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Pay TV and OTT video in the Middle East and North Africa: trends and forecasts 2019–2024

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About this report

This report provides:

- forecasts for the number of pay-TV households and services, premium OTT video users, their retail revenue (spend) and average spend per user (ASPU)

- forecasts split by pay-TV platform: cable (analogue and digital), IPTV, pay DTT, satellite and operator OTT;[1] operator OTT and third-party OTT are split by category of OTT video service – linear channels, linear events, TVoD (rental), TVoD (ownership) and SVoD

- forecasts for five individual countries and the Middle East and North Africa as a whole.

WHO SHOULD READ THIS REPORT

- **Product and strategy managers** within pay-TV providers and operators who require market sizing for business planning purposes, as well as an overview of the key trends that are affecting the market.
- **Business development managers** within vendors of video solutions who need to assess the size of the opportunity for their products or services.
- **Financial analysts** who need to understand the dynamics and the size of the pay-TV market and its interaction with OTT video services.

DataHub | Our forecasts are refined throughout the year. This report presents the results at the time of publication and will continue to give useful background information about key drivers. However, we recommend that you always use the Analysys Mason DataHub to view the latest data associated with this report.

GEOGRAPHICAL COVERAGE	KEY METRICS
Regions modelled: - Middle East and North Africa (MENA) **Countries modelled individually:** - Egypt **(NEW)** - Oman - Saudi Arabia - Qatar - UAE	- Pay-TV households and connections - OTT video users - Retail revenue (spend) - ASPU **Pay TV is split by the following access technologies:** - cable (analogue and digital, CATV) - IPTV - pay digital terrestrial TV (DTT) - satellite (DTH) - operator OTT[1] - third-party (non-operator) OTT **OTT video is split as follows:** - linear – channels (paid-for and free) - linear – events - TVoD (rental and ownership) - SVoD (paid-for and free)

[1] The full definition of the term 'operator OTT' is articulated in the appendix at the end of this report. In short, this term refers to OTT video services offered by telecoms operators and also by pay-TV providers that have previously provided traditional pay-TV services.

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An introduction to the terms and definitions used in this forecast report

The pay-TV market is in the middle of a reconfiguration. Service categories are changing, and terms such as 'connections' and 'subscribers' (which fit into broadcast TV services reasonably well) do not apply as well to OTT services. This forecast provides multiple category splits that aid different purposes, such as understanding the role of existing pay-TV providers versus new OTT entrants, the scale of on-demand consumption versus live streaming, and whether the mode of purchase is transactional or by subscription. As such, detailed articulation of the terms used and the categorisations made is required in order to provide full clarity. Further detail regarding these assumptions, terms and our methodology can be found at the end of this report.

Key terms and conventions used in this report.

'Traditional' versus 'OTT'. 'Traditional' services refer to TV services that are delivered over a managed network and deliver a known and predictable latency and quality of broadcast content. 'Traditional' access technologies include the sum of services carried over IPTV, cable, satellite and pay DTT.

OTT services. These are TV or video services that are delivered over an unmanaged IP connection, known as 'the open internet'. In this report, we use this term as a contraction of 'premium OTT services', which are services that generate transactional or subscription revenue, and not exclusively advertising revenue. This means that services such as the free YouTube service are not included, but a free trial to Netflix is. Our figures are device-agnostic.

Furthermore, multi-screen services (for example, unmanaged IP services that are sold alongside traditional pay-TV services to diversify the ways in which consumers access the same services) are not included in 'OTT services'. Revenue for such services is attributed to the associated traditional pay-TV service.

Operator OTT. The full definition of this term is articulated in the appendix. In short, this refers to OTT video services offered by telecoms operators and also by pay-TV providers that have previously provided traditional pay-TV services.

Third-party OTT. This refers to services offered by OTT video providers that have not offered traditional pay-TV services in a country in the past. This includes, for example, Amazon, Netflix and Starz Play. It would also include STC's Jawwy TV service if it were to launch in a country where STC does not offer pay-TV services already.

Connections and users. Consumers may subscribe to multiple traditional pay-TV services and use multiple OTT services at once. This makes the process of forecasting the number of users and revenue complex. This forecast allows for multiple traditional pay-TV subscriptions by articulating both the number of pay-TV 'households' and the number of 'connections'. For OTT, this report forecasts 'users' of particular types of services – a single user may use multiple services, and this is reflected in higher spend assumptions for each user.

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Satellite has faired well considering the immense competitive challenges it faces; IPTV will have the strongest growth in connections over the forecast period

Figure 11: Pay-TV connections and ASPU by access technology, MENA, 2016–2024

Source: Analysys Mason
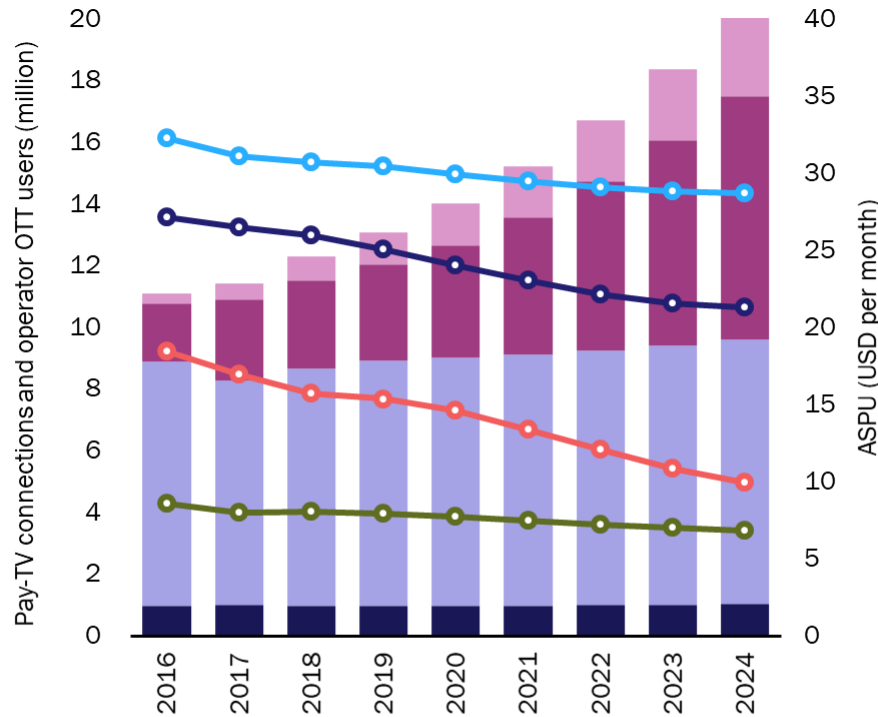
Piracy has had, and will continue to have, a significant negative impact on the ASPU of traditional pay-TV services in the region: it will fall from USD23 per month in 2019 to USD16.8 in 2024.

- IPTV continues to play an important role in this decline. Operators, as new market entrants, charge around half the price of equivalent satellite services for their own IPTV services; this option is often not commercially viable for established satellite players. The ASPU decline for IPTV (−35% between 2019 and 2024 to USD9.9 per month) will lead to a significant increase in the number of subscribers (+153%), meaning that the overall retail revenue will grow by 57% between 2019 and 2024 to USD864 million.

- Satellite businesses have struggled over the last couple of years and will continue to do so. Responding to price competition from IPTV players has been challenging, but piracy has been particularly problematic. Our forecasts do not include beOutQ, the illegal operator based in Saudi Arabia. Satellite players have done well to counterbalance losses as well as they have, given the strong opposing market forces. Declines in the number of satellite subscriptions in Qatar and the UAE will be offset by growth in the rest of the region, particularly in Iran, although ASPU is lower here than elsewhere in MENA.

- Cable is a niche access technology in the region. The largest player is HOT in Israel (owned by Altice).

Qatar: Ooredoo's content partnerships will help it to maintain its dominance

The pay-TV penetration in Qatar is one of the highest in the world, partly because of the success of IPTV in the country. IPTV users in Qatar have high incomes, and many households take more than one service. Growth in the number of subscribers will primarily be due to the growing population, rather than a significant increase in household penetration.

Ooredoo is the largest pay-TV provider in the country. It drives this dominance using appealing IPTV/fixed broadband bundles, and has been securing partnerships to keep its content mix appealing; it offers access to OSN, beIN and Starz Play content.

Operator OTT has limited traction in Qatar. Vodafone has an SVoD service, Pocket TV, and OSN and beIN have linear channels.

PAY-TV MARKET KPIs 2024[1]

SHARE OF CONNECTIONS/USERS BY ACCESS TECHNOLOGY[1]
- Op.OTT
- IPTV
- Other

PAY-TV HOUSEHOLDS AND OPERATOR OTT USERS AS A PERCENTAGE OF HOUSEHOLDS
- Op.OTT
- Trad.
- **109%**

AVERAGE SPEND PER TRADITIONAL SUBSCRIPTION
- **USD32.8**
- PER MONTH

Figure 19: Pay-TV connections and OTT video users by access technology, Qatar, 2016–2024

Source: Analysys Mason

PAY-TV MARKET SHARE OF SUBSCRIBERS, 2Q 2019[1]

- Ooredoo — 40%
- beIN SPORTS — 30%
- OSN — 19%
- Vodafone — 0%
- other operators — 10%

Source: Analysys Mason
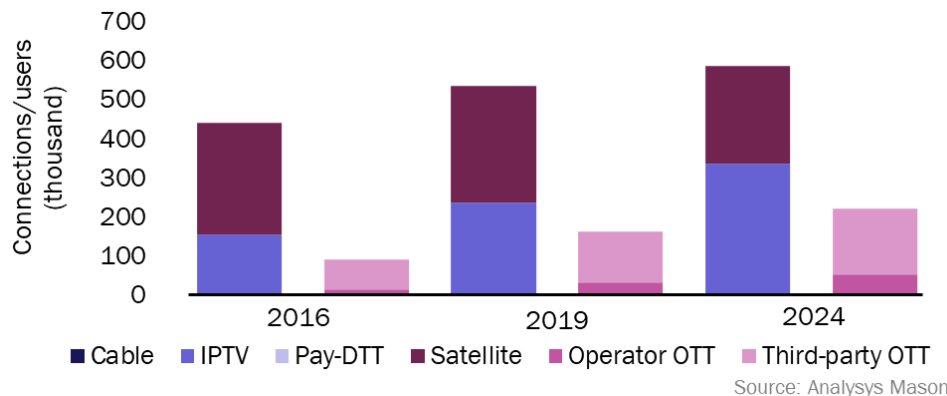
[1] Includes subscribers to traditional pay-TV services and users of operator OTT services, but excludes third-party OTT.
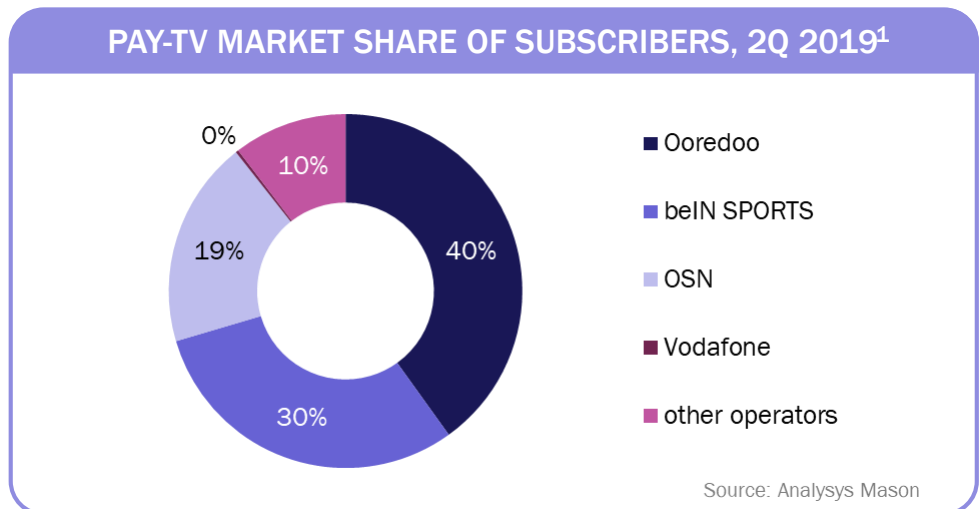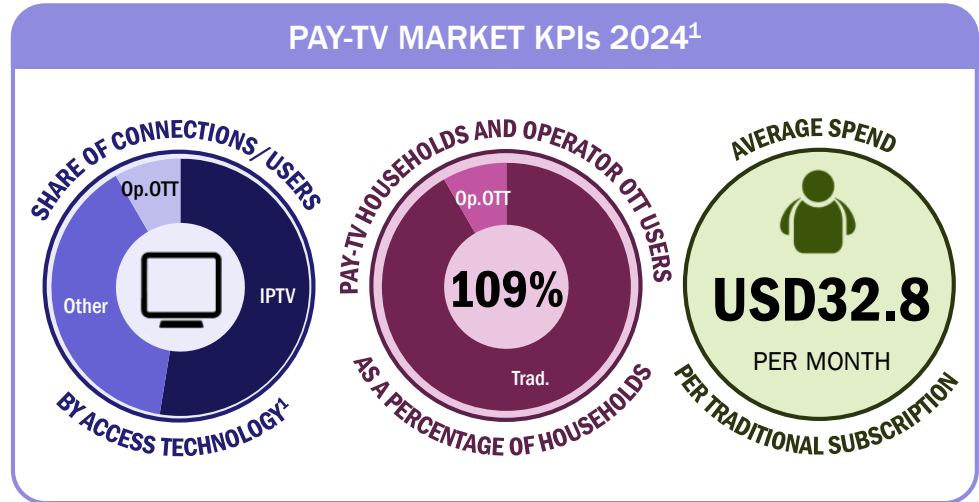
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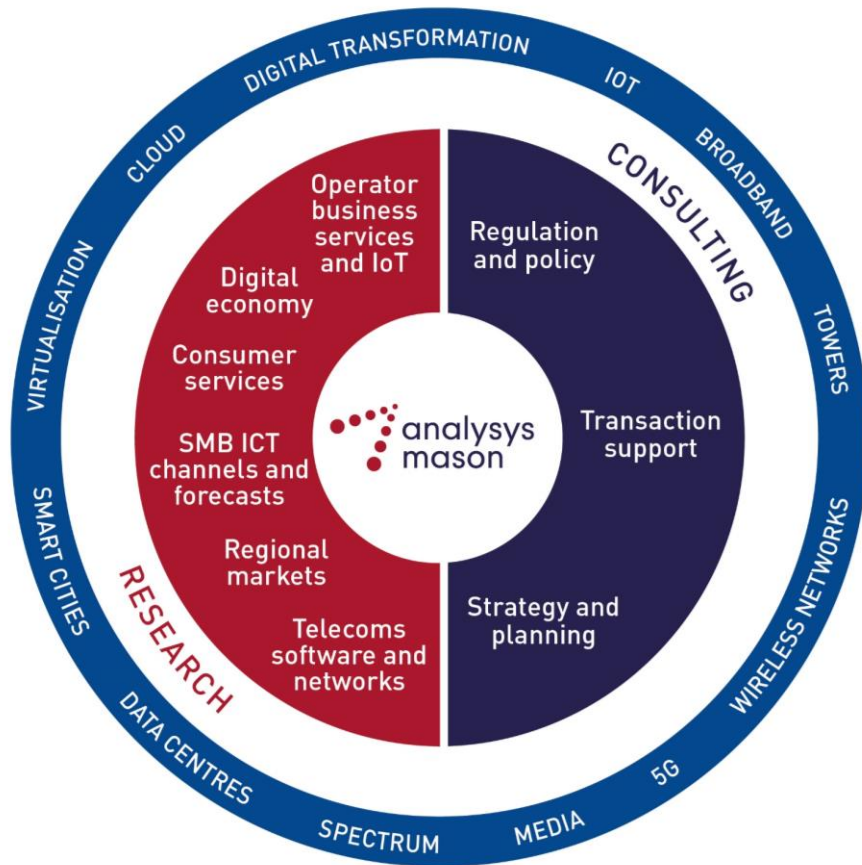
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