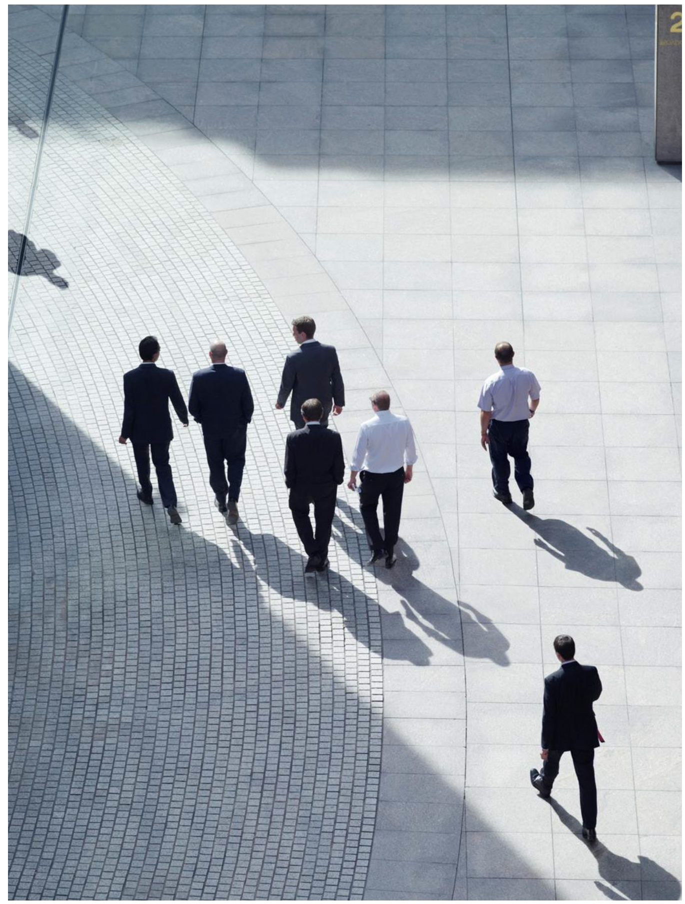
Malaysia entertainment and media outlook 2015 -2019



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Foreword

Welcome to the Malaysian entertainment and media (E&M) outlook 2015. This booklet summarises our insights into the key trends and developments across the sector, specific to Malaysia.

This publication highlights snapshot of Malaysia's E&M market. It is an extract from the 16th annual Global Entertainment and Media Outlook 2015-2019. The Outlook is a comprehensive online source for global analysis covering both consumer and advertising spend data, with forecasts and industry trends observations.

In many ways Malaysia can be held up as a progressive market from an E&M perspective. Overall the market is growing at a healthy 6.1% CAGR through to 2019, driven primarily by a continuing surge in Internet access, both fixed and wireless. Despite this increase in 'access', we haven't yet seen a commensurate increase in the shift to Digital, from a consumer or advertising spend perspective. One we are seeing elsewhere globally.

We think this represents the significant opportunity in the short-term; we believe that tapping into this nascent and emerging Digital market will require increased personalisation, continuous innovation, smart use of insights that your data will provide and establishing credible distribution channels.

We hope you find this publication useful and look forward to sharing our insights further with you.

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Outlook Snapshot

Consumer/end-user & advertising spending

13 segments

54 countries

5 year historic & 5 year forecast data

- Internet access
- Internet advertising
- TV subscriptions and licence fees
- Television advertising
- Filmed entertainment
- Video games
- Music

- Magazine publishing
- Newspaper publishing
- Radio
- Out-of-home advertising
- Book publishing
- Business-to-business

Source: PwC Global Entertainment and Media Outlook: 2015-2019
www.pwc.com/outlook

About PwC's 16th annual Global entertainment and media outlook

The Outlook is a comprehensive online source for global analysis of consumer and advertising spend data, with like-for-like, five-year historical and forecast data up to 2019, across 13 E&M segments in 54 countries, including Malaysia.

The Outlook is a leading reference for thousands of executives, not just from the E&M sectors. Many from the technology, communications, retail and financial services sectors, and some of the largest advertisers in the world, have also subscribed to the Outlook.

To get insights into our forecasts and industry trends, take a tour of the Outlook's extensive online functionality at www.pwc.com/outlook, and find out which subscription option suits you best.

Content guide

Foreword

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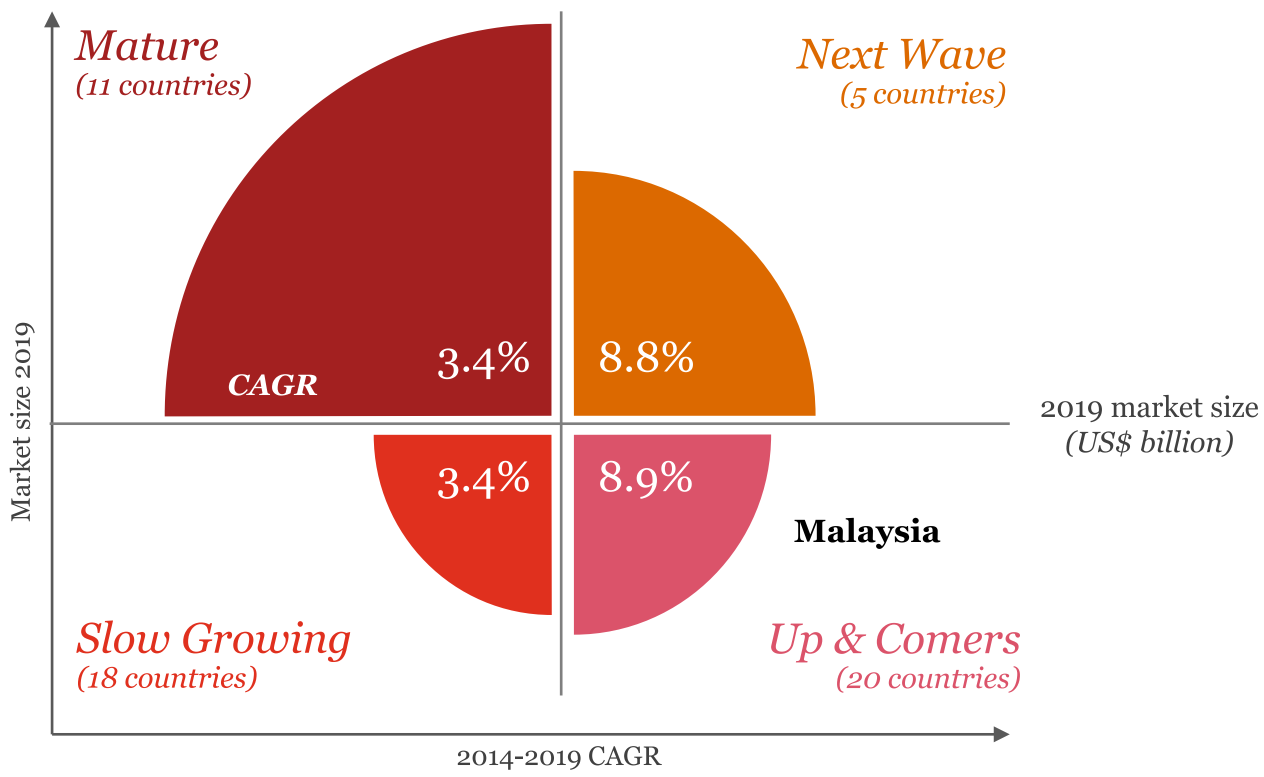
1. Market forecast

Malaysia's E&M market growth above global average

Malaysia's entertainment and media (E&M) industry is expected to experience at above average global growth rate over the next five years. It is projected to grow at a compound annual growth rate (CAGR) of 6.1% over 2014 to 2019, compared to a CAGR of 5.1% globally.

If we look at the global E&M market growth size matrix below, Malaysia's E&M market is located between the "slow growth" and the fast "up & comers" group due to the presence of both mature and emerging segments.

Figure 1: Global E&M markets based on growth and market size



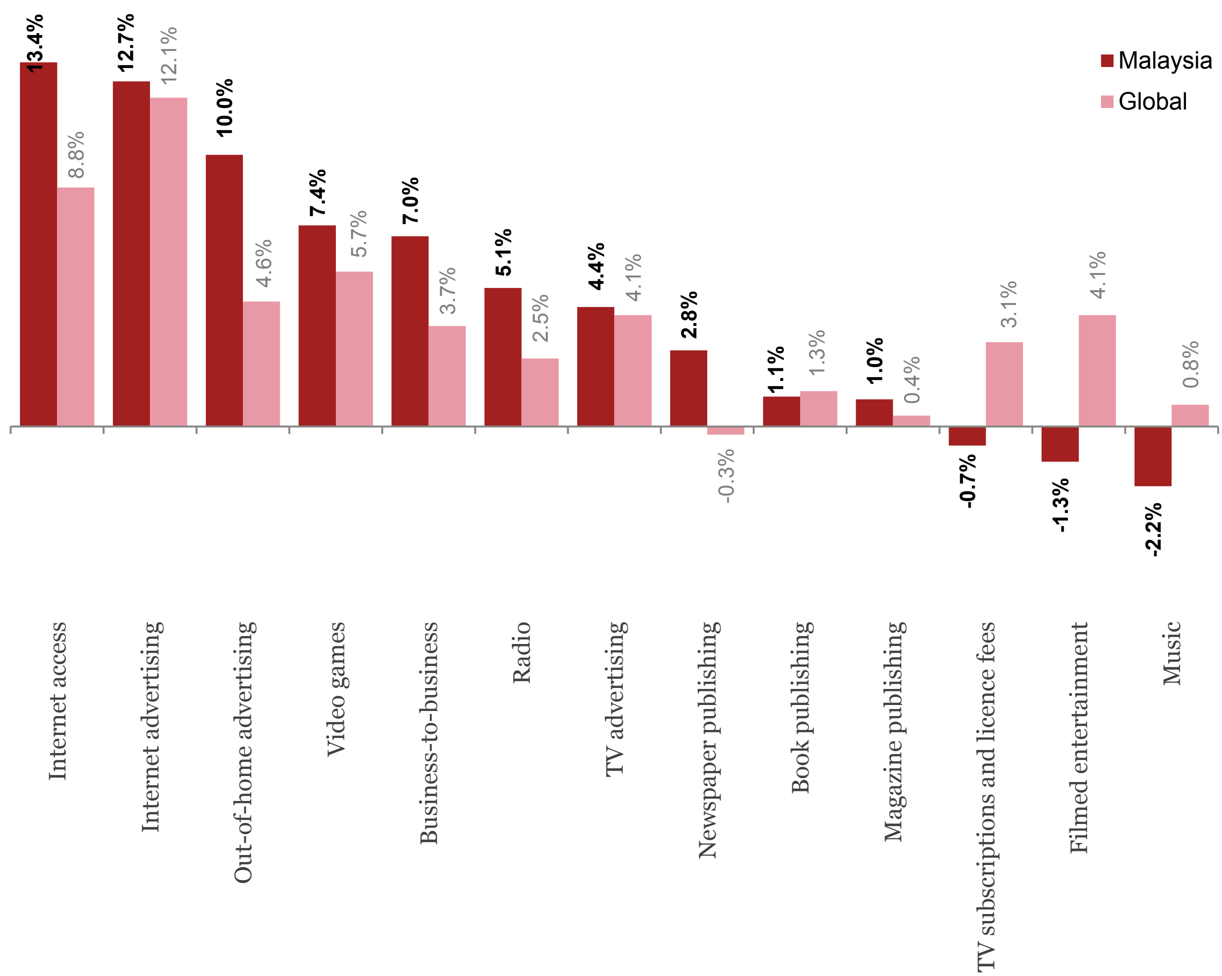
Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

Malaysia's E&M segment growth

Among the rising E&M segments in Malaysia is Internet access, growing at a rapid rate, with a CAGR of 13.4% over the 2014-2019 period.

However, established segments such as advertising revenue and consumer spending are expected to grow at a more mature pace, with a CAGR of between 4.0% and 2.3% over the 2014-2019 period.

Figure 2: Malaysia's E&M segment growth (CAGR 2014-2019)



Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

2. Internet access

Internet driving entertainment and media growth

Fixed broadband take-up in Malaysia has been boosted by completion of the MYR11.3billion (US$3.5billion) High Speed Broadband (HSBB) network: a fibre-to-the-home/building (FTTH/B), open-access network, built as a joint venture between Telekom Malaysia and the national government.

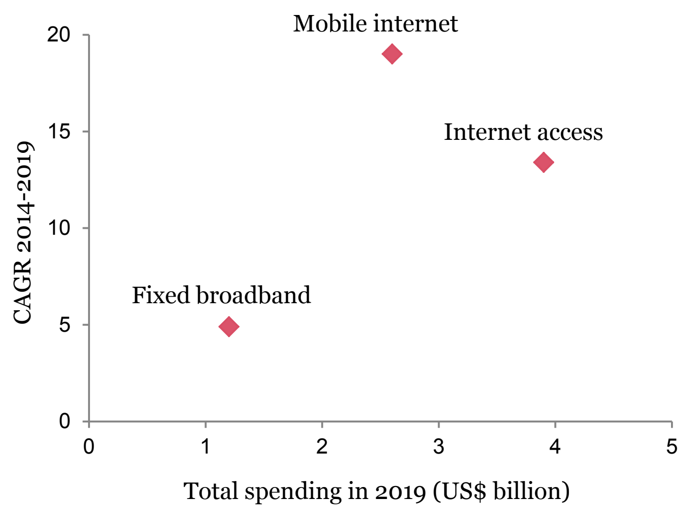
Malaysia had 747,000 FTTH/B subscribers at June 2014. Around 90% were served by Telekom Malaysia, which is, however, steadily losing market share to competitors on the HSBB.

Going forward, the government will collaborate with Telekom Malaysia to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure under HSBB2 and sub urban broadband (SUBB). The total cost of the HSBB2 investment for a period of ten years is RM1.8 billion while SUBB deployment for a period of ten years is RM1.6 billion.

As a result of improving infrastructure and services, fixed broadband access revenue is set to increase from US$941million to US$1.20billion over the 2014-2019 forecast period. The number of fixed broadband households will rise from 3.1million to 3.8millon (52.4% fixed broadband penetration in 2019).

The mobile Internet access market has grown rapidly through widespread deployment of 3G and (since 2013) LTE networks, and rapid adoption of smartphones. These trends will help the number of mobile Internet subscribers to increase to 25.1million in 2019, from 16.3millon in 2014. Over the forecast period, mobile Internet access revenue will grow from US$1.10billion to US$2.62billion at a CAGR of 19.0%.

Figure 3: Malaysia's Internet access spending growth (CAGR 2014 – 2019)



Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

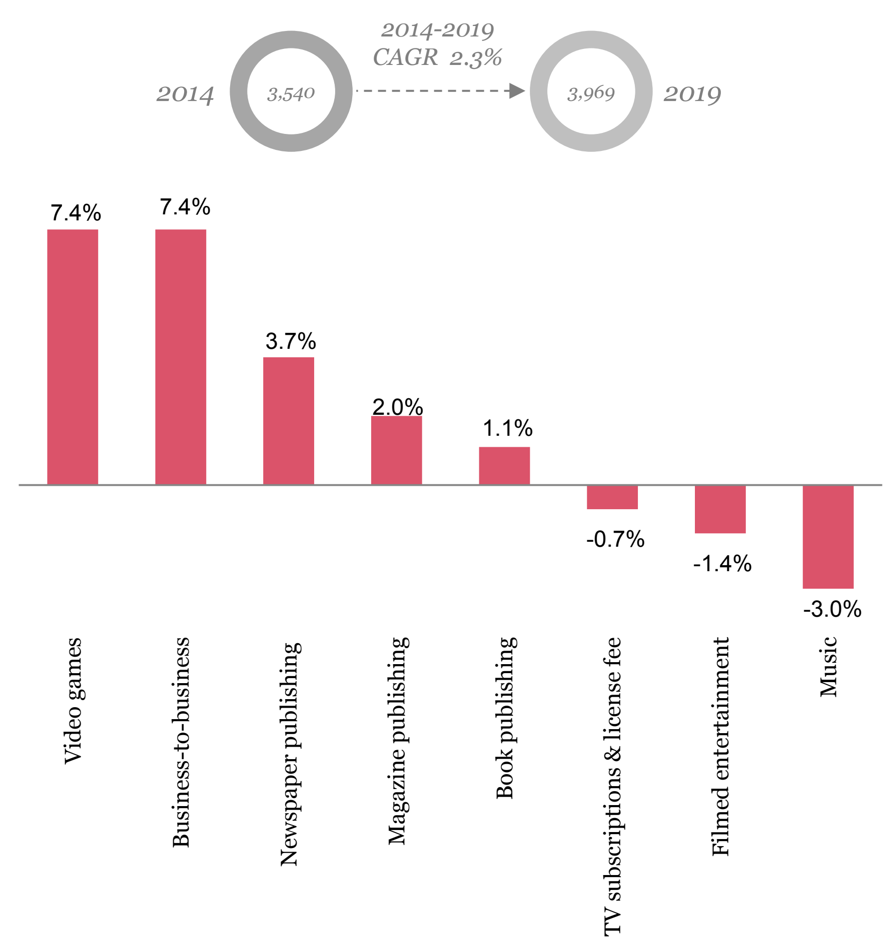
3. Consumer spending

Malaysia E&M consumer spending below global average growth

Malaysia's E&M consumer spending is growing marginally at a CAGR of 2.3% over the 2014-2019 period, and is slightly below global average growth.

Key growth segments within consumer spending are business-to-business, video games and newspaper publishing. Meanwhile, the major consumer spending items in 2014 to 2019 are TV subscriptions, video games and filmed entertainment.

Figure 4: Malaysia consumer spending growth (CAGR 2014-2019)



Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

Growth segments

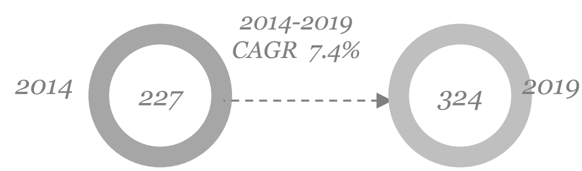
Business-to-business

Malaysia's total B2B revenue was US$227 million in 2014, up 9.1% from 2013. Total B2B revenue is forecast to grow at a CAGR of 7.4%, reaching US$324 million by 2019.

Total business information revenue is the largest B2B sub-component, accounting for 95% of total B2B revenue in 2014. With a forecast CAGR of 7.4%, total business information revenue will be worth US$307 million by 2019.

Malaysia was ranked the best country out of the emerging and developing Asian nations in the World Economic Forum Global Competitiveness Report 2014. Enhanced competitiveness is a reflection of the country's success in positioning itself as a leading centre of global Islamic finance, and in achieving efficiency in the goods and service markets. In addition, the business information segment will benefit from Malaysia's 8.4% CAGR in nominal GDP throughout the forecast period.

The Kuala Lumpur Convention Centre, with 22,659 square metres of exhibition space, announced in June 2014 ten new events for 2014/2016. With increased international and national demand, the Centre is looking to host larger events in the future and will create an additional 12,500 square metres of space in 2018.



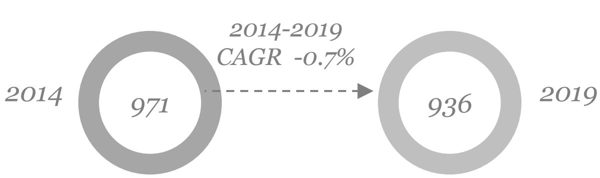
Large segments

TV subscriptions

Although competition in the Malaysian subscription TV market is increasing, subscription TV penetration will remain fairly steady at 62.0% in 2019, from 62.1% in 2014. IPTV will begin to establish itself but satellite will continue to dominate the sector with 3.9mn satellite TV households at the end of 2019, compared with 216,000 IPTV households.

With strong competition, TV subscription revenue will struggle to expand: it is forecast to peak at US$977 million in 2015 before falling back to US$936 million in 2019. This market will face difficulties including lower consumer spending, increased taxation and a reduction in subsidies.

The Malaysian Communications and Multimedia Commission (MCMC) in January 2014 selected Puncak Semangat Sdn Bhd as the successful bidder to build, operate and manage the infrastructure for digital terrestrial TV broadcast (DTTB) services in Malaysia. The first DTTB rollout is expected to be completed and implemented by 2017, starting in a few test areas, offering a more compelling free-to-air (FTA) DTTB option and providing more competition to subscription TV.



Filmed entertainment

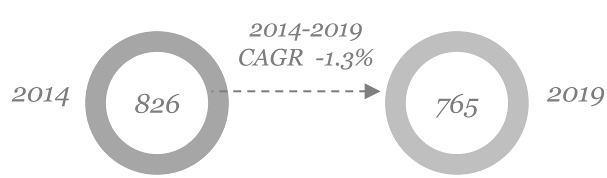
Malaysia's total filmed entertainment revenue will be worth US$765 million by 2019, down from US$859 million in 2014, a CAGR of -1.4%.

Box office revenue will rise by a CAGR of 2.5% over the forecast period to US$222 million.

Malaysia's filmed entertainment market has had to contend with a strict regulatory environment and a tax of 25% on exhibitors, combined with strict censorship.

FINAS, Malaysia's National Film Development Corporation, is beginning to offer generous tax rebates to local and international films shooting in the country. The opening of the Pinewood Iskandar Malaysia Studios in 2014 underlines the concerted attempt to attract inward investment through foreign film production.

Total physical home video revenue (comprising both rentals and sell-through revenue) accounted for 71.6% of total filmed entertainment revenue in 2014. It will decrease over the next five years from US$587 million in 2014 to US$485 million in 2019, a CAGR of -3.8%.



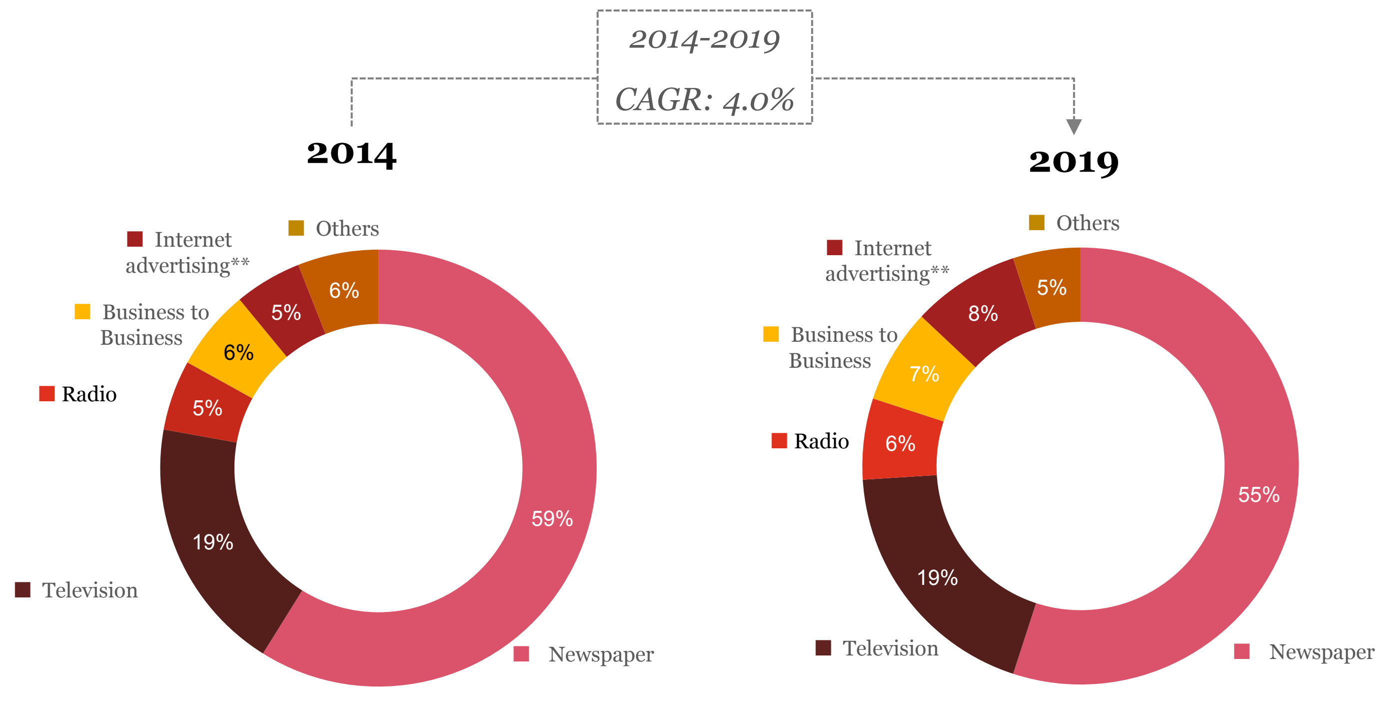
4. Advertising revenue

Newspaper advertising to remain dominant

Malaysia's advertising revenue is projected to experience stable growth at CAGR of 4.0% over the 2014-2019 period, with limited changes in the share of total advertising expenditure Newspaper advertising is expected to remain the dominant platform over the next five years, followed by television.

B2B and internet advertising are close contenders for third place in the years up to 2019, with a forecasted CAGR of 6.4% and 12.7% respectively over the period.

Figure 5: Malaysia advertising spend by platform (share of total spending)*



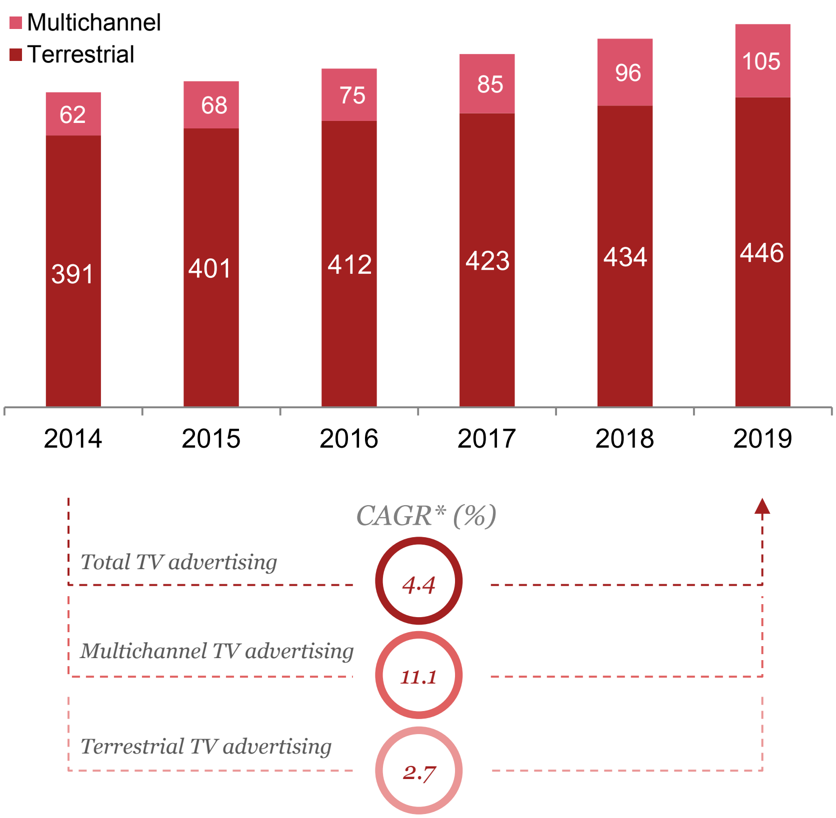
* Each advertising segment only includes traditional advertising revenues.

** All digital advertising revenues, across all segments, are aggregated in "Internet advertising".

Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

Advertising at a glance

Figure 6: Malaysia's total TV advertising spending (US$ million)



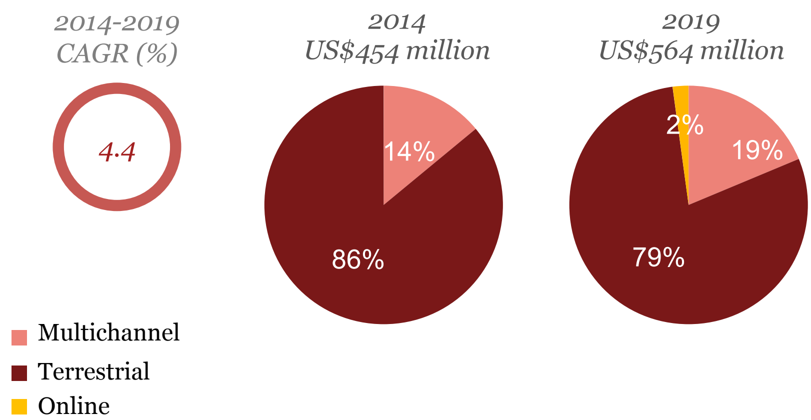
Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

- Total annual TV advertising revenue is expected to grow at a CAGR of 4.4%, between 2014 – 2019.
- Multichannel advertising revenues will see considerable growth over the period, with a CAGR of 11.1%, rising to US$105 million in 2019.
- Terrestrial advertising is forecasted to grow more moderately at a CAGR of 2.7%.
- Online TV advertising is still small but is expected to grow at a CAGR of 58.5%.

* *Forecasts are built around factors likely to have an impact on future trends. They include economic, demographic, behavioural, technological, competitive and government legislation.*

Advertising at a glance (cont'd)

Figure 7: Malaysia's share of TV advertising spending

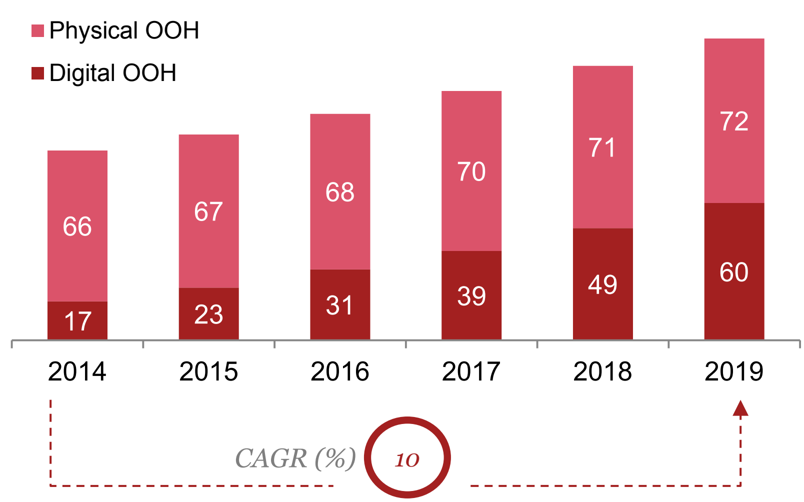


Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

- Terrestrial advertising still dominates the advertising landscape in 2019, with 79% market share.
- Despite higher growth, multichannel share of TV advertising will only rise to 19%, up from 14% in 2014.
- Online TV advertising is only expected to take up 2% of TV advertising spending in 2019.

This section includes revenues only from broadcast TV viewed online on broadcaster-owned websites, and excludes TV content viewed on sites not owned by broadcasters (such as YouTube, which is included under video internet advertising).

Figure 8: Malaysia's total out-of-home spending (US$ million)

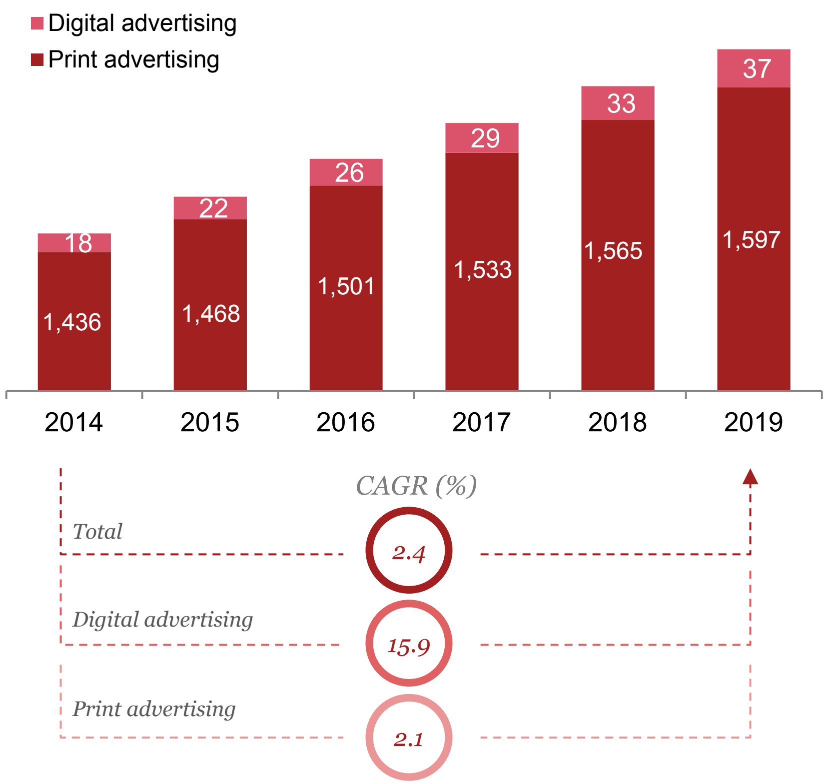


Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

- Malaysia's OOH advertising revenue is forecasted to grow at a CAGR of 10%.
- Physical OOH spending growth, including outdoor billboard, is forecasted to be minimal over the next 5 years.
- Digital OOH advertising revenue is expected to rise from US$17 million in 2014 to US$60 million in 2019, accounting for 45% of the segment's total revenue at the end of the forecast period.

Advertising at a glance (cont'd)

Figure 9: Malaysia's total newspaper publishing spending (US$ million)

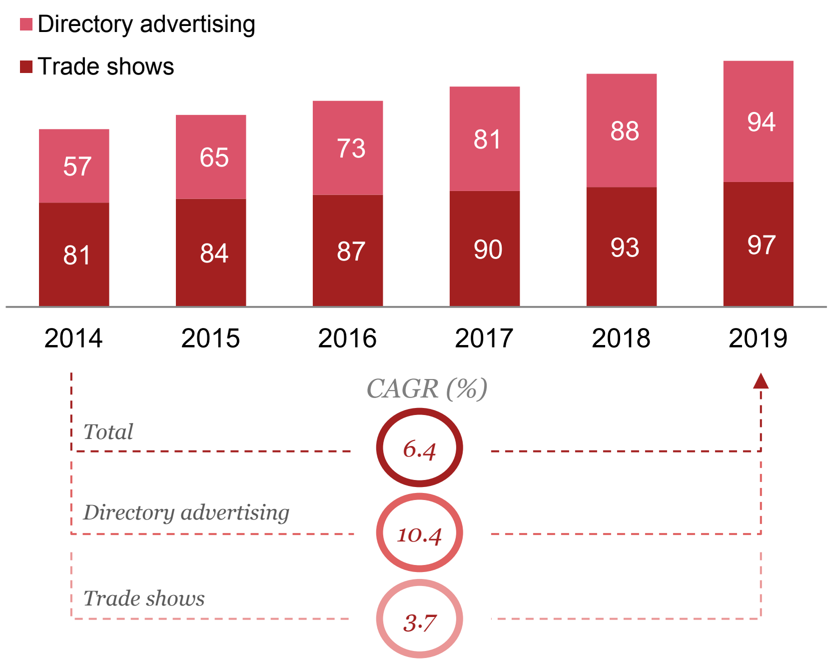


Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

- Newspapers have retained the largest share of the country's advertising market.
- Total newspaper revenue is forecasted to grow at a CAGR of 2.4% between 2014 and 2019.
- Print newspaper advertising revenue is expected to rise from US$1,436 million in 2014 to US$1,597 million in 2019, accounting for 98% of the segment's total revenue at the end of the forecast period.
- Digital newspaper advertising revenue to grow by 15.9% CAGR over the same period, accounting for 2% total newspaper advertising in 2019, up from 1% in 2014.

Advertising at a glance (cont'd)

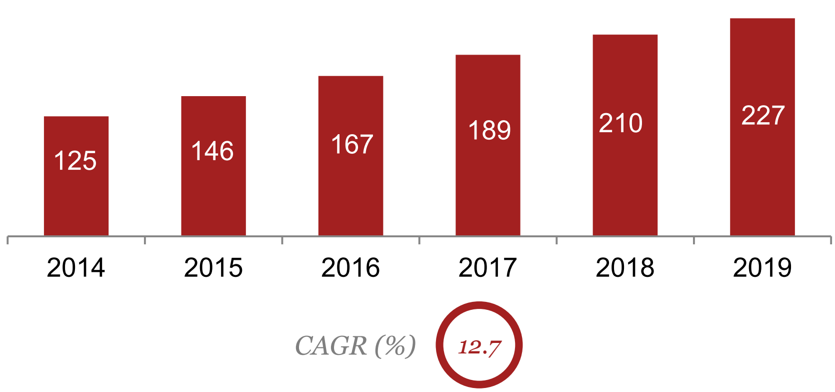
Figure 10: Malaysia's total business-to-business spending (US$ million)



Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

- Malaysia's B2B revenue is forecasted to grow at a CAGR of 6.4%.
- Directory advertising revenue is expected to rise from US$57 million in 2014 to US$94 million in 2019 with a CAGR of 10.4% growth between 2014 and 2019.
- Trade shows revenue forecast to grow by 3.7% CAGR over the same period.

Figure 11: Malaysia's total internet advertising spending (US$ million)



Source: PwC Global Entertainment and Media Outlook: 2015-2019 www.pwc.com/outlook

- Malaysia's internet advertising is forecasted to grow at a CAGR of 12.7% between 2014 and 2019.

5. Digital vs non-digital

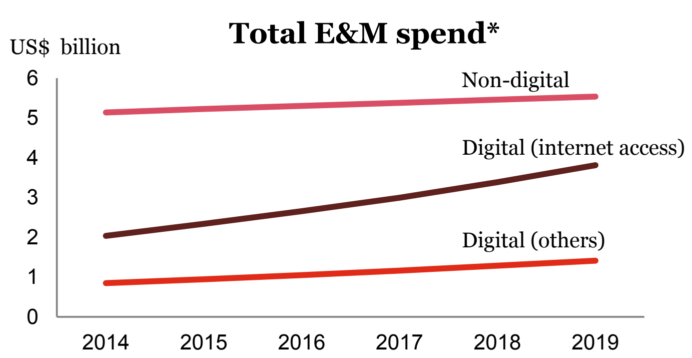
Malaysia's digital potential remains untapped

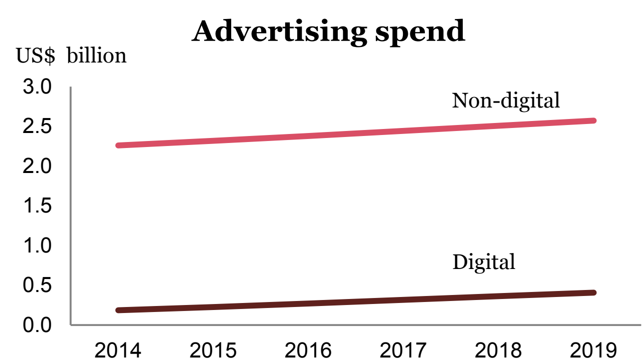
Even though traditional, non-digital media will continue to dominate overall E&M spending through the coming five years, the growth will be concentrated in digital platforms, with revenues increasing at a CAGR of 12.6%. The bulk of the revenues will be from the rise in internet access.

Malaysia's digital consumer spending and presence in the advertising space is small and in its infancy. For example, internet advertising accounts for 5% of total advertising expenditure in 2014 and is only expected to increase to 8% in 2019.

Much of Malaysia's digital potential remains untapped despite the growth in internet access and mobile Internet penetration. To harness this segment and compete effectively in the digital space, E&M companies must get connected to consumers. The explosion in their media choices propelled by the rise of the internet has put consumers increasingly in control over the information they can access.

Figure 12: Malaysia digital and non-digital spending





* Digital spending includes spending on Internet access, consumer spending on digital content and digital advertising spending

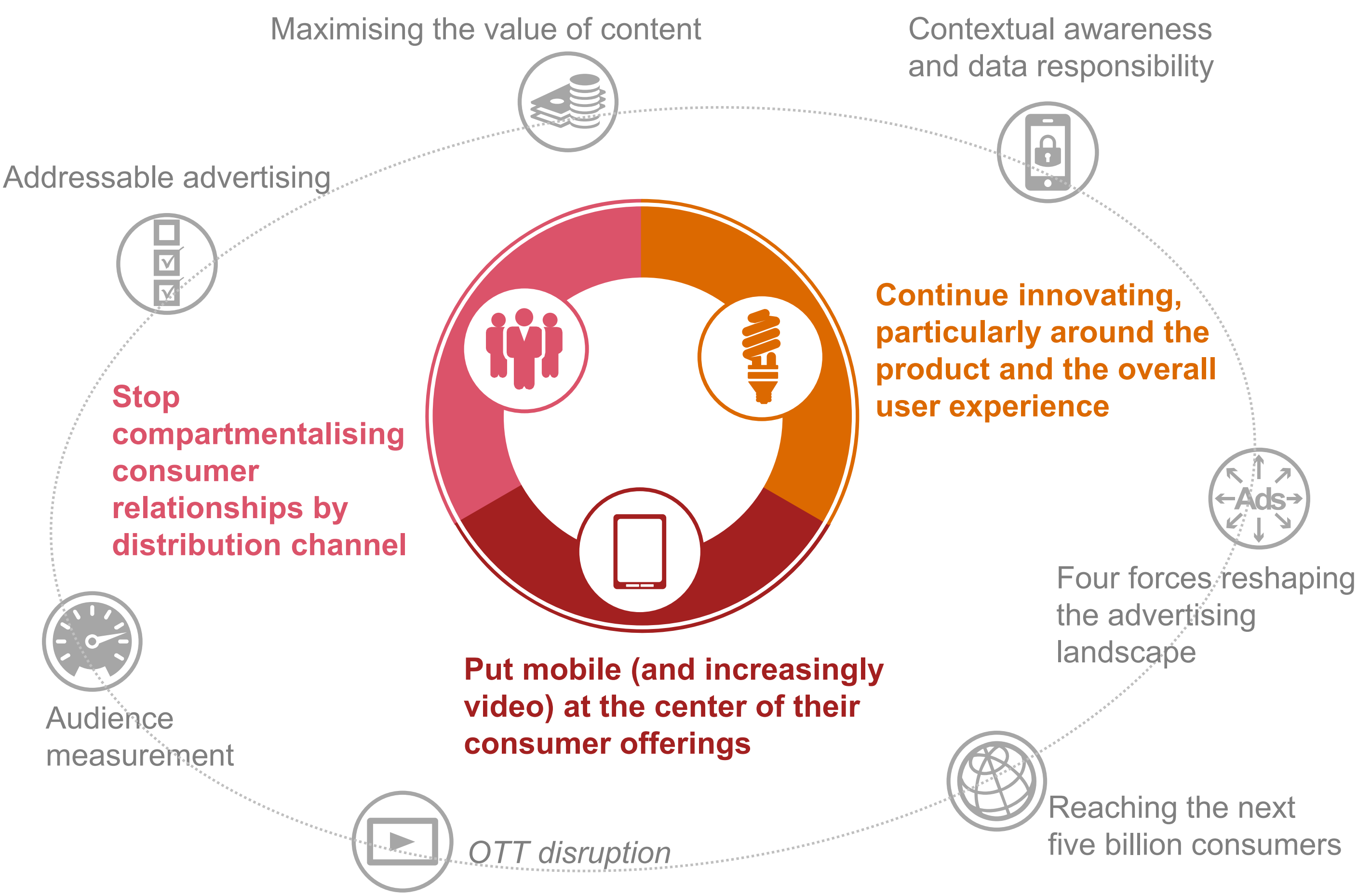
Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

6. Imperatives to succeed for E&M companies

Nowadays, consumers see no significant divide between digital and traditional media: what they want is more flexibility, freedom and convenience in when and how they consume any kind of content.

To harness this growth, E&M companies need to have ability to combine content with a user experience that is differentiated and compelling on the consumer's platform of choice. See *Figure 13* for details.

Figure 13: Driving to succeed



Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

Malaysia: Performance across key segments

Internet Access

- The government aims to extend fixed broadband coverage to 75% of the country's homes by end 2015
- As a result of improving infrastructure and services, fixed broadband access revenue is set to increase from US$941 million to US$1.20bn over the 2014-2019 forecast period. The number of fixed broadband households will rise from 3.1 million to 3.8 million (52.4% fixed broadband penetration in 2019)

Internet Advertising

- Valued at US$125 million, Malaysia's Internet advertising market has almost doubled in size since 2010 when total Internet advertising stood at US$65 million
- Malaysia will grow more slowly than the regional average
- Display takes the largest share of the Internet advertising market in Malaysia, comprising 64.1% of total Internet advertising revenue in 2014. Display is expected to grow at a CAGR of 10.4% and will continue to be the main Internet advertising format over the forecast period

Out-of-home advertising

- Total out-of-home (OOH) advertising revenue in Malaysia rose from US$62 million in 2010 to US$82 million in 2014, an increase of more than 30%
- It is forecasted to have a CAGR of 10.0% leading to total OOH advertising revenue of US$133 million in 2019
- Digital OOH (DOOH) advertising revenue will rise at a CAGR of 29.3% from US$17 million in 2014 to US$60 million in 2019, accounting for 45.5% of total revenue at the end of the forecast period

Other Segments

- In common with other Southeast Asian markets, both online and mobile gaming are particularly strong in Malaysia
- Trade shows revenue will grow by a CAGR of 3.7% and account for 18.7% of total B2B revenue by 2019
- The radio market, which is entirely made up of radio advertising, will benefit from the country's strong economic performance

Source: PwC Global Entertainment and Media Outlook: 2015-2019, www.pwc.com/outlook

Let's talk

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