

MENA'S MUSIC INDUSTRY IS THRIVING

WHAT DOES 2024 HAVE IN STORE?



ABOUT PAUL RESNIKOFF

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MENA's years-running recorded music growth – fueled overwhelmingly by streaming – is spurring meaningful commercial opportunities. But the expansion has been accompanied by relatively little discussion pertaining to the platforms and the countries behind the trend.



Cairo, Egypt. Photo Credit: Ahmed Ezzat

The rapid development of MENA's collective music space, far from being a secret, has driven more than a few industry conversations and investments in recent years. According to the International Federation of the Phonographic Industry (IFPI), the region's recorded sphere **grew** 23.8% year over year (YoY) during 2022, with 95.5% of revenue attributable to streaming.

Both the growth and streaming's prevalence likely carried on into 2023, the consumption details of which will come to light in the IFPI's annual report in March. If prior years are any indication, headlines will at that point tout MENA's music buildout without delving into the specifics thereof.

To be sure, even the countries included in what the IFPI in 2022 boldly **deemed** the "fastest growing music region in the world" receive little attention and, in any event, aren't set in stone. Most classifications attach about 20 nations to MENA; Spotify doesn't operate in several of these states (Iran, population 88 million, chief among them), and the IFPI's "**Official MENA Chart**" covers 13 countries.

When properly assembled, available information can paint a reasonably detailed picture of MENA's music landscape. And this picture can then provide useful insight as to the region's trajectory ahead of what promises to be an important 2024.

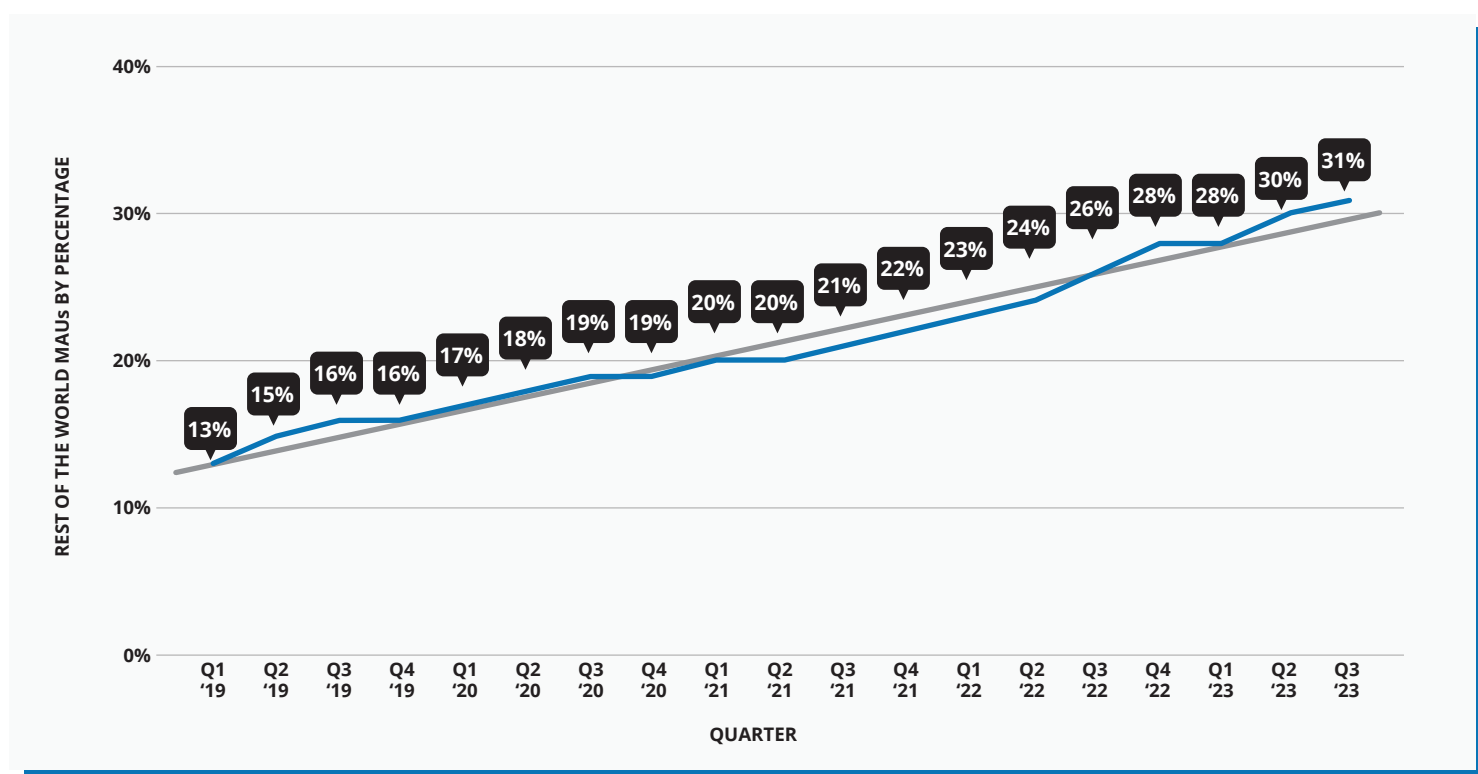
SPOTIFY, YOUTUBE, AND SOUNDCLOUD ARE REPORTEDLY LEADING THE PACK IN MENA – WHERE DOES THAT LEAVE ANGHAMI?

Per *Music & Copyright*, Spotify was as of December of 2023 "the Middle East app download market share leader," whereas YouTube and SoundCloud had an edge in overall monthly active users (MAUs). From the surface level, Spotify's financials and usership breakdown appear to support the claim.

For the first nine months of 2023, the latter streaming company pinpointed €4.91 billion (\$5.38 billion) in revenue from countries besides the U.S., the U.K. and Luxembourg, up 13.8% YoY. Meanwhile, as of September 30th, a full 31% of Spotify MAUs resided in Rest of World, which encompasses all markets outside North America, Latin America, and Europe.

This marked a 5% increase from the same three-month stretch in 2022, with MENA nations having presumably contributed significantly to the growth. Underscoring the historical challenges associated with converting users into paid subscribers in emerging markets, though, Rest of World made up just 13% of Spotify subscribers as of Q3.

SPOTIFY'S REST OF THE WORLD MAUs



Bigger picture logic suggests that Spotify will sooner rather than later be compelled to nix the Rest of World MAUs and subscriber categories in favor of more precise descriptors.

As it stands, chipping away at the Rest of World total based upon country-specific stats – Japan's recorded music body publishes pertinent consumption information, for instance, and Spotify has disclosed

usership details for markets such as Australia – still won't produce clear-cut figures for MENA.

But if Spotify is in fact beating competitors in terms of downloads in the Middle East – and if YouTube as well as SoundCloud, neither of which requires users to subscribe or sign up before accessing music, are actually thriving on the MAUs front – the conversation naturally shifts to how others fit into the equation.

Sales-data **estimates** show that Apple hardware's adoption share is improving in Saudi Arabia and the United Arab Emirates – potentially fueling heightened subscribership for services including Apple Music as local fans turn to ad-free listening in the long run.

And Deezer, currently zeroing in on established industries amid a push for profitability, **reported** a close to 11% YoY subscriber decrease for its own Rest of World through 2023's initial nine months. (Nevertheless, a piece of the Access Industries subsidiary **belongs** to companies associated with Saudi royal and businessman Alwaleed Bin Talal Alsaud.)

Different international players are **comparatively new** to MENA, where any thorough analysis of streaming must, at a minimum, explore the market basics of Anghami (NASDAQ: ANGH).

“THE SPOTIFY OF THE MIDDLE EAST” BY THE NUMBERS: A SOLID USERBASE FOUNDATION, DECLINING REVENUE, AND A BRIGHT SPOT IN EGYPT

In late December, Anghami **posted** its financials for the first half of 2023 – a year that, as summarized in the below timeline, brought multiple obstacles for the publicly traded company.

Dubbed at the outset as “The Spotify of the Middle East,” Anghami debuted in 2012 and, equipped with knowledge of MENA's nuances, **proclaimed** a 58% streaming market share in the region as of 2022.

According to its H1 2023 financials, this lead is, at least from a revenue perspective, slipping. 2023's opening half saw Anghami pull in \$18.90 million, the report shows, down from \$21.04 million in H1 2022.

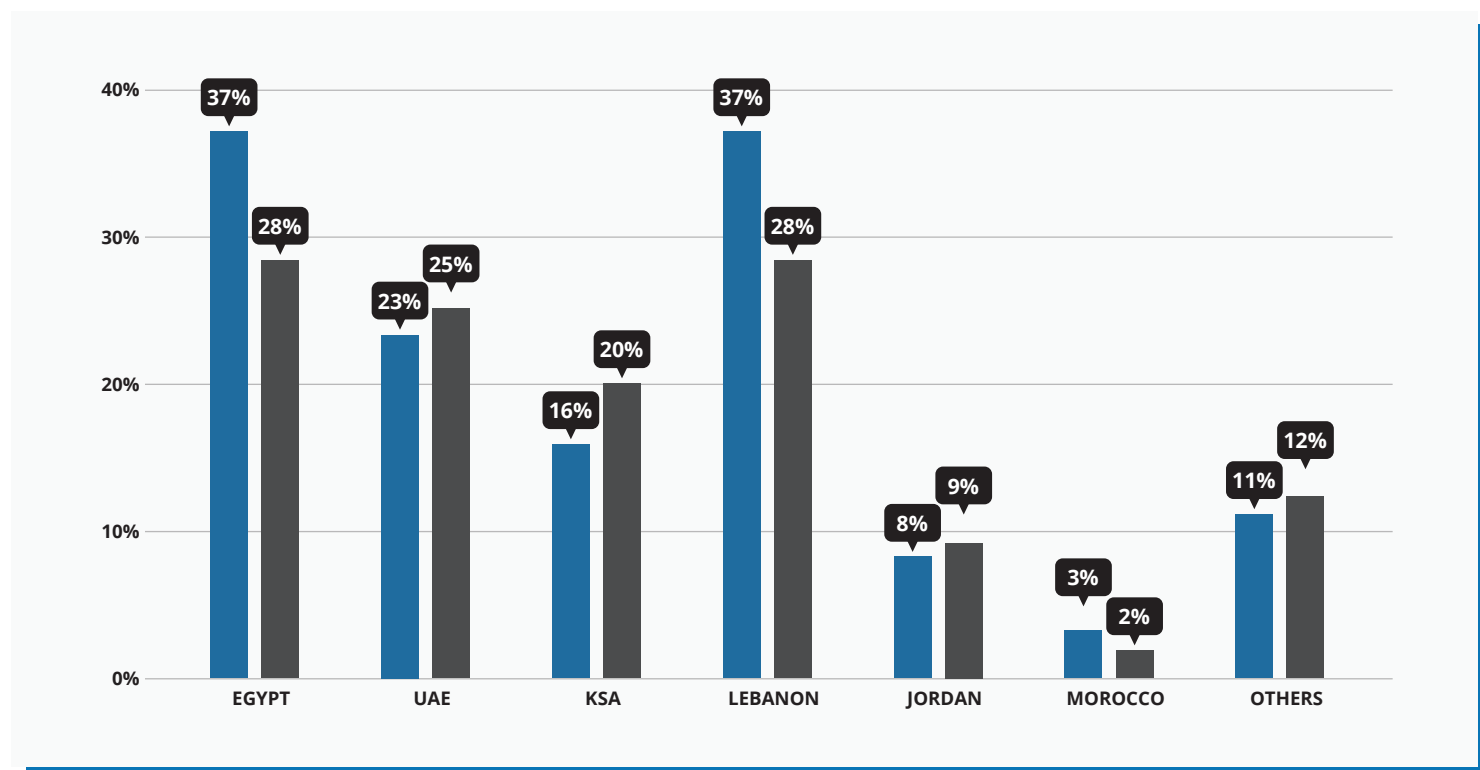
Within the newer sum, \$11.39 million derived from subscriptions, \$5.27 million came from ad-supported listening, and on-platform live events, as the sole category with a YoY increase, accounted for the remaining \$2.24 million or so, Anghami disclosed.

Especially given Spotify's growing Rest of World reach and enhanced focus on MENA, that Anghami's H1 2023 advert revenue fell 28.5% YoY is telling. More pressing, the same resource indicates that revenue dipped in the majority of the business's six highest-revenue markets, which are Egypt (population 109 million), the United Arab Emirates (9.5 million), Saudi Arabia (36 million), Lebanon (6 million), Jordan (11 million), and Morocco (37 million), respectively.

All told, operations in these nations contributed nearly 90% of Anghami's revenue for the half-year period. Only Egypt (\$6.98 million in revenue) and Morocco (\$537,996) achieved substantial YoY improvements. But subscribers, Anghami communicated, grew 17% YoY to 1.73 million as of September 30th.

In addition to following wider trends as 2024 progresses, keeping an eye on Egypt's music developments could enable observers to better understand the direction of MENA's industry as a whole.

ANGHAMI REVENUE PERCENTAGE BY MARKET, H1 2022 VERSUS H1 2023



MENA'S MUSIC MARKET – WHAT TO LOOK FOR IN 2024

As 2024 proceeds, three components of MENA's music space could prove particularly consequential when it comes to the region's course. First is the above-highlighted competition for users in Egypt, including as it relates to Spotify and Anghami.

Though near-term monetization remains a challenge in the North African country – as is the case in a number of developing markets – there may well be immense long-term strategic value in having a foothold in the nation. Early investments in China, for example, are now paying off in multiple ways.

Tanta, Egypt-born Mohammed Saeed is Spotify's "top regional artist," Akshat Harbola, the streaming company's MD for MENA and South Asia, emphasized in a recent interview regarding Spotify's presence in Saudi Arabia. Straightforward Spotify adverts, tailored for the Egyptian audience, are racking up millions of views apiece on YouTube alone, and Universal Music in October inked a far-reaching pact with Cairo's Harb Talent Management.

Simultaneously, the work of Egyptian and MENA artists is gaining substantial listening traction around the globe, Harbola has also **signaled**.

NEXT IS THE IMPACT OF SAUDI ARABIA'S CONTINUED GAMING INVESTMENTS – AND THE MANY RESIDENTS WHO ARE GAMERS.

According once again to Harbola, “87% of the people in KSA self-identify themselves as gamers” – a figure that Spotify itself in an October release **placed** at a slightly higher “almost 89%.” At the intersection of this sizable gamer community, Saudi Arabia’s entertainment-space buildout, and music’s commercial growth throughout MENA, Harbola noted that “30% of the people on Spotify in KSA stream music on a console while they’re playing games.”

Thus, the **multibillion-dollar gaming bet** and adjacent ambitions of Saudi Arabia’s Public Investment Fund – which already possesses large stakes in Take-Two, Electronic Arts, **Nintendo**, Activision Blizzard, and others – could have a material effect on streaming.

LASTLY, THE MARKET-SHARE BYPRODUCTS OF ANGHAMI’S AGREEMENT WITH DUBAI-BASED FILM AND TELEVISION STREAMING PLATFORM OSN+ ARE WORTH FOLLOWING BOTH ON THE YEAR AND BEYOND.

Announced in November, the up to \$50 million **deal at hand** will see the overarching OSN (which is, among other things, the **provider** of HBO content in the Middle East) become Anghami’s biggest shareholder and begin integrating the service alongside its core visual-media offering.

As **described** by VP of growth and strategy Ryan Restell, OSN+ is already turning in double-digit subscribership and consumption results, with approximately 10 million app downloads and two million MAUs to its credit as of mid-2023.

Anghami’s integration into OSN+ will create a one-stop entertainment option in an increasingly lucrative and streaming-receptive region – possibly giving the Spotify rival a greater edge yet. And however the battle for users plays out in 2024, its consequences could reverberate through local markets for years to come.

A TIMELINE OF MAJOR MUSIC INDUSTRY DEVELOPMENTS IN MENA

NOVEMBER 2012

Anghami officially launches

NOVEMBER 2018

Spotify releases in MENA

JUNE 2020

Universal Music Group opens offices in Tel Aviv and Casablanca

JANUARY 2021

Anghami scores an investment from Shuaa Capital

FEBRUARY 2021

Warner Music Group confirms its investment in Alwaleed Bin Talal Alsau's Rotana Music

MARCH 2021

Anghami announces a planned NASDAQ debut as part of a SPAC merger

AUGUST 2021

Anghami Labs launches

DECEMBER 2021

Anghami and Sony Music Entertainment jointly launch a 'boutique record label' called Vibe Music Arabia

FEBRUARY 2022

Anghami **begins trading** on NASDAQ

MARCH 2022

The IFPI **identifies** 35% MENA music industry growth for 2021, compared to 18.5% for the global industry

- Warner Music **acquires** Dubai-based distributor Qanawat Music

MAY 2022

The IFPI **declares** MENA the 'fastest growing music region in the world,' discloses plans to create the 'first ever regional chart'

- The IFPI and the United Arab Emirates' Ministry of Economy **sign** a landmark memorandum of understanding
- Warner Music Israel **debuts**

JUNE 2022

Anghami **acquires** live events company Spotlight Events

JULY 2022

Sony Music **unveils** an exclusive partnership with Egyptian artist-management company Craft Media

SEPTEMBER 2022

Reservoir Media and PopArabia **acquire** Lebanon's Voice of Beirut

NOVEMBER 2022

The IFPI **launches** 'The Official MENA Chart,' spanning 13 nations

- Reports **suggest** Spotify is considering the purchase of Anghami
- Anghami **cuts** 22% of its team despite reporting revenue growth
- Sony Music Masterworks **acquires** Dubai's MAC Global

JANUARY 2023

TikTok **inks** a Rotana Music licensing deal

MARCH 2023

The IFPI **highlights** 23.8% YoY recorded music growth for MENA during 2022, when streaming accounted for 95.5% of regional revenue

MAY 2023

Spotify **announces** the addition of Saudi, Egyptian, and Moroccan Arabic dialects to its mobile app

AUGUST 2023

Reservoir and PopArabia **target** an Egypt expansion with RE Media, El Sawareekh catalog deals

- Universal Music **acquires** MENA marketing and distribution agency Chabaka Music

SEPTEMBER 2023

The IFPI **launches** nation-specific charts for MENA

- Details about the Saudi Music Commission **enter** the media spotlight

OCTOBER 2023

Anghami **faces** a potential NASDAQ delisting due to a low stock price

- Universal Music MENA **reveals** a partnership with Cairo's Harb Talent Management

NOVEMBER 2023

Anghami **announces** plans to combine with Dubai-based television streaming platform OSN+

JANUARY 2024

Anghami **reports** subscriber growth as well as an H1 2023 revenue decrease

