

INDIA

INTELLIGENCE & INSIGHTS

The IPL 2023 Test

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KEY HIGHLIGHTS

- **IPL 2023 will test macro mettle, digital delivery and TV's resilience**
- **MPA estimates US\$550 mil. advertising revenue for the IPL 2023 edition with digital grabbing ~60% share**
- **Upside case at US\$600 mil. with downside case below US\$500 mil.**
- **Mobile supremacy and a CTV strategy will drive Jio Cinema to an estimated US\$330-US\$350 mil. in ad sales**
- **Incumbent Star India's IPL 2023 ad sales expected in US\$200-220 mil. range**

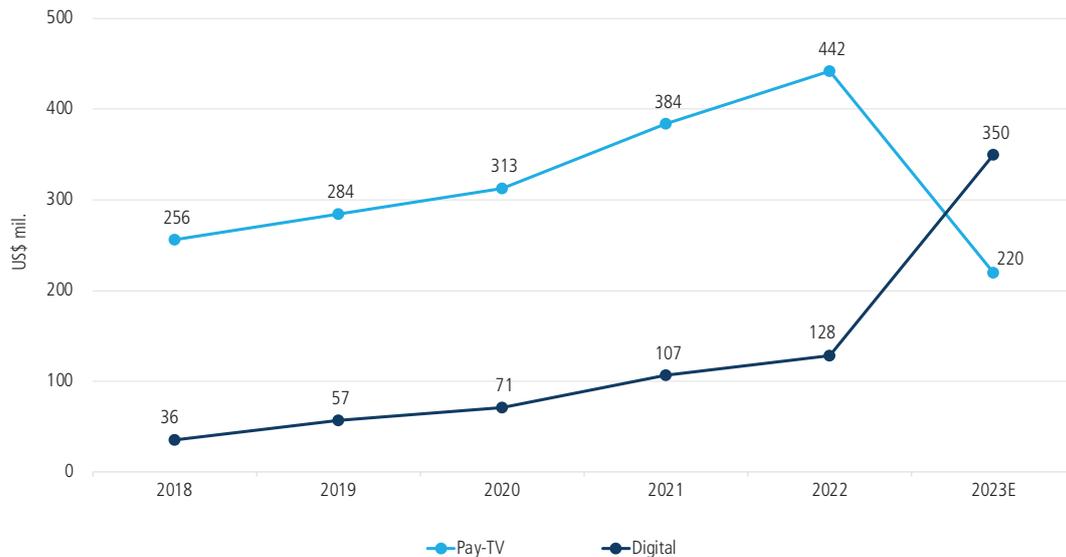
The upcoming Indian Premier League (IPL) 2023 starts at end of this week on 3/31, arriving at a prescient time in India's media history. The close to two-month long tournament (IPL ends May 28) comes at a time when the form book points to a growing convergence between 4G mobile broadband connectivity, connected TV (CTV) penetration and fibre broadband adoption. At the same time, the well monetized 110 mil. strong pay-TV universe is under pressure from free satellite TV growth, the ubiquity and affordability of SVOD in urban markets and for the first time ever, a free IPL – the biggest driver of SVOD scale and pay-TV growth in recent years will be streamed free to millions of mobile broadband users and CTV households starting March 31.

Macro challenges, ad demand and IPL economics. There are real macro headwinds. Domestic demand has been robust but started to weaken after Feb. 2023 while external demand has materially slowed with global macro issues expected to have an impact throughout 2023. Our channel checks indicate that total ad investment in IPL 2023 falls within a wide range between US\$490-600 mil. with MPA analysis of committed spends indicating a total number of US\$550 mil. Ad budgets are under pressure but many are being reallocated for the event. Demand is broad based, especially on digital but pitches and campaigns have been messy and noisy with advertisers often confused about reach and targeting. Nonetheless, there have been some important wins in recent weeks as brand appreciation of Jio Cinema's targeting capabilities have grown.

The US\$550 mil. number across digital and pay-TV is marginally flat Y/Y and represents a steep loss against annualized 2023-27 IPL rights fees of US\$1.2 bil. Subscription fees are expected to be very modest this year because of challenges on pay-TV distribution and the lack of a subscription fee on digital. Viacom18, owned by Reliance Industries Limited (RIL) in partnership with Bodhi Tree Systems with Paramount having a minority, has exclusive online rights to the IPL for the 2023-27 period at US\$3.1 bil. Disney's Star India won the pay-TV rights for ~US\$3.1 bil. over the same period but lost the online rights that helped it build customer scale and SVOD monetization on Disney+ Hotstar.

FMCG budgets are expected to be largely split between TV and digital though budgets from RIL-owned companies (i.e. retail, FMCG) will clearly move towards Jio Cinema, which is the platform that will stream the IPL. Sectors such as auto have moved over a large chunk of ad dollars to Jio Cinema while new economy categories (i.e. gaming) have moved over entire budgets.

IPL 2023 MONETIZATION: ADVERTISING



Source: MPA analysis

Jio Cinema's digital promise, targeting and models. Cinema has promised advertisers that this year's IPL will have a reach of 400 mil. and a concurrent user base of 100 mil. Having hired a large part of Disney+ Hotstar technical and engineering teams, we suspect that Jio Cinema will be successfully built for mobile broadband scale and concurrency. Streaming to mobile devices has already started to scale with Jio Cinema's live streaming of key events such as Women's IPL cricket and last year's Fifa World Cup. Based on our discussions with agencies, the level of targeting available on mobile is a first and is highly evolved.

In total, Jio Cinema has roped in 500 advertisers for the 2023 IPL. Conquering CTV will be a challenge given distributor fragmentation and a significant level of customization required. MPA estimates the total CTV TAM in India at 70 mil. We forecast that Jio Cinema IPL 2023 penetration of this base will reach 20-30 mil., driving CPMs and enhancing the consumer bond with multi camera angles, 12 languages, 4K resolution, live statistics and more.

Jio Cinema will likely charge subscription fees for IPL 2024 using annual passes and dynamic pricing. In the interim, the company is expected to launch SVOD in 2H 2023, leveraging partnerships with Paramount+, Viacom18's premium local content (including new originals) and new content and services from potential partners such as Warner Bros. Discovery (WBD), including HBO, and NBCU. The merger and platform integration between Jio Cinema and Voot, which had 6 mil. subs at end-2022, is also expected to take place after June this year.

Star and the TV universe. IPL incumbent rights holder Star has struggle to withstand Jio's onslaught as well as a challenging macroeconomic environment. As a result, pay-TV ad sales will more than halve Y/Y to US\$200-220 mil. for the IPL 2023 edition with a downside case stretching to below US\$200 mil., according to our discussions with agencies. Subscription fees, always regarded as an allocation, have historically been in the US\$120-150 mil. range but are expected to be significantly impacted in 2023, because of the impact of NTO regulations, noisy disputes with Reliance-owned cable MSOs over Star Sports channel fee increases and additional complications over Star's decision to broadcast 12 important IPL matches over its FTA channel Star Utsav.

Also clouding agency and advertiser minds has been the drop in IPL TV viewership with reach falling last year to 229 mil. versus a year earlier 267 mil. A depletion of Star India resources over the past few months, including the departure of the head of Sports ad sales, has not helped matters.

Is Star India losing ground? In 2016, Zee divested from sports by selling Ten Sports to Sony for US\$325 mil. Sony subsequently withdrew from the IPL in 2018, redirecting its investments towards entertainment and movie segments. Such moves enabled Zee and Sony to bolster their respective positions in the broadcasting industry with the impending May 2023 Zee-Sony merger poised to create the most scaled and profitable broadcaster in India, surpassing Star India. Given the growing challenges associated with the revenue and cost economics of linear TV for sports, it is likely that Star India will follow suit and scale down its investments.

Disney + Hotstar is also losing ground. The absence of IPL, the termination of its partnership with Jio, constrained entertainment budgets, and its recent discontinuation of marquee HBO content will all significantly diminish value for its subscribers. Despite some promising content lined up for the second half of 2023, including the Asia Cup and the ICC fifty-over World Cup, Disney+ Hotstar is facing rising headwinds with the potential loss of close to 15 million paying subscribers by the end of 2023. Unless Disney swiftly recalibrates, India's premium VOD marketplace will have a new axis of power next year with Prime Video, Jio Cinema and Netflix ruling the roost.

Meanwhile, India's AVOD market reached US\$2 bil. in 2022 and is projected to grow at 18% CAGR over 2023-27 to reach US\$4.5 bil. A large part of this incremental growth is expected to be fueled by supply of premium inventory coming from heavyweights like Jio Cinema, featuring IPL and other marquee sports, as well as SVOD powerhouses such Prime Video introducing AVOD tiers to go deeper. India's AVOD revolution is just getting started.

About Media Partners Asia

Created & Established in 2001, Media Partners Asia (MPA) is the leading independent provider of research, advisory and consulting services across the media, entertainment, sports, telecoms, and technology industries in Asia Pacific.

MPA advisory & consulting services help clients enter new markets and acquire companies with our teams offering commercial due diligence, custom made research and strategy. We have helped advise companies on US\$100 billion of M&A activity over the past 20 years across broadcasting, pay-TV, telecoms, digital video (including OTT), content production, sports and entertainment sectors. In addition, MPA has provided Independent Consultant (IC) industry analysis and benchmarking for US\$30 billion in equity & debt offerings, including the IPOs for broadcasting, digital media & telecommunications companies in Asia Pacific and globally.

We offer a range of customized services to help drive strategic planning, business development and the launch of new products & services, including: (1) Competitive benchmarking; (2) Market entry strategies; and (3) Comprehensive studies to provide feasibility & validation for business models and the launches of new products.

Our integrated service offering includes AMPD, real consumer data to provide deep insights across the digital ecosystem with a focus on the fast-growing global streaming economy. AMPD has a footprint across 13 global markets including India and provides title-level reporting for streaming platforms capturing all consumption. AMPD uses passive measurement and proprietary software to measure consumer behavior and generate reliable platform metrics. AMPD reports and research projects cover several use cases across Advertising, Content, Connectivity & Video sectors.

MPA also provides definitive Reports with proprietary industry models & forecasts, focusing on media, entertainment, sports & telecommunications sectors in 18 markets. MPA reports are widely used and sourced by local, regional & global companies for planning and market transactions.

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In-depth analysis and insights across key industry sectors

CONSULTING SERVICES

Customized to capture opportunities for growth and profit

CONSUMER INSIGHTS

Passive measurement and analytics across VOD, advertising and connectivity sectors

APOS

Event with global & local leaders to drive deals, insights & partnerships

MPA also hosts conference, APOS, focused on the media & telecoms industry. Our events are a catalyst for deals, insights, knowledge and partnerships for all stakeholders in the TMT ecosystem.

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