SECTOR STUDY . FEBRUARY 2025

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Media

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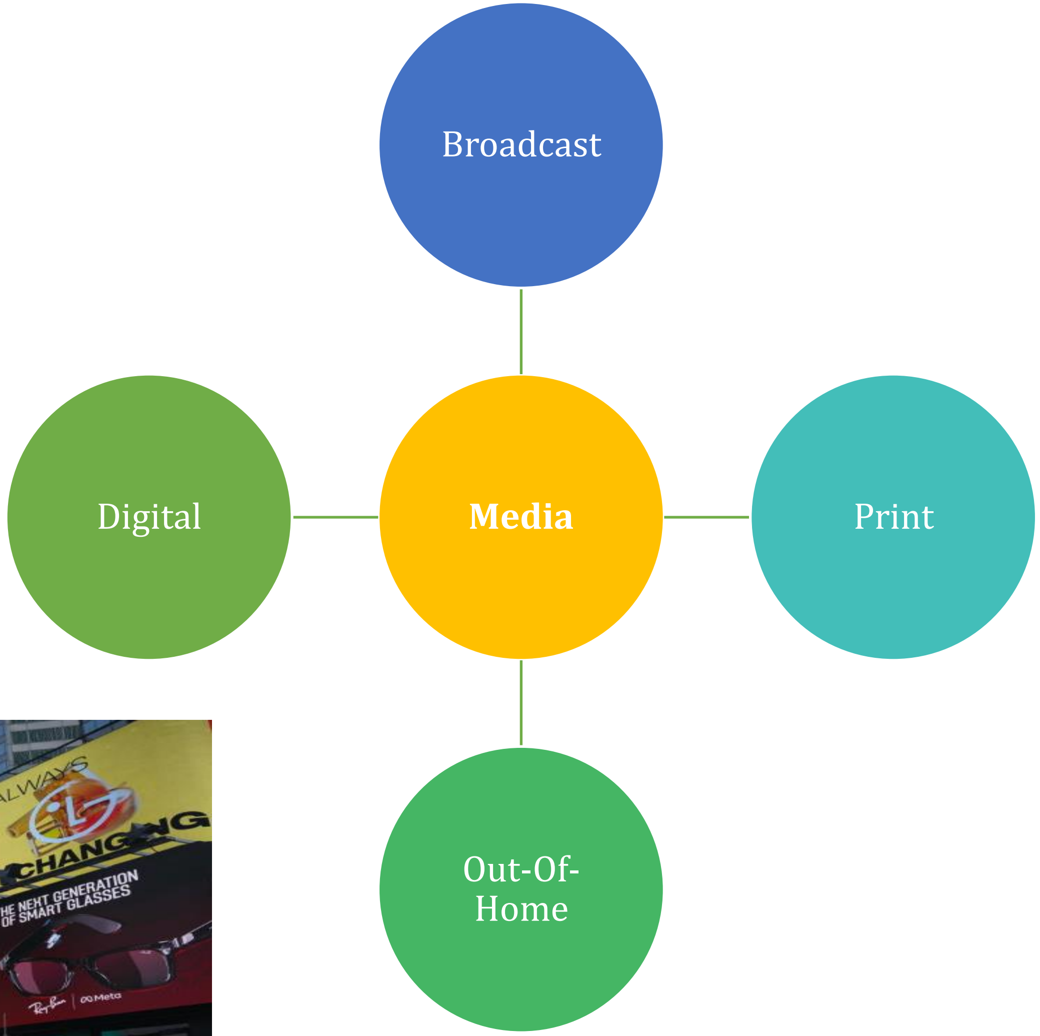
Introduction

- The Sector includes 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 broad categories of media are illustrated in the radial diagram. 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.



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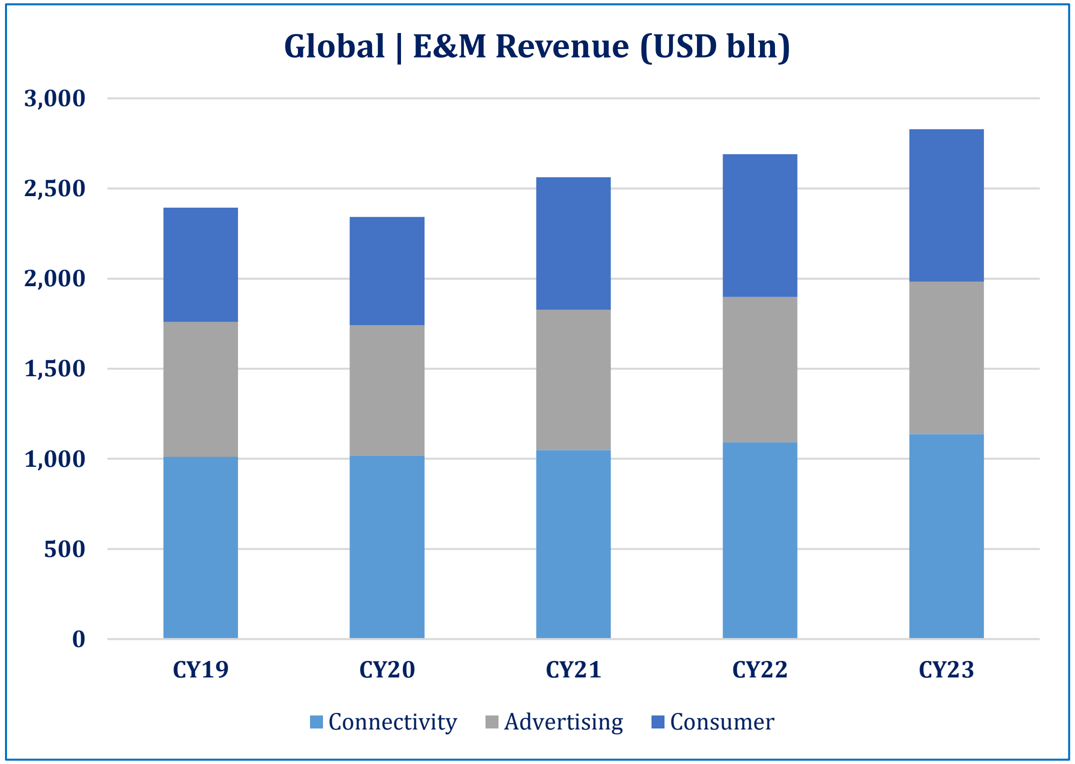
Global | Overview

- In CY23, global revenue of the Entertainment and Media (E&M) industry was up ~5.1% YoY and recorded at USD~2.8trn (SPLY: ~5.0% growth).
- Global advertising revenue is forecast to grow at a CAGR of ~3.9% between CY23-28 to USD~3.4trn. Internet advertising is expected to grow much as advertisers across the globe transition to meet their target audience on digital platforms.
- In CY23, the connectivity category, what people pay for fixed and mobile services, recorded at USD~1.1trn, formed ~39.3% of the global advertising spend. It is expected to stay the largest contributor by CY28 as people will remain willing to spend more to ensure they have access to all that the industry has to offer.
- Advertising, meanwhile, surpassed consumer spending in CY23, and is projected to grow at a ~6.7% CAGR through CY28. Projected to form ~55.0% of total E&M growth by CY28, the Advertising category is poised to become a more important model of businesses across the world.



- Internet advertising grew by ~10.0% YoY in CY23, despite increasing regulation and limited ad budgets, to reach USD~574.0bln. By End-CY28, this is expected to climb at a CAGR of ~9.5% to reach USD~903.0bln, forming ~77.1% of overall global advertising spend.
- The top three global players, Alphabet, Meta, and Amazon registered advertising revenue growth to USD~267.0bln, USD~161.0bln, and USD~56.0bln, or ~11.2%, ~21.7%, and 19.8% YoY, respectively in CY24. As generative AI becomes wildly used, it is expected to inspire change across the industry, and off-take manual and tedious processes for fast machine models in line with rapid evolution of the industry's landscape.

Source: PwC

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Local | Overview

- Pakistan's media sector, particularly television and radio, was opened up to the private players in 2002.
- As of 9MFY24, the Pakistan Electronic Media Regulatory Authority (PEMRA) had issued a total of ~239 licenses for FM Radio, ~3,775 Cable TV licenses and ~140 Satellite TV Licenses.
- A total of USD~4.0-5.0bln are estimated to have been invested in the country's electronic media sector throughout the course of the years.
- In FY24, the size of media sector, in terms of advertisement revenue, stood at PKR~114.6bln, up ~14.4% YoY (SPLY: PKR~100.2bln). Meanwhile, the number of registered Television set holders in the country was ~25.2mln as of End-Mar'24 (SPLY: ~24.3mln).
- Average daily Television viewership per person recorded at ~173.0 minutes/person in FY24 (SPLY: ~172.0 minutes/person) Entertainment content held the highest market share at ~43.8%. The News and Sports content led behind at ~24.5% and ~12.0% viewership share, respectively, during the said time period. In SPLY, Entertainment had the highest market share (41.0%), followed by News (26.0%).

Snapshot	Unit	FY23	FY24
Advertising Revenue	**PKR bln**	100.2	114.6
YoY Growth	**%**	12.9%	14.4%
Authority	Pakistan Electronic Media Regulatory Authority (**PEMRA**)		
Total Licenses issued by PEMRA till date			
Satellite TV	**No.**	134	140
Cable TV	**No.**	3,376	3,775
FM Radio	**No.**	238	239
Others	**No.**	70	70
No. of Television set holders	**mln**	24.3	25.2
PEMRA Contribution to National Exchequer	**PKR '000'**	1,963	2,750*

**9MFY24 Contribution to National Exchequer in the form of Federal Consolidated Fund. PEMRA's main source of income comprises collection of advance tax from the licensees at the time of issuance of licenses and their renewal and fee or penalty collections.*

Source: PES, PTA, PEMRA, PACRA Database

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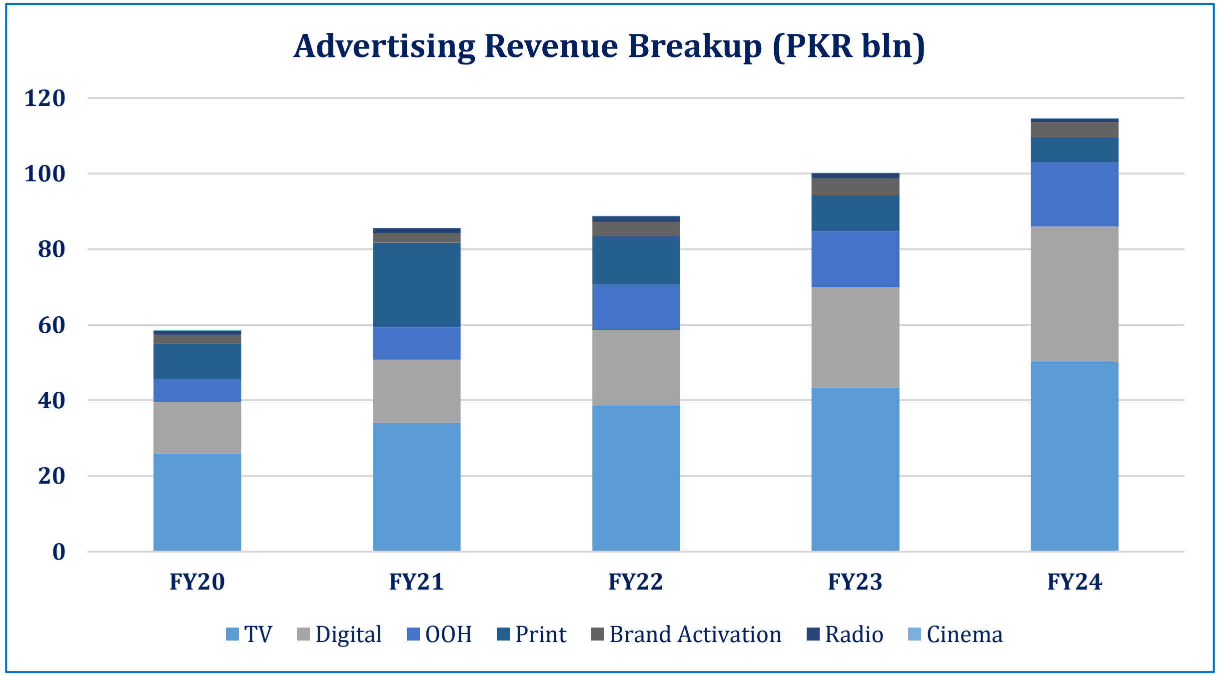
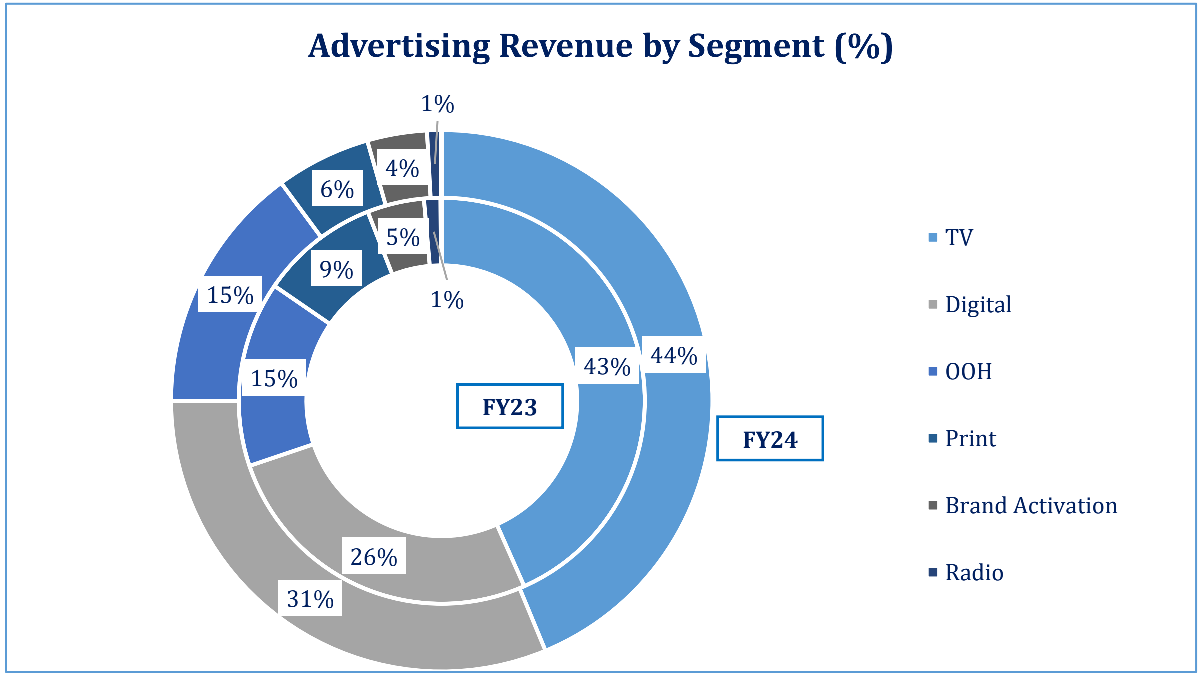
Local | Advertising Revenue

- Advertising revenue is the largest revenue stream for the Sector. During FY24, the sector's total advertising revenue increased by ~14.4% YoY from PKR~100.2bln in FY23 to PKR~114.6bln in FY24.
- In FY24, Television (TV) remained the largest segment, recording ad revenue at PKR~50.1bln, forming ~43.7% of the total advertising spend (SPLY: PKR~43.1bln; ~43.3%). Meanwhile, digital was recorded at the second spot with PKR~35.8bln (~31.2%) in revenue (SPLY: PKR~26.5bln; ~26.5% share). These segments grew at double-digit CAGR during FY20-24 at ~14.0% and ~21.3%, respectively.
- During FY24, Out-of-Home (OOH), Print, Brand Activation, Radio and Cinema together made up ~25.1% of the advertising revenue. Their respective shares stood at ~14.9%, ~5.7%, ~3.6%, ~0.8%, and ~0.1%. During the same period, TV, Digital and OOH recorded ~15.5%, ~35.0% and ~15.5% YoY, respectively.





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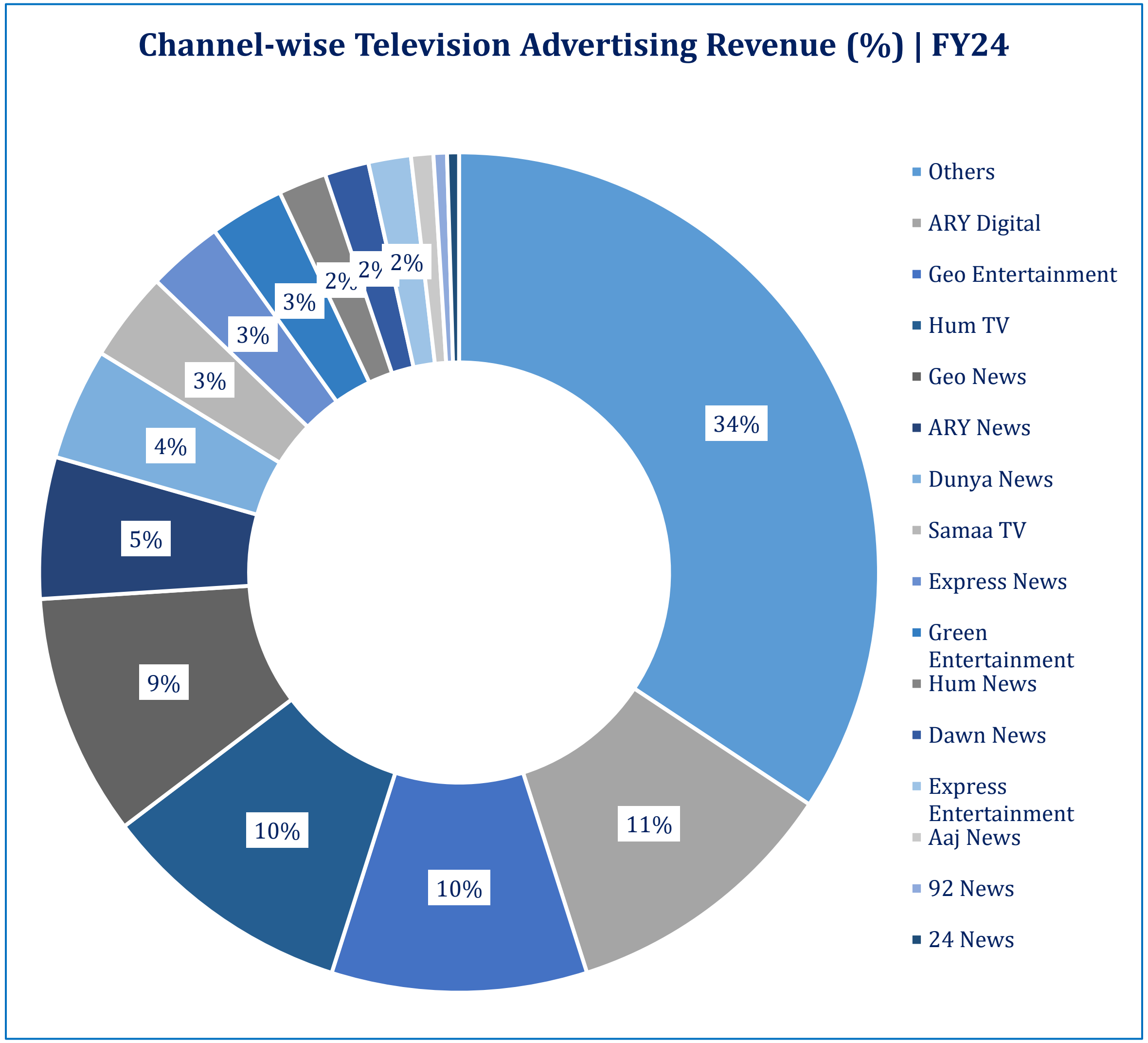
Advertising Revenue | Television Channels

- Compared with FY23, the rankings of the top eight channels remained unchanged in FY24. Notably, Green Entertainment debuts in the Top Ten at the ninth spot. Additionally, while Dawn News and Hum News were ranked ninth and tenth, respectively, in FY23, these stood at eleventh and tenth, respectively, in FY24.

- Of the total PKR~50.1bln in Television advertisement revenue, the top fifteen TV channels, depicted in the chart, made up two-thirds of the total revenue.

- In FY24, ARY Digital, Geo Entertainment, HUM TV, Geo News, and ARY News advertising revenues were recorded at PKR~5.4bln, PKR~4.9bln, PKR~4.9bln, and PKR~4.7bln, increasing by ~10.2%, ~9.6%, ~16.7%, and ~13.9% YoY, respectively.

- ARY News, however, registered a decline of ~5.9% YoY to PKR~2.7bln in advertisement revenue during the year. Moreover, Pakistan Television Corporation Limited (PTV) remains the only public sector broadcasting channel which telecast national and international programs in metro cities as well as economically backward areas of the country.



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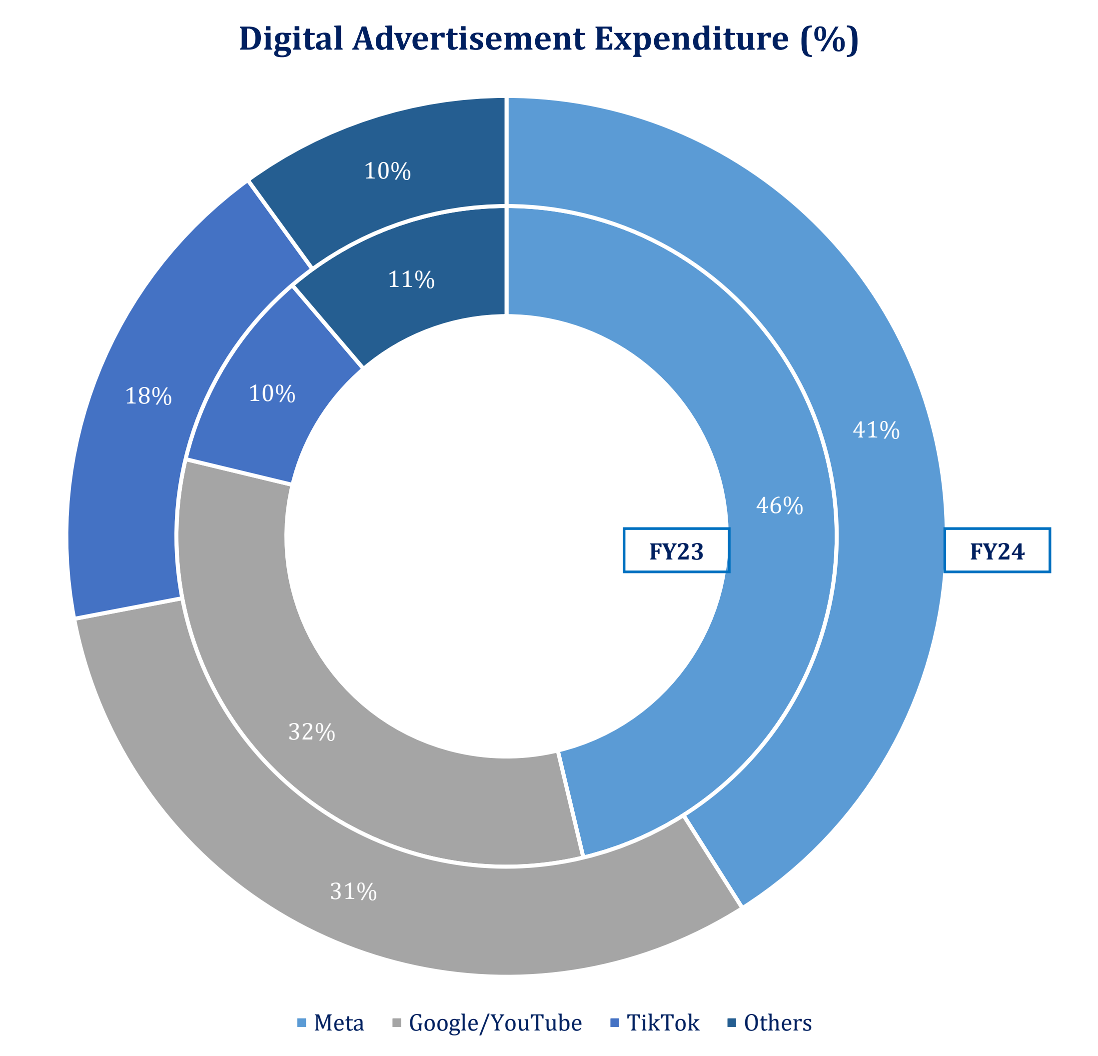
Advertising Revenue | Digital Media

- Digital media has continued to grow exponentially in the recent five years (FY19-23) at CAGR of ~21.3%.
- As of FY24, ~3G/4G subscribers in the country stood at ~192.5mln compared against FY23 figure of ~190.9mln implying, thereby, that ~80.2% of the country's population was covered by 3G/4G mobile services during the year.
- The share of data revenue in telecommunication sector's revenue during the year stood at ~65.0%, underscoring the growing importance of broadband and digital services in driving profitability across sector players.
- In Pakistan, there were ~71.7mln YouTube users as of Jan'24, accounting for ~30.0% of the population. Facebook, TikTok, and Instagram, meanwhile, recorded total number of users at ~60.4mln, ~54.4mln, and ~17.3mln, respectively. The total number of social media users recorded at ~203.8mln* during the same period.
- In terms of revenue earned from advertisements, Meta formed the major chunk at ~41.0%, with Google/ YouTube trailing at ~31.0% share, and TikTok forming just ~18.0% share in FY24.



Note: *Population for FY24 taken as ~245.0mln. Data depicted is latest available. *The figure does not necessarily reflect distinct users across various social media sites.*

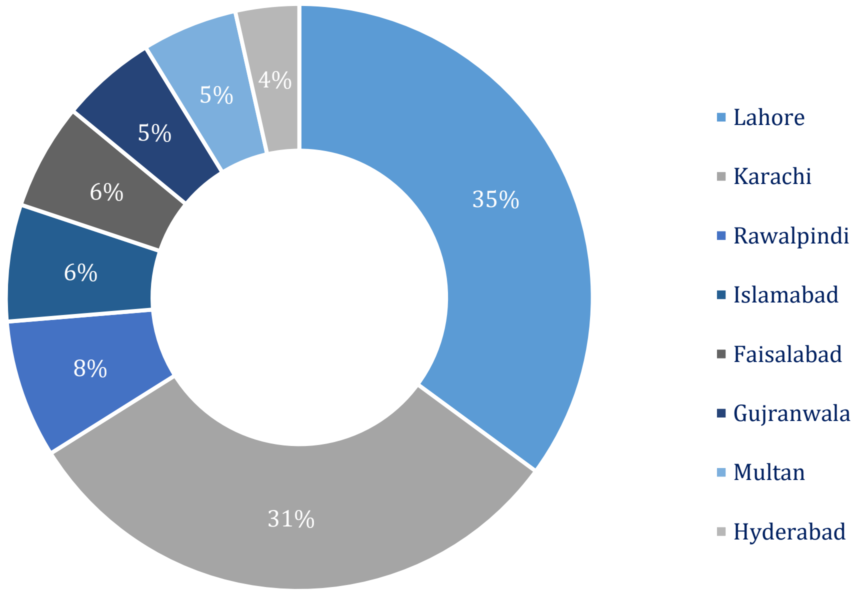
Source: Aurora, PTA

Media

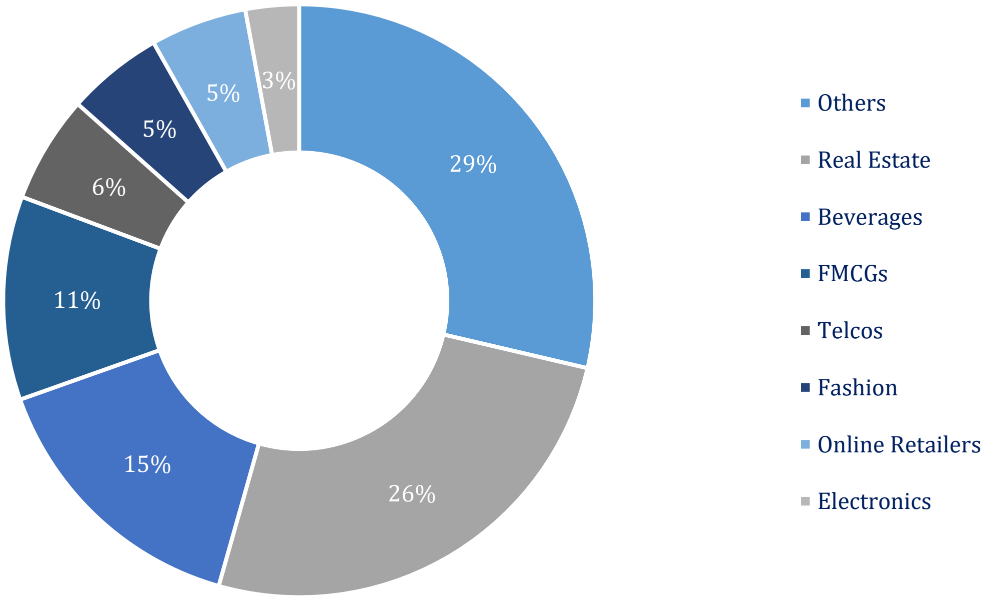
Advertising Revenue | Out-Of-Home

- In FY24, total Out-Of-Home revenue increased by ~15.5% YoY, rising from PKR~14.8bln to PKR~17.1bln.
- City-wise market shares for Lahore, Karachi, Rawalpindi, Islamabad, and Faisalabad stood at ~35.1%, ~31.0%, ~7.6%, ~6.4%, and ~5.8%, respectively, during the year. The individual OOH revenues stood at PKR~6.0bln, PKR~5.3bln, PKR~1.3bln, PKR~1.1bln, and PKR~1.0bln, respectively, for the said top five cities.
- With respect to sectors contributing to OOH revenues during the year, Real Estate formed ~25.7%, while Beverages and FMCGs accounted for ~15.2% and ~11.1%. With respect to the elements used in OOH advertising, revenue from Billboards and Building Wraps amounted to PKR~7.3bln and PKR~5.1bln, respectively, while these cumulatively formed ~73.0% of the total OOH advertising revenue in FY24.

City-wise OOH Revenue (%) | FY24



Product-wise OOH Revenue (%) | FY24



Source: Aurora

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Business Risk | Television

- **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.
- **Growing Share of Digital Media:** Despite there bring a shift towards digital media, risk factors pertaining to this segment includes internet availability, target audience selection, shorter advertisement durations and frequent emergence of new social media applications.
- **Censorship:** The segment 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.

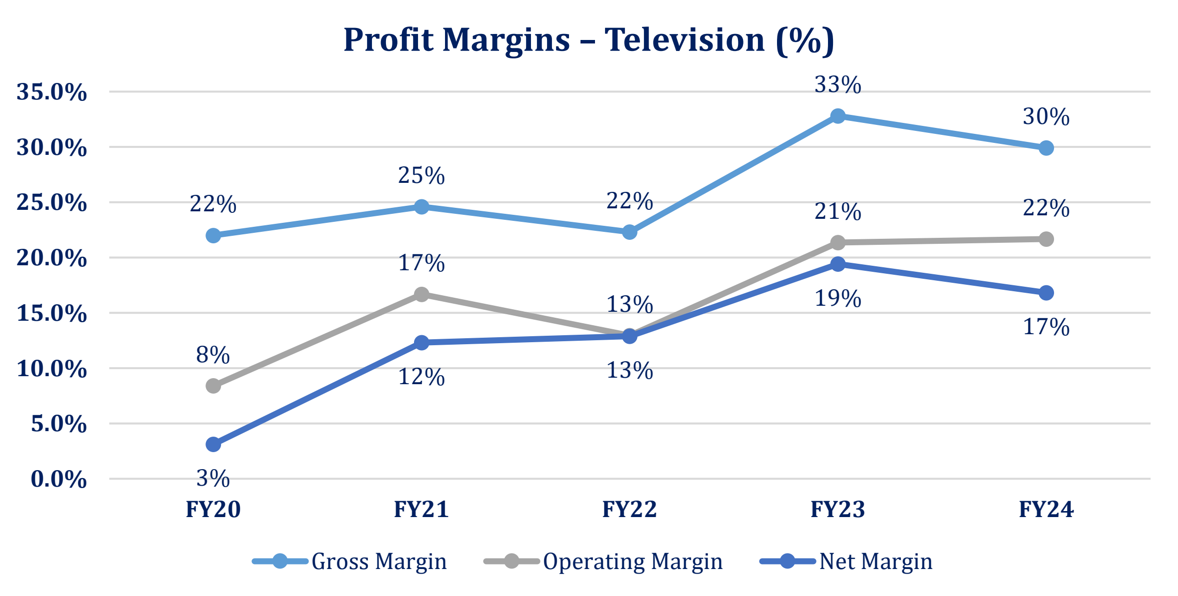
Media

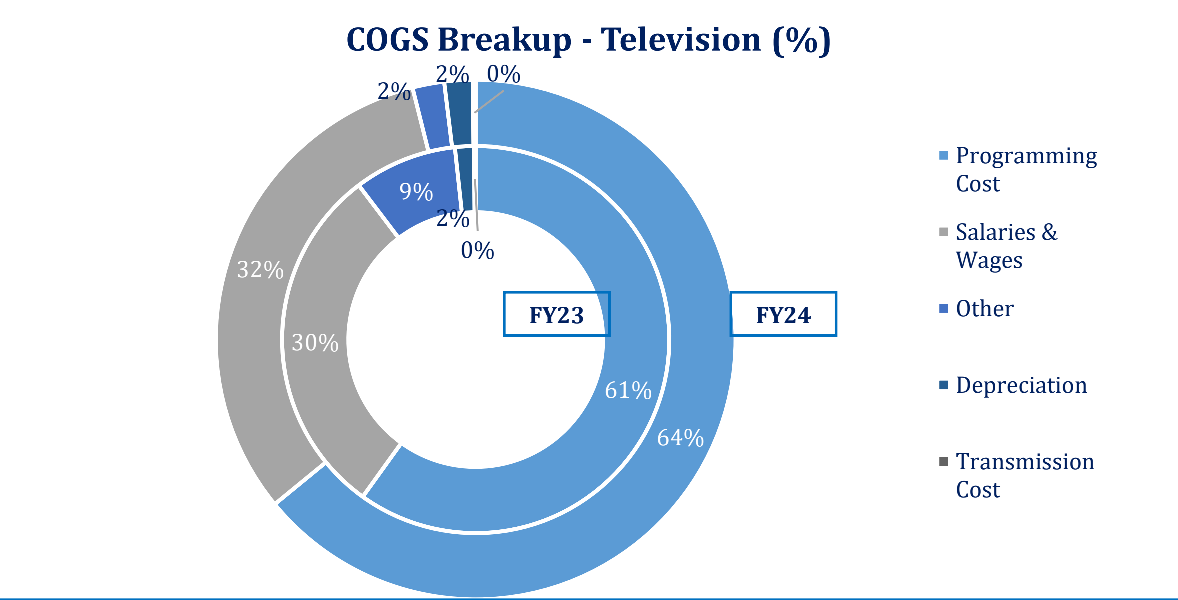
Business Risk | Media Buying

- **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.

Margins & Cost Structure | Television

- The segment exhibited average gross margins of ~26.8% during FY19-22 while these increased to ~46.3% in FY23 on the back of effective cost control and better sales (where COGS increased ~13.0% YoY in FY23, revenue was up ~13.4% YoY). The segment's revenue comprises advertising, subscription income and production as well as digital revenues. 1QFY25 revenue for television has grown by ~8.2% YoY and are expected to improve further on the back of sustained viewership.
- Average net margins, on the other hand, clocked in at ~16.8% (SPLY: ~19.4%) likely on the back of high finance costs which registered ~69.5% YoY uptick in FY24 (during the year, interest rates remained at ~22.0%). Moreover, the segment's overall borrowing also recorded a ~9.7% YoY increase in FY24.
- The largest component within direct costs comprises the programming costs, including both in-house and outsourced program costs, which amounted to ~64.1% of total direct costs in FY24 (SPLY: ~61.2%). In addition, the salaries and wages expenses also constituted a significant ~32.0% of total direct costs for the segment (SPLY: ~30.4%).





Note: Margins and cost breakup figures are representative of 2 segment player.

Source: PACRA Database

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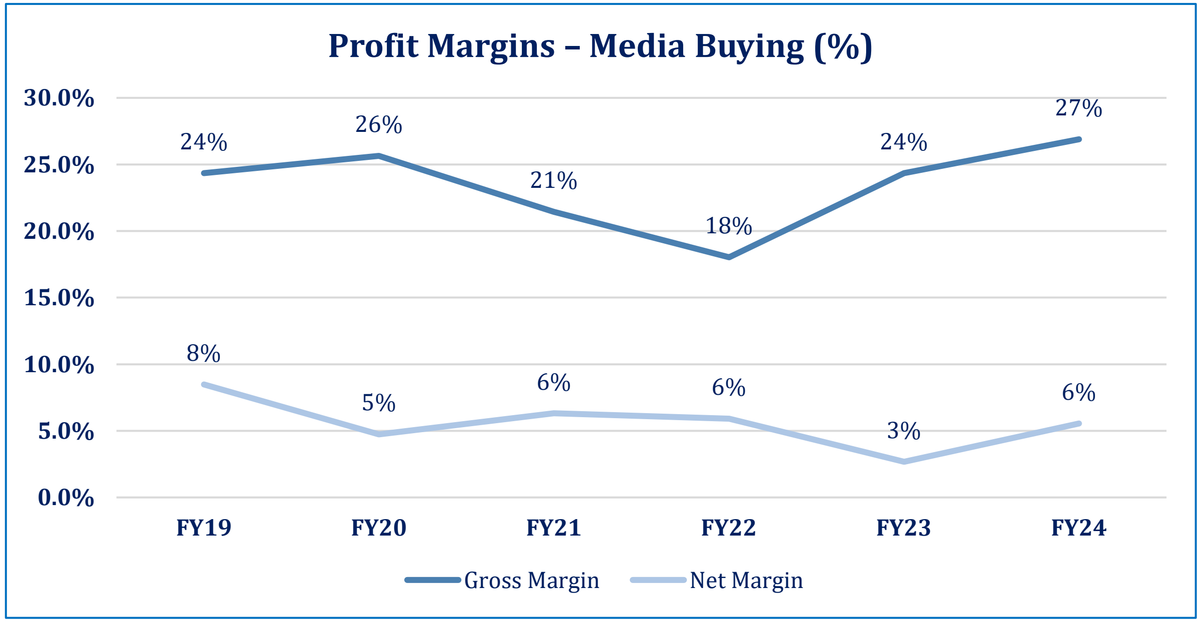
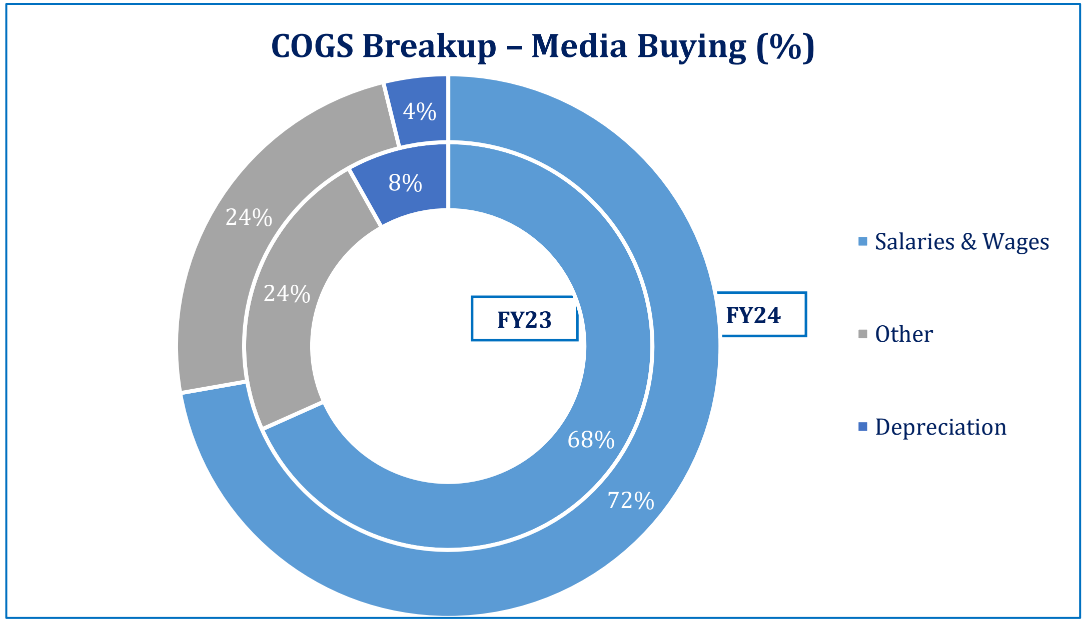
Margins & Cost Structure | Media Buying

- The gross profit 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. Based on the media buying segment's business model, the segment's gross and operating margins are largely similar. The media buying agencies operate on early payments and bulk discounts which they receive from TV channels, in addition to charging service fees.
- The segment's gross/ operating margins increased from ~24.3% in FY23 to ~26.9% in FY24, on the back of ~28.0 YoY increase in revenue during the year. Net margins also grew marginally from ~2.7% to ~5.5% despite higher finance costs during the year, owing largely to an increase in other incomes.
- The largest component within operational costs for the segment comprises salaries and wages which amounted to ~72.0% of total costs in FY24 (SPLY: ~68.0%).





Note: *Margins and cost breakup figures are representative of 1 segment player.*

Source: PACRA Database

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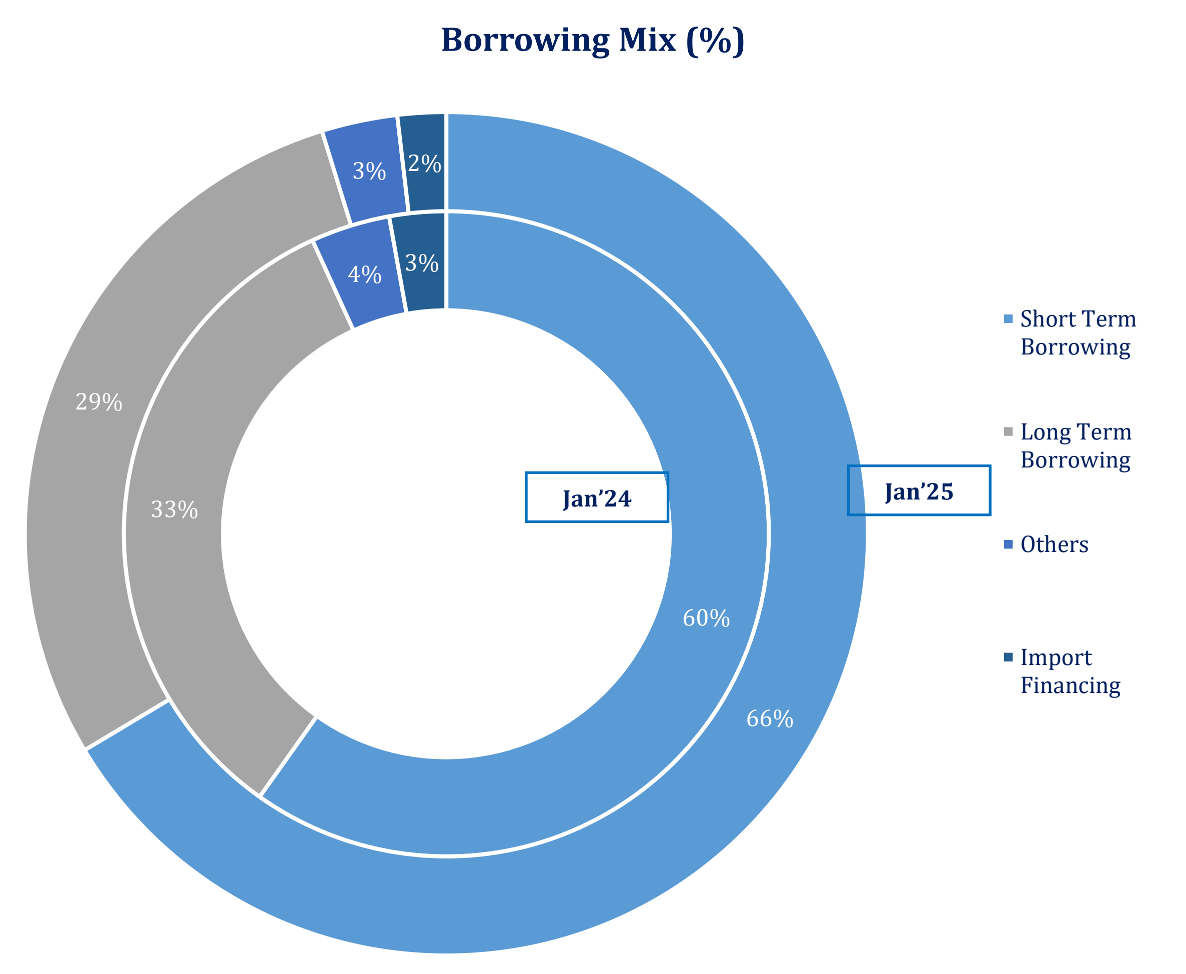
Financial Risk | Borrowings

- The total borrowing of the sector stood at PKR~28.2bln at End-Jan'25, depicting an increase of ~9.7% YoY.
- The largest component of the borrowing mix during the period under review was the short-term borrowings which stood at PKR~18.7bln and comprised ~66.4% of the total borrowings (SPLY: PKR~15.4bln).
- Meanwhile, long-term borrowings stood at PKR~8.1bln and comprised ~28.8% of total borrowing (SPLY: PKR~8.5bln).
- Average leveraging for the TV segment was recorded at ~0.3% (on account of ~66.7% YoY decline in borrowings) while that for media buying clocked in at ~51.5% in FY24.



Note: SBP Classifications: "Printing and Reproduction of Recorded Media", "Motion picture, Video and Television Program Production, Sound Recording and Music Publishing Activities, Programming and Broadcasting Activities'. Leverage figures are representative of respective segment players.

Source: SBP, PACRA Database

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Regulatory Framework

- Pakistan's media sector 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:
  - To improve the standards of information, education and entertainment
  - To improve access of the people to mass media at the local and community level
  - To enlarge the choice available to the people in media for news, current affairs, art, culture, sports and other areas of interest.
  - 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.
- As per the PEMRA 2023 Amendment Bill, a substitution of section 29 has been suggested with it being able to impose fine up to PKR~1.0mln on a licensee who contravenes any of the provisions of the Ordinance or the rules or regulations or the code of conduct or the terms and conditions of the license, provided that in case of severe violations, the authority may impose a fine up to ten million rupees on the licensee.
- The sector is represented by a number of organizations which includes All Pakistan Newspapers Society, Pakistan Broadcasters Association and Digital Media Association of Pakistan.

Source: PEMRA

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Duty Structure

- By imposing the following taxes, the government aims to strike a balance between fostering creative diversity and prioritizing local talent and productions within the national entertainment landscape.

Description	Advance Tax		Sales Tax	
	FY24	FY25	FY24	FY25
Foreign produced TV drama serial or play	PKR 1mln/episode	PKR 1mln/episode	-	
Foreign produced TV play (single episode)	PKR 3mln	PKR 3mln	-	-
Advertisement starring foreign actor	PKR 0.5mln/second	PKR 0.1mln/second	-	-
Provision of advertising services, excluding print and electronic media, to non-residents	0%		-	-
Person providing advertisement services	0%		18%	18%

***Note**: Data sourced from Jun'24 Amendments in ITO 2001 and STA 1990.*

Source: FBR

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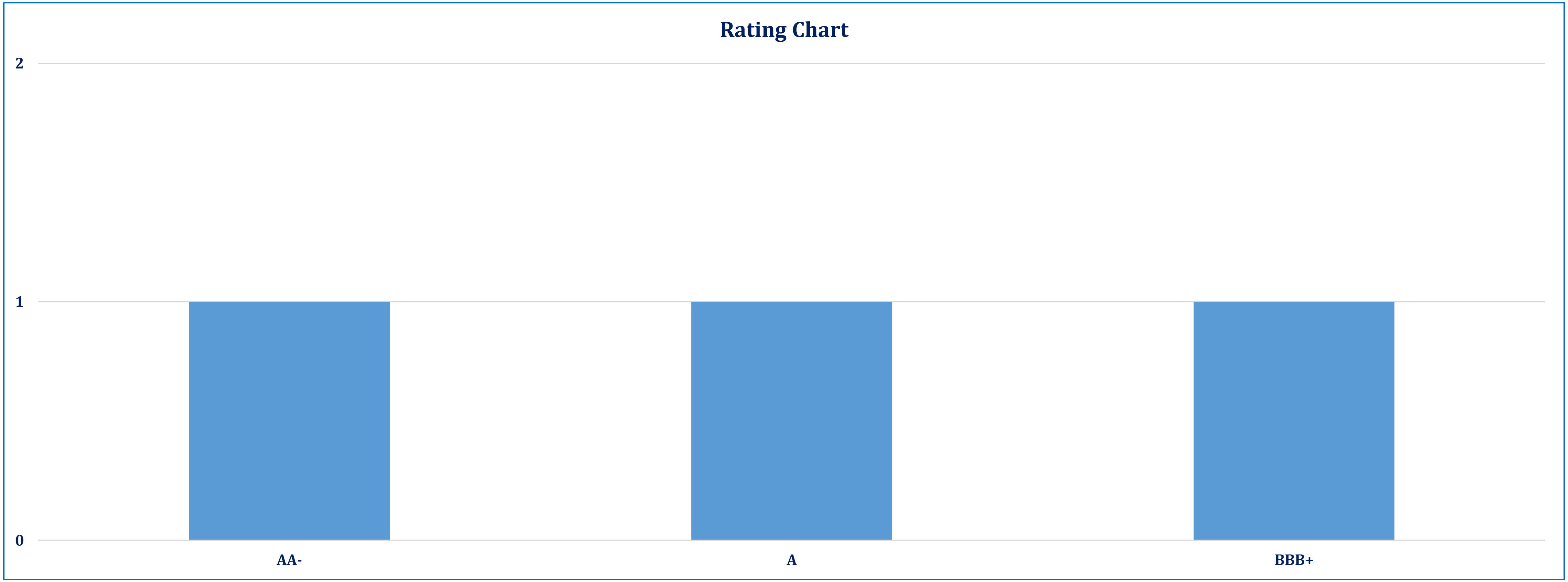
Rating Chart

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



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SWOT Analysis

Strengths

- Increasing mobile phone, internet connectivity, and social media usage amongst consumers.
- Presence of multiple industry representatives such as All Pakistan Newspapers Society, Pakistan Broadcasters Association and Digital Media Association of Pakistan.

Weaknesses

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

Threats

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

Opportunities

- 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.

Media

Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.5% in FY24 (FY23: ~-0.2%), and a growth of ~0.9% YoY in 1QFY25 (1QFY24: ~2.3%). The MPR for most part of FY24 stood at ~22.0% before easing in consecutive rounds to ~12.0% as at End-Jan'25. As of 9MFY24, there are over ~140 Pakistani satellite TV stations and ~35 channels with landing rights permission to broadcast in the country. During the same period, ~6 satellite TV and ~39 additional cable TV licenses were issued.
- In FY24, the size of media sector, in terms of advertisement revenue, stood at PKR~114.6bln, up ~14.4% YoY (SPLY: PKR~100.2bln). Meanwhile, the number of registered Television set holders in the country was ~25.2mln as of End-Mar'24 (SPLY: ~24.3mln). In FY24, Television (TV) remained the largest segment, recording ad revenue at PKR~50.1bln, forming ~43.7% of the total advertising spend (SPLY: PKR~43.1bln; ~43.3%). Meanwhile, the digital segment was recorded at the second spot with PKR~35.8bln (~31.2%) in revenue (SPLY: PKR~26.5bln; ~26.5% share).
- The sector broadly comprises two segments, TV and Media Buying. For the TV segment, all profit margins traced a downward trend in FY24 owing to lower revenues and higher finance costs. Going forward, interest rates are expected to remain on the lower end, supporting the segment's average net margins, however, with the growing presence of social media and streaming platforms, advertising revenues through this conventional platform is likely to exhibit rangebound growth. For the Media buying segment, all profit margins exhibited improvement in FY24. The media buying agencies operate on early payments and bulk discounts which they receive from TV channels, in addition to charging service fees.
- The total borrowing of the sector stood at PKR~28.2bln at the end of Jan'25, depicting an increase of ~9.7% YoY. Average leveraging for the TV segment recorded at ~3.8% while that for media buying stood at ~51.5% in FY24. Going forward, the shift from television and print to digital media advertisement is growing at a fast pace, which may pose a risk to the television channels and intermediary advertising agents. As of Jan'24, there were ~71.7mln YouTube users, accounting for ~30.0% of the population. Facebook, TikTok, and Instagram, meanwhile, recorded total number of users at ~60.4mln, ~54.4mln, and ~17.3mln, respectively. Despite the growing share of digital segment among the masses, it is not without challenges. These might include viewer privacy, regulatory framework and/ or censorship. The evolving dynamics, therefore, across sector players, reflected in their overall performance, remains to be seen.

Media

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