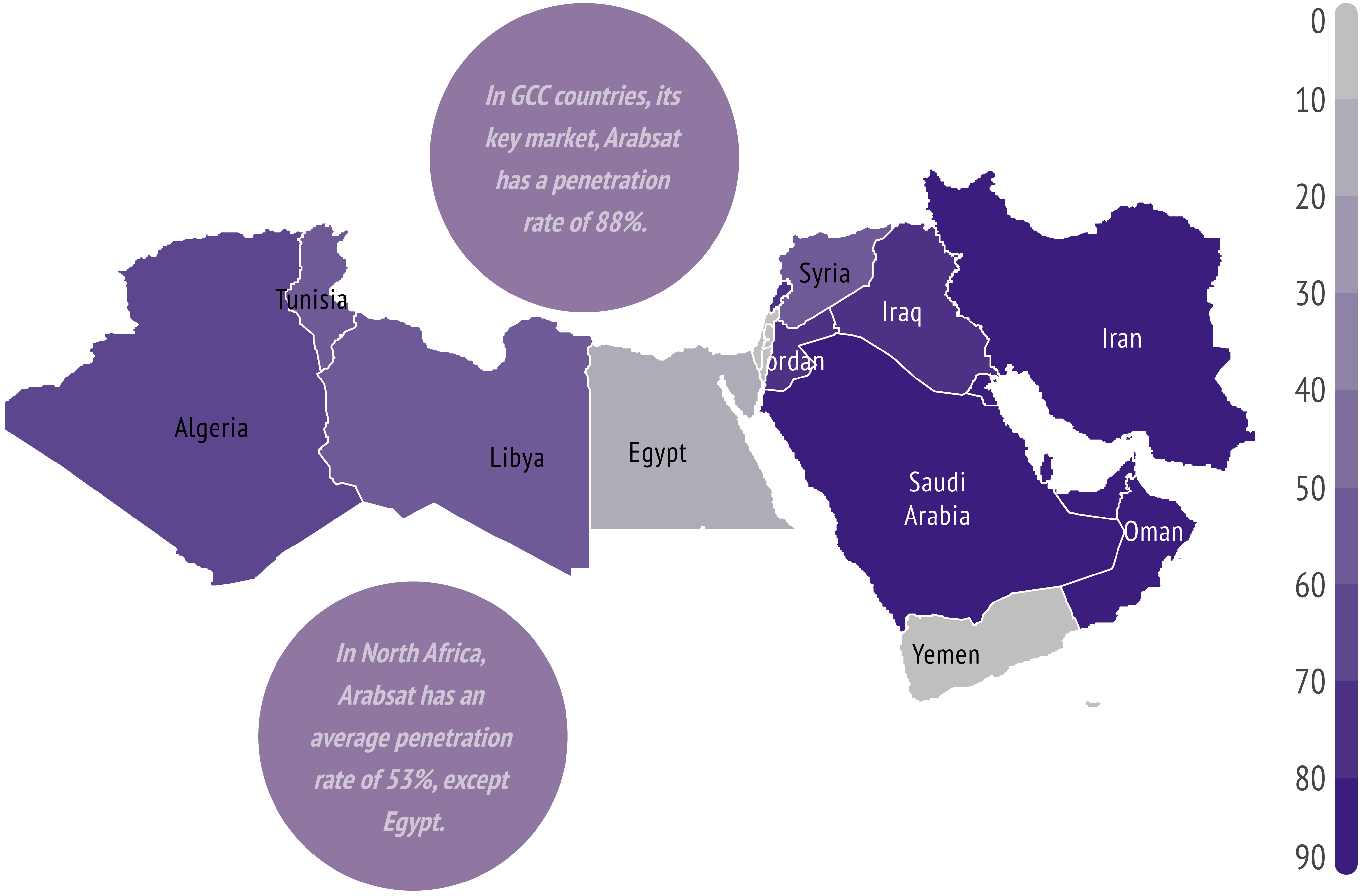
MENA - Arabsat Dominating DTH Satellite Market

Satellite remains the leading distribution platform serving over 1,100 FTA channels for 103 million satellite TV homes in the MENA region. Out of these, Arabsat accounts for 60 million (58%) households.

Arabsat operates 7 satellites covering 650 TV channels and 270 radio stations with a dominant position in the whole region, except Egypt where Nilesat/Eutelsat has the biggest market share.

In 2020, Arabsat ordered Badr-8, its first 7th generation satellite from Airbus, which is expected to be launched in 2023. The deal worth US$300 million will also strengthen Arabsat's position in telecommunications business.

Arabsat's Satellite TV Penetration by Country



Sources: IPSOS, Arabsat, Digital TV Europe

The Broadcast & Media Industry

MENA - Broadcasters Investing In Local Content

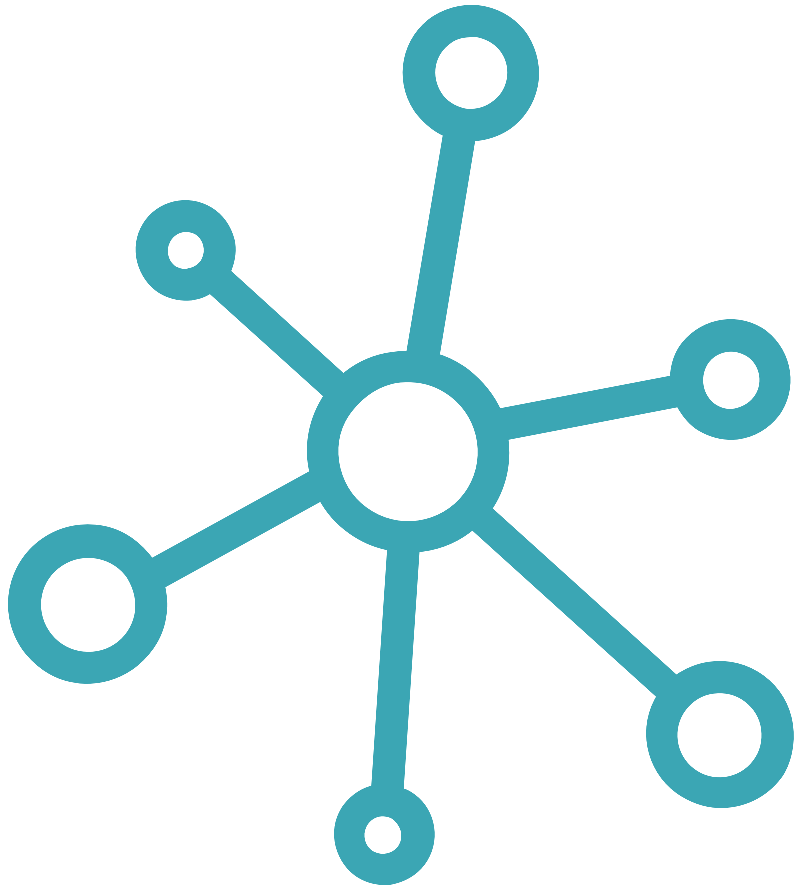
CASE - MBC invests in originals to expand in MENA

In 2018, MBC - a pan-Arabic broadcaster with over 100 million viewers - became majorly controlled by the Saudi government. Since then, MBC has invested heavily in local Arabic content and launched a new content production unit, the MBC Studios, focusing on Arabic programming for the cinema, TV and online video platforms. MBC has formed partnerships with other FTA broadcasters and content owners, to become a key aggregator of Arabic programming for different language and dialect groups. For example, in Egypt, MBC is partnering with Egyptian broadcasters Al Hayat and Dream TV, whereas its new MBC+ Power channel is targeting Nigeria and Mali. MBC has also launched new channels in less served local markets like Iraq and Iran (e.g. MBC Iraq, MBC Persia in Farsi). MBC's SVOD service, Shahid Plus, has obtained significant investments in original content, making it a top OTT platform in the Arab diaspora.

mbc شاهد shahid.net

Sources: IABM, IHS Markit, annahar.com, Arab News

Media Technology Demand Drivers



Media Technology Demand Drivers

MENA - Transition to Digital Broadcasting

In the Middle East, the transition to digital broadcasting has been completed only by few countries – Saudi Arabia, UAE, Qatar, Algeria and Israel. Even though most countries in the region have started the transition to digital broadcasting, lack of investment, uncertain monetization schemes and lack of government support for consumer devices hinder uptake. The COVID-19 pandemic has increased significantly the demand for broadband services and data in the region, to which governments have responded by improving broadband networks and internet services, while many DTT projects have been put on hold.

Country	Year of Launch	Target ASO Date	TV Standard	Status
Afghanistan	2013	2018	DVB-T2	On-going
Algeria	2010	2015	DVB-T /DVB-T2	On-going
Bahrain	2012	2023	DVB-T2	On-going
Egypt	2015	2020	DVB-T2	On-going
Iran	2009	-	DVB-T	On-going
Iraq	-	-	DVB-T / DVB-T2	Not started
Israel	2008	2011	DVB-T	Completed
Jordan	2018	-	DVB-T2	On-going
Kuwait	2017	-	DVB-T2	Not started
Lebanon	2015	-	DVB-T2	Not started
Libya	-	-	DVB-T2	Not started
Morocco	2007	2015	DVB-T	Completed
Oman	2012	-	DVB-T2	On-going
Pakistan	2015	2020	DTMB	On-going
Qatar	2014	2018	DVB-T2	Completed

Source: IABM, ITU

Media Technology Demand Drivers

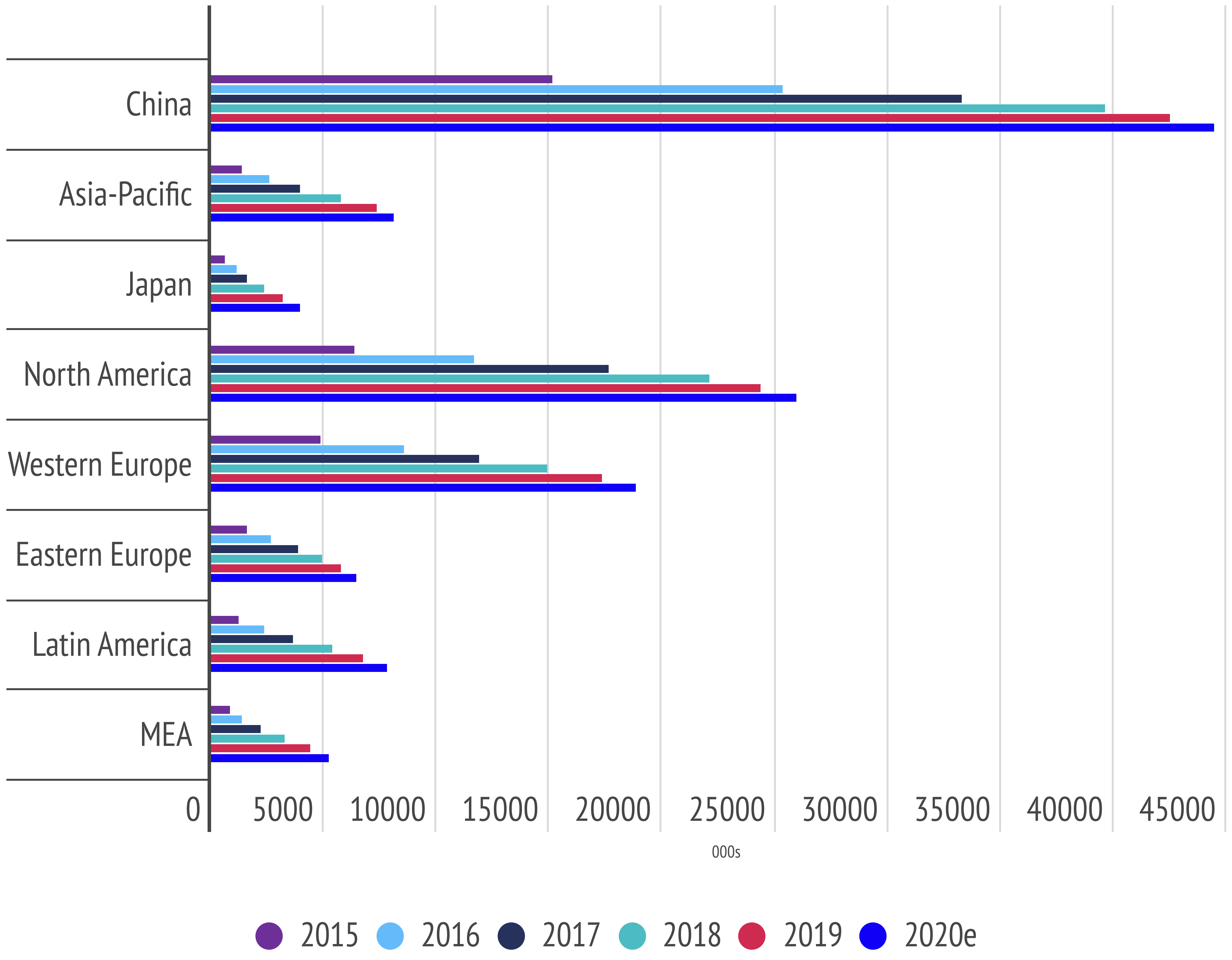
MENA - Satellite Expansion Boosting Transition to HD

HD equipment penetration and the number of HD channels is growing stably driven by the expansion of satellite services.

In 2020, 56% of TV sets were in HD format and 6% in 4K/UHD. In the Gulf region, 75% of TV sets were in HD format, according to Arabsat/IPSOS study.

The COVID-19 pandemic, more affordable HD receivers and the availability of exclusive HD content accelerated sales of HD set-top boxes by over 20% in 2020, data from Arabsat/IPSOS showed.

4K/UHD TV Shipments by Region



Source: IABM, IHS Markit, Arabsat, IPSOS

Media Technology Demand Drivers

MENA - Satellite Operators and Broadcasters Teaming Up for HD

- Satellite broadcasting driving transition to HD (UHD as a niche offering). For example, Arabsat already supplies 230 HD channels.
- Satellite operators and broadcasters teaming up to broadcast some channels exclusively in HD format (e.g. Arabsat + MBC/Rotana, Eutelsat + OSN)
- Broadcasters incentivizing consumers to adopt HD TVs and receivers by offering attractive pricing models

OSN MOVIES HD FAMILY | OSN FIRST HD Home of HBO | OSN ياهلا HD سينما

BBC FIRST | H2 HD | Discovery Family | ID X HD | Disney Channel HD

Source: IABM, Arabsat, The Arab News, amediaagency.com

Media Technology Demand Drivers

4K UHD Content Production

According to Arabsat and IPSOS' study, only 6% of TV sets in the MENA region were in 4K UHD format in 2020. Even though the majority of consumers lack suitable equipment to receive UHD content, improving broadband connectivity and the rollout of 5G networks are pushing the cost of internet services down, creating demand for streaming of UHD content.

OTT platforms - offering mobile plans - will push UHD adoption forward in the coming years. However, given the strong dominance of satellite in the region, satellite operators and their investments in UHD content will remain the most important driver for 4K UHD transition.

CASE - Samsung Announces an Exclusive Subscription Deal with OSN Streaming and Shahid VIP

In September 2021, Samsung announced an exclusive line-up of app subscriptions, which enables consumers purchasing Samsung 4K UHD TVs to receive 12 months of Shahid VIP and OSN Streaming services for free in the UAE. The deal highlights the increasingly important role of device manufacturers as content aggregators.

Source: IABM, thebrandberries.com, IPSOS, Arabsat, Samsung

The Broadcast & Media Industry

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Device Manufacturers

Sources: IABM, EY

Media Technology Demand Drivers

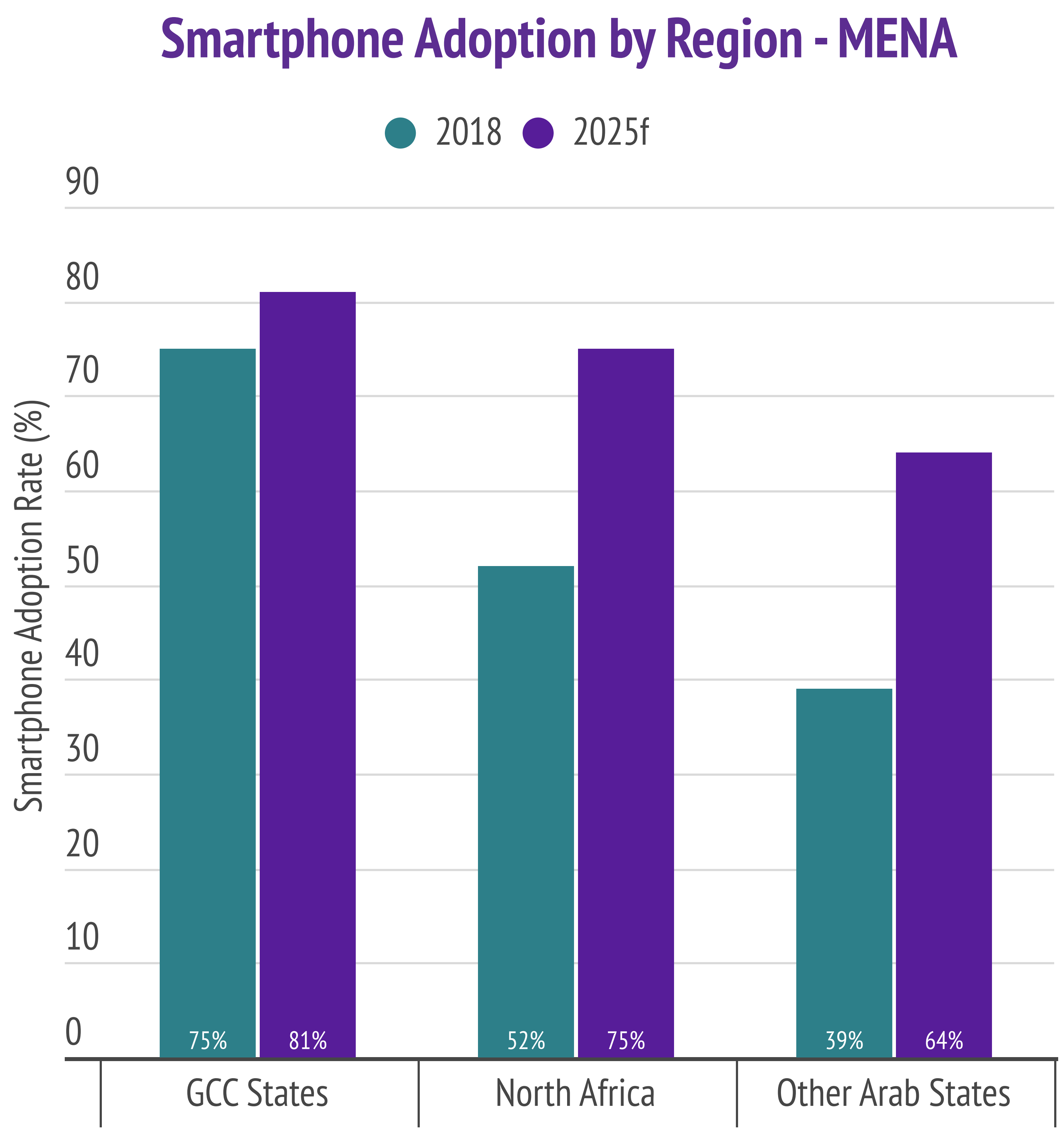
OTT and Mobile Streaming

Key Drivers:

Mobile video consumption is driving the OTT market thanks to improving broadband connectivity and the declining cost of internet services.

The expansion of 4G and the rollout of 5G networks are incentivizing telecom operators to act as content aggregators, offering their own OTT services or partnering with OTT platforms.

Partnerships between telcos and OTT services are alleviating the difficulties related to payment methods in the region, when telcos can offer direct-carrier-billing for viewers without access to credit cards.



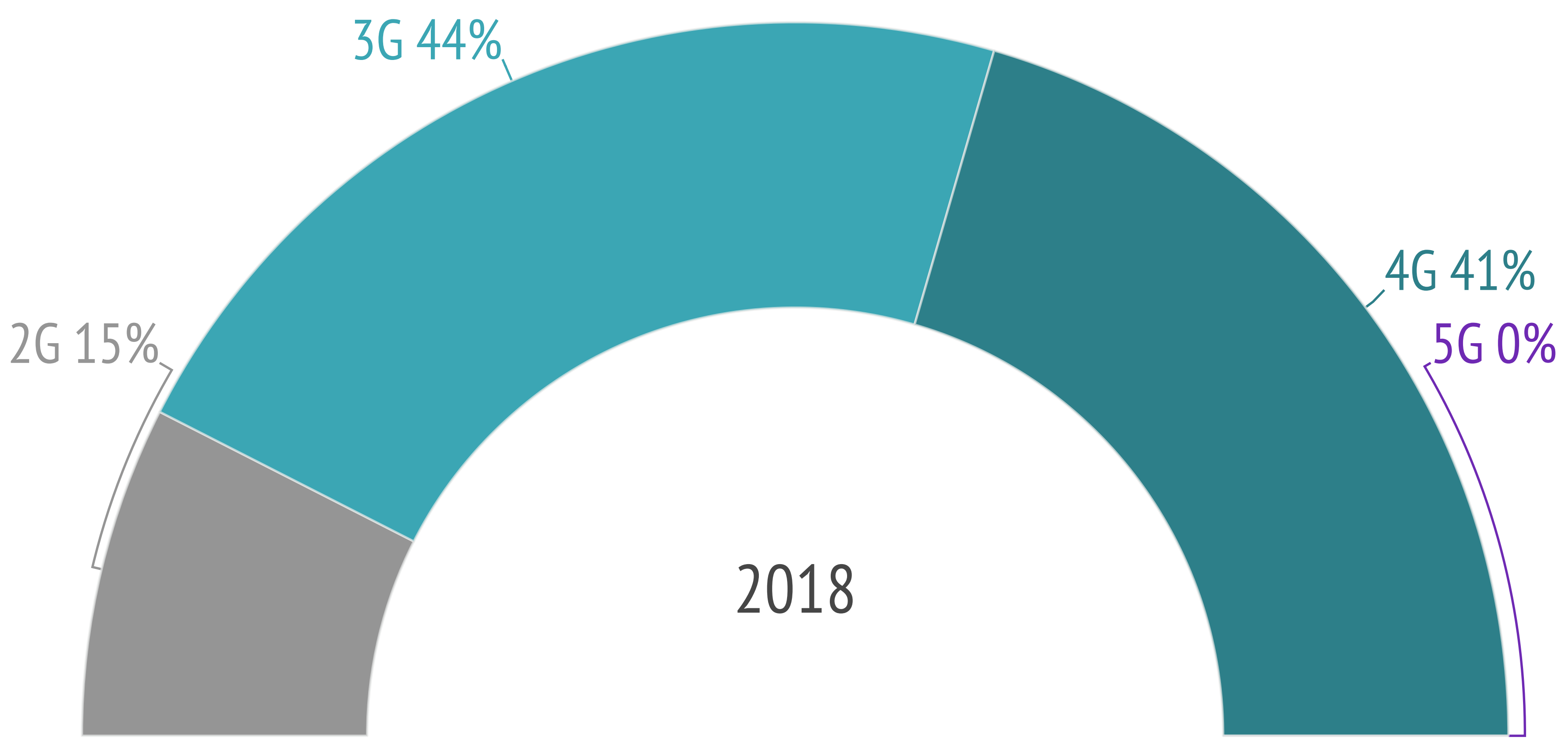
Source: IABM, IHS Markit, GSMA

Media Technology Demand Drivers

OTT and Mobile Streaming

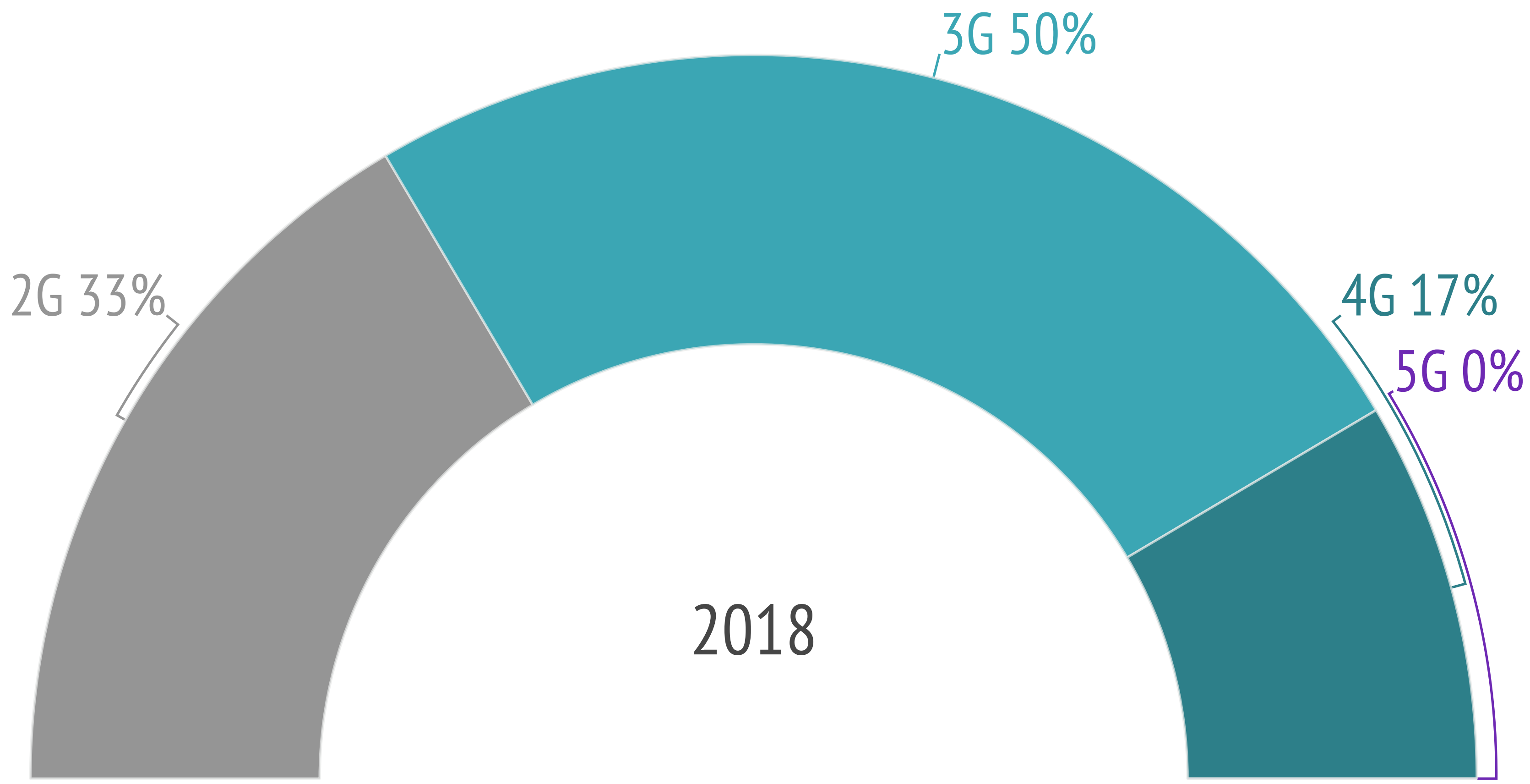
Technology Mix - Gulf States

2018	2025f



Technology Mix - North Africa

2018	2025f



Source: IABM, IHS Markit, GSMA

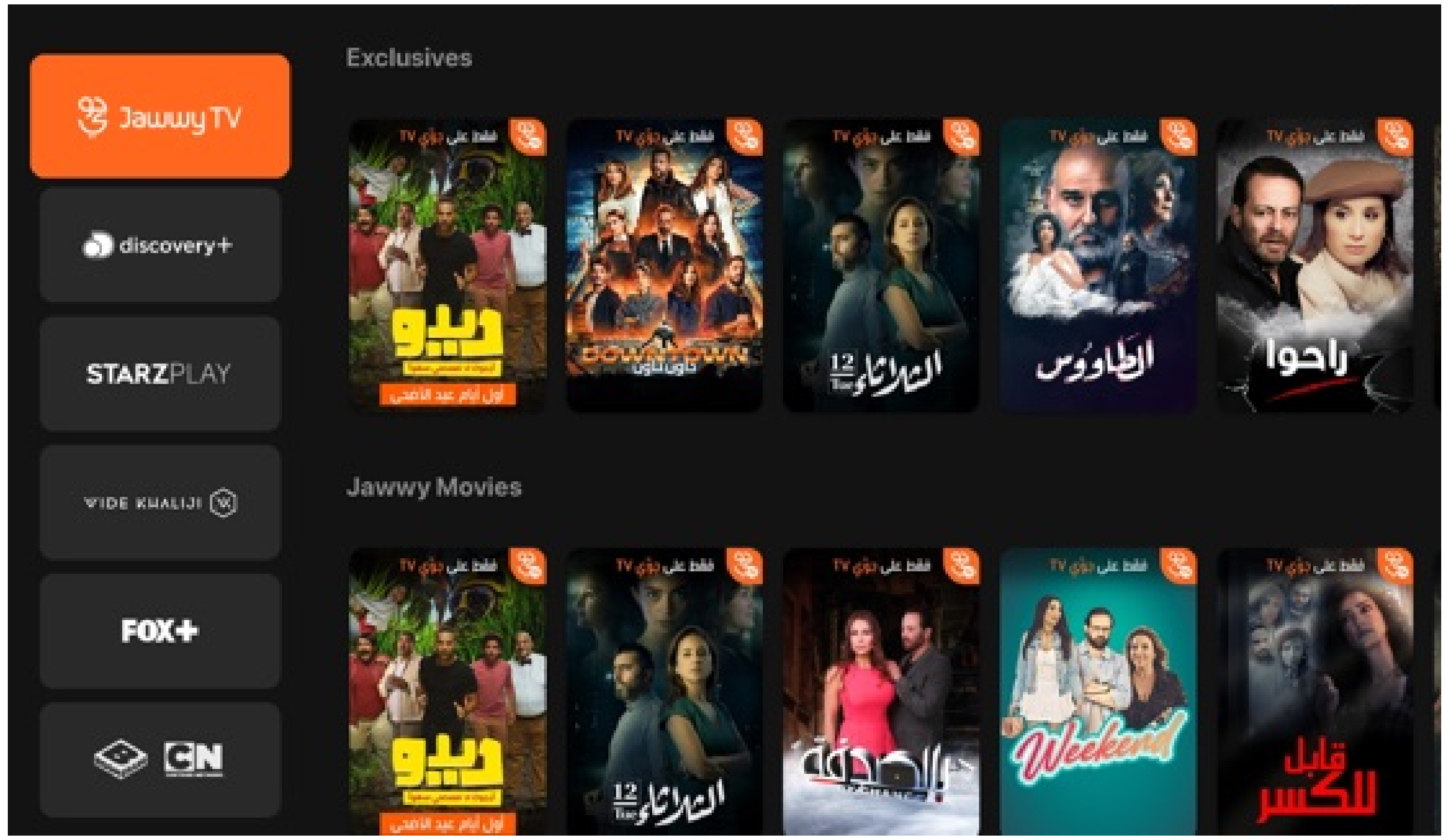
Media Technology Demand Drivers

Case - Saudi Telecom Launches Its Own OTT Service

CASE -Saudi Telecom Launches Jawwy TV

In 2018, Saudi Telecom's (STC) subsidiary, Intigral, launched Jawwy TV, the first OTT streaming service offered by a telecom operator in the MENA region. Partnering with broadcasters (MBC), content owners (Fox, Rotana), pay-TV operators (OSN) and OTT players (Starz Plus, Blu TV), STC positions itself as a multi-source content aggregator focusing on Arabic content. To protect its exclusive content from piracy, STC has built a DRM-secured end-to-end ecosystem from buying the rights, ingesting the received material and delivering the VOD content through its own in-house CDN to different countries in the MENA region.

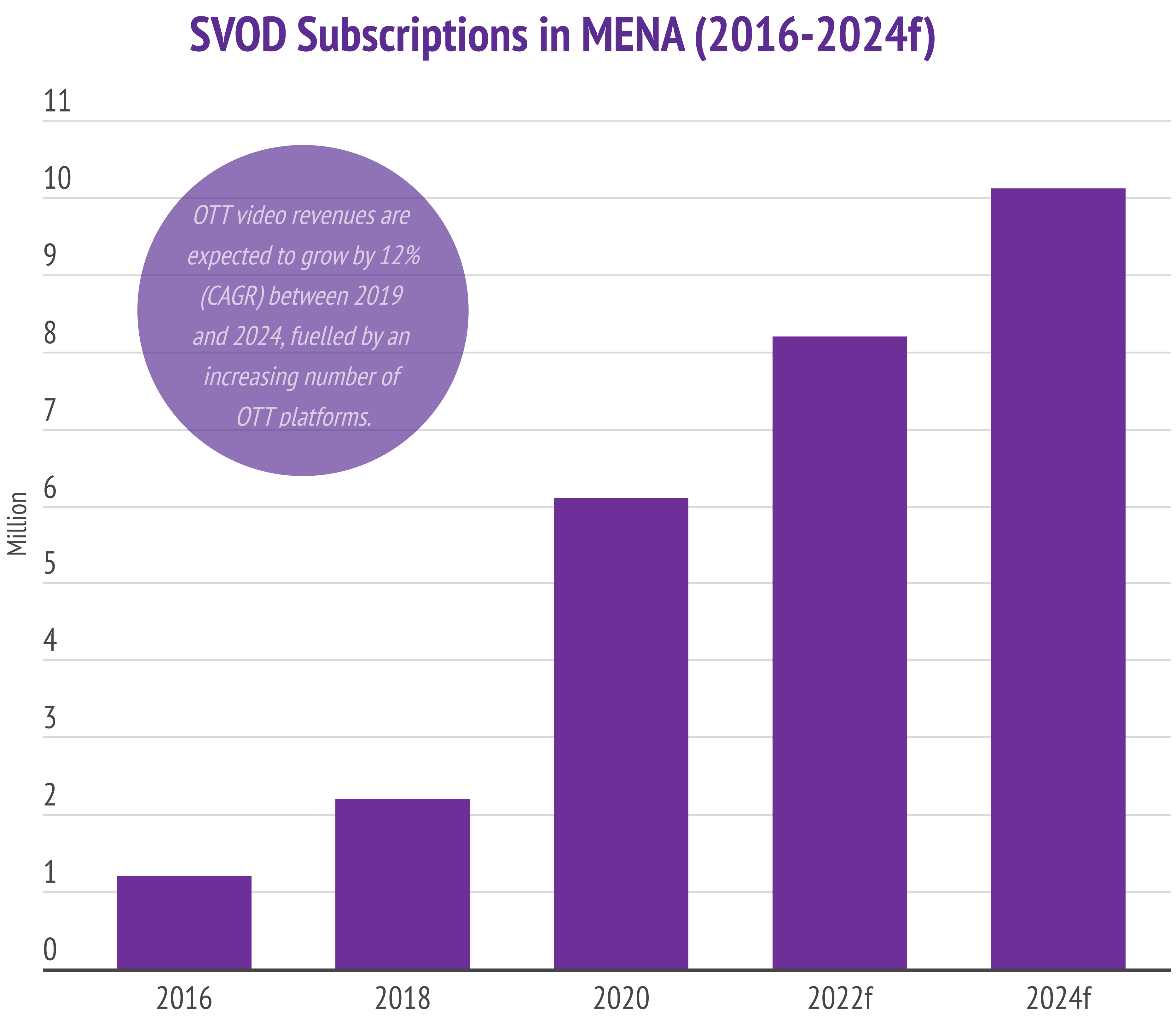
In 2021, Jawwy TV announced a partnership with Discovery, adding titles from Discovery+ SVOD originals to its own catalogue. Jawwy TV's subscribers will also have access to Discovery's seven international channels.

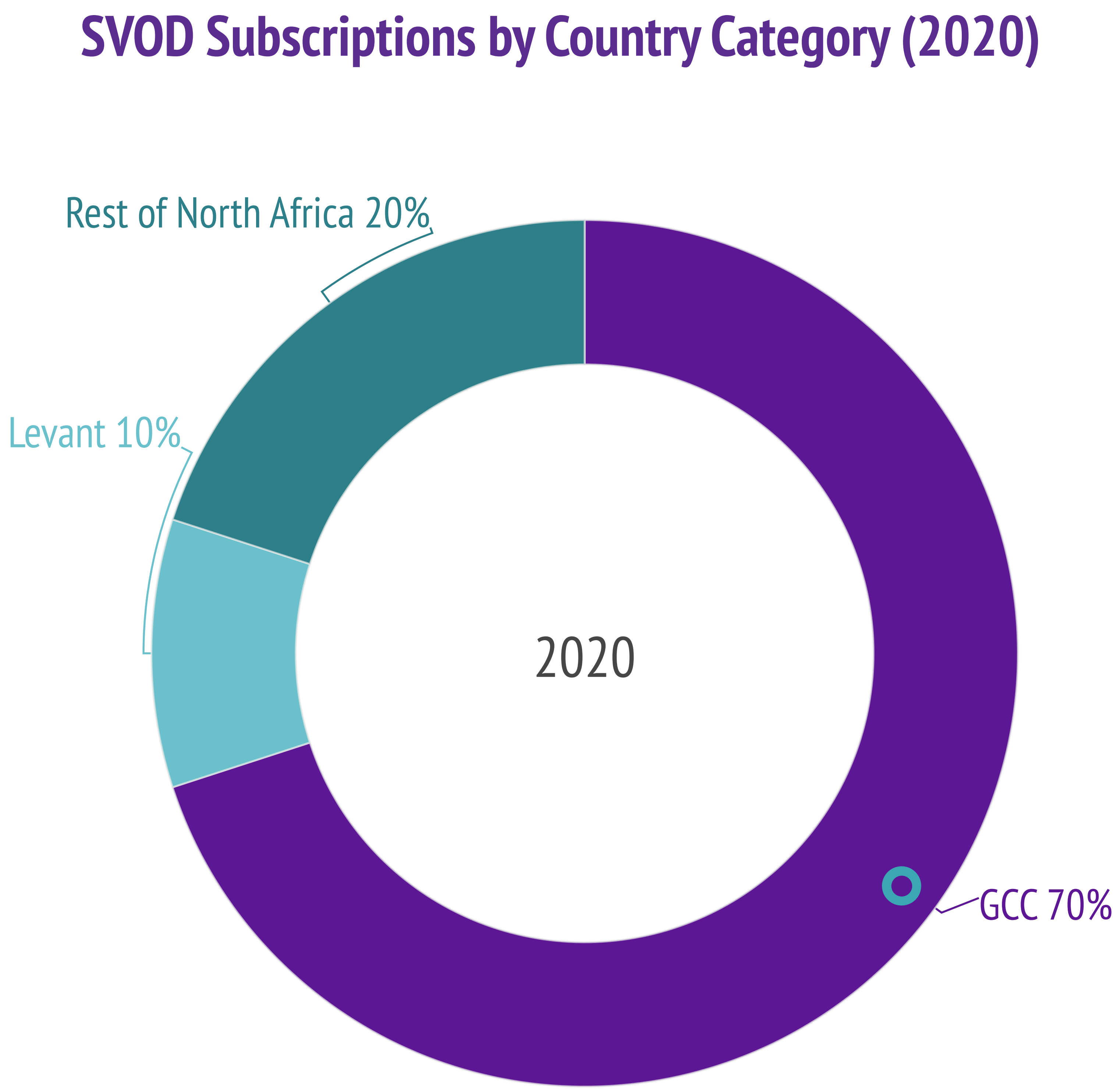


Source: IABM, nextvnews.com, TBI Vision

Media Technology Demand Drivers

OTT and Multi-Platform Delivery - SVOD





Source: IABM, Omdia, IHS Markit, PwC, TBI Vision

Media Technology Demand Drivers

OTT and Multi-Platform Delivery - SVOD

MENA in 2020:

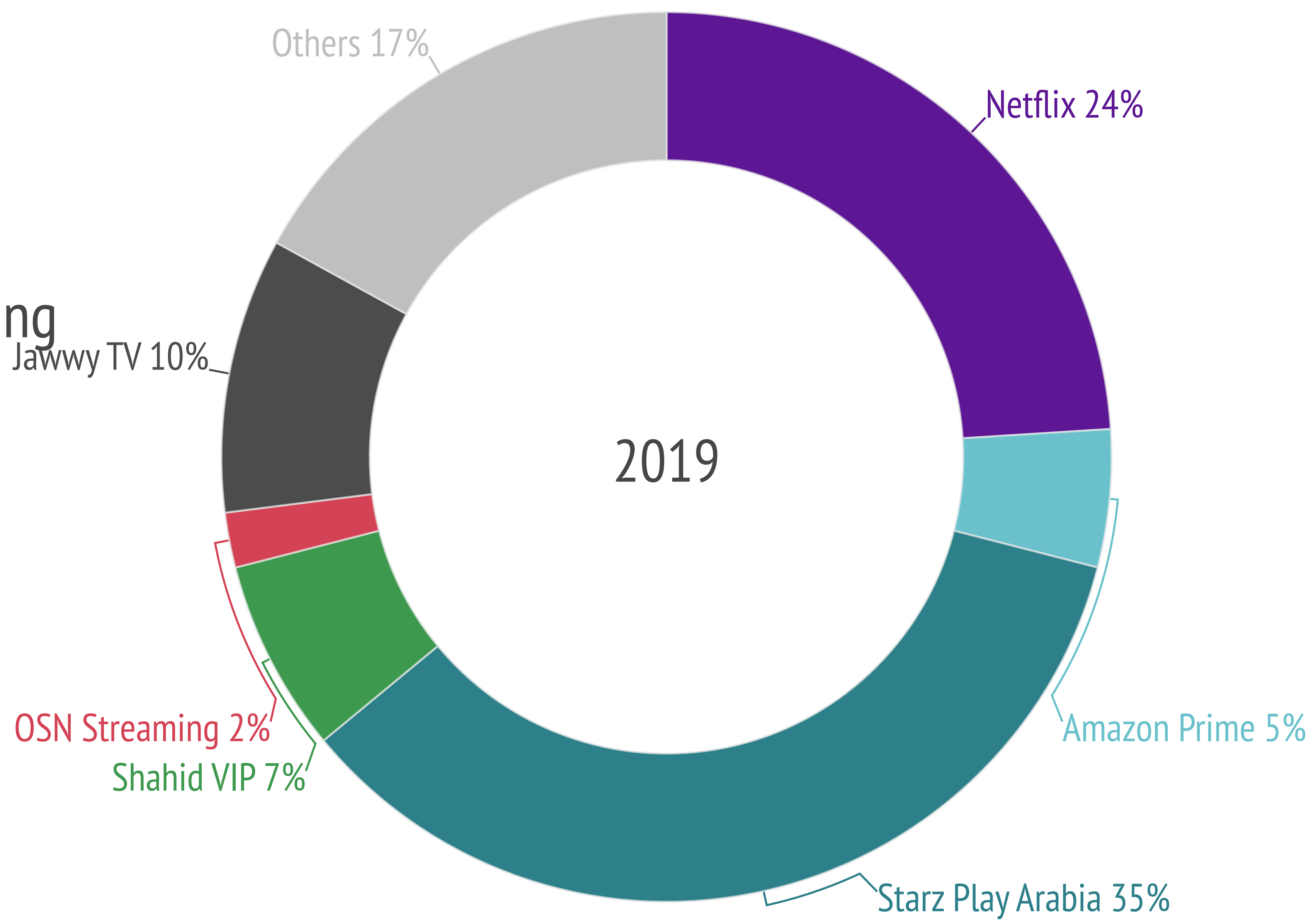
> 6 M The number of paid OTT subscribers grew by 77% YoY to 6 million in 2020, driven by the COVID-19 pandemic

$350 M Total OTT subscription revenue grew by 55% YoY reaching US$350 million in 2020

> 500% The number of SVOD subscriptions of both Shahid VIP (of MBC) and OSN Streaming skyrocketed by over 500% in 2020, driven by significant investments in local content during the COVID-19 pandemic

OTT SVOD Subscriptions by Provider - MENA

2019 | 2020



Source: IABM, Omdia

Media Industry - Snapshot

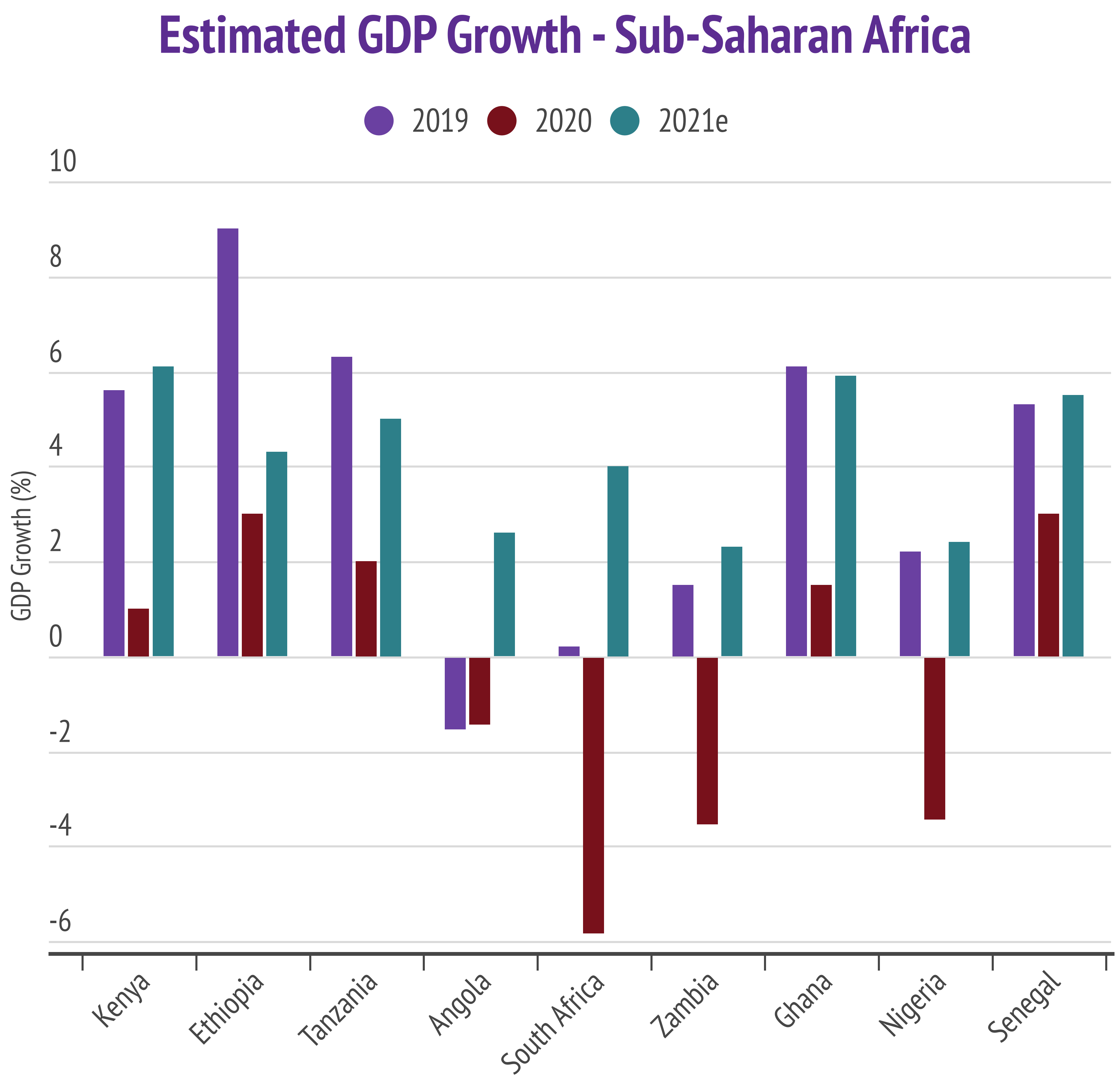
Sub-Saharan Africa (SSA)

Business Environment

Sub-Saharan Africa

Economic growth in Sub-Saharan Africa contracted by an estimated 2% in 2020, demonstrating that the COVID-19 pandemic caused milder damage to the region's economy than initially anticipated, World Bank data showed. Still, the IMF forecast that Sub-Saharan Africa will be the world's slowest growing region in 2021, as the access to vaccines remains limited and governments in the region lack fiscal space to boost post-pandemic growth. The income gap between Sub-Saharan Africa and the rest of the world is thus expected to grow wider in the next years.

Post-pandemic economic recovery will be uneven in the region. For example, Kenya is expected to record GDP growth (6.1%) this year, while South Africa will only grow by 4%, according to the IMF data.



Sources: IMF, World Bank, Deloitte

The Broadcast & Media Industry

Sub-Saharan Africa - Market characteristics

Lack of Consumer Equipment & Analogue Transmission

Consumer Devices as Bottleneck: The transition to digital broadcasting represents the most important driver of broadcast and media technology spending. In many countries, households are dependent on governments' support for set-top-boxes hindering transition to digital broadcasting.

Liberalization of TV Licenses

Privatization: Liberalization and the opening up of the government monopoly of the airwaves to privately owned channels (i.e. private FTA licenses), has been one of the biggest drivers of the growth of TV channels. This has resulted in an increased number of private FTA TV channels, most of which are broadcast over the continent via satellite, unencrypted.

Lack of Uniform Payment Mechanism

Telcos as Payment Enablers: Viewers' limited access to bank accounts and credit cards in the region causes difficulties in monetizing content and hence Pay-TV penetration is still generally low in the MENA region. Government-backed expansion of fiber-to-the-home (FTTH) connections and broadband internet increasingly enabling (mobile-only) streaming.

Sources: Frost&Sullivan, IABM

The Broadcast & Media Industry

Sub-Saharan Africa - TV Distribution

~ 100 M

There are about 100 million TV households in the region, representing around 40% of all households

70%

FTA TV households account for about 70% of all TV households. Out of this, nearly 50% are analogue FTA DTHs

~ 30%

Pay-TV households account for about 30% of all TV households, dominated by few major, international operators through cross-border operations

Sources: IABM, Statista, Dataxis, BBC, Science Photo Library

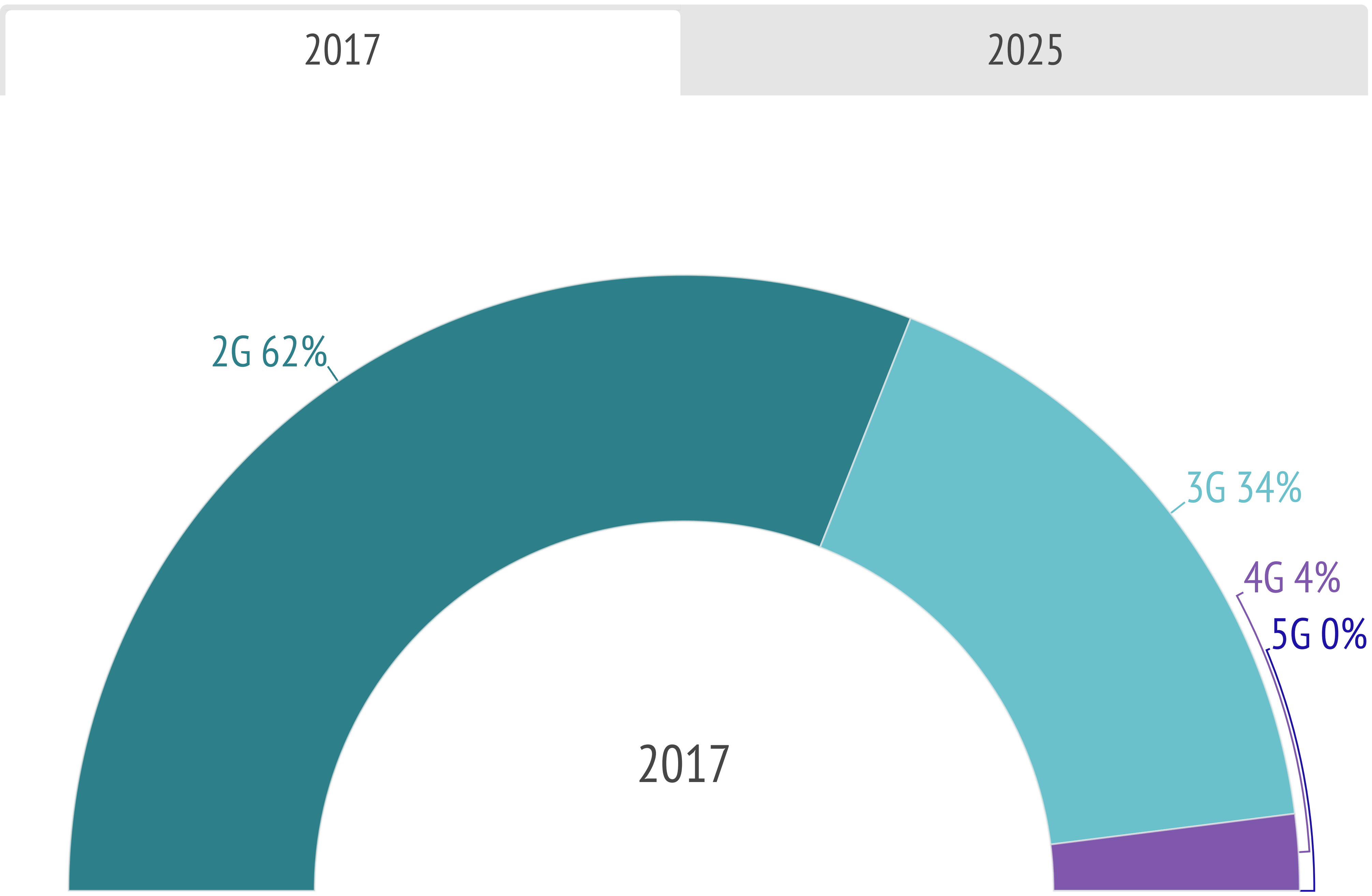
The Broadcast & Media Industry

Sub-Saharan Africa - Mobile Video Winning Market Share

Given the dominance of FTA channels and the expansion of satellite boosting new DTH FTA bouquets (i.e. bundles of free channels into identifiable packages accessible via specific STBs), Pay-TV penetration remains modest in the region. Nigeria and South Africa, where the region's most affluent viewers live, account for over half of all Pay-TV subscribers and form the key driver for the sector.

The increasing availability of 3G networks - accounting for nearly half of the region's mobile subscriptions - is boosting mobile video consumption and the OTT sector, eating up the market potential of Pay-TV operators.

Technology Mix - Sub-Saharan Africa



Sources: IABM, Dataxis, GSMA

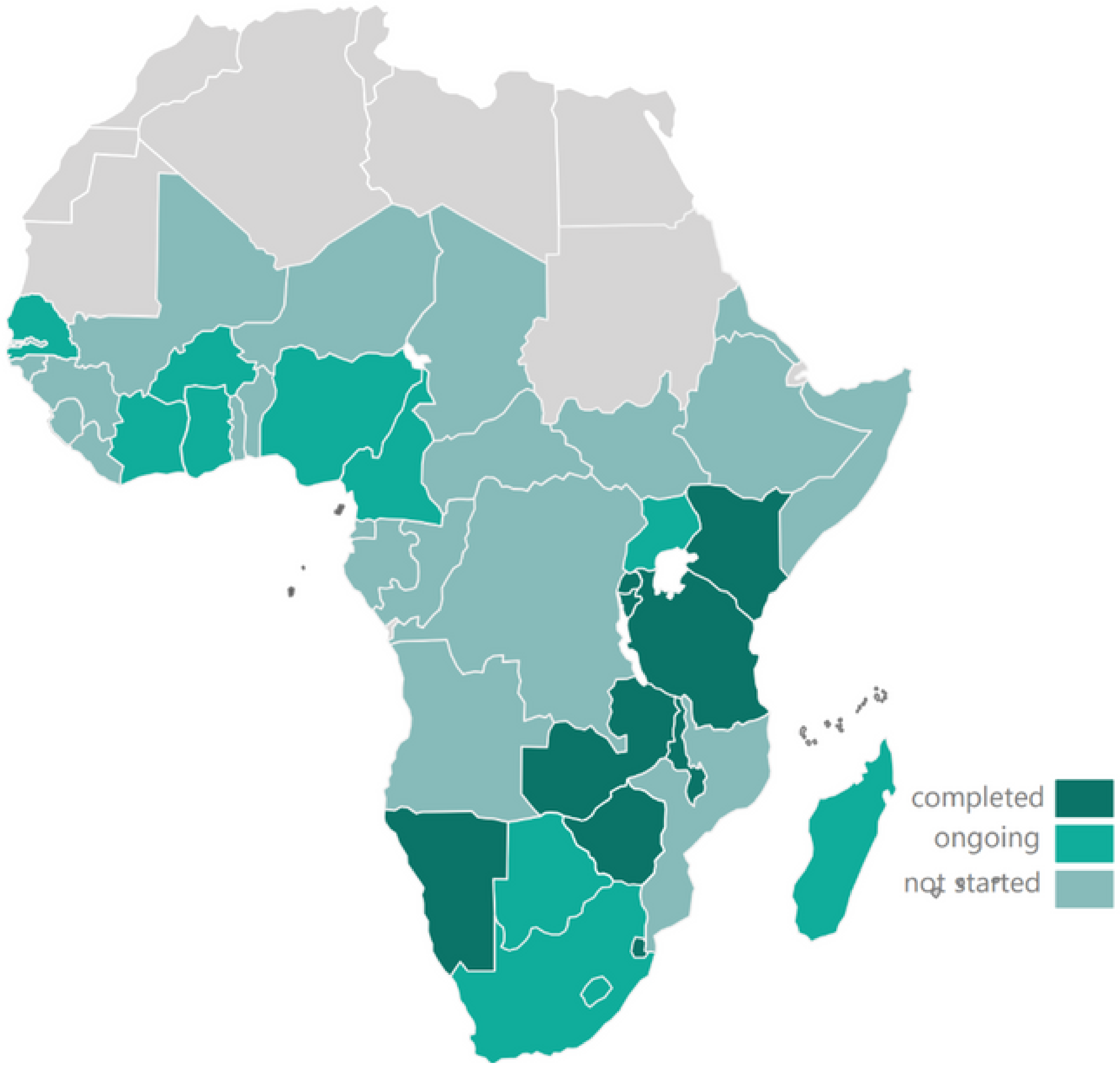
Media Technology Demand Drivers

Transition to Digital Broadcasting

Seven countries - Tanzania, Rwanda, Namibia, Zimbabwe, Malawi, Kenya and Burundi - have completed their transition to digital broadcasting, using the European DVB-T or DVB-T2 standard. The largest economies in region – Nigeria and South Africa – are still in the midst of switching off their analogue signals. Dependence on government support and the low disposable income in most countries are hindering the replacement of analogue equipment with digital set-top boxes or converters.

The completion of the transition to digital broadcasting within the next few years will provide broadcasters the increased bandwidth efficiency needed to deliver HD channels

Digital Switch Over by Country - Sub-Saharan Africa (2018)



Source: IABM, Dataxis, ITU

Media Technology Demand Drivers

Case - Chinese StarTimes Expands To Nigeria

CASE - StarTimes Launches Its OTT Service in Kenya and Nigeria

Chinese Pay-TV operator StarTimes has been active in the Kenyan transition to digital broadcasting, which was completed in 2018. In 2018, StarTimes Kenya launched a new online video streaming service, StarTimes ON, which contains some of the premium international channels like BBC World News, France 24, Bloomberg and National Geographic – in addition to 40 StarTimes self-owned channels.

Nigeria's transition to digital broadcasting is still on-going. In 2019, StarTimes entered a partnership with the Nigerian government to finance set-top boxes to completed its digital TV project for 1,000 Nigerian villages, of which each received solar-powered projector television systems providing over 20 FTA satellite channels. In 2020, StarTimes launched its OTT service in Nigeria.

StarTimes

Source: IABM,

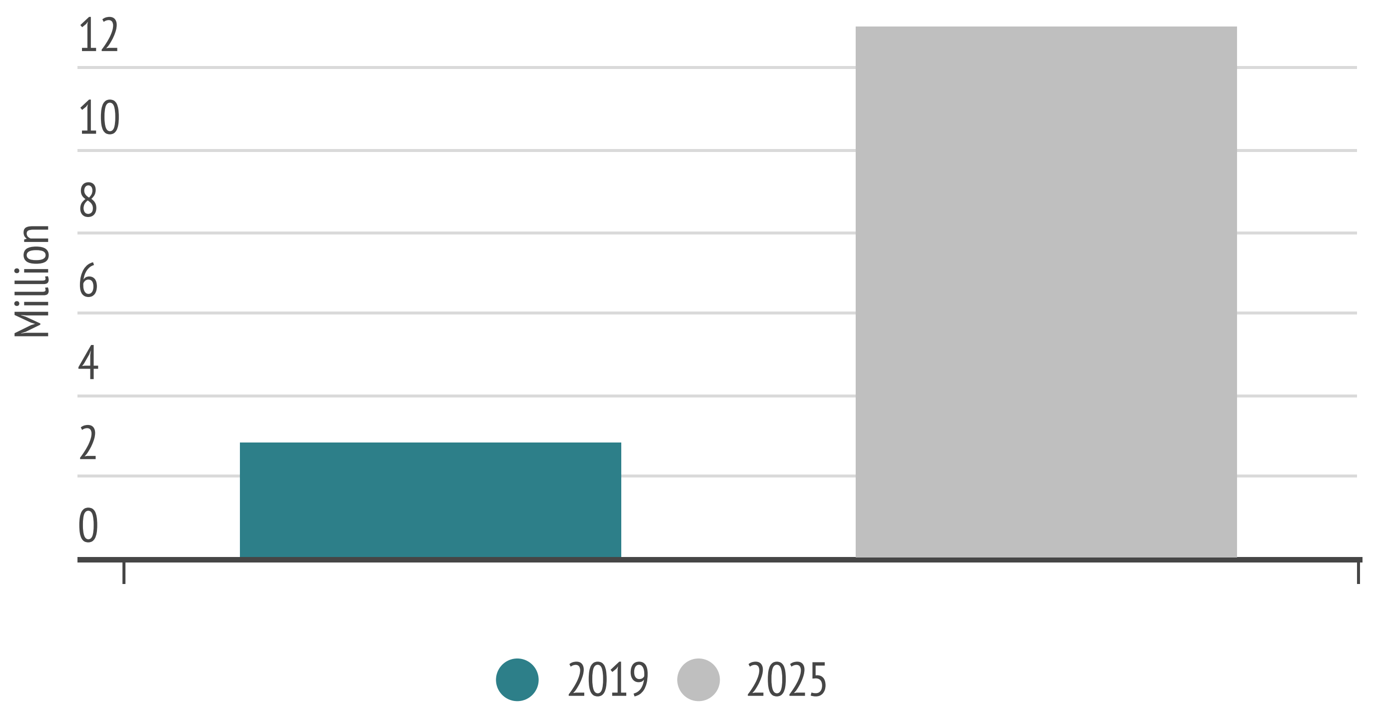
Media Technology Demand Drivers

OTT and Multi-Platform Delivery

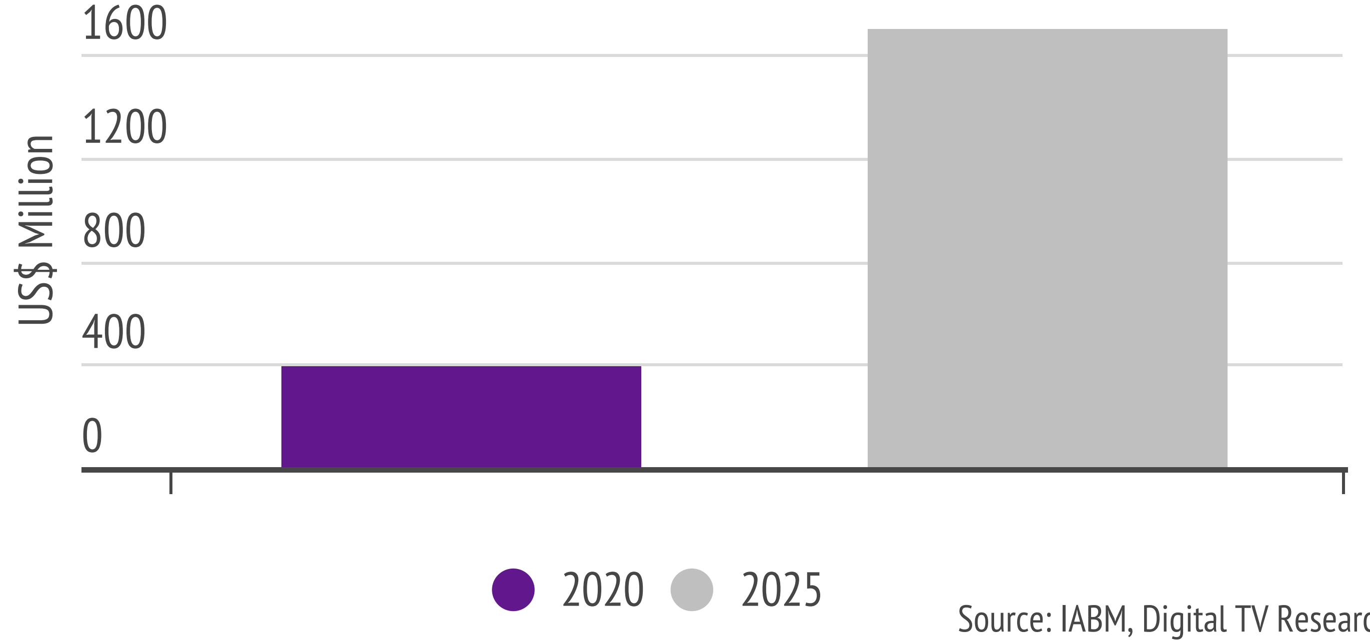
Thanks to improving broadband connectivity and the availability of affordable smartphones, the region's OTT sector is expected to grow dramatically over the next five years. Netflix currently dominates the OTT space with over 2 million subscribers, representing a 57% market share, according to Digital TV Research. However, Disney+ - launching its service in Sub-Saharan Africa in 2022 - is forecast to take market share from Netflix in the coming years. South Africa and Nigeria remain the biggest regional markets, accounting for over half of all OTT subscribers.

Local Pay-TV operators like Showmax continue to launch their own streaming services targeting young subscribers with cheaper mobile-only plans.

SVOD Subscribers - Forecast (SSA)



OTT Revenue - Forecast (SSA)



Source: IABM, Digital TV Research