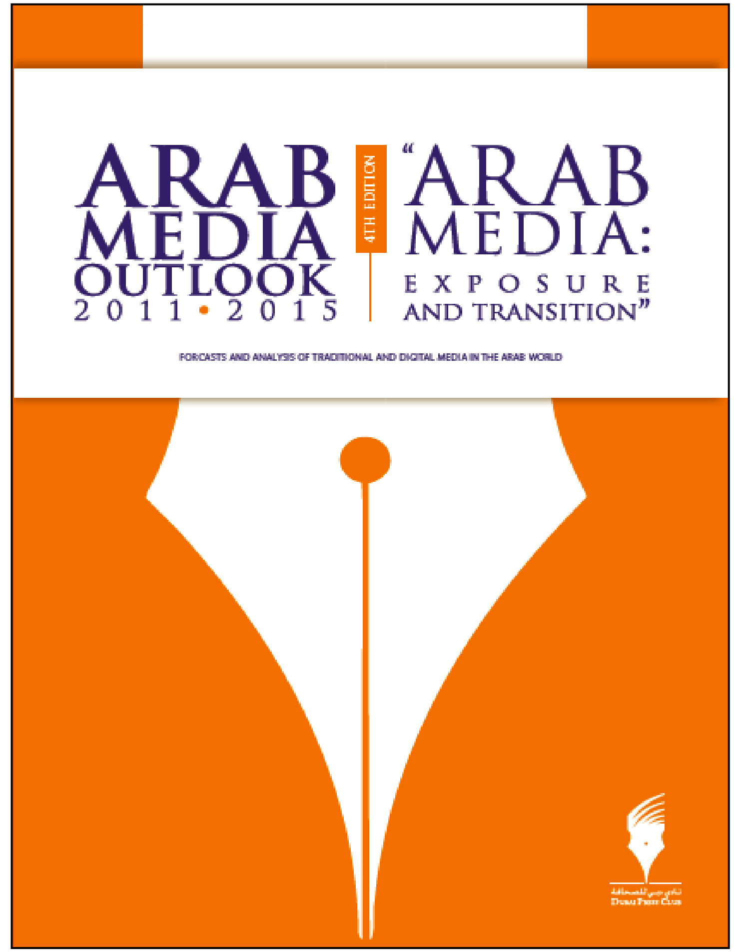
نادي دبي للصحافة
DUBAI PRESS CLUB

Arab Media Outlook 2011-2015

Arab Media: Exposure and Transition



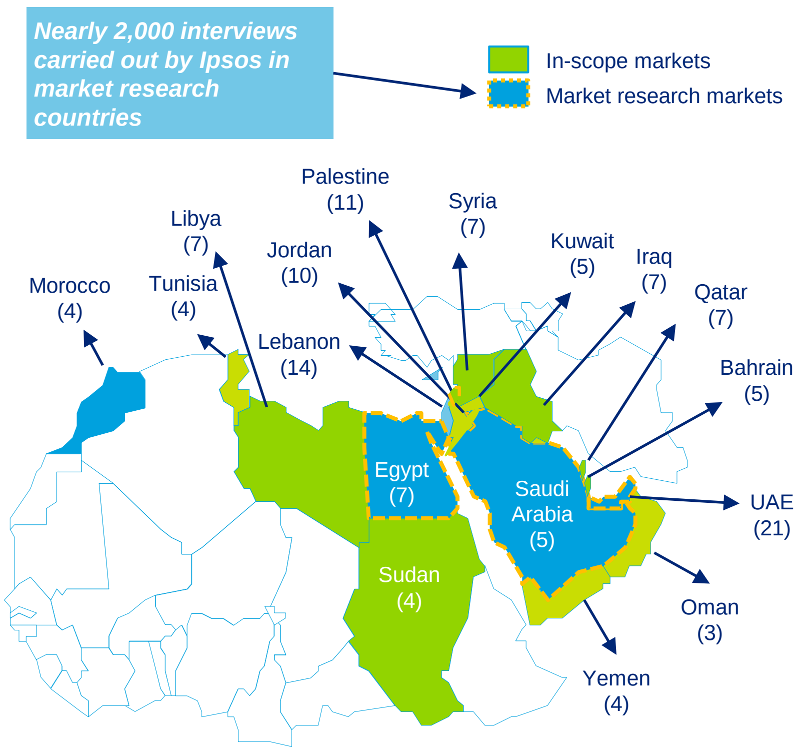
In cooperation with

Deloitte.

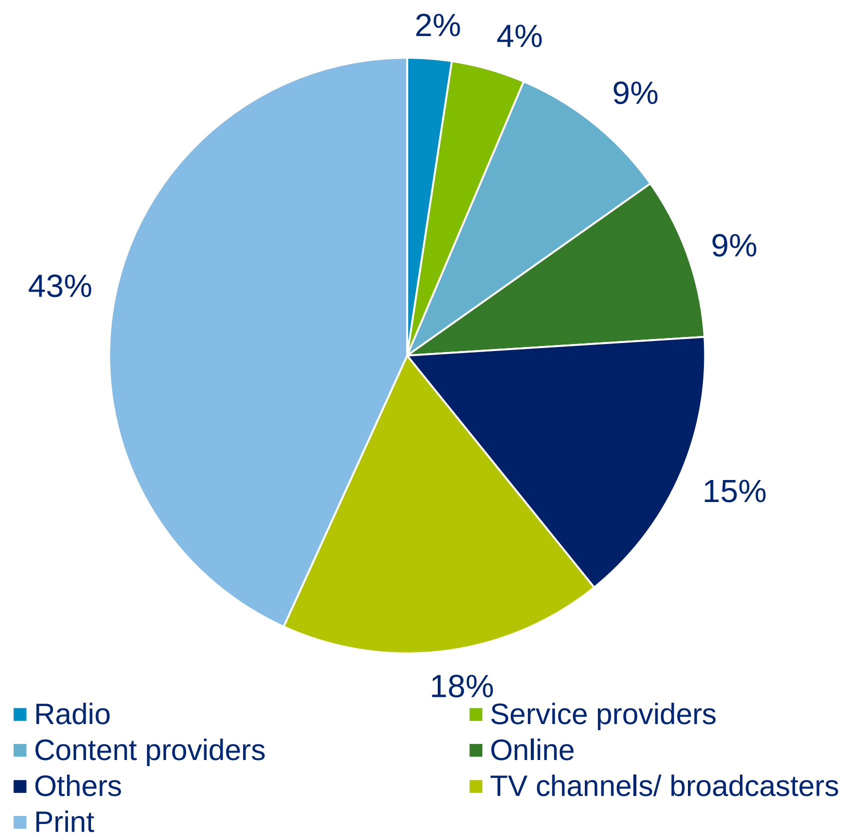
April 30th 2012

The fourth edition of AMO covers 17 markets and 140 industry interviews

17 countries covered by AMO, including four key countries for market research



Interviews with industry leaders- breakdown by platform



We based our projections on rigorous quantitative and qualitative analysis leading to our views on the outlook across platforms and content types

Quantitative research

- Market research from Ipsos in four key markets
- 140 industry interviews
- Advertising discount rates
- Advertising agency fees etc.

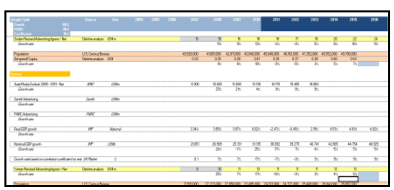
Qualitative research

- 140 media specialists on a range of topics
- Prospects for the industry
- Platforms growth
- Views on regional uprisings
- Key issues (talent etc.)
- Etc.

External research

- 100+ sector reports
- 20+ research sources, including Arab Advisors Group, ZenithOptimedia, Informa, IMF, etc.

Projection Model



Section 1 - Platforms

- 2011-2015 net advertising figures
- Print trends
- TV trends
- Online trends
- Others (radio, out of home)

Section 1 - Content

- TV Production
- Movies
- Sports
- Music

Section 2 - Countries

- 4 “in focus” countries – Egypt, Morocco, Saudi Arabia, UAE
- 13 country reviews

Section 3 – Thematic topic

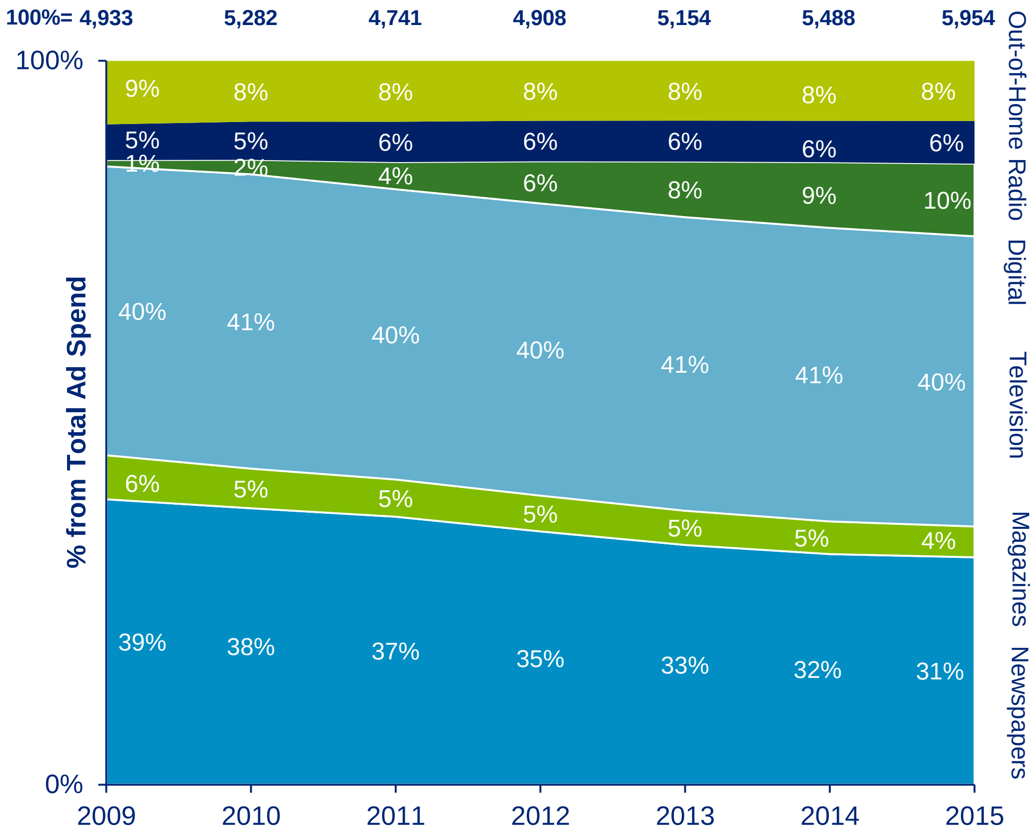
- “The media revolution”
- Impact of the 2011 regional events on traditional and digital media across the Arab region

We project net advertising to pick-up slightly in 2012 after a very difficult 2011

We project digital to continue to grow to reach 10% of the ad spend by 2015 which remains low considering the time spent online in the region

Ad spend by platform evolution

Millions of USD



Digital advertising share

2011, % of total advertising spend

Key platform highlights and outlook – 2011-2015

Print

- Circulation continues to grow but at a declining rate; the **industry is at an inflexion point** with lowest growth in the last 3 years seen in 2011
- A few **regional publishers** are **positioning themselves for digital migration** and looking to diversify revenue streams….
- ….however, **monetization of online** has been largely **driven by advertising**
- Success of new launches suggest that **differentiated content can have an edge** in the competitive print arena
- **Newsrooms** are being **reorganized to** better **exploit cross platform opportunities**

Television

- **Large broadcasting groups continue to dominate** the TV landscape
- **Introduction of People Meter** in a few GCC markets, is **expected to boost transparency**
- **Number of HD channels is on the rise**, but monetization remains a challenge; **3D TV** is **unlikely to be a viable proposition** in the near term
- Pay TV take-up remains low but some success is being felt in the combat against piracy
- **International players** are **looking to invest in regional content** and identifying strategic niche segments
- **Arab broadcasters are expanding overseas**; but face the challenge of developing and managing overseas investment

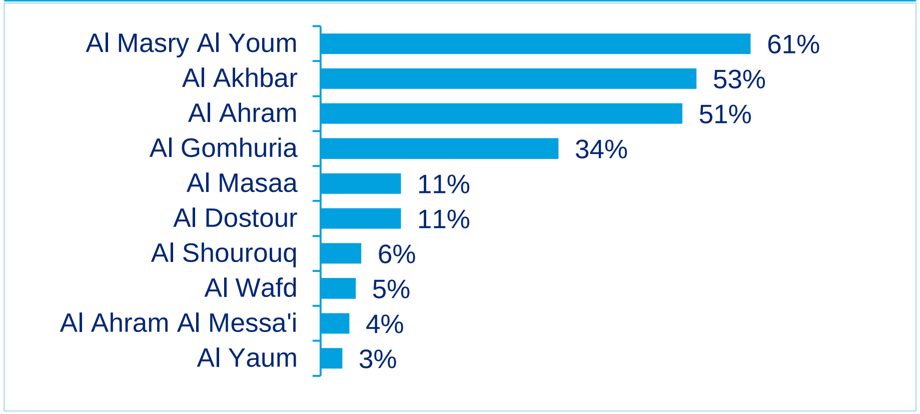
Online and Mobile

- Time spent online is exceeding that of watching television in certain age groups, online platforms offer unique opportunities to target a pan-regional audience
- Government and private sector lead initiatives aimed at **incubation and commercialization of digital opportunities**
- Several **digital initiatives** have been **launched leveraging cross-platform opportunities**
- **Display advertising is gaining a new lease of life** in the region with large brand advertisers stepping into the arena

Source: Deloitte analysis

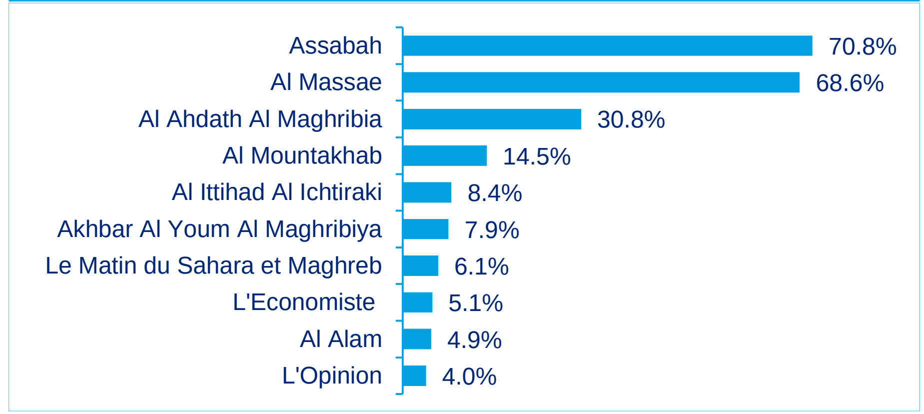
Newspapers readership: significant shifts in Egypt's newspapers' landscape

Most read newspapers (%) - Egypt



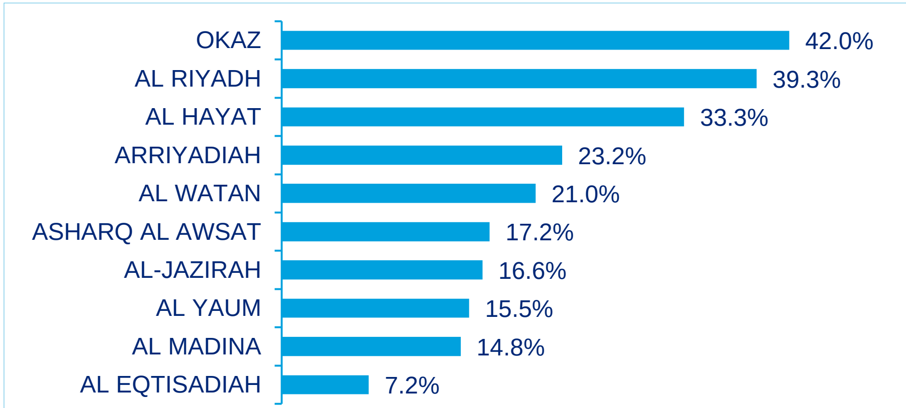
Significant changes in newspapers landscape with leading independent paper Al Masry Al Youm claiming top spot while others appear in top 10

Most read newspapers (%) - Morocco



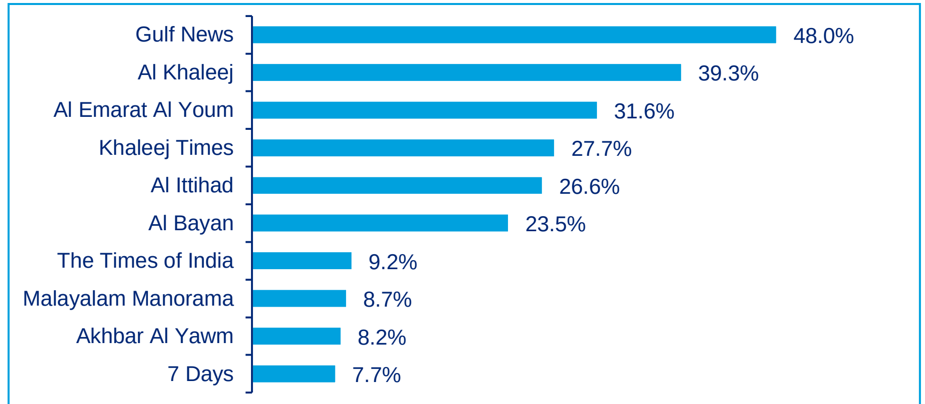
Two leading Moroccan newspapers belong to a new wave of independent newspapers in the country (2000s launch)

Most read newspapers (%) – Saudi Arabia



Relative status quo with Okaz claiming top spot – strong local preferences (Al Riyadh) and for Al Hayat amongst Arab expats

Most read newspapers (%)- UAE

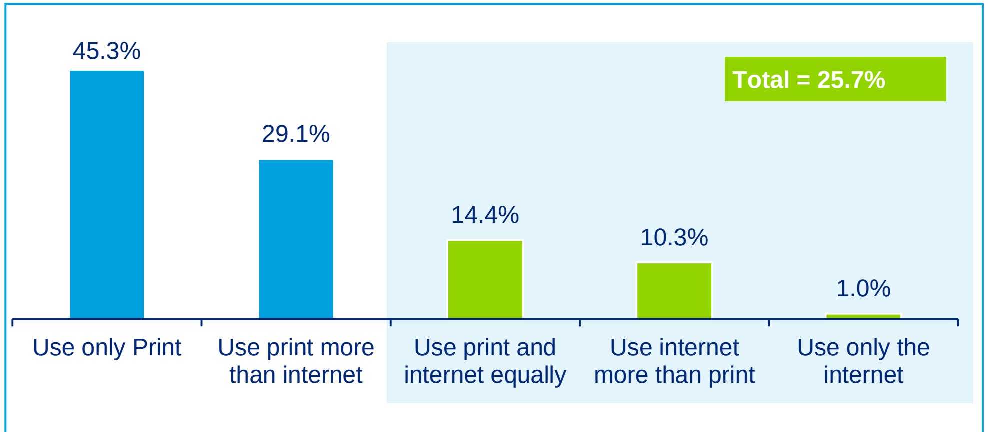


Gulf News and Al Khaleej remain ahead of the others with the former now claiming top spot in the country

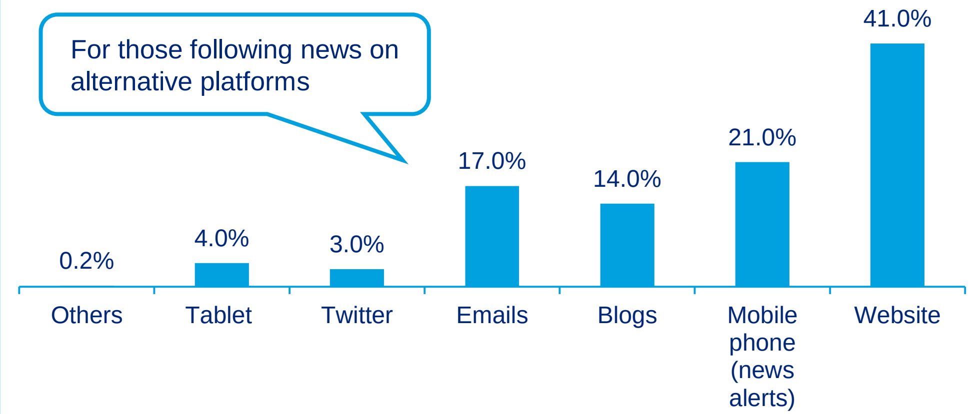
Source: Ipsos, Deloitte analysis

Migration from print to online is strongly evident across the region; regional print publishers are already leveraging the reach of online properties

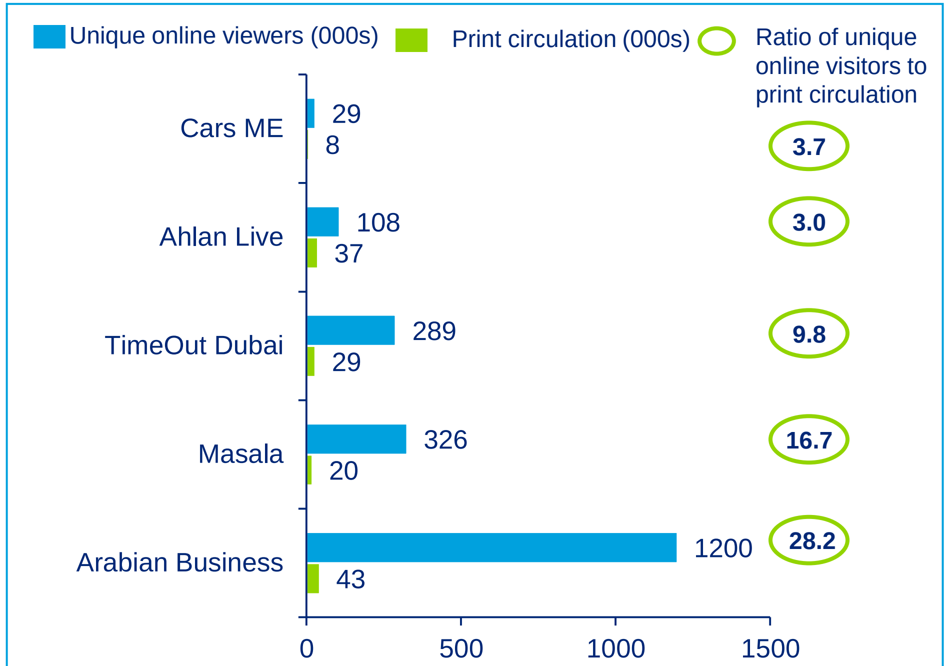
Means of reading news/articles (%)*



Alternative means of following news aside from print (%)*



Case study of ITP – Online migration for specific titles**



- ITP now publishes more than 75 weekly and monthly magazines and has **a wide portfolio of digital properties**
- **Time Out** is a good example of diversification online, including on mobile / app's which launched in June 2010 and **reached 40,000 downloads in the first month** (#1 app in the UAE)
- ITP has seen some success in digital migration with **some titles 'online revenues constituting a significant share of total ad revenues** particularly with titles such as Arabian Business and Masala (Bollywood news magazine)

*Ipsos market research in Egypt, Morocco, Saudi Arabia and UAE, Deloitte analysis **Company websites

Newspapers in the Arab region are gradually succeeding in bringing audiences to their websites

Ranking of online newspapers based on traffic - UK and Egypt

UK		Egypt	
The Daily Mail	#16	Al Ahram	#16
The Guardian	#17	Al Wafd	#26
The telegraph	#24	Al Shorouk	#30
The Sun	#38	Al Masry Al Youm	#39
The Independent	# 90	Al Dostour	#52
New York Times	# 151		
Financial Times	# 157		
The Daily Mirror	# 160		
Metro	# 178		
The Times	# 234		

10 20 30 40 50

Al Shorouk, Egypt - case study

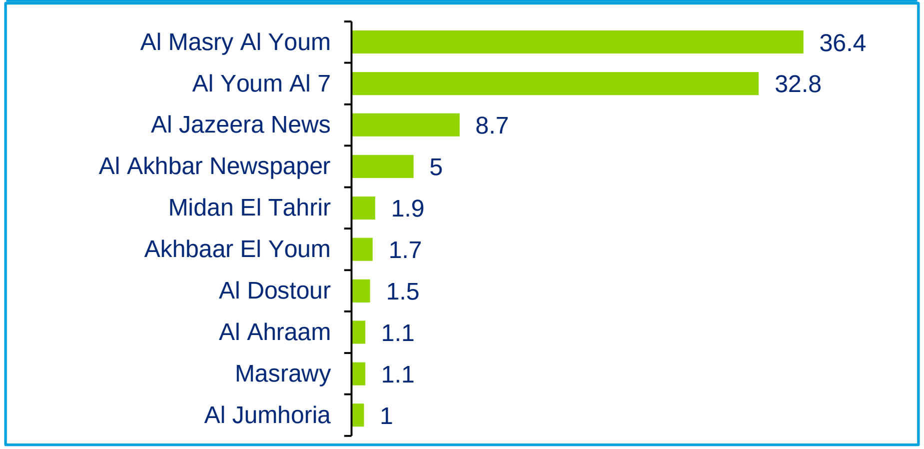
Online Edition

- The online internet arm of the popular Shorouk Egyptian daily newspaper (shorouknews.com) was launched in February 2009
- While having a significantly lower reach on print (outside the Top 10) than the larger newspapers in the market, **Al Shorouk has managed to build a stronger online audience:**
  - **Ranked #3 amongst** all **online newspapers**
  - **Ranked #30 amongst** all **websites in the country**
- Its “punchy” headlines and independent editorial tone have **found favour with young Egyptians** who use social media as their main source for news consumption

Source: Alexa, Company website, Deloitte analysis

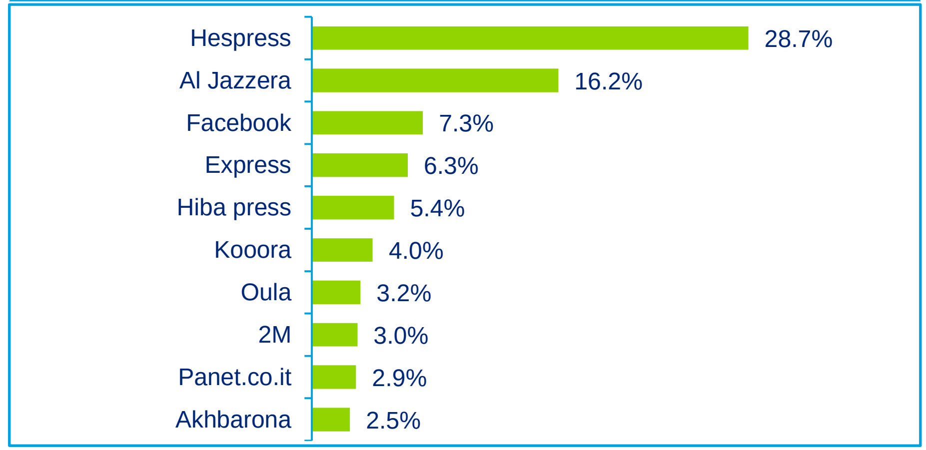
Online news: traditional media online properties manage to attract audience

Most visited news websites (%)- Egypt



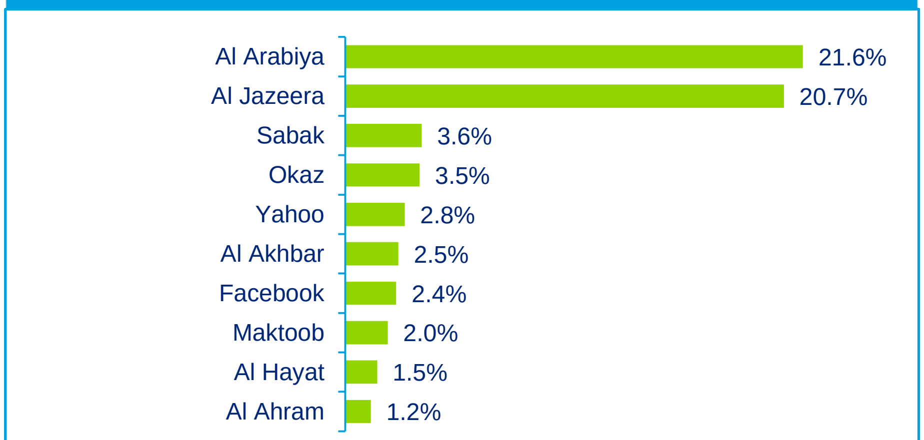
Online news dominated by existing newspapers

Most visited news websites (%)- Morocco



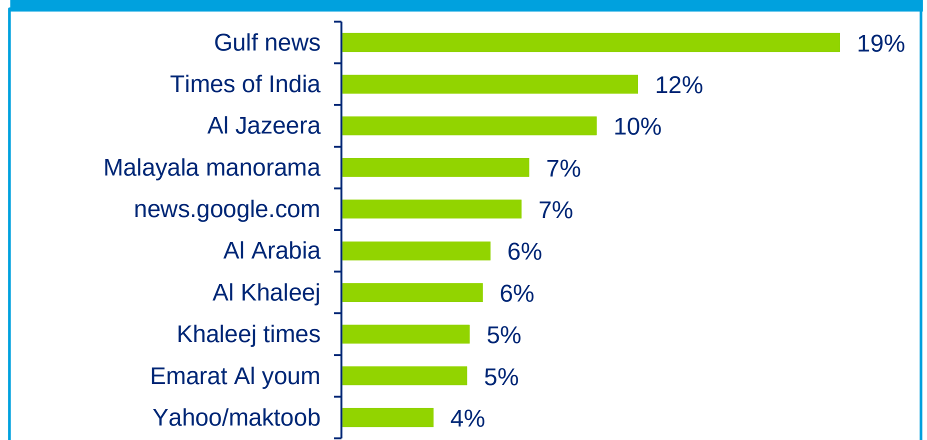
Online news “independent” is market leader in Morocco

Most visited news websites (%)- Saudi Arabia



Online news dominated by the two pan Arab news channels

Most visited news websites (%) - UAE



Online news dominated by existing newspapers… with cultural diversity

Source: Ipsos, Deloitte analysis

Large pan Arab broadcasters and MBC in particular have consolidated their dominance across markets with the exception of Egypt

MBC channel

News channel

	Egypt	Morocco	Saudi Arabia	UAE
#1	Al Hayat TV	2M TV	MBC 1	MBC 2
#2	Al Hayat Cinema	Al Jazeera	Al Arabiya	MBC Action
#3	Al Hayat Series	MBC 4	MBC 2	MBC 1
#4	Al Mehwar	MBC 2	Al Jazeera	MBC 4
#5	Al Hayat 2	Medi 1 Sat TV	MBC Action	Abu Dhabi Al Oula
#6	Dream 2	MBC 1	MBC 4	Dubai TV
#7	CBC	Al Oula	Abu Dhabi Al Oula	Al Arabiya
#8	Rotana Cinema	Rotana Cinema	Rotana Cinema	Al Jazeera
#9	Dream 1	Al Maghribia TV	MBC Drama	Abu Dhabi Drama
#10	MBC 2	MBC Action	Melody Aflam	Dubai One

Source: Ipsos, Deloitte analysis

TV programs: 2011 was the year of political talk shows… and Arab Idol

Most watched TV programmes - Egypt

Rank	Programme
1	El Hayat El Youm
2	El Ashera Masaan
3	Sabaya El Kheir
4	Masr El Gadidah
5	El Hayat El Ann
6	Soula
7	Wahed men El Naas
8	El Tabaa El Olaa
9	El Den Wal Hayat
10	El Hakikah

TV viewing heavily dominated by political talk shows and news shows with Al Hayat and Dream airing the preferred shows

Most watched TV programmes - Morocco

Rank	Programme
1	Akhtar El Moujrimin
2	El Khait Labiad
3	45 Dakika
4	Moukhtafoune
5	Tahkik
6	Arab Idol
7	Les infos
8	El Ittijah El Mouakiss
9	Moudawala
10	Bidoun Haraj

Moroccan TV still highly concentrated around "true life" stories and social documentaries

Arab Idol captured audience across the region

Most watched TV programmes- Saudi Arabia

Rank	Programme
1	Kalam Nawaem
2	Arab Idol
3	Sada Al Malaeb
4	Sabah Al Khayr Ya Arab
5	Al Toffah Al Akhdar
6	Mbc Fi Osbou
7	Joelle
8	The Doctors
9	Haza Ana
10	Al Koora

Dominated by MBC TV shows including targeted talk shows (women's, sports)

Most watched TV programmes - UAE

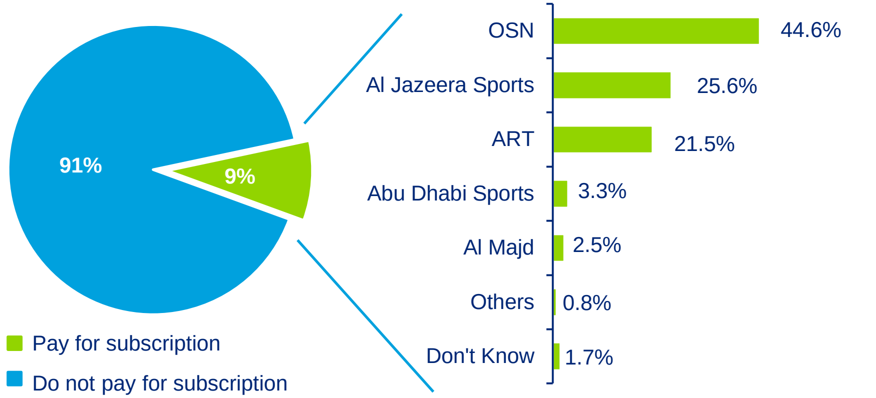
Rank	Programme
1	Al Etijah Al Moakes
2	Arab Idol
3	Dance India Dance
4	Jeopardy
5	Comedy Circus
6	Sada Al Maleb
7	Bade acche lagte hai
8	Crime Patrol
9	Hareem Al Sultan
10	CID

Live political talk show on Al Jazeera claimed number one stop while imported formats fared well

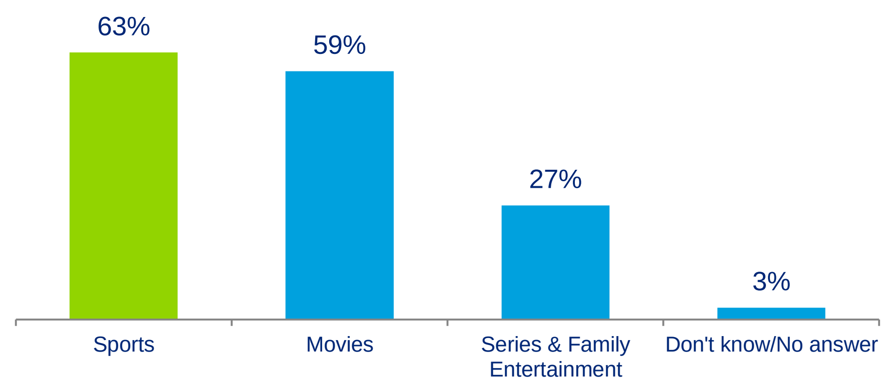
Source: Ipsos, Deloitte analysis *We have ranked only programmes with specific names provided by the respondents and excluded generic genre

Pay-TV penetration remains low across most Arab markets; as in other mature markets pay-TV uptake has been driven largely by sports

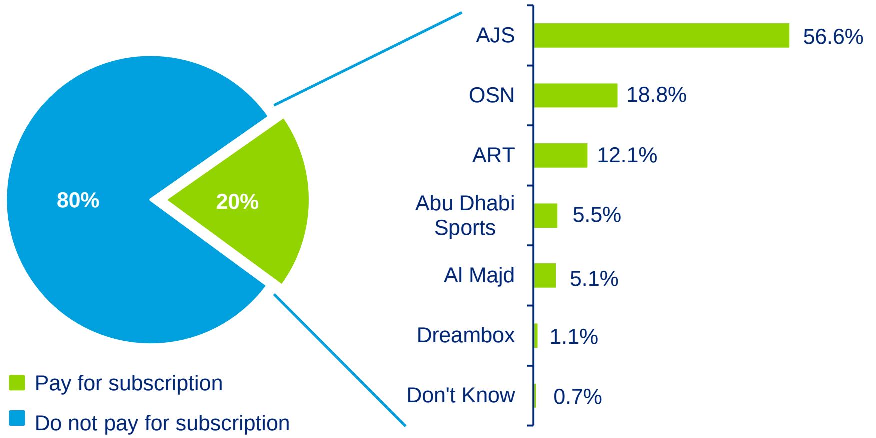
Pay TV subscriptions in Egypt



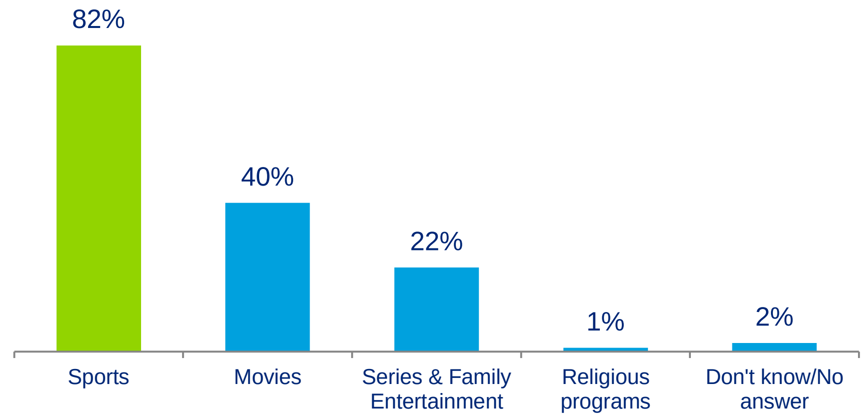
Types of channels subscribed to in Egypt



Pay TV subscriptions in Saudi Arabia



Types of channels subscribed to in Saudi Arabia



Source: Ipsos, Deloitte analysis

Foreign media houses are investing in regional TV content and identifying strategic, underserved niches

- In 2012, News Corp became a minority investor in the MOBY Group
- Moby Group has presence across platforms (TV, print and new media) with a **focus on local Iranian, Afghani content** and is looking to increase its footprint in 2 markets in the Arab region
- News Corporation also decided to increase its total stake in Rotana

- The BBC announced plans to produce an **Arabic version of its popular *Question Time Show*** - which usually features a number of **politicians** who provide a Q&A session
- The show is expected to focus more on young people, social media and documentary making

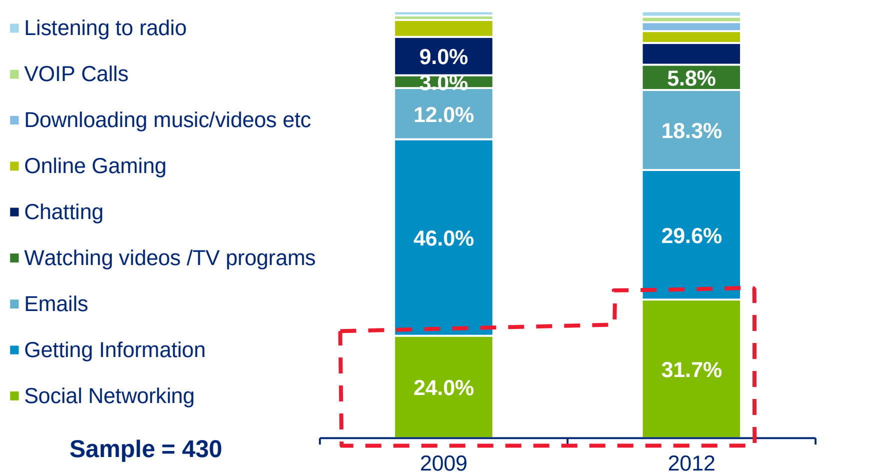
- Sky News Arabia is a 50–50 joint venture between Abu Dhabi Media Investment Corp (ADMIC) and British Sky Broadcasting (BSkyB)
- The 24 hour Arabic language FTA, multi-platform news service will be launched on May 6th

- In 2011, Sony Pictures Television (SPT) announced that it would start producing **Arabic language versions of** the popular U.S. shows **'Wheel of Fortune' and 'Jeopardy!'**
- The episodes of **Wheel of Fortune** are to be produced for Hayat TV in Egypt and **shot in Cairo** whilst the **Jeopardy! episodes are to be produced in Lebanon** for broadcast on MBC1
- This **expansion into non-scripted programs** is an important step in SPT Arabia's growth strategy

Source: Company websites, AME Info 2011/2012, Deloitte analysis

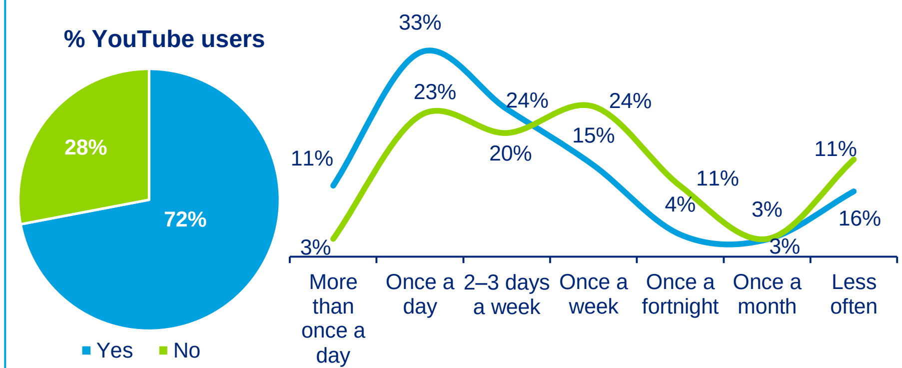
Social networking has gained ground as the most common online activity across a few regional markets; while YouTube usage has increased significantly

Most common online activities (%) — UAE



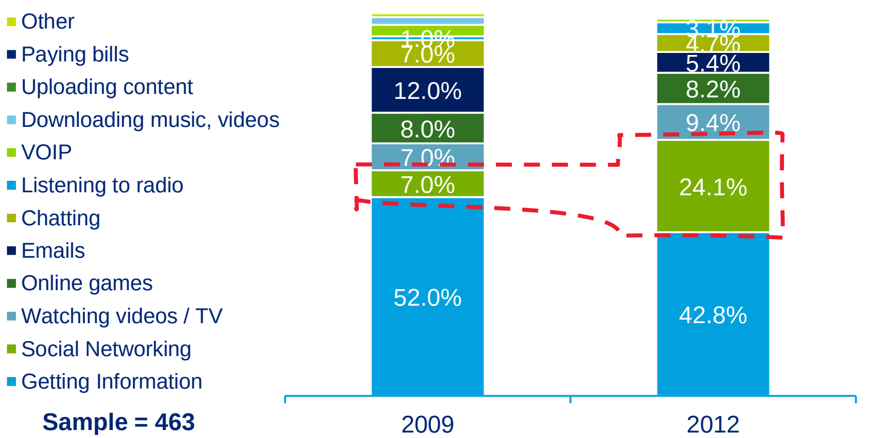
Sample = 430

Frequency of using YouTube and other similar sites (%)- UAE



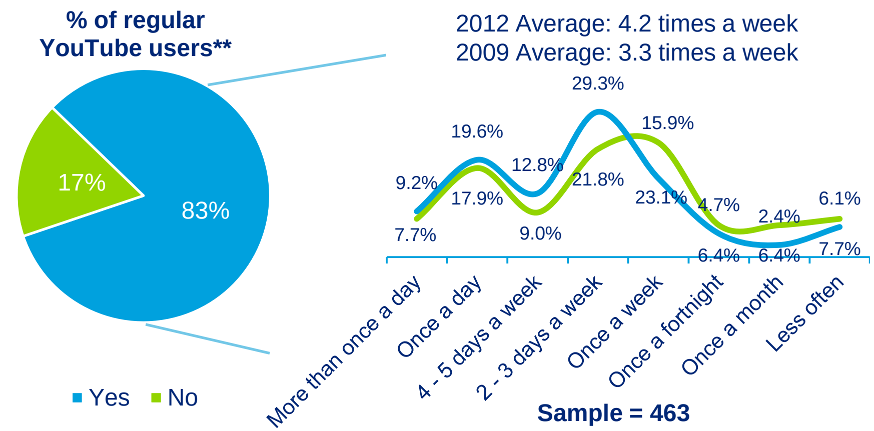
Sample = 328

Most common online activities (%) — KSA



Sample = 463

Frequency of using YouTube and other similar sites (%) — KSA



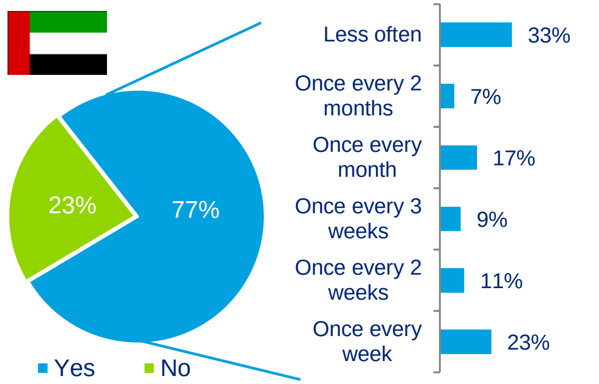
Sample = 463

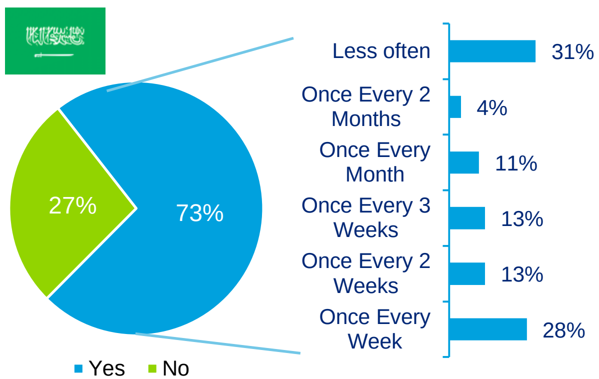
Source: Ipsos market research in Egypt, Morocco, Saudi Arabia and UAE, Deloitte analysis

Strong propensity towards downloading and paying for mobile apps with Arabic content preferred; however regional content available is as yet limited

Propensity for mobile applications*

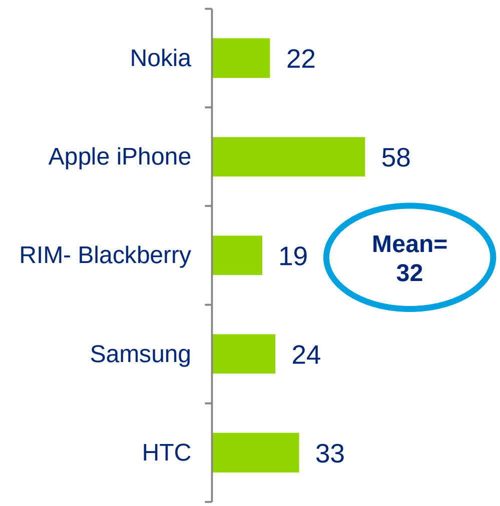
Do you download applications? | **Frequency of downloading applications**



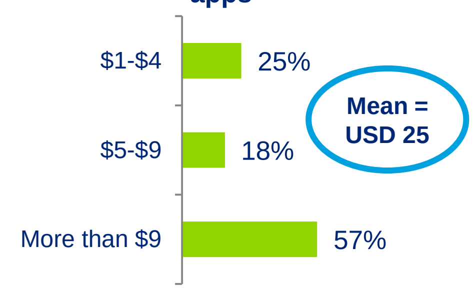


Apps and spend per smartphone**

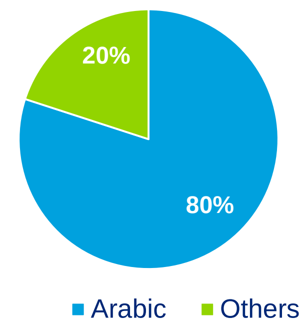
# of Apps per smartphone



Spend on smartphone apps

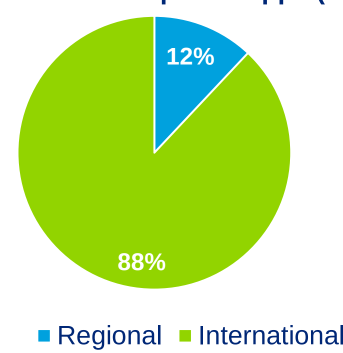


Language preference for browsing***



Free apps by type****

Breakdown of Top Free apps (UAE)



- Despite strong preference for regional content, the paucity of the same has resulted in international apps dominating the list of most downloaded apps in the UAE and Saudi Arabia

* Source: Ipsos market research UAE (sample size =315) and KSA (sample size =395)
** Source: Based on a survey of 2,950 respondents -Apps Arabia- Apps Arabia Mobile Report MENA
*** Source: Ipsos market research in Egypt, Morocco, UAE and KSA
**** Source: Itunes store (UAE) - Top 200 free apps in terms of downloads (March 2012)

The Arab region is seeing its first wave of successes in the online space

Marketplaces - Case study of Souq.com

- Launched in 2005 by the Jabbar Internet Group, as a **C2C auction platform**, Souq.com's business model has evolved to an online marketplace with fixed prices

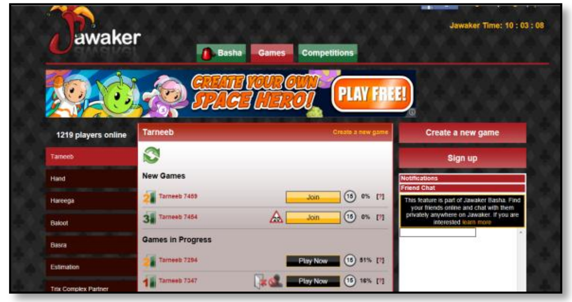
- Customer centric website; delivery times reduced from 8 to 3 days
- Revenue is derived from 3 streams i.e. **online retail** (margins), market places (commission) and deal of the day (discounts, liquidations)
- **Growing through partnerships** (i.e. with telcos, online retailers and consumer durables companies) and investments in online properties (i.e. online sports apparel firm Run2Sport)

Performance:

- **Strong footprint across key markets** for e-commerce: UAE, KSA, Egypt
- **Ranked amongst the top performing sites** in terms of traffic across the region- UAE (22nd), Egypt (73rd), KSA (81st)

Online gaming - Case study on Jawaker

- Jawaker is a **multiplayer card games portal** launched in April 2009 by the Jordan based Boundless Drop



- Revenue model includes a combination of advertising, micro-transactions, premium memberships, user tournaments, in-game product placement and white labeling
- Some of the games are **hosted on the Facebook platform** including Basra, Baloot, Estimation, Tarneeb and Trix

Performance:

- **Twofour54 ibtikar**, announced an investment in Jawaker in 2009
- **Over 500,000 registered users** with 17 Million page views per month
- Breakdown of traffic to the website: Jordan (30%), Saudi Arabia (25%), Egypt (11%), UAE (9%), others

Source: Deloitte interviews, analysis, company websites, Arab Advisors Group

Key trends in the market – overall the bipolarisation between pan Arab and ultra-local content is increasingly pronounced

TV production

- **Local content** is king but **imports** such talent shows and Turkish soaps continue to attract the lion share of viewers while animation is on the rise
- There has been a recent shift in productions geographic hubs
- There are major opportunities for local players in online **VOD** and **YouTube** and the web are not just sounding boards anymore

Movies

- Arabic films are in **high demand** and experience a positive momentum with increased funding initiatives and interaction with the international stage (box office and shooting)
- However the economics of the industry remain challenging and releases need **exposure at least at a pan-Arab level** to generate return on investment
- Value generation need to be triggered via screen growth, quotas, better non theatrical rights exploitation, and potentially 3D

Sports

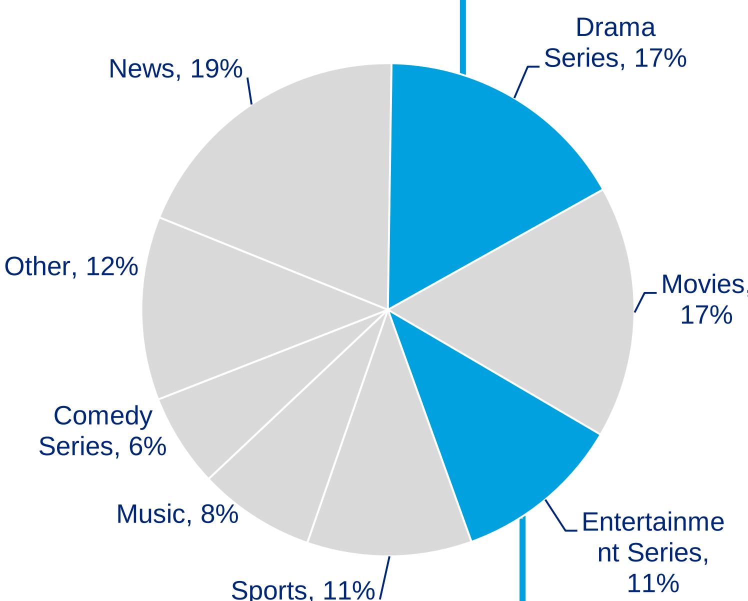
- Sports viewership in the region is particularly high with football the predominant sport watched on TV
- Sports coverage is increasing but **monetisation remains a challenge**
- Domestic leagues are **undervalued sports properties** and need a balanced approach between imports and home-grown local talent

Music

- As the industry fragments there is an increasing appeal for **ultra local music content** while a few pan Arab singers remain as popular as ever
- Recorded music sales are already low in the region and will continue to decline until **legal music download sites** begin to get a foothold in the market
- **Live entertainment** will provide a significant revenue stream but important changes in international property right regulation need to happen in **music publishing**

TV production and viewing in 2011 have been dominated by drama and talent shows – with imports still taking a large share of audience

Most popular TV genre in the region



The evolution of Turkish soaps

2007

- Introduction into mainstream Arab television first season of 'Noor'
- The finale in 85 million viewers across the region

mbc

2008-11

- MBC continues (*1001 Nights* and *Forbidden Love)*
- Other broadcasters, such as ADM and DMI also start broadcasting Turkish series

ABU DHABI MEDIA

2012

- The Turkish soap phenomenon makes it to pay-TV with OSN's 'Sultan's Harem'

OSN ORBIT SHOWTIME NETWORK

Licensed formats 2011

24%

- Arab Idol
- Arab's Got Talent
- Celebrity Duets
- Star Academy
- Top Chef

Original shows 2011

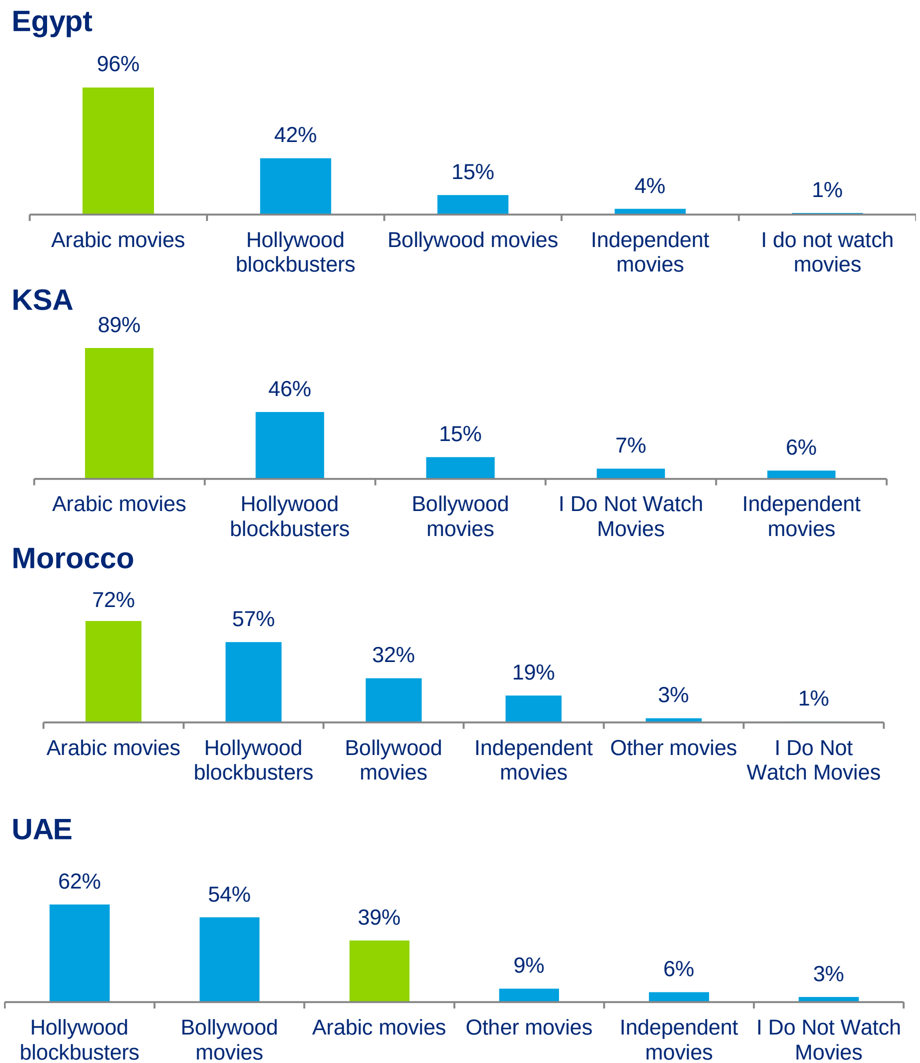
76%

- Al Maydan
- Al Forsa
- Anti Ajmal
- Howa o Hyiah
- Jamel Darak
- Joelle
- Najm Al Khaleej
- Nojoom El Oloum
- etc

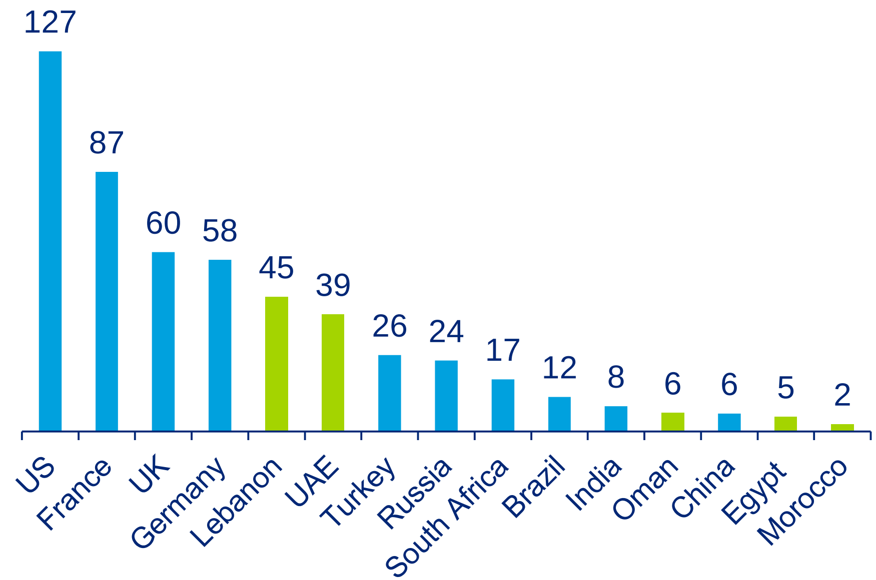
xx % of total outputs

Despite the popularity of Arabic movies, the film industry in the region still face a number of factors restricting its growth

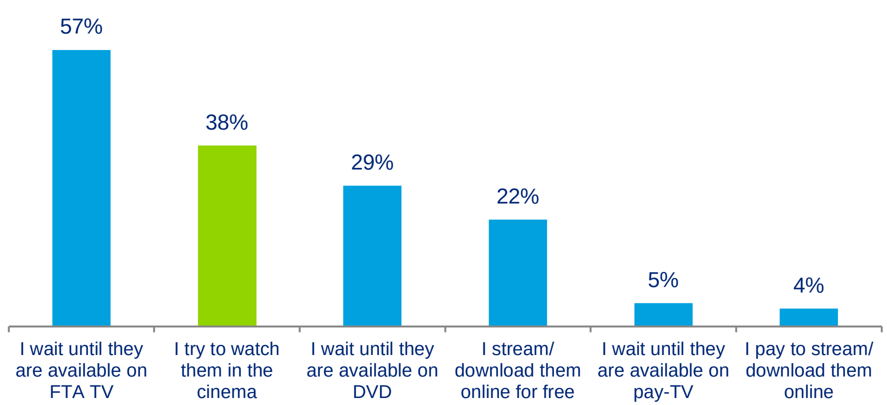
Preferred movies



Number of cinema screens / capita (per mln inhabitants)

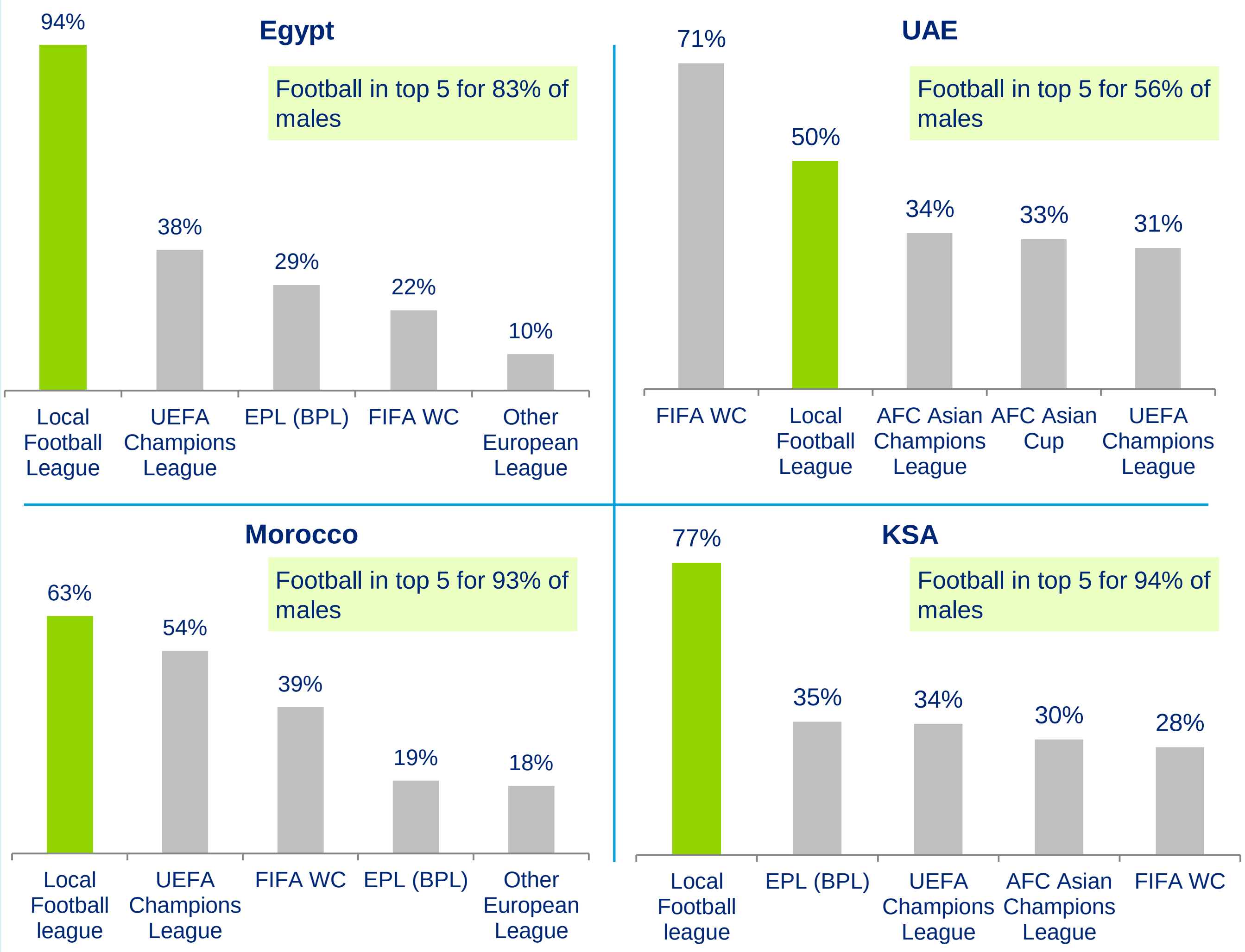


Methods used for watching new movie releases

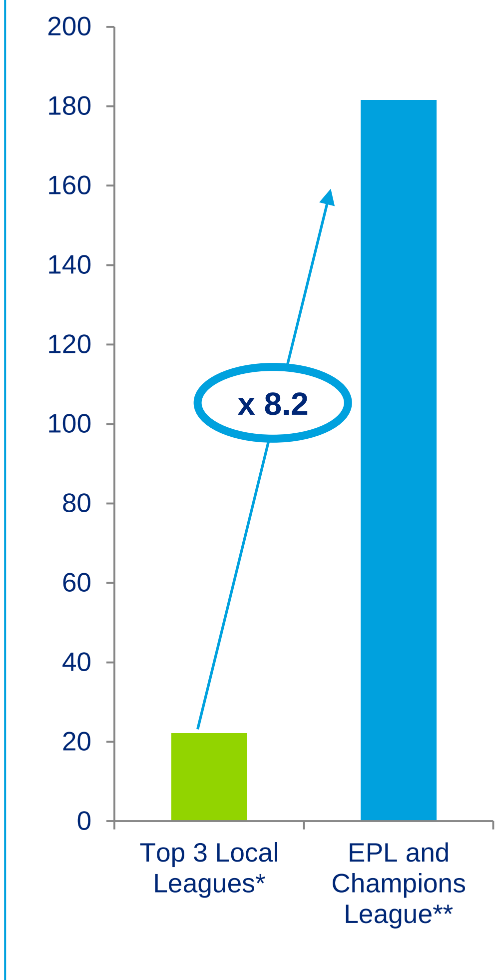


Despite high consumer preferences for local football, local leagues rights remain very much undervalued

Top 5 Followed Football Events/Leagues



TV Broadcasting Rights in Arab World — Annual (USD m)



The overall value of the music industry in the region is low, primarily due to limited digital sales and lack of adequate copyright regulation

Music industry revenues

1 Recorded music
(Physical and digital)

2 Live music
(Touring, merchandising)

3 Music publishing
(Licensing of rights)

Arab region trends

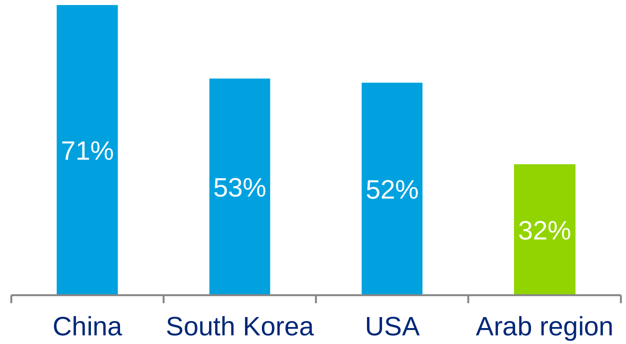
- Overall recorded music **revenues declining**, driven by falling physical sales and challenging digital sales due to **high levels of piracy**

- Live music is a **growing industry** in the region, with a rising number of venues to accommodate both regional and international artists

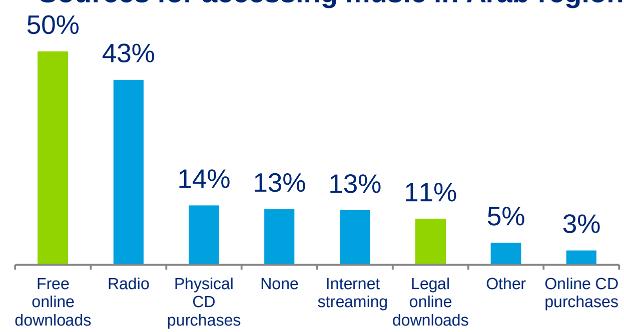
- Publishing revenues **minimal** in the Arab region due to lack of adequate **copyright protection regulation**

Digital music consumption in Arab region

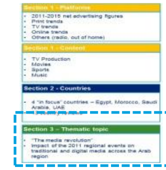
Proportion of record company revenues from digital (2011)



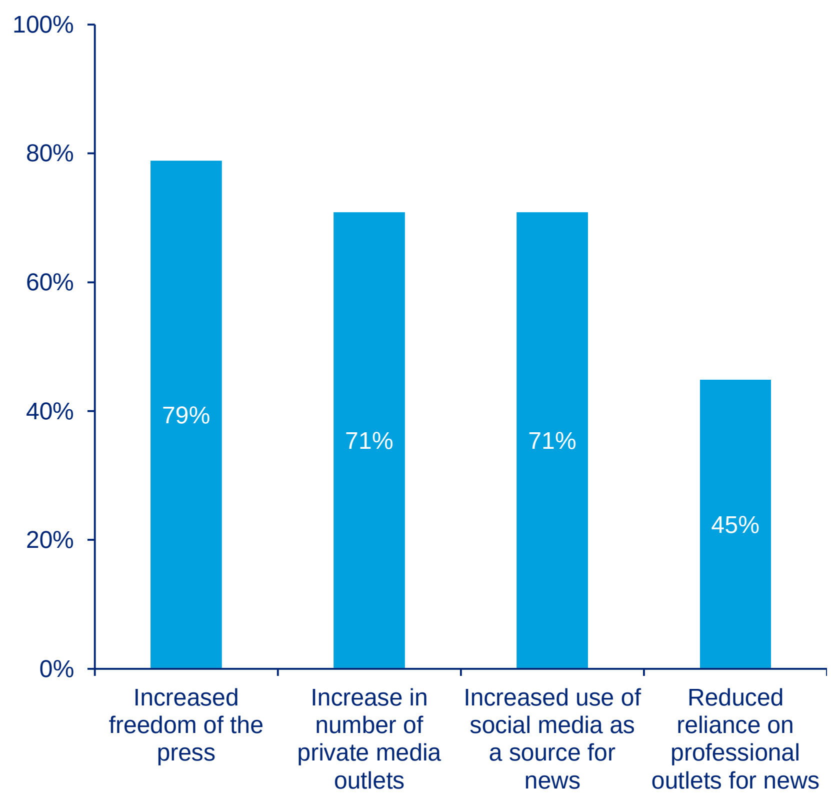
Sources for accessing music in Arab region



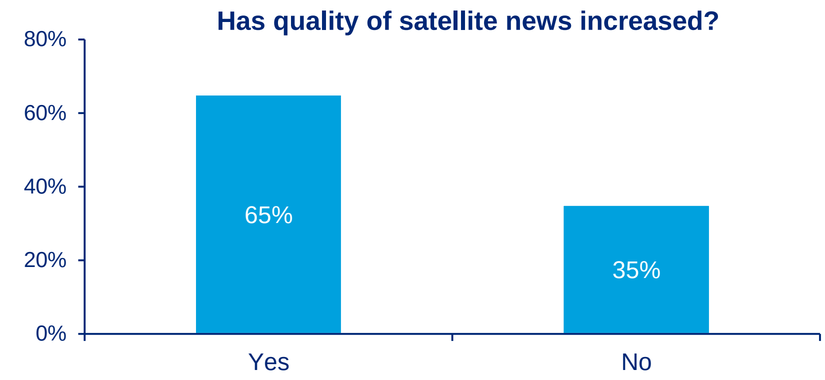
There is a consensus in the media industry on the positive long term impact of the regional events of 2011



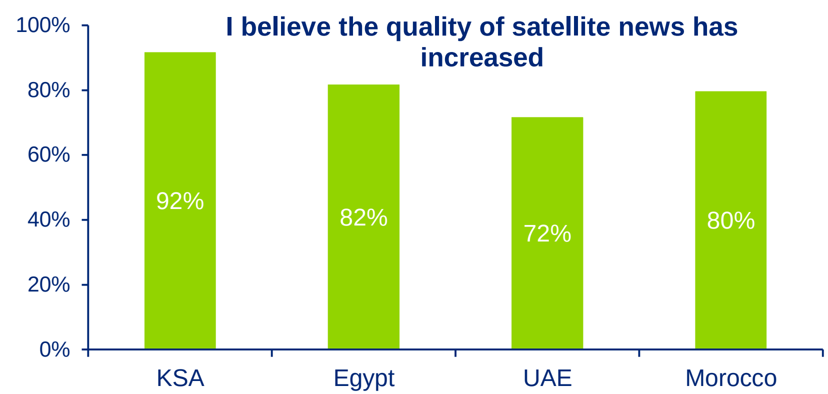
Long-lasting effects of uprisings on Arab media industry



Quality of satellite news — media professionals



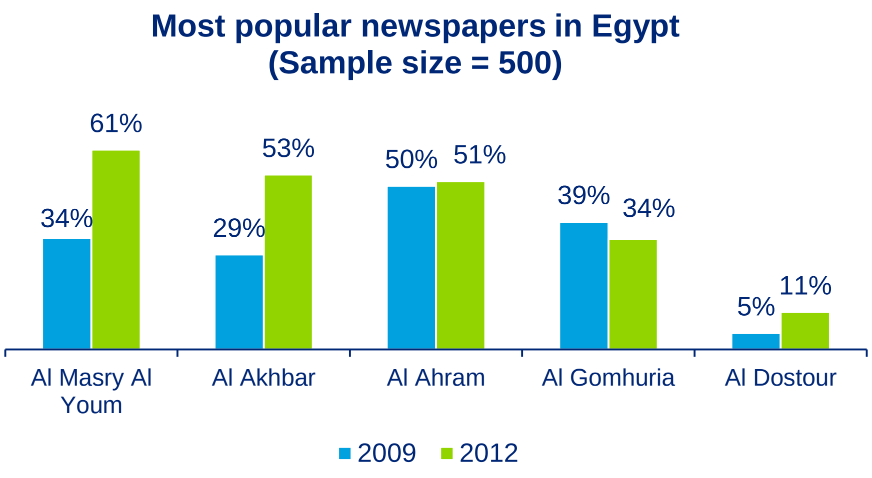
Quality of satellite news — consumers

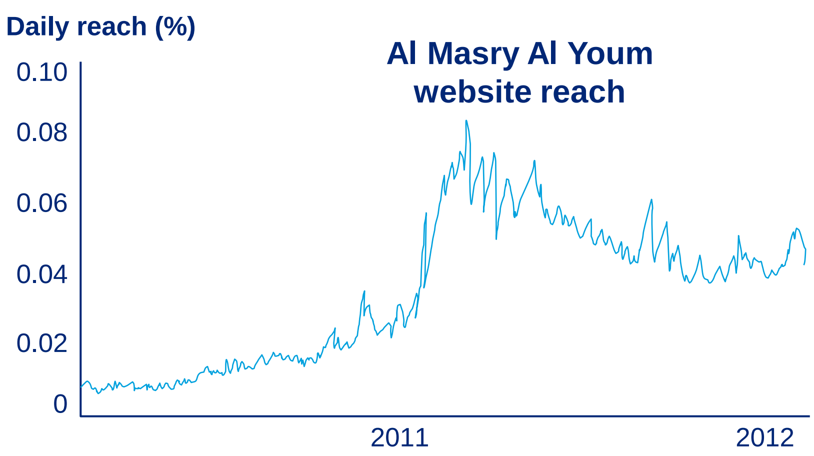


Source: Interviews with industry professionals (sample = 91)

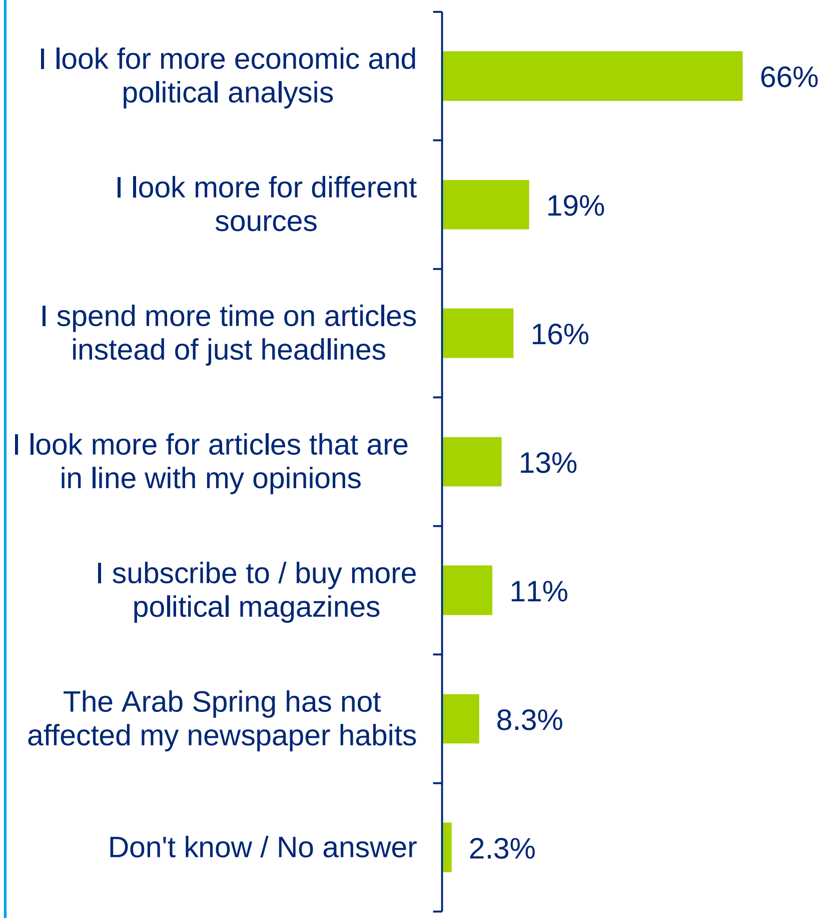
The regional uprisings have led to significant shifts in the way consumers engage with news content…

Newspapers in Egypt after the events





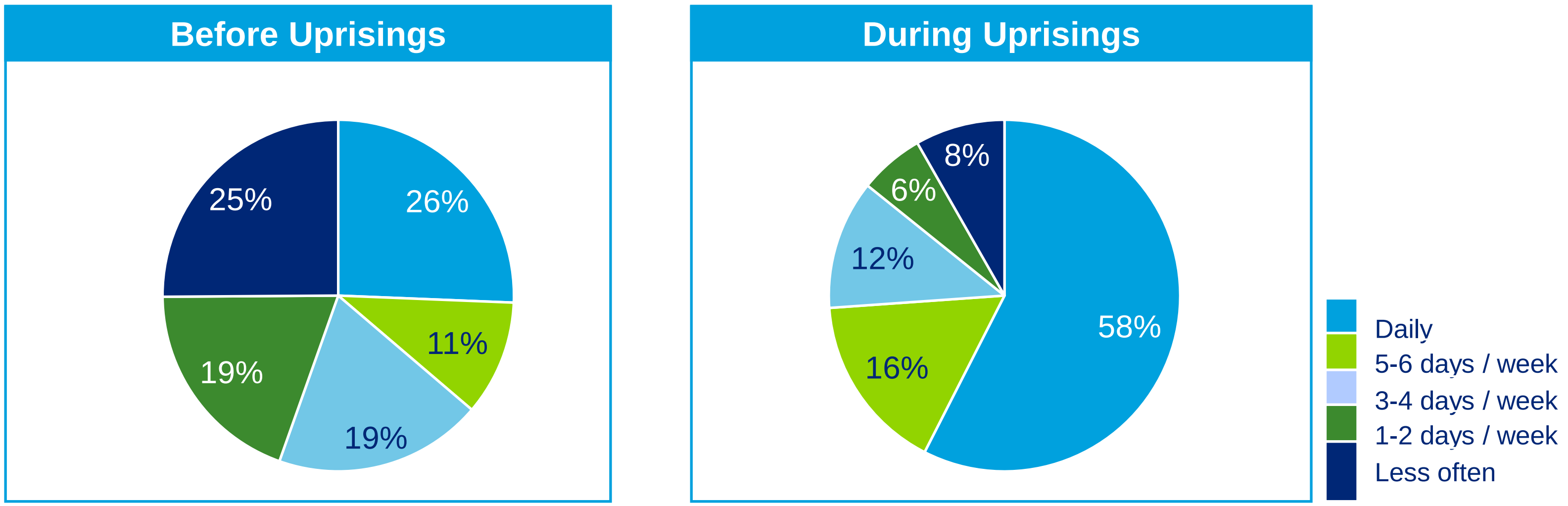
Impact of uprisings on newspaper habits in Egypt



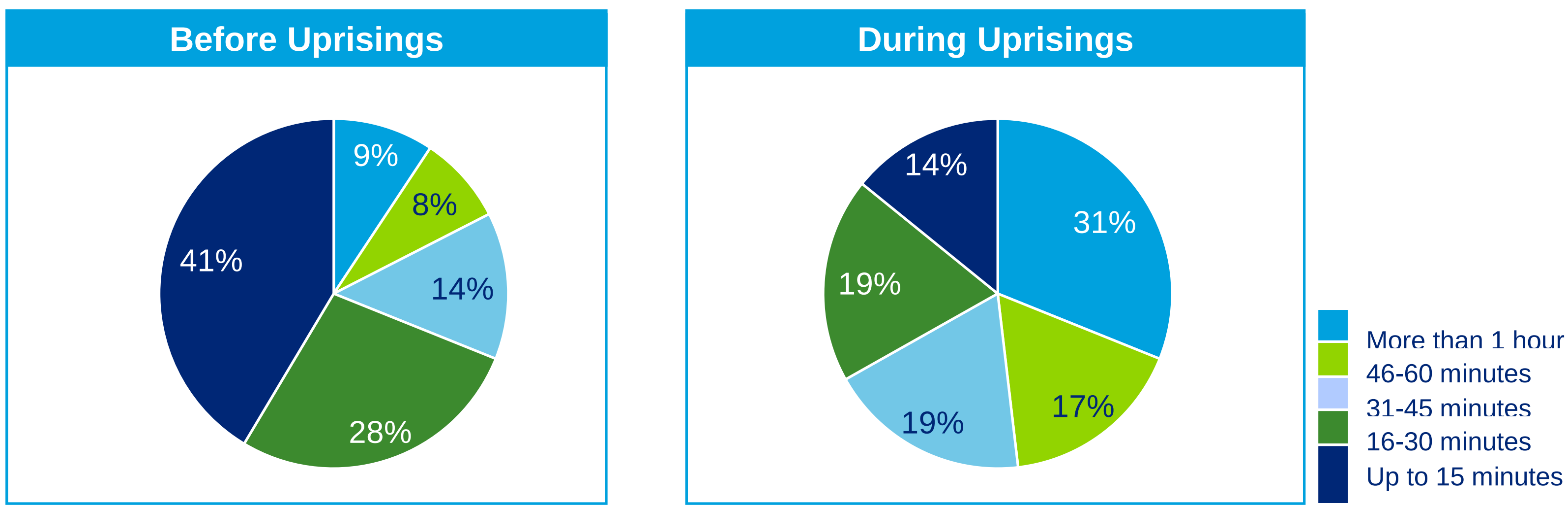
Source: Ipsos, Company website, Alexa, Deloitte analysis

…which benefited in particular satellite news channels

Frequency of watching news on TV



Time spent watching news on TV



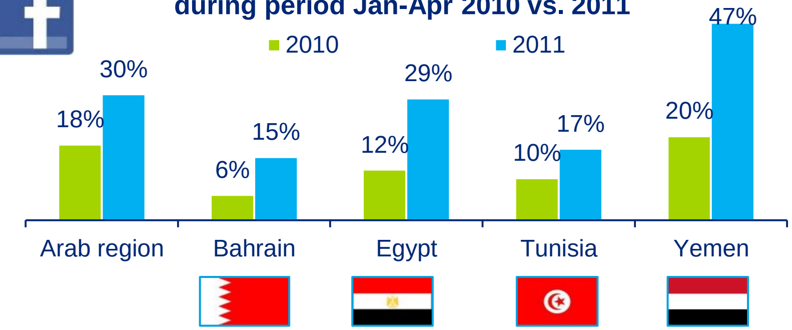
Source: Ipsos

Growth in social media usage in the Arab region… however its importance in the events should not be overplayed

Unprecedented growth of Facebook users

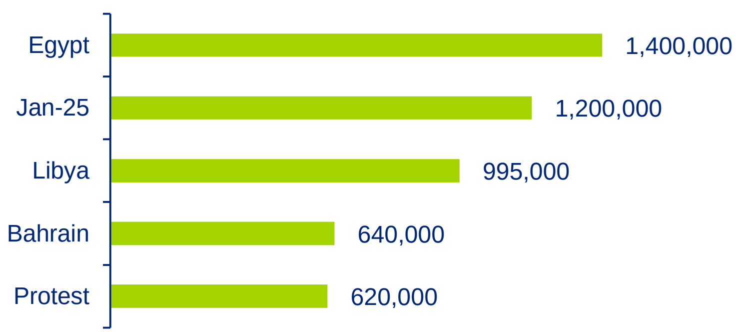
- With Facebook being used to organise protests and share up-to-the-minute information on revolutionary activities at a local level, usage of the site in the Arab world more than doubled between Jan-Apr 2011
- Strong growth in Facebook usage has been prominent in those countries where the revolutions have taken place
- In the past year, the total number of Facebook users in the Arab world has risen from under 20m in Nov 2010 to 36m in Nov 2011

Growth in Facebook users in Arab region during period Jan-Apr 2010 vs. 2011

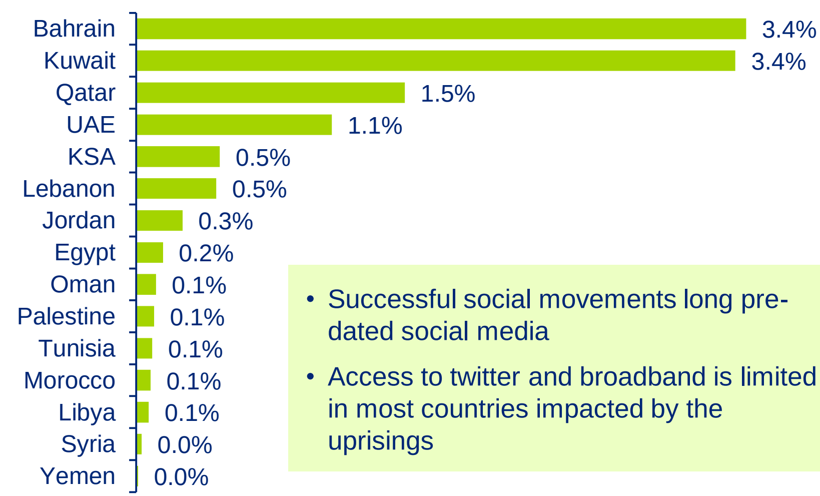


Twitter as information source

Most popular hashtags on Twitter in Arab region, Jan-Mar 2011



Twitter Penetration Arab region (Pop., Nov '11)

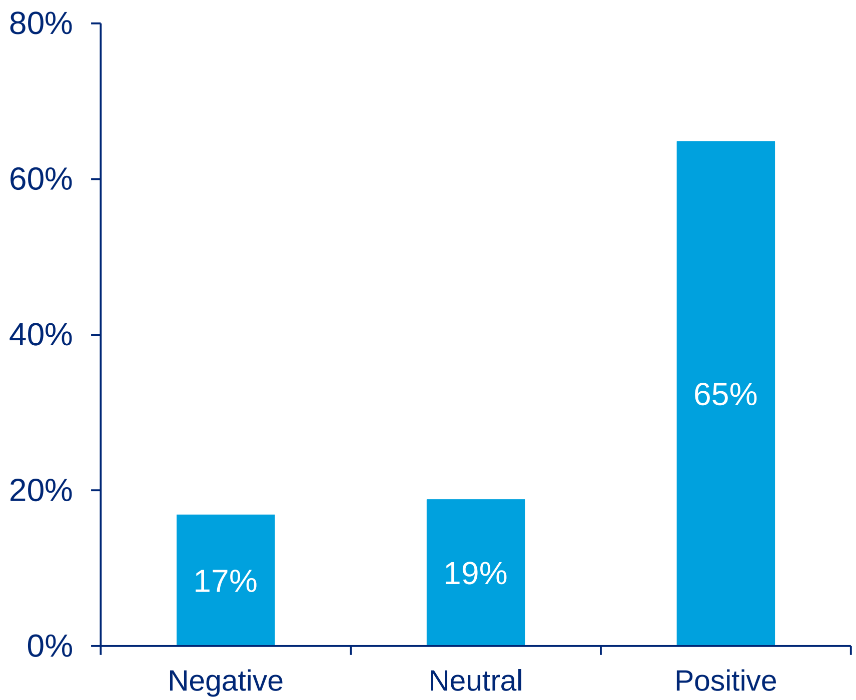


- Successful social movements long pre-dated social media
- Access to twitter and broadband is limited in most countries impacted by the uprisings

Source: Arab Social Media Report, Deloitte research & analysis

Overall 2011 has marked a year of transition for Arab media but also unlocked many opportunities for 2012 and beyond

Views on the outlook for the media industry 2012



*Industry interviews, Deloitte analysis

Key opportunities for 2012-2015

- The exponential global growth of digital and social media is a big opportunity for the regional players given the presence of young technology adopters
- Funding and government interventions is fundamental to further stimulate local production and talent identification
- International players and investors are increasingly attracted by the opportunities present in the growing and more open and transparent regional media industry
- Piracy control and monetisation of regional premium content is vital for the development of pay models on multiple platforms
- Collaboration models among regional media and telco players can facilitate the development of digital platforms
- Creation of incubation centers for young entrepreneurs allows for emergence of regional successful start-up's