



# Media Sector Study



Contents	Page No.
Introduction	1
Global Industry   Overview	2
Local Industry   Overview	3
Advertising Revenue	4
Trends in Advertising Revenue	5
Digital Media	6
Business Risk	7
Margins & Cost Structure	9

Contents	Page No.
Financial Risk	11
Regulatory Framework	12
Rating Scale	13
SWOT Analysis	14
Outlook & Future Prospects	15
Bibliography	16

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- The media industry comprises organizations that are involved in the production, publication and distribution of various types of content. This content can be for informative, entertainment or promotional purposes and can be relayed to consumers on a range of platforms.
- The common types of content produced by media organizations consist of tv programs, films, newspapers, magazines, games and music, all of which is disseminated to the audience using various types of media platforms.
- The broad categories of media include:
- **Print Media:** includes all printed forms of media, the most common being newspapers and magazines.
- **Broadcast Media:** includes information transmitted through one of several mass communication channels, such as television (TV) and radio.
- **Digital Media:** includes content distributed online on websites and social media applications.
- **Out-Of-Home (OOH) Media:** includes content that reaches people outside the home on mediums such as billboards and hoardings.
- Many media companies operate in a combination of these categories. News organizations, for example, often maintain websites and e-papers alongside publishing traditional newspapers.
- Media buying is a process undertaken by agencies in order to identify and purchase ad space on channels that are relevant to the target audience at the optimal time, for the least amount of money. Media buying is a process relevant to both traditional marketing platforms and digital channels.



## Overview

- The global media industry consisting of sales of television and radio programs, motion pictures, digital content, and commercials along with video and audio recordings, games and print publications, grew by ~8% YoY and reached a value of USD~1,850bln in CY21 (USD~1,713bln in CY20).
- The growth shows recovery from COVID-19 which had caused restrictive containment measures involving social distancing that prevented public gatherings and resulted in the cancellation of live events leading to losses in revenue from advertising and promotional activities. In addition, movie and television productions were halted.
- Global advertising segment is the most lucrative segment in media industry with a revenue of USD~638bln in CY21, up from USD~582bln in CY20, depicting a growth of ~10%. In the advertising category, internet advertising is the fastest growing segment with a revenue of USD~398bln in CY21, due to several factors including continued advances in devices and connectivity, the ongoing rollout of 5G technology, and popularity of social platforms.
- Traditional TV revenue decreased by ~2% YoY and stood at USD~219bln in CY21 (USD~223bln in CY20). The pandemic accelerated the existing trends—including the decline of satellite TV and cable TV, which is under pressure in North America (largest traditional TV market) due to high prices.
- The consumption patterns of audiences changed significantly due to the pandemic as people spent more time at home and were able to explore new mediums and diverse types of content. Streaming platforms have gained a lot of momentum during the pandemic with Netflix experiencing a ~9% surge in total subscribers and ending CY21 with 222mln subscribers, while Disney+ reached 130mln subscribers. As a result, companies in the media market are increasing their focus and re-allocating revenues towards “direct to consumer” and other digital platforms in order to stay up to date with the changing market dynamics.

Global Overview - CY21 (USD bln)	
Market size	1,850
YoY Growth	8%
Advertising Revenue Breakup	
Internet	398
TV	28
Print	12
Digital magazines	9
Others	191
TV Revenue Breakup	
TV Subscriptions	181
Public License Fee	29
Physical Home Video	10

## Overview

- Pakistan’s media industry, particularly television and radio, bloomed in the last two decades after the broadcasting sector was opened up to private players in 2002. As of February 2022, the Pakistan Electronic Media Regulatory Authority (PEMRA) has issued a total of 122 Satellite TV licenses and 4,084 Cable TV licenses.
- The media industry earns majority of its revenue from advertisements. Other revenue streams include production revenue, subscription revenue and revenue earned by selling user data.
- In FY21, the size of the media industry in terms of advertisement revenue stood at PKR~75.6bln, an increase of ~29% from the previous year when advertising revenue stood at PKR~58.6bln.
- PEMRA has also issued 235 FM Radio licenses along with 70 other licenses including for Landing Rights Permissions, Mobile TV, Internet Protocol TV (IPTV) and Direct-to-Home (DTH) licenses. In addition, there are over 700 newspapers and periodicals currently being published in the country.
- Average TV viewership is on a declining trend, falling from ~4.23 hours per day per viewer in FY20 to ~3.42 hours in FY21, depicting a decrease of ~19%. This is likely due to growing popularity of digital platforms and increasing usage of mobile phones which provide easy access to social media apps.
- Cellular mobile subscribers in Pakistan reached 189 million in Dec’21 as compared to 184 million in Jun’21, a growth of ~3%. This includes 108 million 3G and 4G subscribers. Moreover, broadband connections as of Dec’21 reached 110 million, up from 100mln in Jun’21.

Local Overview	FY20	FY21
Market Size (PKR bln)	58.6	75.6
YoY Growth	-13%	29%

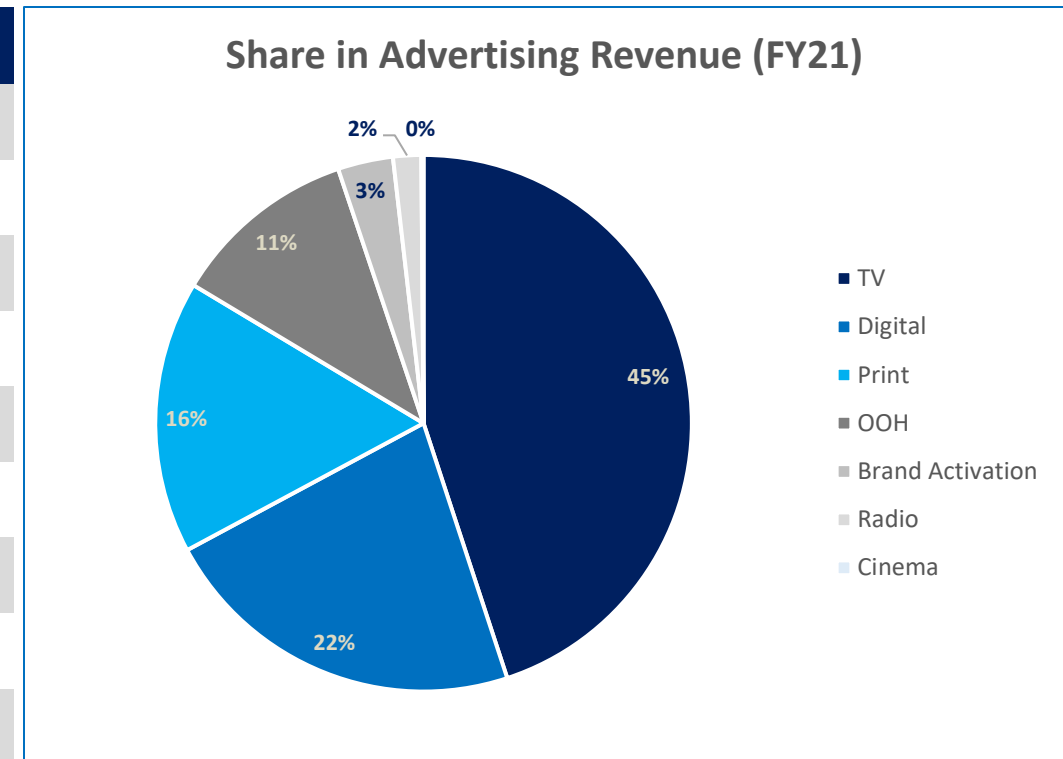
Licenses issued by PEMRA		
Satellite TV licenses	106	122
Cable TV licenses	4,062	4,084
FM Radio licenses	257	235
Others	61	70



## Advertising Revenue

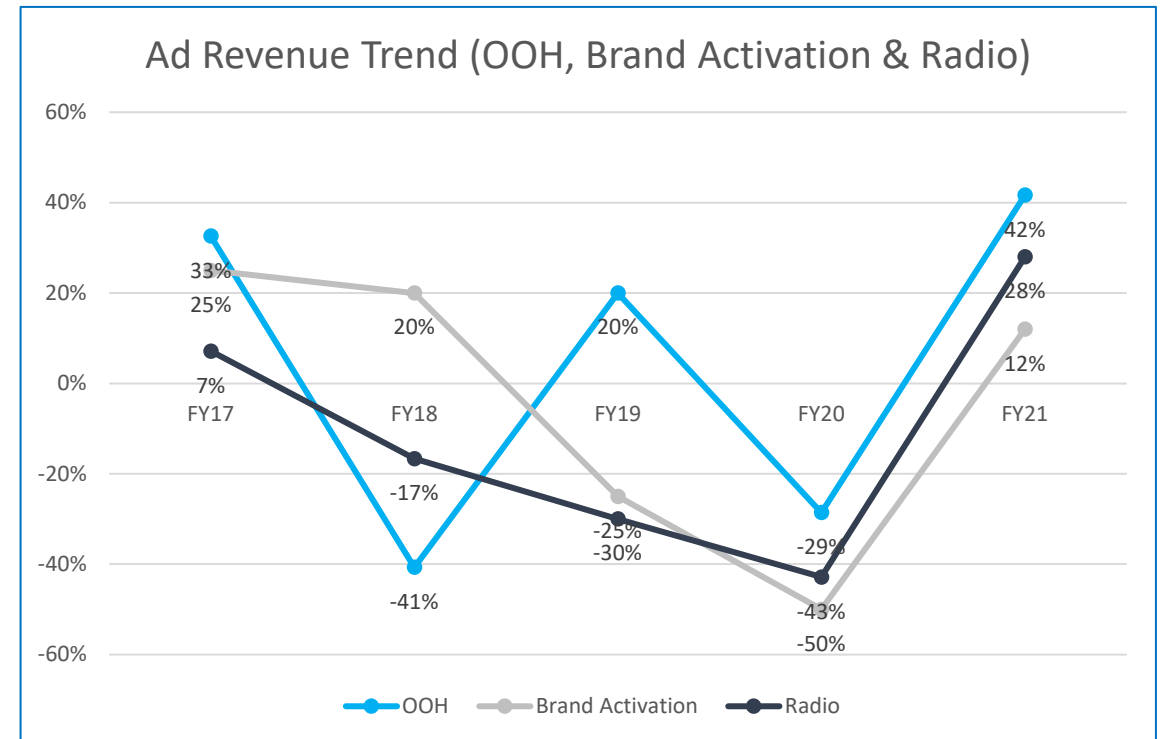
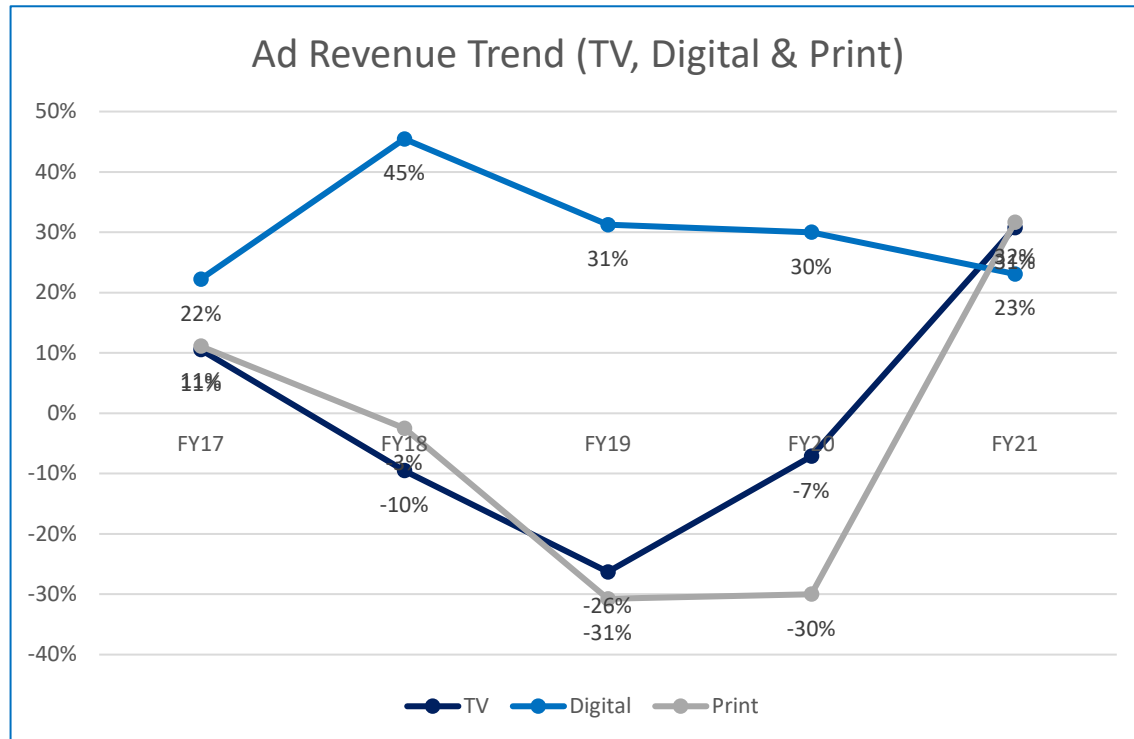
- Advertising revenue is the largest revenue stream for the media industry. The industry has experienced a negative CAGR of ~14% in the last years, from PKR~87.7bln in FY17 to PKR~58.6bln in FY20. However, government’s business-friendly and prudent economic policies led to a boom in advertising revenue, surging it to PKR~75.64bln in FY21.
- The table shows the ad revenue earned by various media segments. TV remains the largest segment with PKR~34bln ad revenue earned in FY21. Meanwhile, digital has taken over the second spot with consistent growth in ad revenue in the last five years.

Annual Advertising Revenue Break Up					
	FY17	FY18	FY19	FY20	FY21
TV	42.0	38.0	28.0	26.0	34.0
Digital	5.5	8.0	10.5	13.7	16.8
Print	20.0	19.5	13.5	9.5	12.4
OOH	11.8	7.0	8.4	6.0	8.5
Brand Activation	5.0	6.0	4.5	2.3	2.5
Radio	3.0	2.5	1.8	1.0	1.3
Cinema	0.4	0.6	0.5	0.3	0.1
<b>Total</b>	<b>87.7</b>	<b>81.6</b>	<b>67.2</b>	<b>58.6</b>	<b>75.6</b>



## Trends in Advertising Revenue

- The only medium to have experienced growth consistently in recent years is the digital segment, which has exhibited a CAGR of ~25% since FY17. Meanwhile, other segments have experienced an overall decline.
- The TV medium that has the highest share in overall advertising revenue (~45%) experienced a decline falling from PKR~42bln in FY17 to PKR~34bln in FY21, depicting a negative CAGR of ~4%.





# MEDIA | LOCAL INDUSTRY

## Digital Media

- Digital media has grown exponentially in recent years alongside growth in internet and social media usage. Pakistan's internet penetration stood at ~54% during CY21, with almost half accessing the facility every day.
- In terms of social media usage, YouTube leads the way with ~44mln monthly active users (MAU). Meanwhile, Facebook has ~36mln MAU followed by TikTok with ~24mln MAU. Instagram and Twitter have ~6mln and ~4mln MAU, respectively.
- However, in terms of revenue earned from advertisements, Facebook leads the way, contributing PKR~8.1bln which amounts to ~48% of the total digital advertising revenue.
- Google, which owns YouTube, also has a significant share of PKR~6.2bln (~37%) of the total digital advertising revenue in Pakistan.

Break Up of Digital Ad Revenue				
	FY20		FY21	
Website	Amount (PKR bln)	Share	Amount (PKR bln)	Share
Facebook	6.8	50%	8.1	48%
Google and YouTube	5.5	40%	6.2	37%
Other websites/platforms	1.4	10%	2.6	15%
<b>Total</b>	<b>13.7</b>	<b>100%</b>	<b>16.8</b>	<b>100%</b>

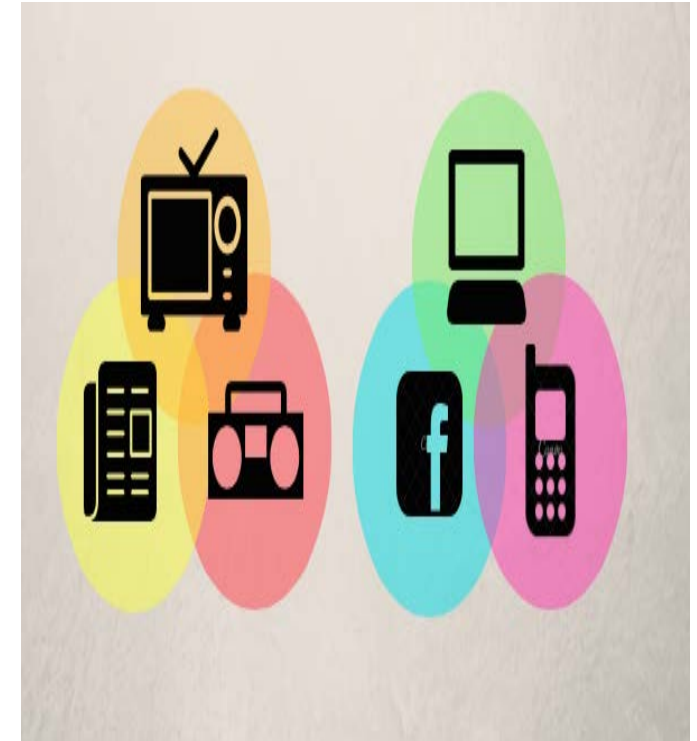






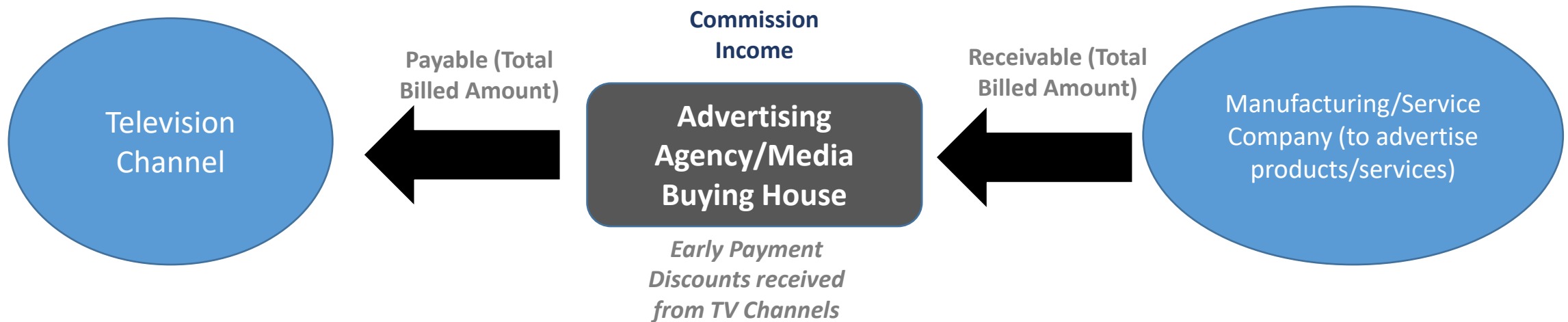
## Business Risk | TV

- **Traditional Media:** As mobile phone usage and access to internet services increases among the population, traditional media such as TV, print and radio, faces significant threat from the digital medium which is increasing in popularity. Moreover, as consumers switch to digital platforms so do the advertisers who want to reach their respective target audiences.
- **Dependence of Advertising Revenues on Government policies:** The media industry earns majorly from its advertising segment, which is highly dependent on government policies. Even after the consistent expansion of digital medium, the overall industry experienced a decline particularly since FY18 with one of the reasons being reduction of ~70% in government advertising budget, which is the backbone of print and television industries. However, business-friendly economic policies led the advertising segment on a path of recovery in FY21.
- **Censorship:** The media industry also faces stringent scrutiny of its content from the regulator and must ensure that guidelines regarding content are met to avoid censure or penalties in the form of fines etc. As the content is distributed on public platforms, it is also open to criticism from the general public who may lodge complaints with the regulator if they find the content objectionable.



## Business Risk | Media Buying

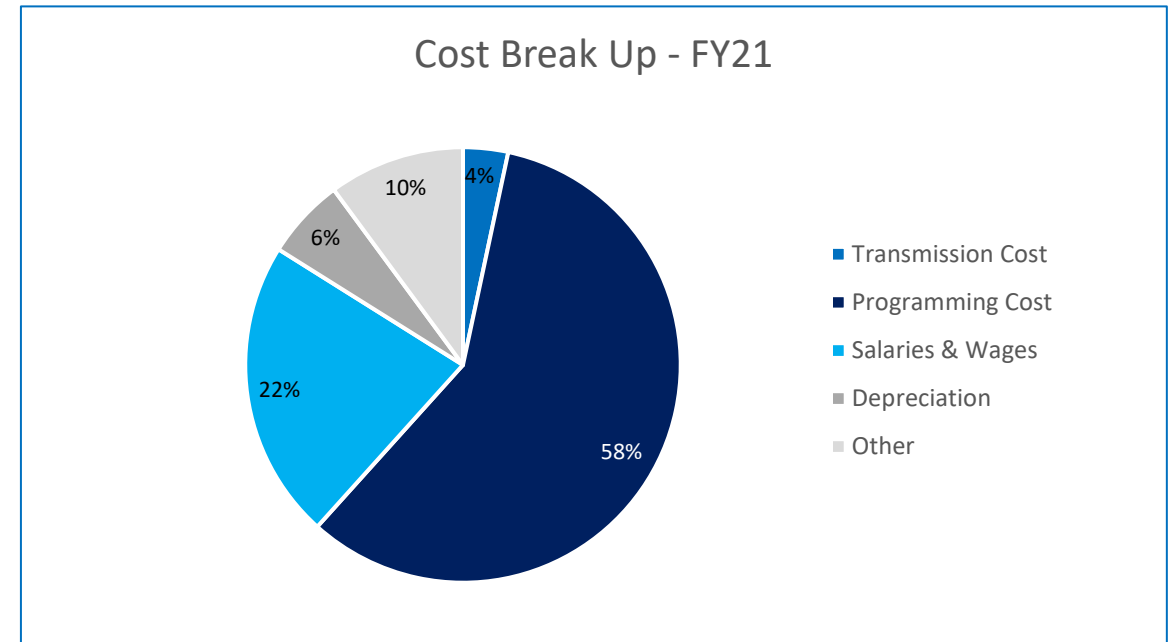
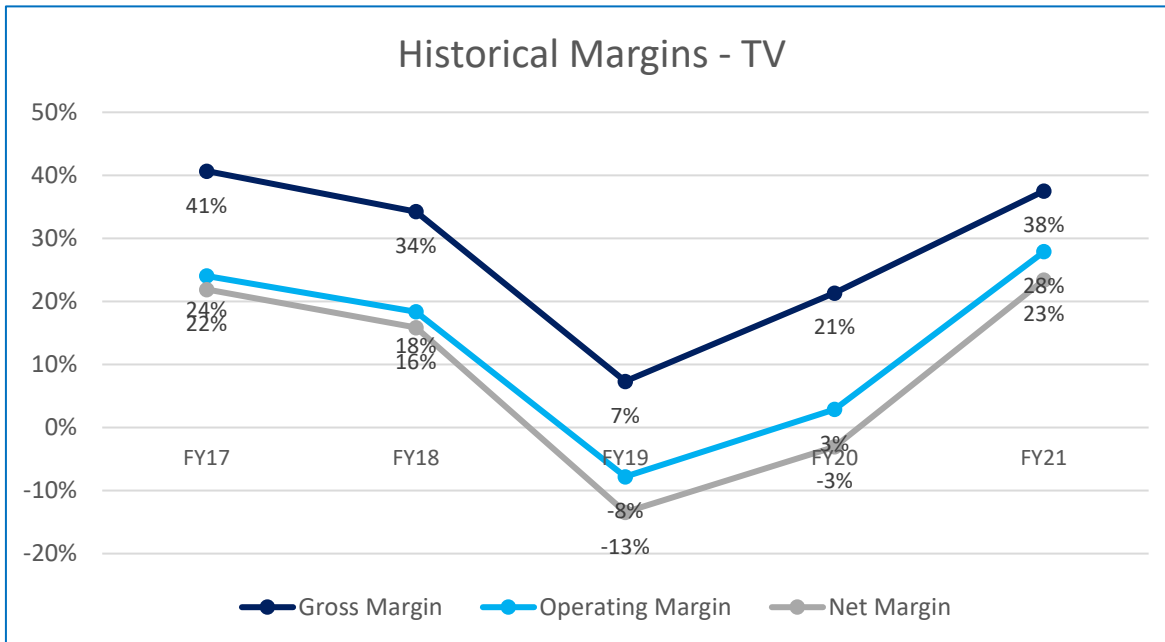
- **Reduced Client Budgets:** Due to challenging economic situation along with detrimental impact of COVID-19, there has been a significant reduction in marketing and advertising budgets of clients which have a significant contribution to media buying agencies' topline in the form of commission revenue.
- **High level of competition:** There are a large number of media agencies operating in the market for media buying making it highly competitive. Players have to maintain their market shares without compromising on quality which can squeeze margins.
- **In House Media Buying:** A growing trend is for large players in consumer goods industry to establish in house media buying departments as it allows them to have greater control over cost and closer communication with marketing departments. However, this trend erodes the market share of independent media buying agencies.



# MEDIA | LOCAL INDUSTRY

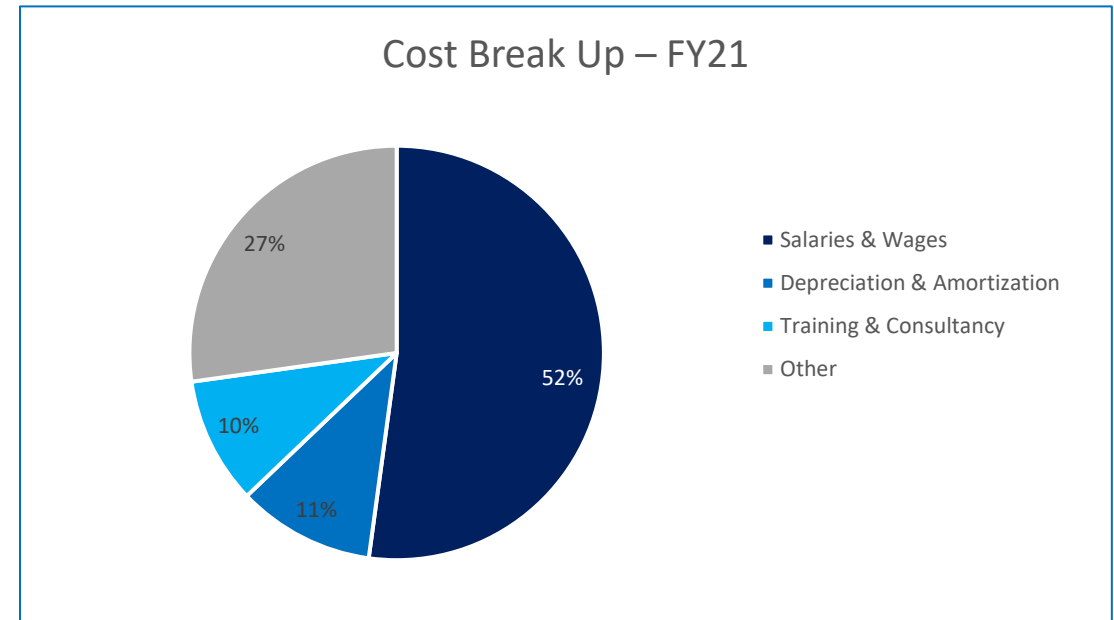
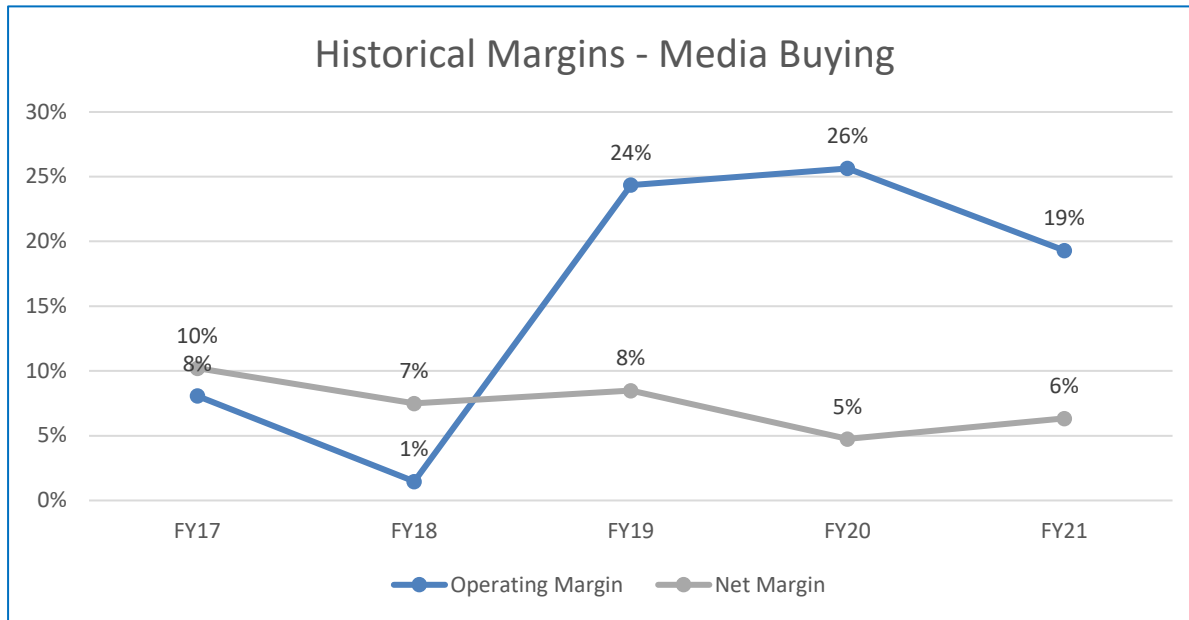
## Margins & Cost Structure | TV

- The television segment margins had been on an overall declining trend from FY17-FY19 with gross margin falling from ~41% to ~7% and net margins from ~22% to ~-13% in FY19. This decline was largely due to falling advertising revenues and rising finance costs.
- The industry started to recover with gross margin increasing to ~21% in FY20 and further to 38% in FY21 due to effective cost control. This improvement also had a trickle down effect on net margins which improved to ~-3% in FY20 and further to ~23% in FY21. The significant improvement in FY21 was majorly due to lower interest rates and hence, decreased finance cost.
- The largest component within direct costs for the industry is programming cost, including both in house and outsourced program costs, which amounts to ~58% of total direct costs. In addition, salaries and wages expenses also constitute a significant ~22% of total direct costs for the industry.



## Margins & Cost Structure | Media Buying

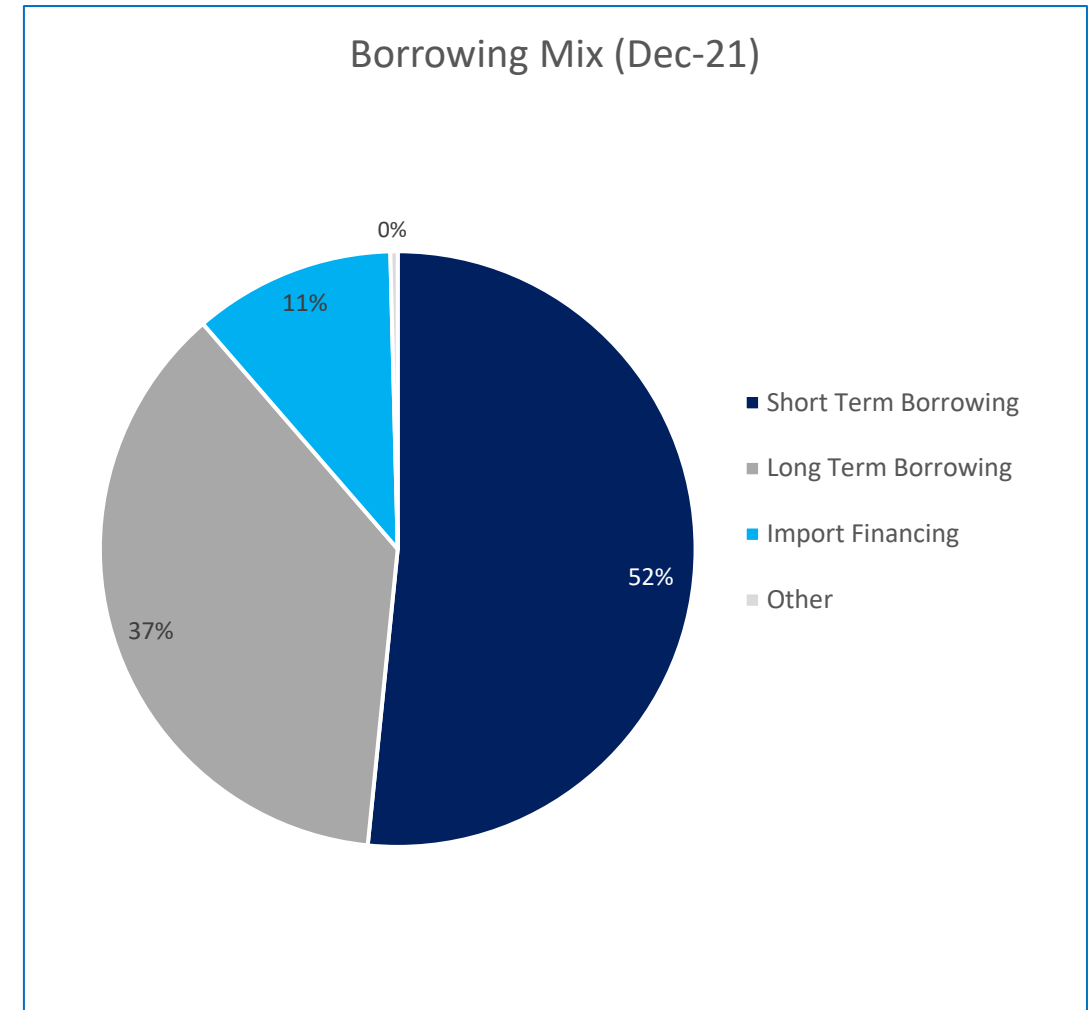
- The operating margins of media buying agencies have been relatively volatile in recent years as the players are reliant on advertising budgets of clients which fluctuate due to various factors. Operating margins dipped from ~26% to ~19% in FY21. However, the net margins still showed a slight improvement from ~5% in FY20 to ~6% in FY21 due to lower finance cost.
- The significant improvement in gross margins from FY18 to FY20 was not translated to net margins because of the high interest rates during the period.
- The largest component within operational costs for the segment is salaries and wages which amounts to ~52% of total operational costs. This is followed by depreciation and amortization (~11%) and training and consultancy (~10%).





## Financial Risk

- The total borrowing of the media industry stood at PKR~2,845mln at the end of Dec'21 as compared to PKR~2,841mln at the end of Jun'21, depicting an increase of merely ~0.12%.
- The largest component is short term borrowing which stands at PKR~1,468mln and constitutes ~52% of the total borrowings.
- Meanwhile, long term borrowing stands at PKR~1,054mln and contributes ~37% to total borrowing. Import financing stands at PKR~311mln and contributes ~11% to total borrowing.
- The Media industry is moderately leveraged. Average leveraging was estimated to be ~43% in FY21 (~50% in FY20).



## Regulatory Framework

- Pakistan's media industry is regulated by the Pakistan Electronic Media Regulatory Authority (PEMRA) which was established through the promulgation of PEMRA Ordinance in 2002, later passed as an Act of Parliament in 2007.
- PEMRA's mandate consists of four main objectives:
  1. To improve the standards of information, education and entertainment
  2. To improve access of the people to mass media at the local and community level
  3. To enlarge the choice available to the people in media for news, current affairs, art, culture, sports and other areas of interest.
  4. To ensure accountability, transparency and good governance by optimizing the free flow of information.
- Media organizations are required to abide by the Electronic Media (Programs & Advertisement) Code of Conduct, 2015 as notified by the Ministry of Information & Broadcasting. As per the code of conduct, at least 365 show-cause notices were issued to various channels until July 2021, while action was also taken against 28 advertisements and dramas. This has resulted in total fines of PKR~25mln.
- The industry is represented by a number of organizations which includes All Pakistan Newspapers Society, Pakistan Broadcasters Association and Digital Media Association of Pakistan.

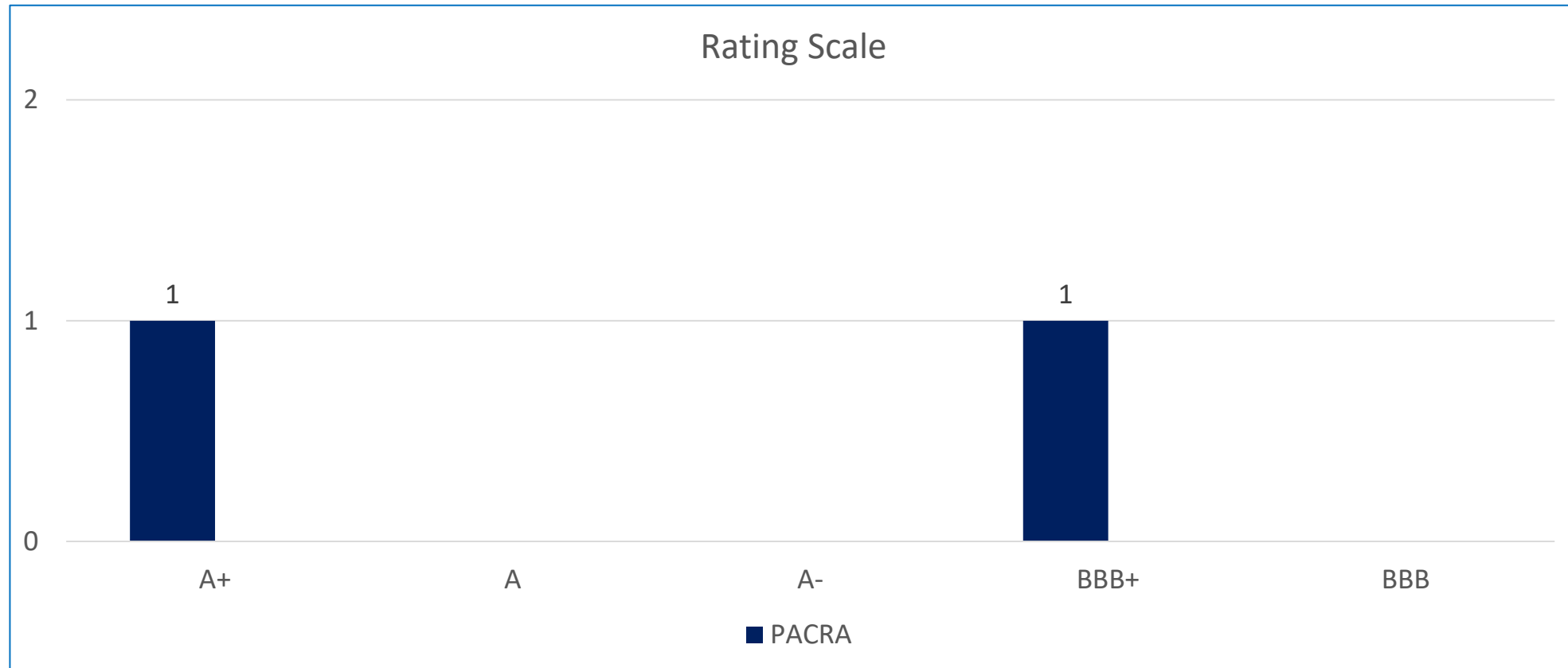


## Tax and Regulatory Structure

Description	Advance Tax		WHT		Sales Tax	
	FY21	FY22	FY21	FY22	FY21	FY22
Foreign produced TV drama serial or play	0	PKR 1mln per episode	-	-	-	-
Foreign produced TV play (single episode)	0	PKR 3mln	-	-	-	-
Advertisement starring foreign actor	0	PKR 0.5mln per second	-	-	-	-
Provision of advertising services, excluding print and electronic media, to non-residents	0%	0%	3%	3%	-	-
Sales Tax	0%	0%	0%	0%	17%	17%

## Rating Scale

- PACRA rates two entities in the media industry, one is a media buying house and the other a television network.





## SWOT Analysis

- Increasing mobile phone and internet connectivity amongst consumers allowing them to access various types of social media and online streaming
- Presence of multiple industry representatives such as All Pakistan Newspapers Society, Pakistan Broadcasters Association and Digital Media Association of Pakistan.

- Changing consumption patterns of audiences
- Increasing Cybersecurity issues with rise of digital platforms



- Concentration of revenue in the advertising segment
- Reduction in newspaper subscriptions and average TV viewership

- Growth opportunities in digital platforms.
- Ample room for locally produced content in film and television industries that cater to significant proportion of youth in the country.

## Outlook: Stable

- Pakistan's economy is on the path of recovery after the decline witnessed due to the COVID-19 pandemic. According to MoF, GDP grew by ~5.6% in FY21 and this growth momentum will continue in FY22 as well. This recovery is expected to result in increased disposable incomes, combined with higher advertisement budgets of the private sector, leading to growth in revenue of advertising segment. Moreover, re-opening of cinemas and public gatherings is expected to boost the demand of the advertising segment.
- Industrial activity has picked up in various sectors with the Large Scale Manufacturing Industries output increasing ~15% YoY during FY21, and further by ~7.4% YoY in 6MFY22. This is expected to bolster advertising spending by the fast moving consumer goods industry. Among the sectors with highest growth are textile, automobile and food & beverage industries, which are some of the largest contributors to advertising revenue of the media industry.
- The pandemic-led trend of remote working and learning has increased the consumption of media on digital platforms which is already the fastest growing medium in the overall media industry. Number of internet and social media users is consistently rising in the country. The revenue of digital segment has grown at a CAGR of ~30% in the last five years (FY17-FY21), and this growth rate is expected to continue in the coming years.
- However, this growth in digital segment is majorly a shift from traditional TV and print media, with a negative CAGR of ~5% and ~11% respectively. The number of newspapers and periodicals in the country stands at ~700, down from ~1,800 in 2007, whereas Pakistan's internet penetration rate is consistently rising, and clocked in at ~54% of the total population in FY21. Decreasing circulation and coverage of TV and print mediums will lead to more advertising clients moving towards digital medium.
- The margins of the sector are expected to face challenges due to increased finance costs after the hike in policy rate during FY22 by 250bps and the advertisement budget-cuts in private sector because of consistently rising inflation level in the country. The inflation rate accelerated to ~13% in Jan'22 as compared to ~12% last month (Dec'21) and ~5% in same period last year (Jan'21).
- Overall, declining trend in the Advertising Expenditure reversed in FY21 and this trend is expected to continue, considering revived economic activity and growth in FMCG Sector. The shift from Television and print to Digital Media Advertisement is, however, growing at a fast pace, which may pose a risk to the television channels and intermediary advertising agents.

- Pakistan Bureau of Statistics (PBS)
- Pakistan Stock Exchange (PSX)
- State Bank of Pakistan (PBS)
- Pakistan Electronic Media Regulatory Authority (PEMRA)
- Pakistan Economic Survey (PES)
- PwC Media Outlook Report 2021-2025
- PACRA Database
- Aurora (Dawn)
- Daily Times
- PR Newswire
- The Business Research Company

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