



cutting through complexity™

AROI

Presentation on key trends in radio

28th March 2011

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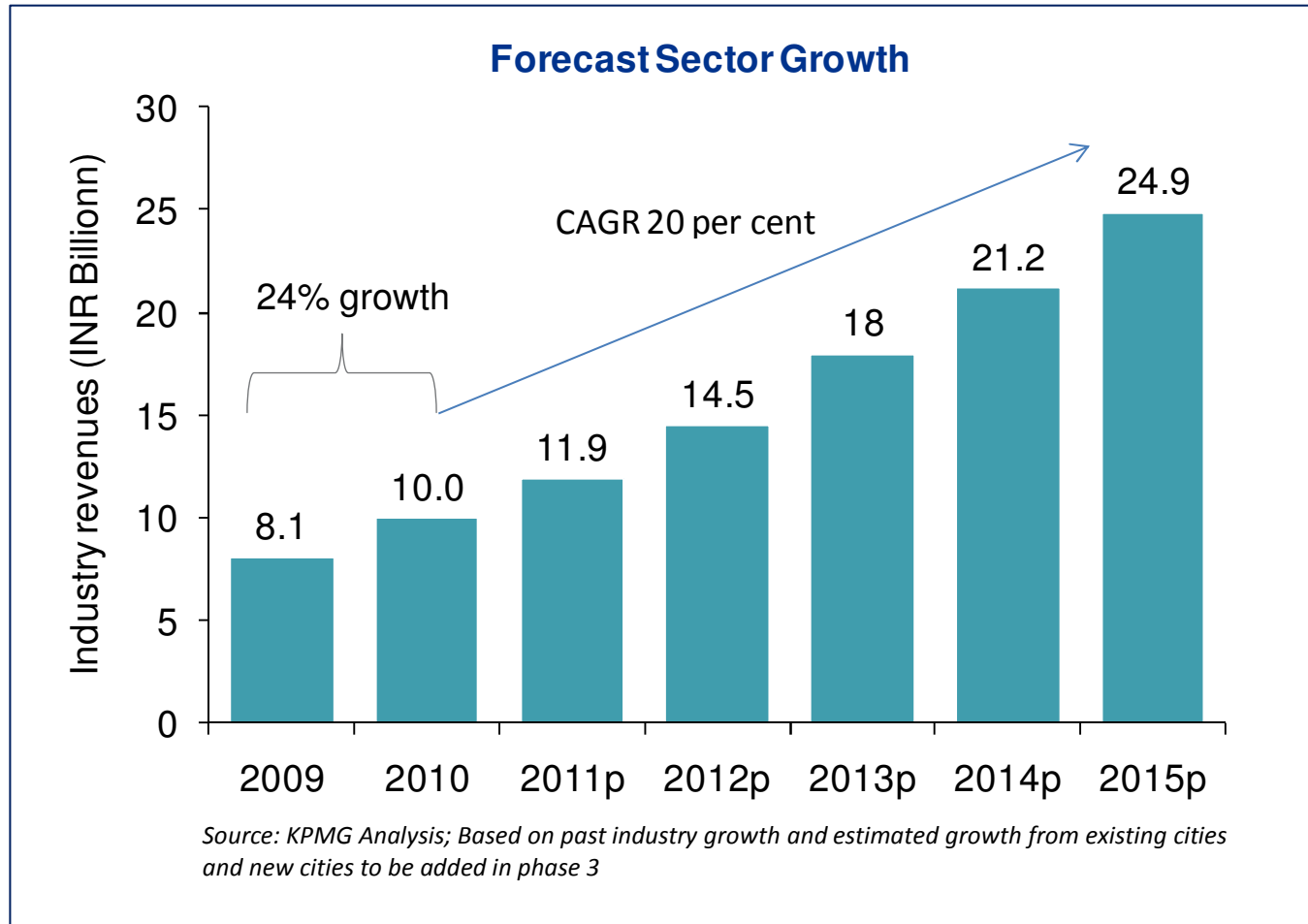
Partner,

KPMG Advisory Services



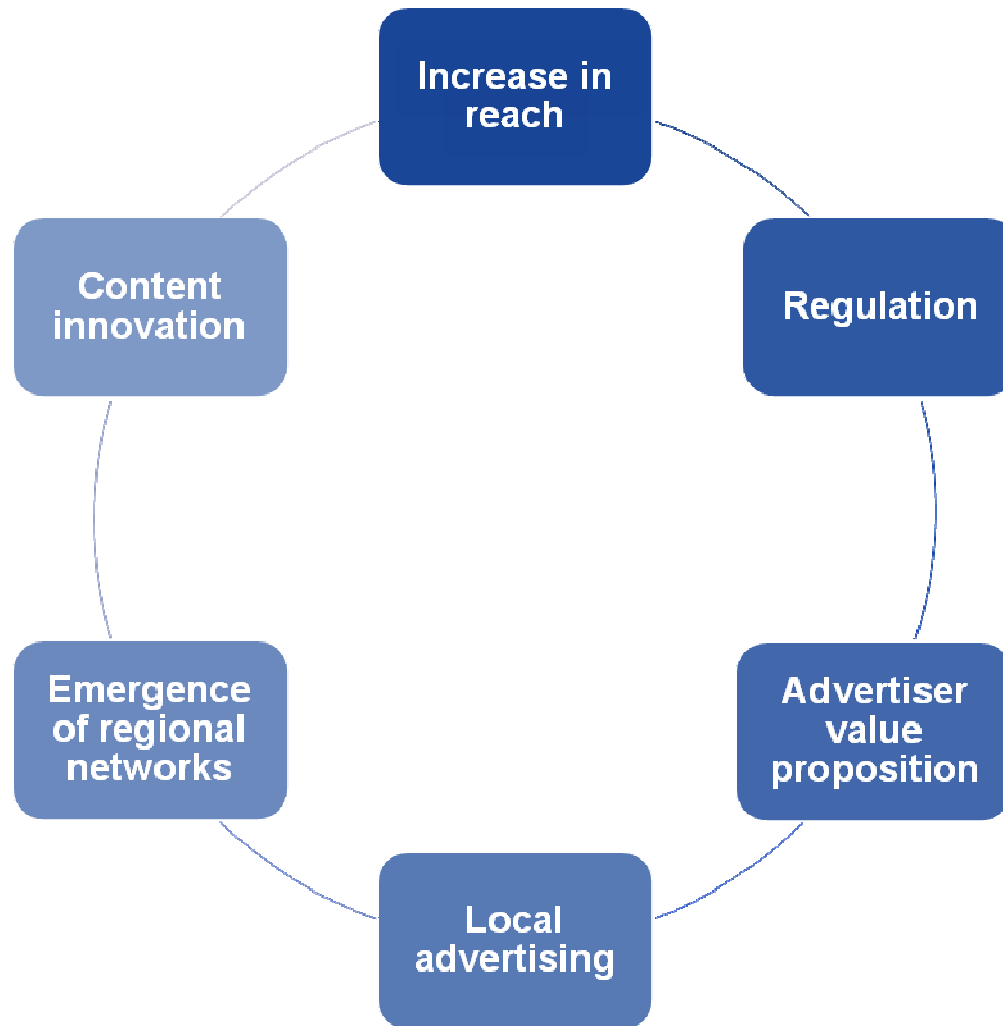
The industry registered high revenue growth of ~24% in CY 2010...

High growth lead to a significant improvement in profitability



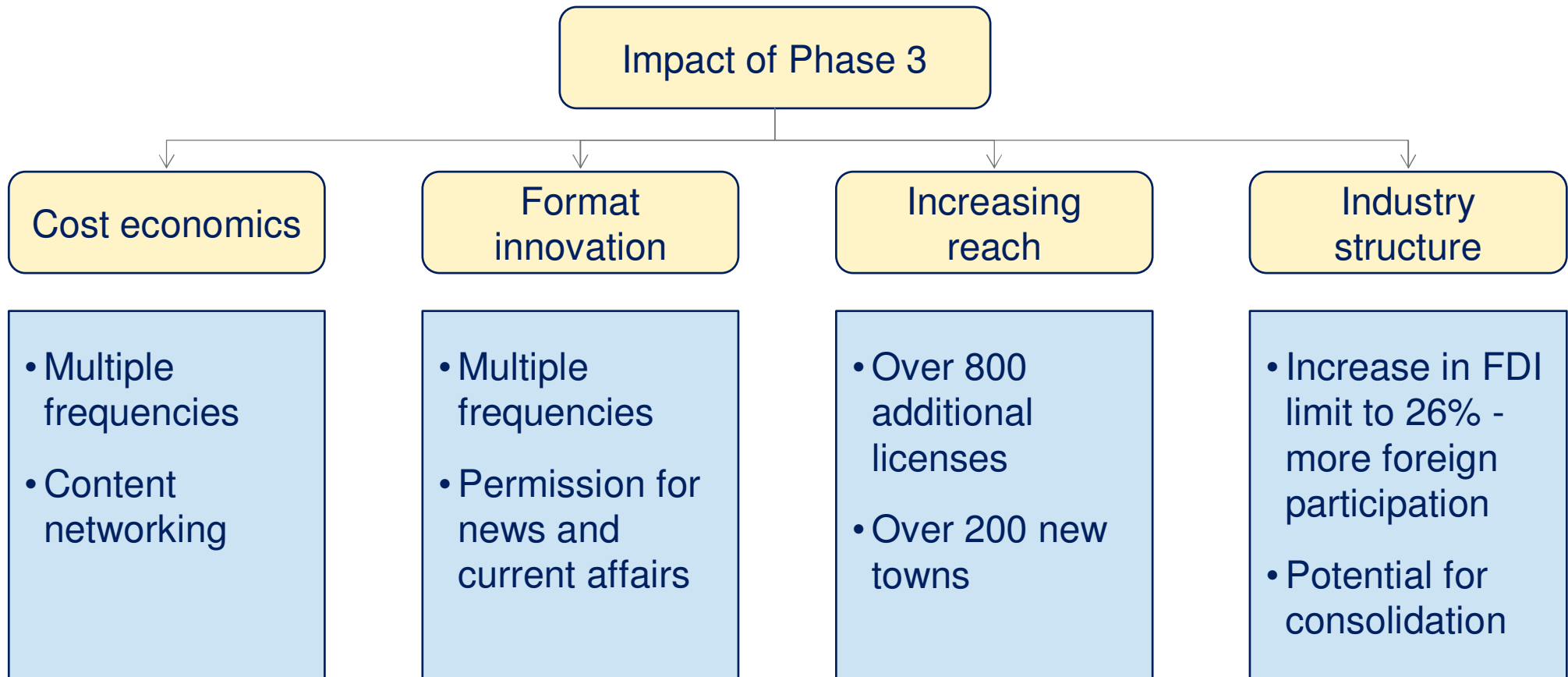
Industry is forecast to maintain high growth (20% CAGR) between 2010-15

Key themes for sector growth



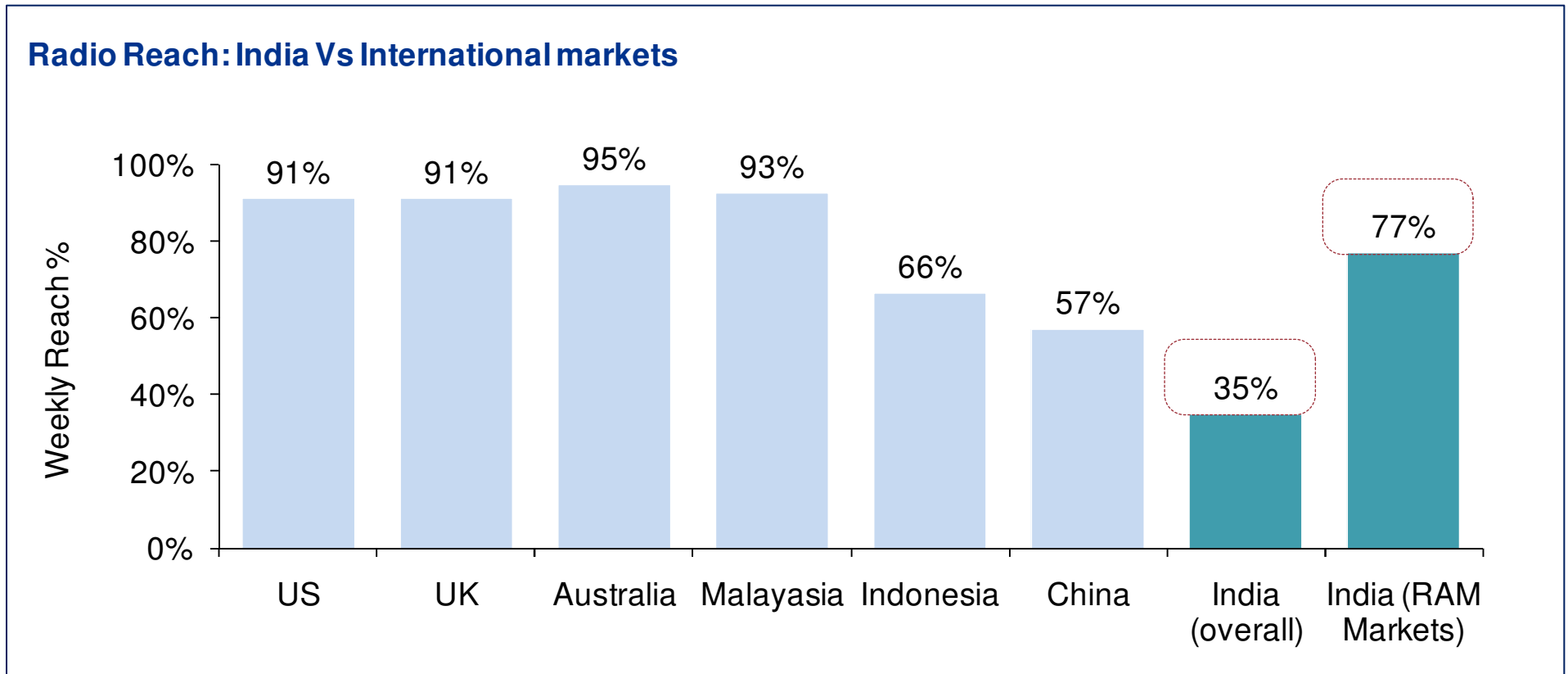
Regulation

Key regulatory changes in Phase 3 are expected to facilitate industry growth...



Increase in reach

The reach of FM radio, in India, is significantly lower than in International markets...



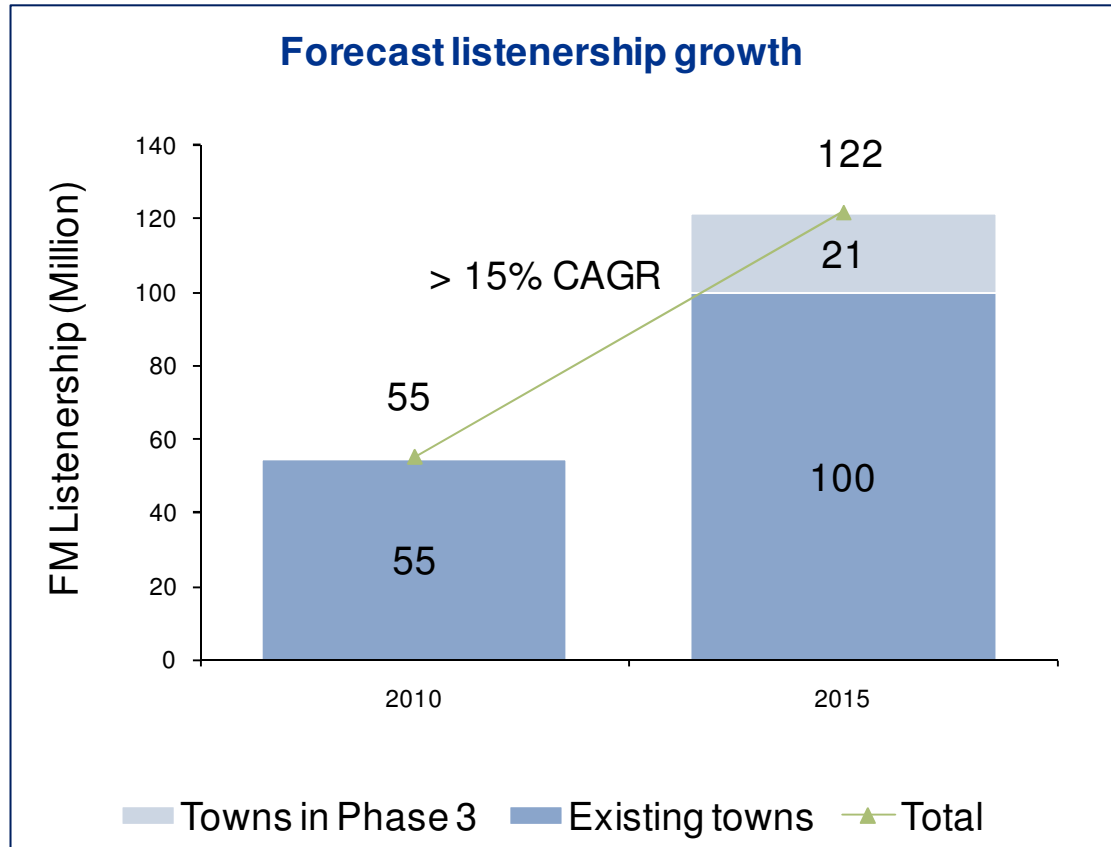
Source: Arbitron (US), Nielsen (RAM – Australia and Asia), RAJAR (UK)

Please note: Nielsen data for Australia and Asian countries is for the year 2007; Reach refers to weekly reach

However, reach in the 4 metro markets tracked by RAM is much higher, indicating significant potential for an increase in overall reach.

Increase in reach

Reach could potentially increase from ~55 Mn currently to around 122 Mn by 2015...



Source: KPMG Analysis

Key assumptions: Reach in existing towns increases to 60% by 2015; Reach in new towns/cities is ~40% by 2015; Population growth ~2%

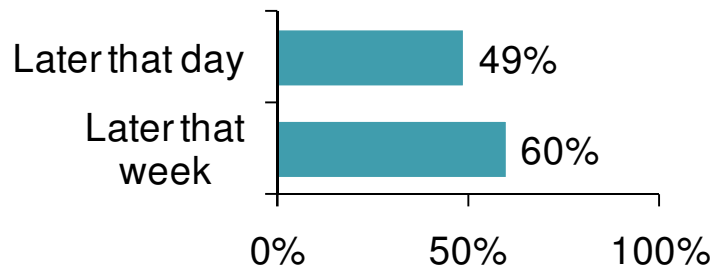
Advertiser value proposition

Radio's offers a unique value proposition for advertisers...

Radio's value proposition is well understood in international markets

Drives customers to action

% of customer who were motivated by radio ads to visit a store

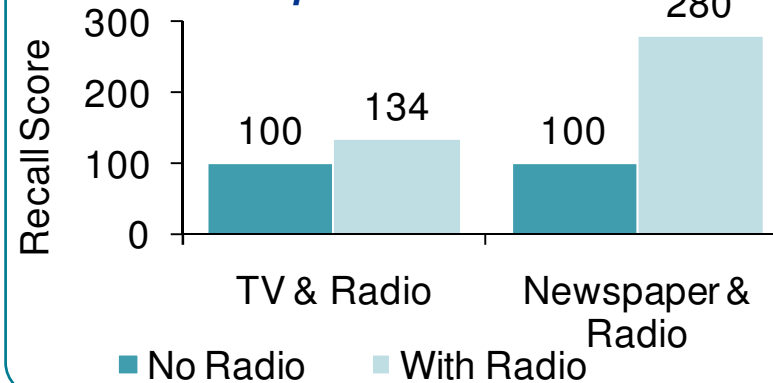


Source: Arbitron National

In India too, advertisers are increasingly recognizing the benefits of radio

Effective as a complimentary medium

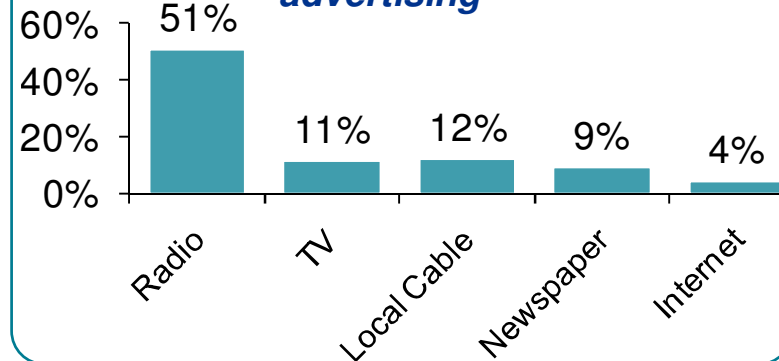
Radio – impact on brand recall



Source: Radio Ad Labs, US

Provides cost effective local reach

Perceived cost effectiveness for local advertising*



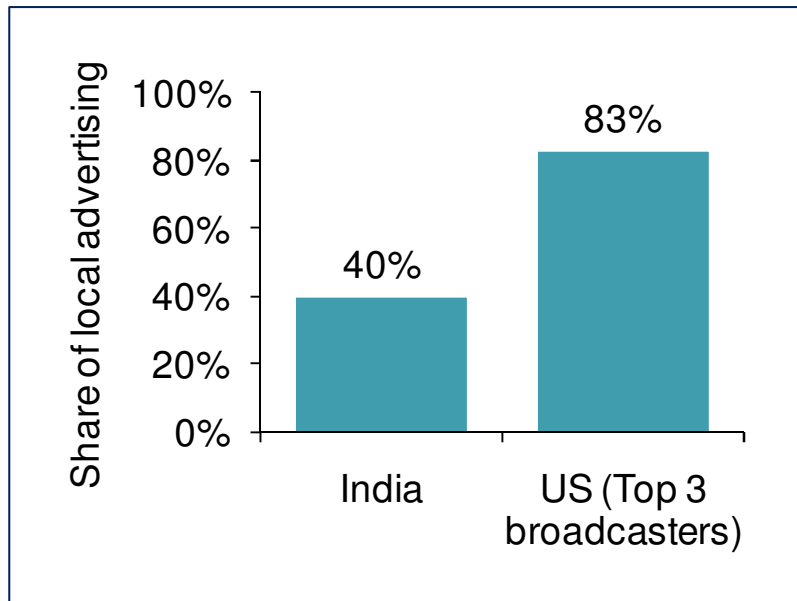
Source: Arbitron sales insights

*Please note: The figures indicate the % of advertisers in the survey that rated the medium as the most cost effective

Local advertising

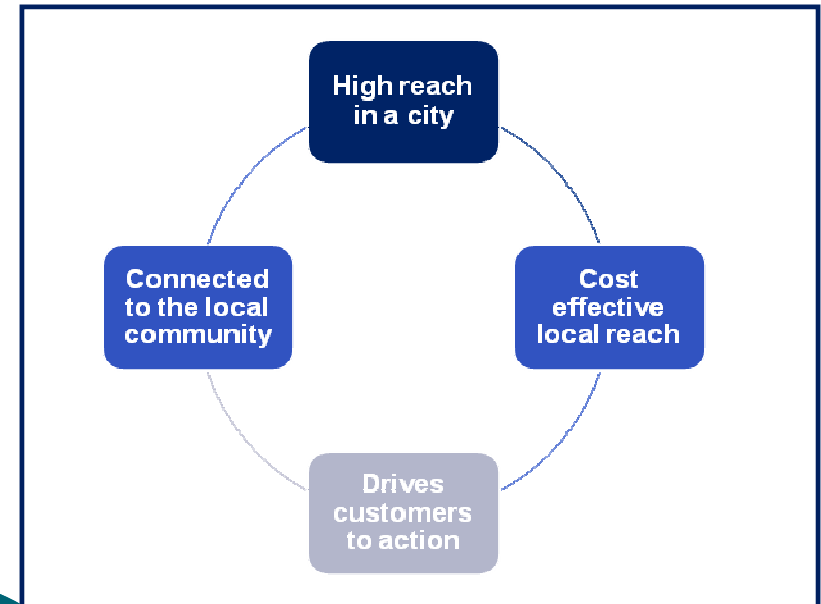
Driven by Radio's strong value proposition and Phase 3, there could be significant growth in local advertising...

Share of local advertising on radio in India is low compared to international markets



Source: Industry discussions; Company annual reports

Radio's offers key benefits to local advertisers



- ***With Phase 3, radio could be available in over 200 additional, smaller cities.***
- ***Such markets are more driven by local advertisers.***
- ***Given radio's strong proposition, this could lead to significant growth in local advertising***

Emergence of regional networks

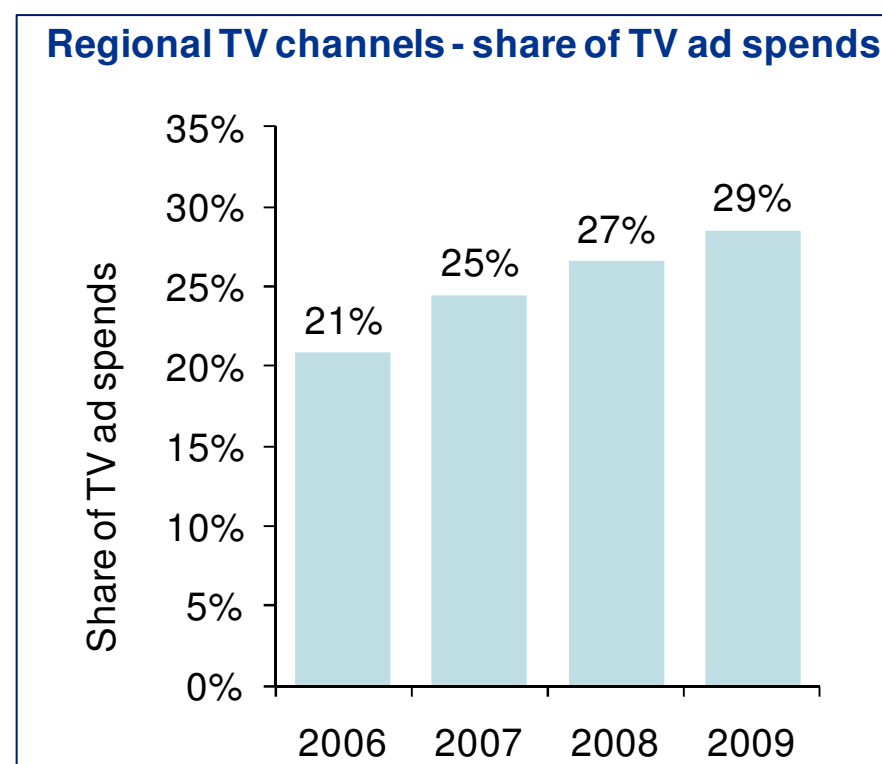
Regional markets present a good opportunity for media companies...

With high purchasing power, regional markets present a good opportunity

Monthly Per capita Consumption Expenditure of Select States	
State	Weighted MPCE
Kerala	1,348
Punjab	1,331
Maharashtra	1,127
Haryana	1,095
Gujarat	988
Tamil Nadu	936
Andhra Pradesh	884
Rajasthan	865
Karnataka	781
West Bengal	775
India Average	844

Source: NSSO; MCPE – Monthly Per capita Consumption Expenditure, 2007

Regional TV channels for example, have increased their share of ad spends

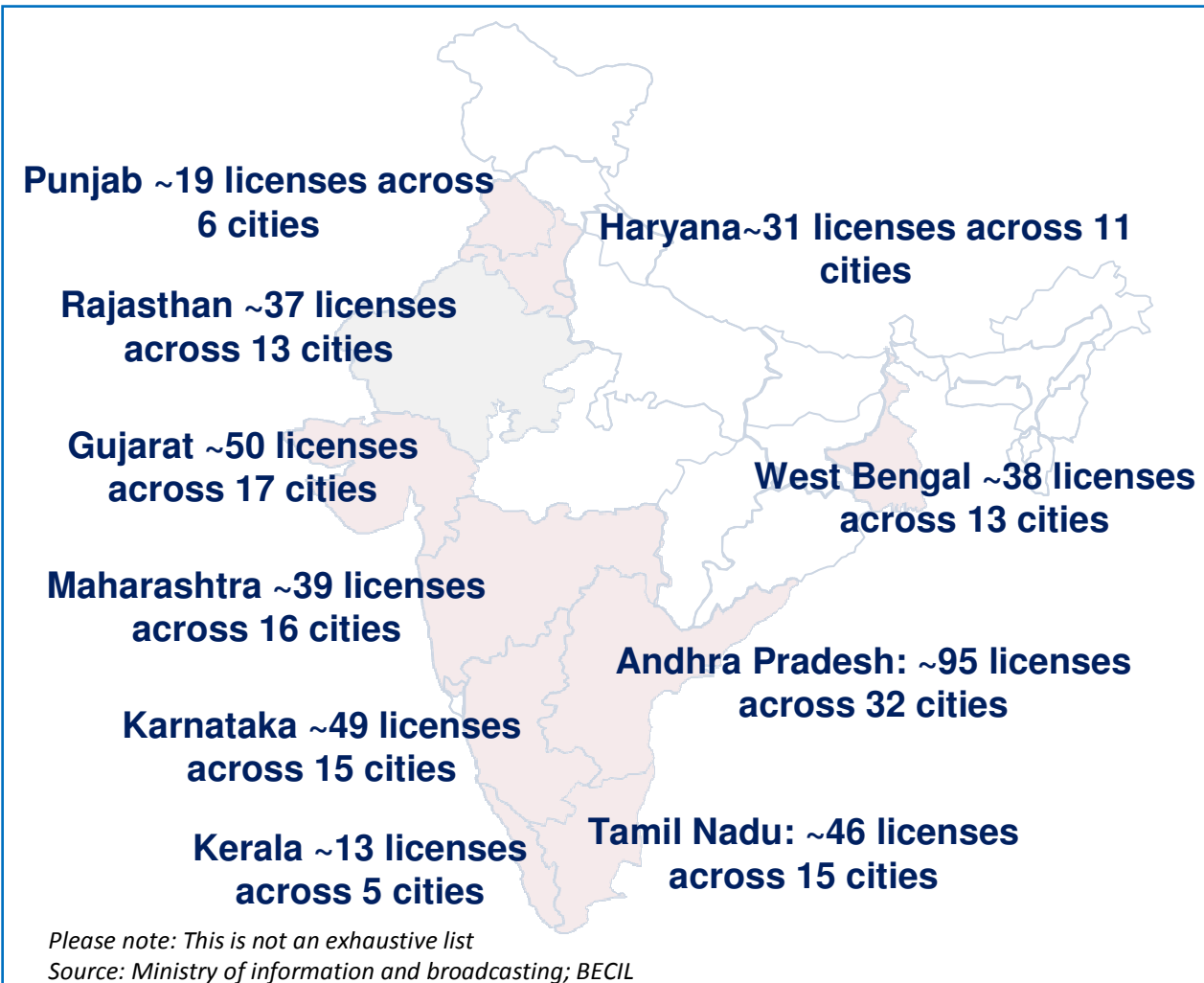


Source: Avendus equity research

Emergence of regional networks

Phase 3 is expected to lead to the creation of stronger regional networks in radio...

In Phase 3, a number of additional licenses will be available in key regional markets



Advantages of regional networks:

- Offer a cluster of stations to advertisers
- Enables radio to compete more effectively with Print and TV
- Helps leverage cost synergies across stations

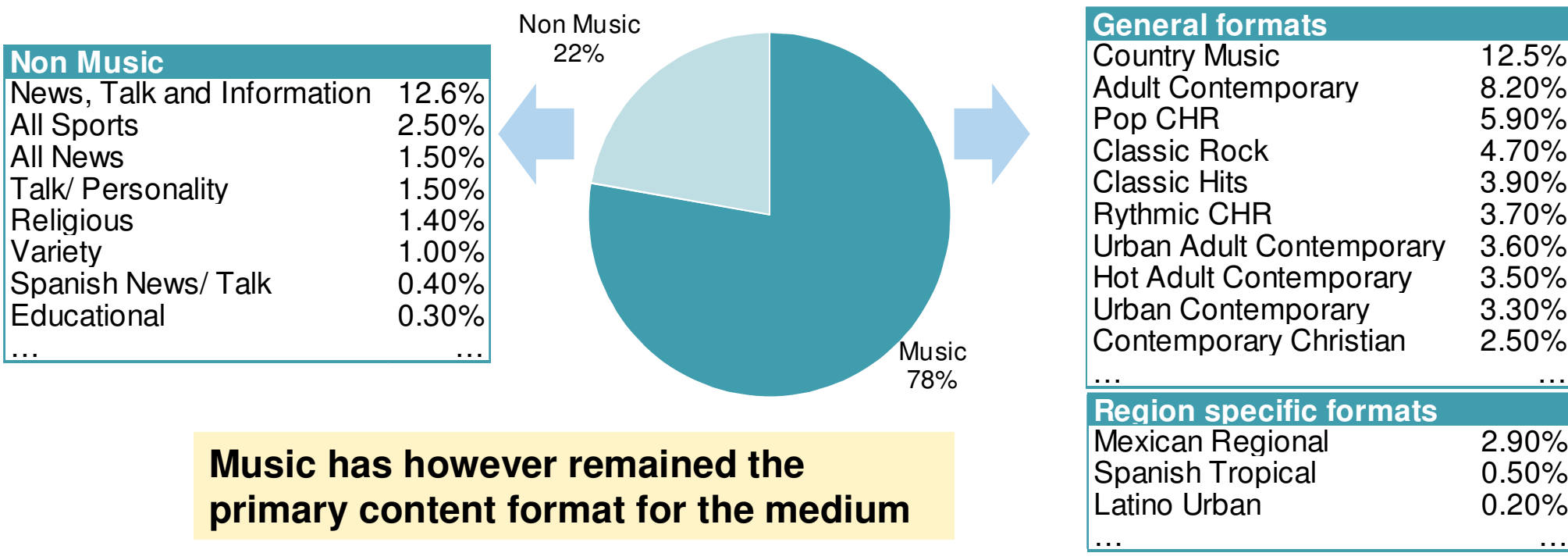
In the US market, players like Citadel Broadcast and Cumulus media have leveraged this effectively

Content innovation

Permission for multiple frequencies and permission to relay news, sports and current affairs could create opportunities for content innovation...

In the US, for example, a variety of formats (music and non-music) have emerged

US – Audience share of different radio formats



Source: Arbitron Radio Today, 2009 Edition

- ***In India, initial format innovation could be around language, demographics and music genres with broad appeal***
- ***In addition, news, sports and current affairs could supplement music based programming.***

In summary...

- **With high revenue growth and profitability improvement during the year, radio could be set for a phase of high growth**

Key drivers for growth

- **Regulatory changes**
- **Significant potential for increase in reach**
- **Strengthening value proposition for advertisers**
- **Growth in local advertising**
- **Emergence of regional networks**
- **Content innovation**

Risks and challenges for industry

- **Potential for irrational bids in Phase 3 licensing for metros and mini metros, given the limited licenses available**
- **Expansion of measurement system**