

Variation on a theme..

Unprecedented recovery

A shot in the arm..

One year on from our last WFA presentation

The media market in 2021 and 2022

July 2021

OMG Omnicom
MediaGroup

2

Running hot

The Media Market in
2021 and 2022

(prior to as yet-unknown
Omicron variant effects)

Q4 2021

OMG Omnicom
MediaGroup



Where to next?

The Media Market in 2022
and beyond

Q1 2022



General Contents

- **The economy**
- **How it could affect media**
- **Why make-up artists matter...**

A reminder of the forces behind the 2021 resurgence

Stimulus and vaccines | excess savings | demand for goods

Global stimulus of \$10.4trn / ~12% of 2020 GDP

Significant contributing factors to the ad spend rebound

Dollar for dollar: Many rich countries matched \$1 of lost output with \$1 of stimulus (LATAM was just 28c on the \$)

- 3X** 2020 Stimulus levels seen during 2008-2009 (prior to Biden \$1.9trn)
- 10X** Germany's measures during the Financial Crisis
- 30X** WW2 Marshall Plan (designed to rebuild Western Europe) at today's value

Source: McKinsey, Medical News Today, Statista, Economist

A 'wall of money' and fears of wage-price spirals

Despite the employment rate being lower than before the pandemic

Sizing up the savers

Excess savings*, Q1-Q3 2020 as a % of GDP
Selected countries

Country	Excess savings (% of GDP)
Canada	~6.5
United States	~6.0
Britain	~4.5

Salary bump

OECD countries, labour compensation per employed person, % change on a year earlier

Source: OECD

US ave hourly pay up 4.6% MAT to Sept – CPI at 5.4%

In Germany Unions pushing for 5% against CPI of 4.1%

End of support (US unemployment insurance / furlough schemes) yet to feed into labour markets

A two-fold & lopsided recovery

Unprecedented demand for goods / supply chain bottlenecks / expect further Ad \$ in-flows to high-income countries as low-income countries struggle with minuscule vaccination rates

➤

Demand for goods imbalance vs services

Shortages of everything – from soya to timber to energy & semiconductors

The cost of shipping from China to the US has more than tripled, factory-gate prices +9% in China (August)

High/upper middle income countries

Doses per 100 people

Country Group	Doses per 100 people
High/upper middle income countries	~180

➤

Low income countries

Doses per 100 people

Country Group	Doses per 100 people
Low income countries	~10

Source: Economist, Business Insider, <https://ourworldindata.org/covid-vaccinations>

Record US corporate earnings in 2021 surpassing 2019

5pts higher than 2010 recovery following the Great Recession – data not yet available of ad spend / sales ratios

STANDARD & POOR'S 500

22% increase in EPS forecasted (Dec 21)

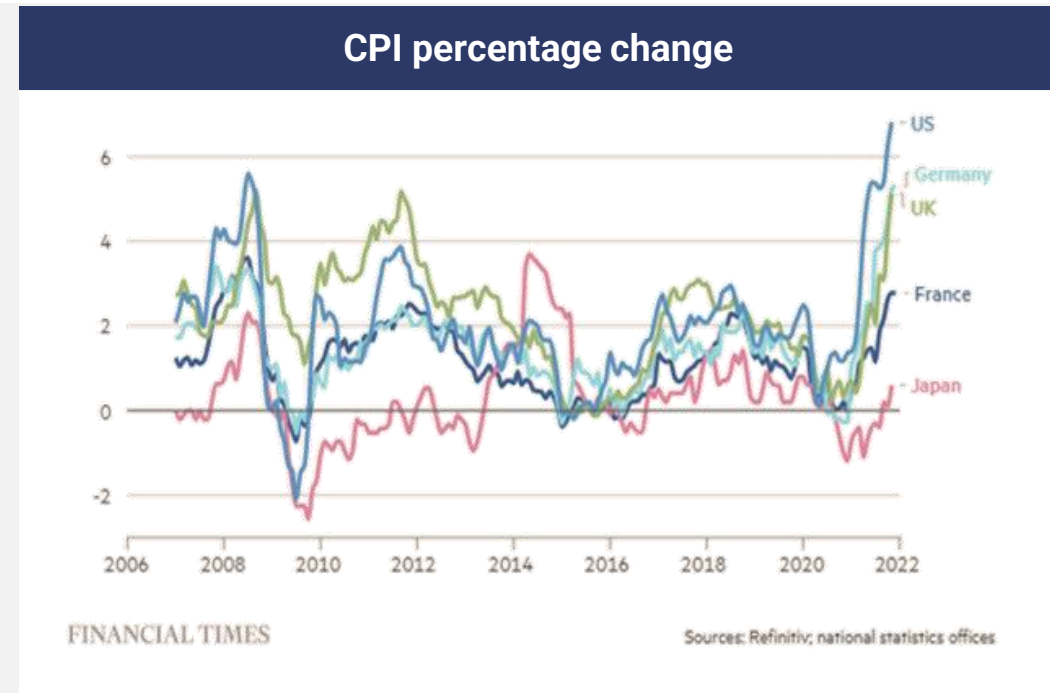
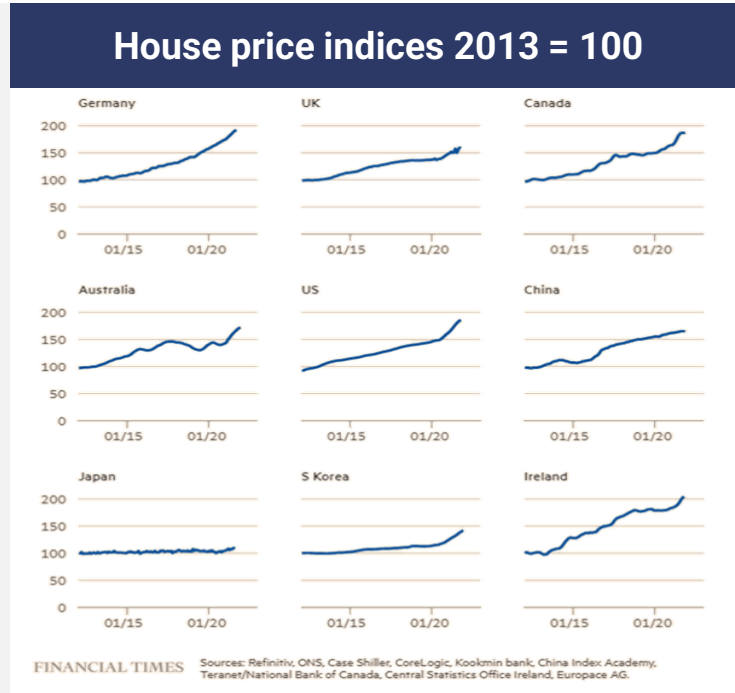
45% increase in EPS forecasted once Q4 announced

An aerial photograph of Earth showing the Western Hemisphere, including North and South America, with a semi-transparent dark overlay. A white arrow on the left points towards the text.

➤ But...significant global economic headwinds going into 2022 & 2023

Consumer price inflation / house prices surging in many countries

USA CPI Dec 2021 at 7%, highest since 1982 – mainly a western markets' problem



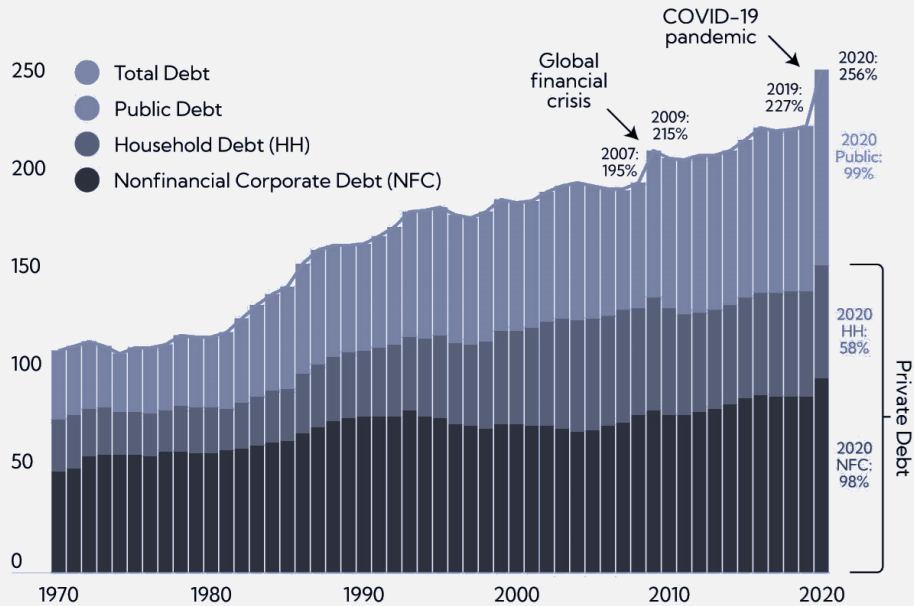
Energy is by far the largest inflationary component in G7 countries: Interest rates still very low, so room for increases to dampen demand, but:
 BoE “monetary policy doesn’t get more gas, more computer chips, more lorry drivers”
 + large increases in house prices make people feel wealthier / more confident

Global debt at \$226trn, with Public debt surging

Largest one-year debt surge since World War II, FED to start tapering / interest rate & tax rises looming (bar China, with cuts)

Historic highs

In 2020, global debt experienced the largest surge in 50 years. (debt as a percent of GDP)



Sources: IMF Global Debt Database and IMF staff calculations.
 Note: The estimated ratios of global debt to GDP are weighted by each country's GDP in US dollars.

IMF



%

28pt YoY increase to 256% of Global GDP

👁️

If you started spending \$1MM per day as an ancestor to Homo Sapiens, you'd have just about spent it all by now..

🔄

Servicing costs may rise, especially for those borrowing in USD

Supply chains severely tested, following unprecedented demand for goods

Germany factory gate prices up 24% YoY in December..



- 

Maritime shipping is the backbone of world trade; estimated that 80% of all goods are carried by sea
- 

China's 'zero tolerance' policy closes ports when there is a minor outbreak of Covid
- 

Spot* shipping costs to US West Coast 10X pre-pandemic, and US demand pushes costs up for Europe
- 

Shortages of multiple goods from semi-conductors, to building materials, to soya (and people...)**

*Spot rates inform long-term contract rates

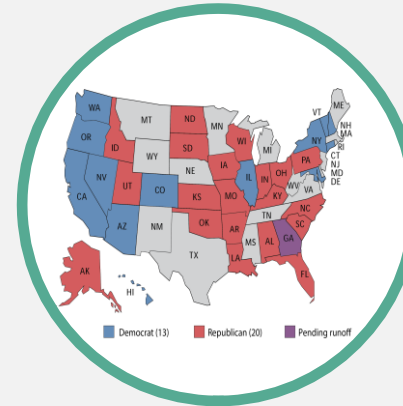
**vaccination rates improving in Malaysia and Taiwan

Significant cyclicals contributing to growth in 2022

Mid terms expected to be higher spending vs '20 election | World Cup first time running up to holidays



FEB



NOV



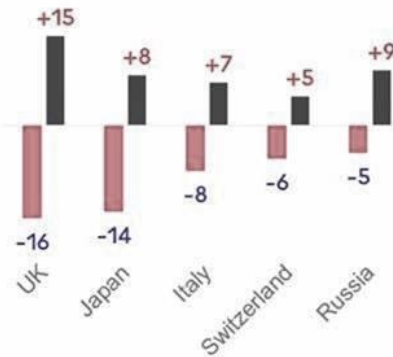
DEC

World Federation of Advertisers members expected strong growth heading into 2022..

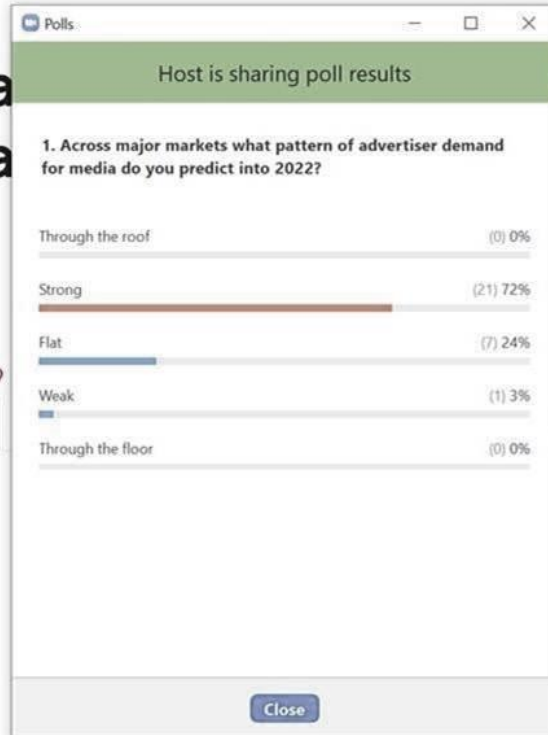
In the Americas nearly ¼ think it will be 'through the roof'

EMEA / APAC call

So far, 2021 has returned to global

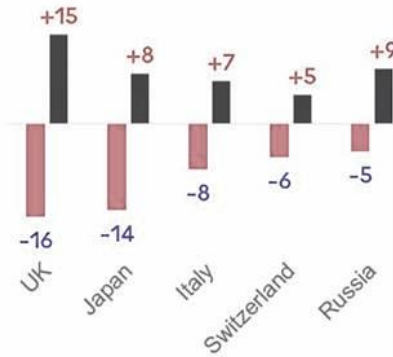


Source: WFA Outlook, Industry survey of price inflation forecasts

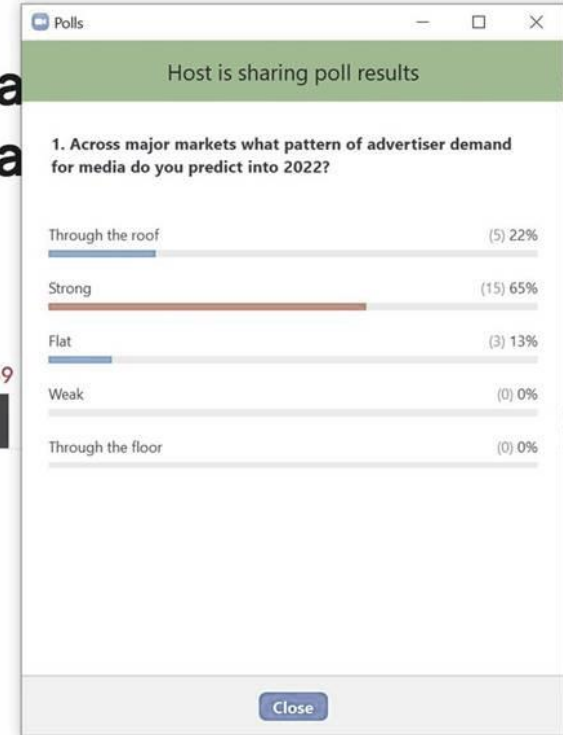


AMERICAS call

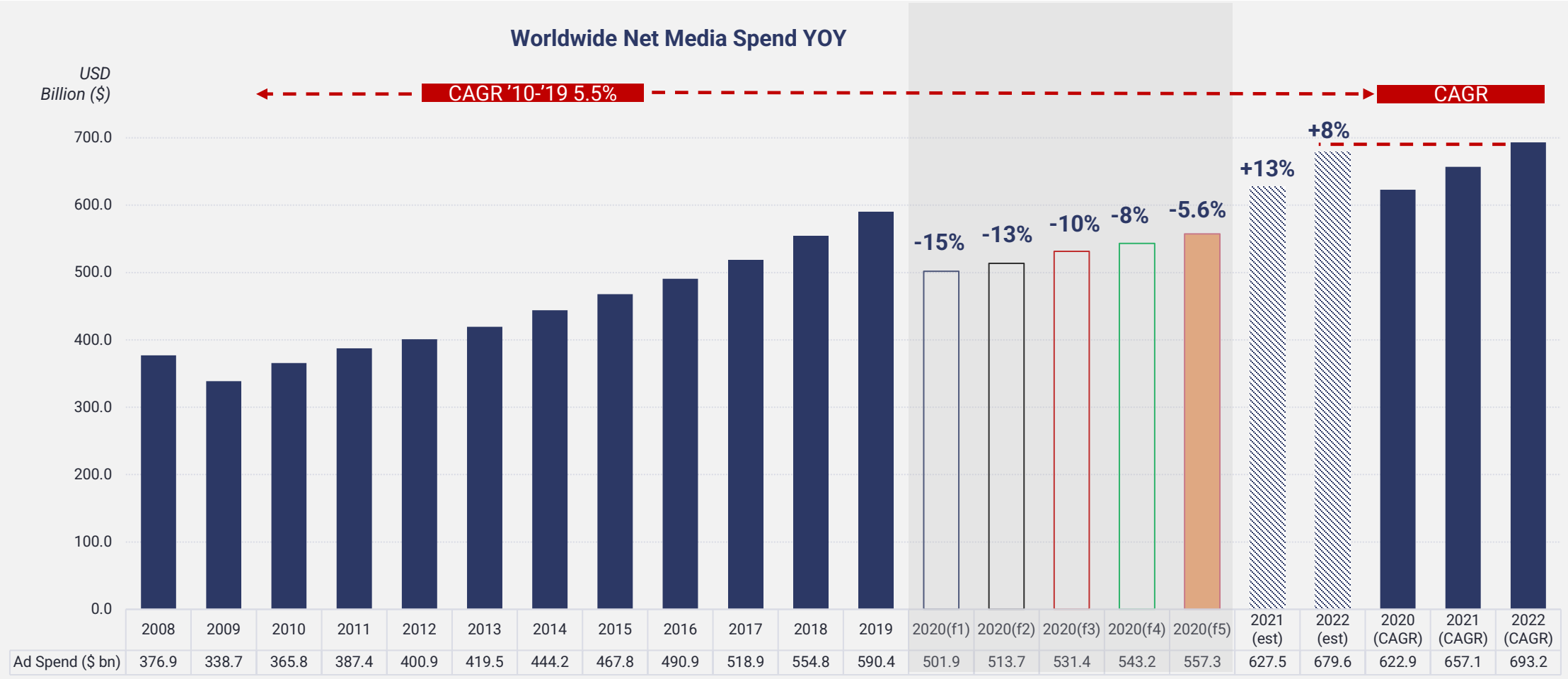
So far, 2021 has returned to global



Source: WFA Outlook, Industry survey of price inflation forecasts



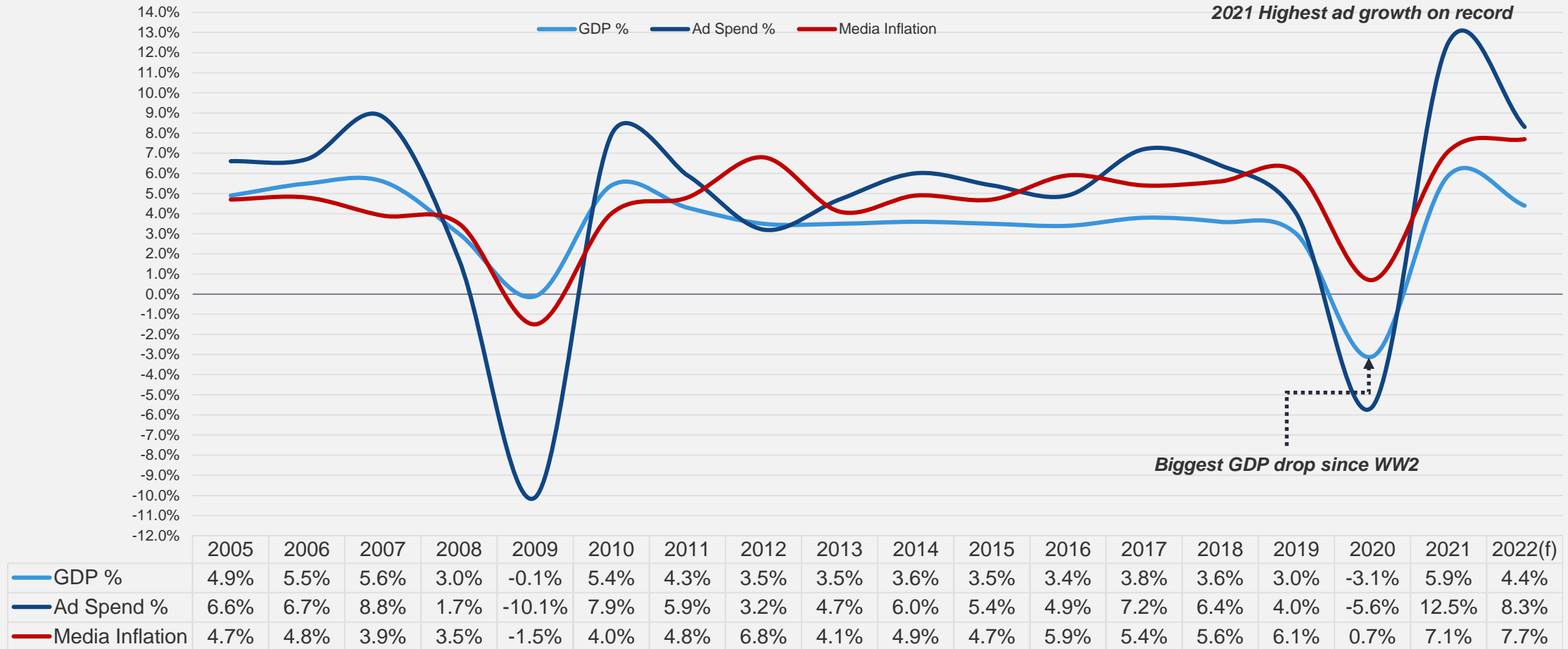
Effectively 'Covid never happened in the ad market', when applying long-term expected growth rates



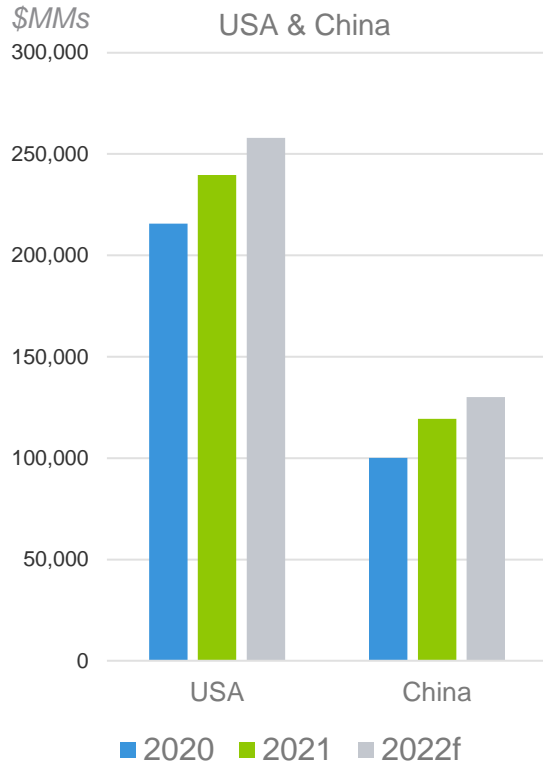
Source: Omnicom Media Group estimates. CAGR – Compound Annual Growth Rate

The Covid-effect to date is fundamentally different to the Great Recession

In 2009 ad spend declined 10pts vs GDP. In 2020 it was just 2.5pts

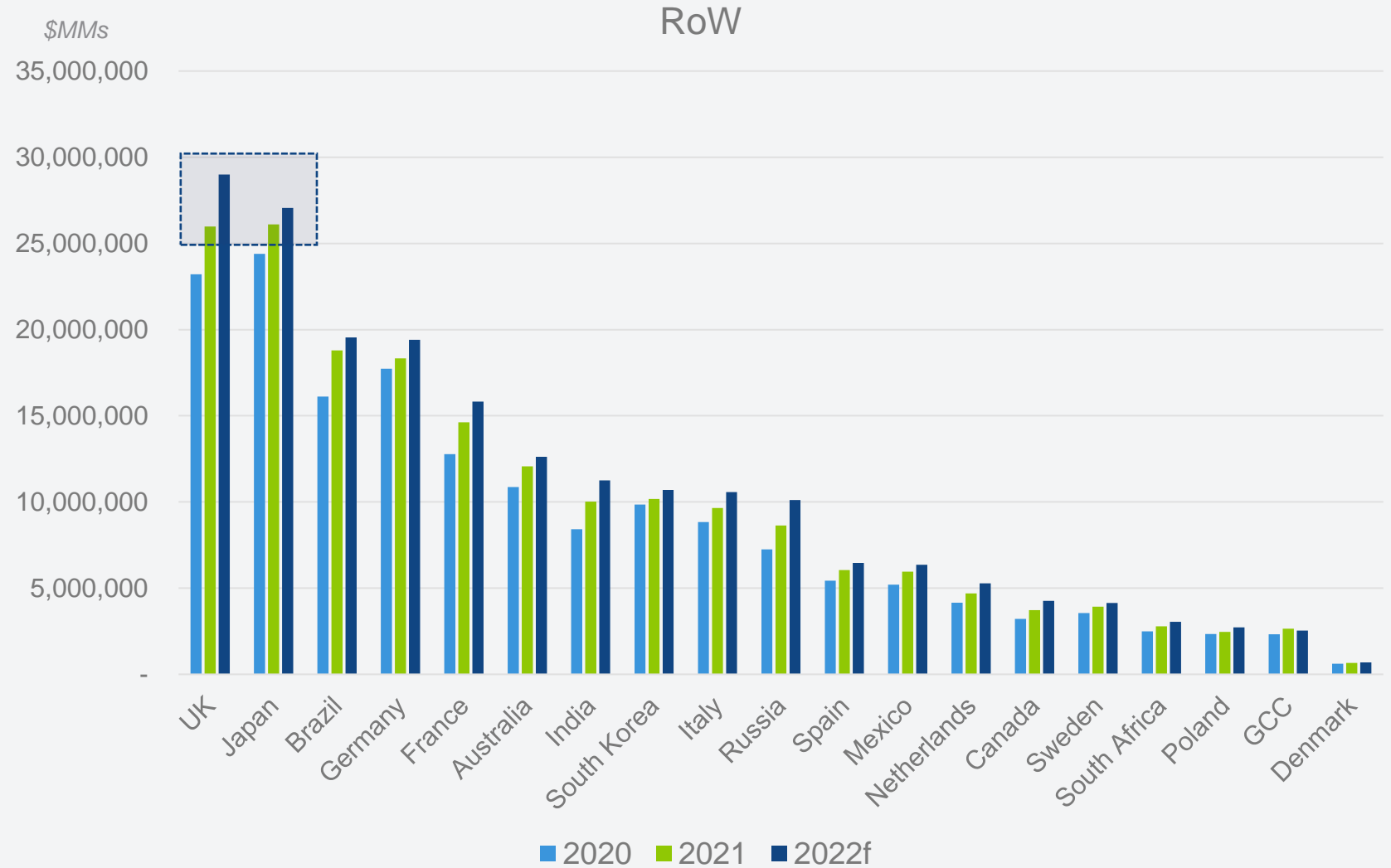


UK set to overtake Japan as 3rd biggest



Source: Omnicom Media Group estimates (Feb 2022)

Country Growth YoY



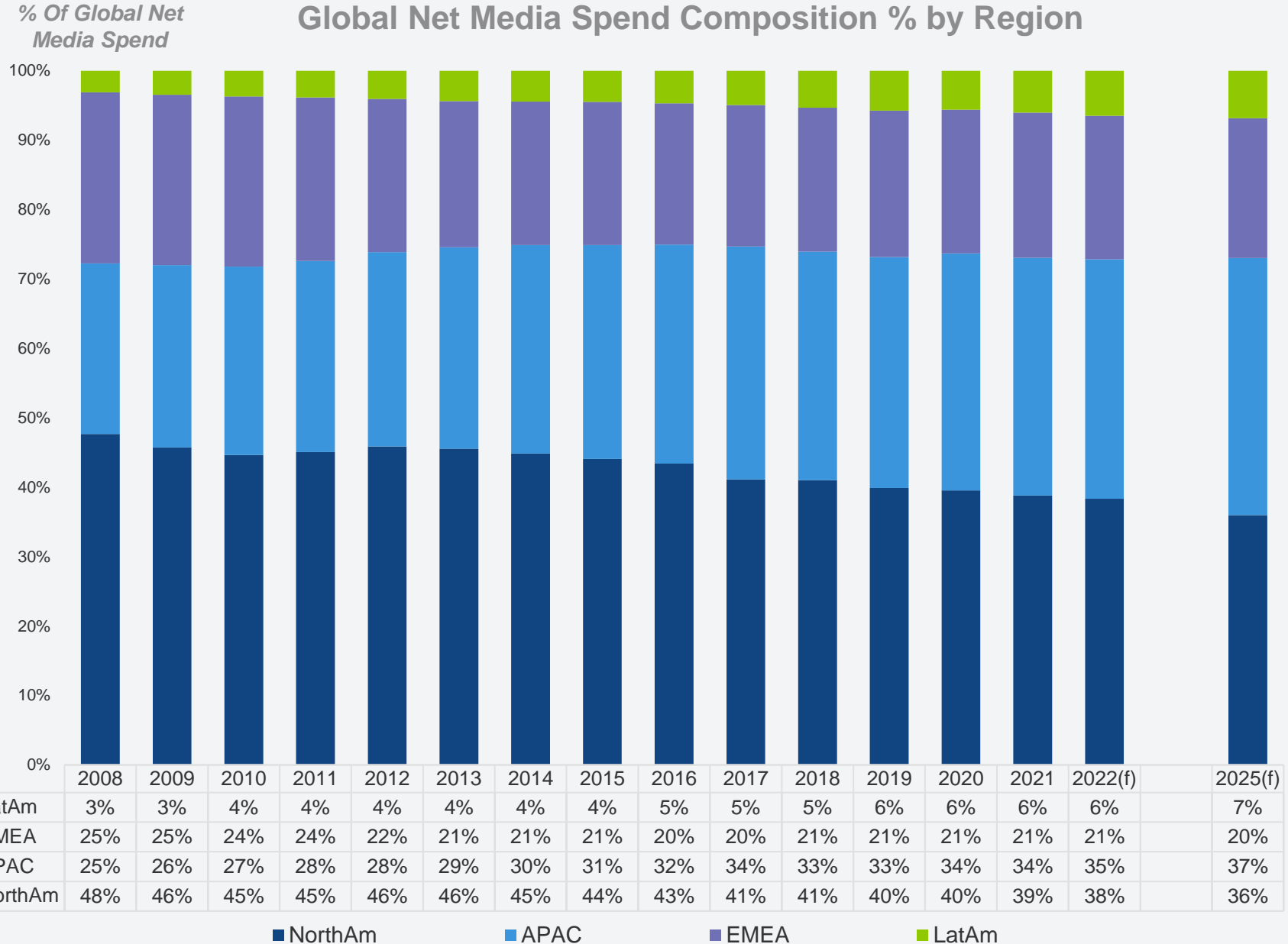
The gap between APAC and NorthAm now just 3pts

China leading the charge

EMEA remarkably steady

Source: Omnicom Media Group estimates (Feb 2022)

Reference point is 2008 as it was the year of the financial crisis, followed by ad spend losses in 2009

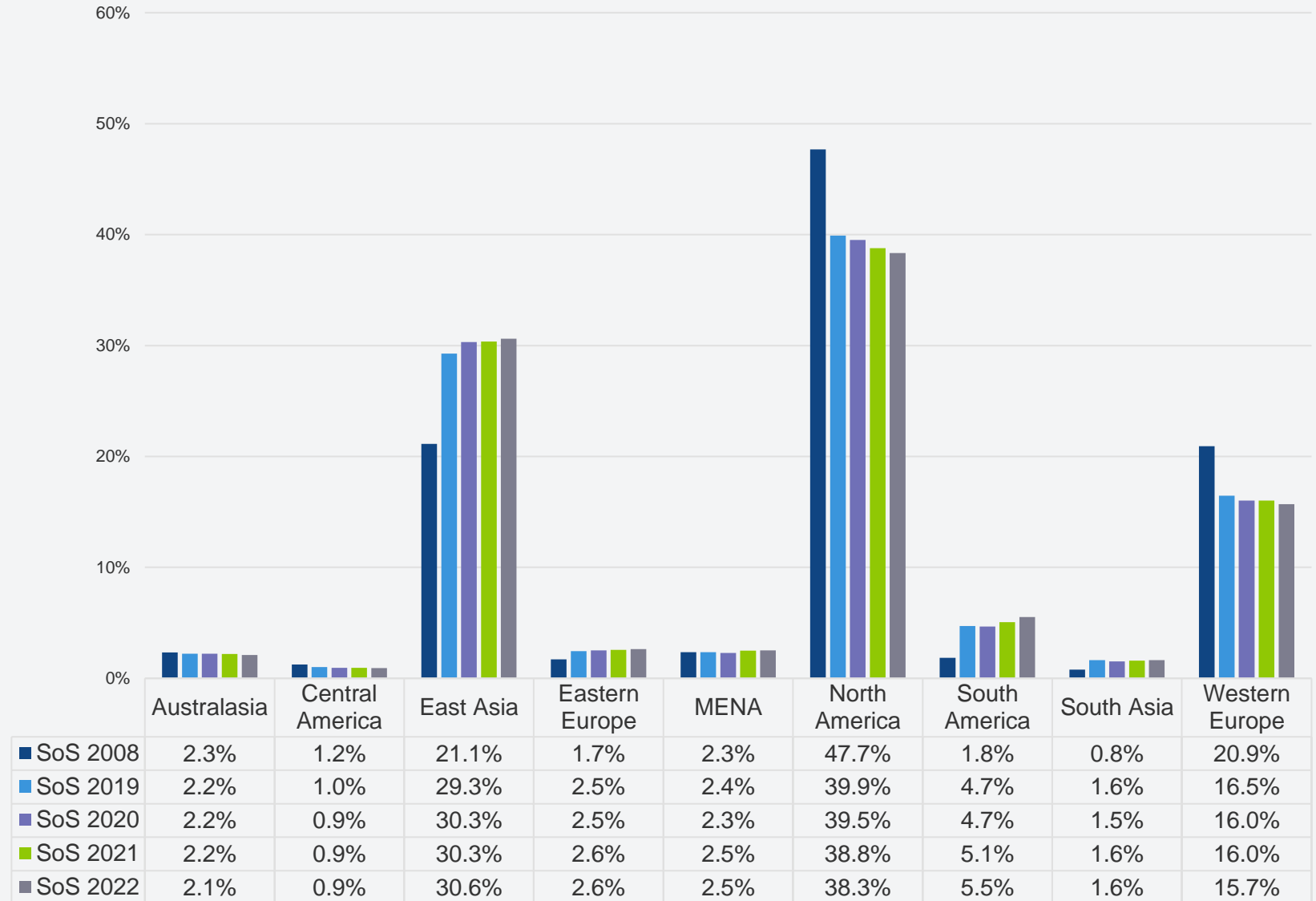


East Asia +9.5pts Share of Spend since 2008 baseline

NorthAm mirrors this
on the reverse

% Share of WW
Spend (SoS)

Regional Contribution To Global Media Spend



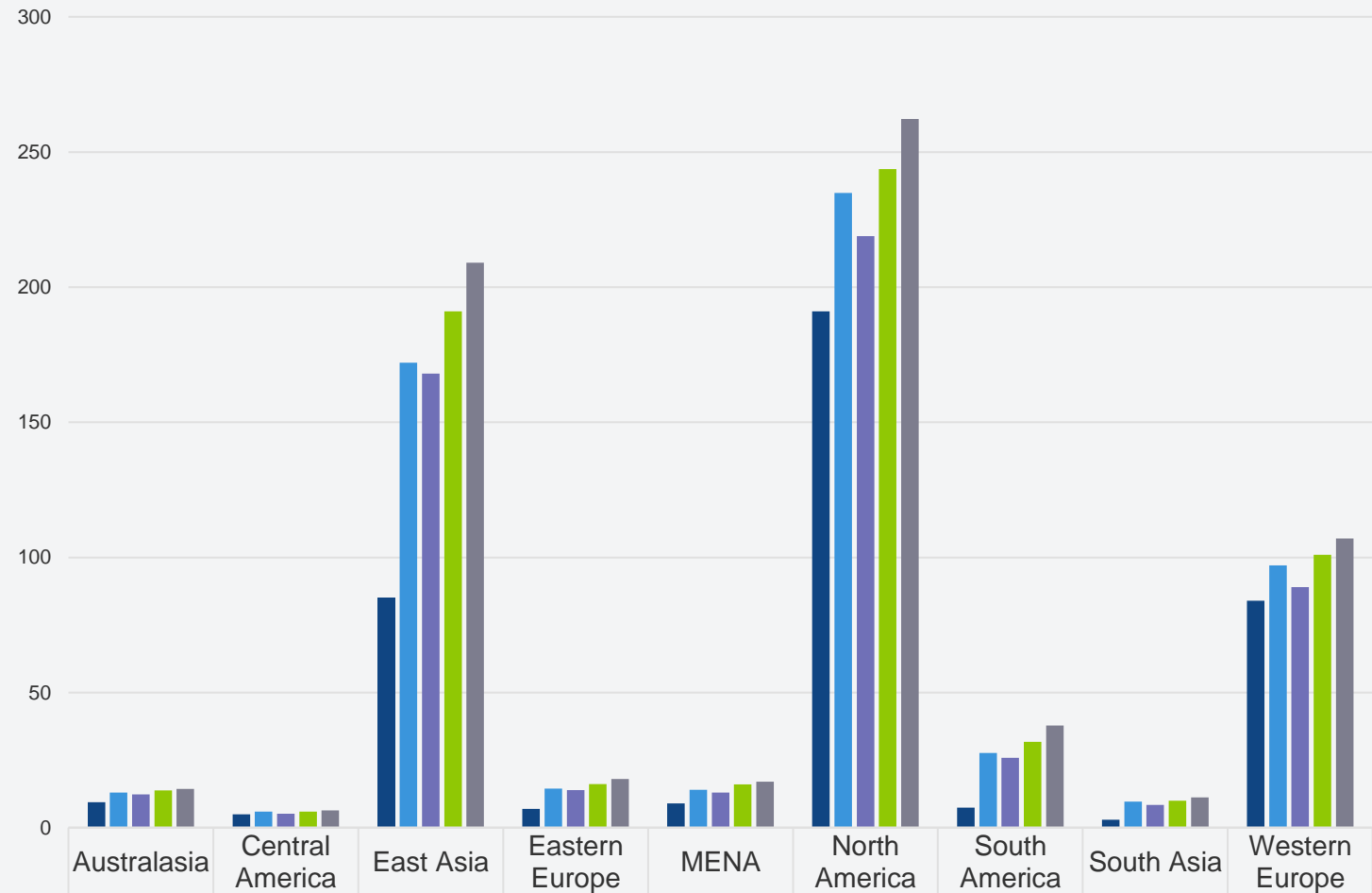
East Asia to grow by \$18.0bn in 2022

Same \$s as NorthAm

That's like 'adding a German market' to their numbers this year

Total Net Media Spend Changes By Region

USD Billion (\$)

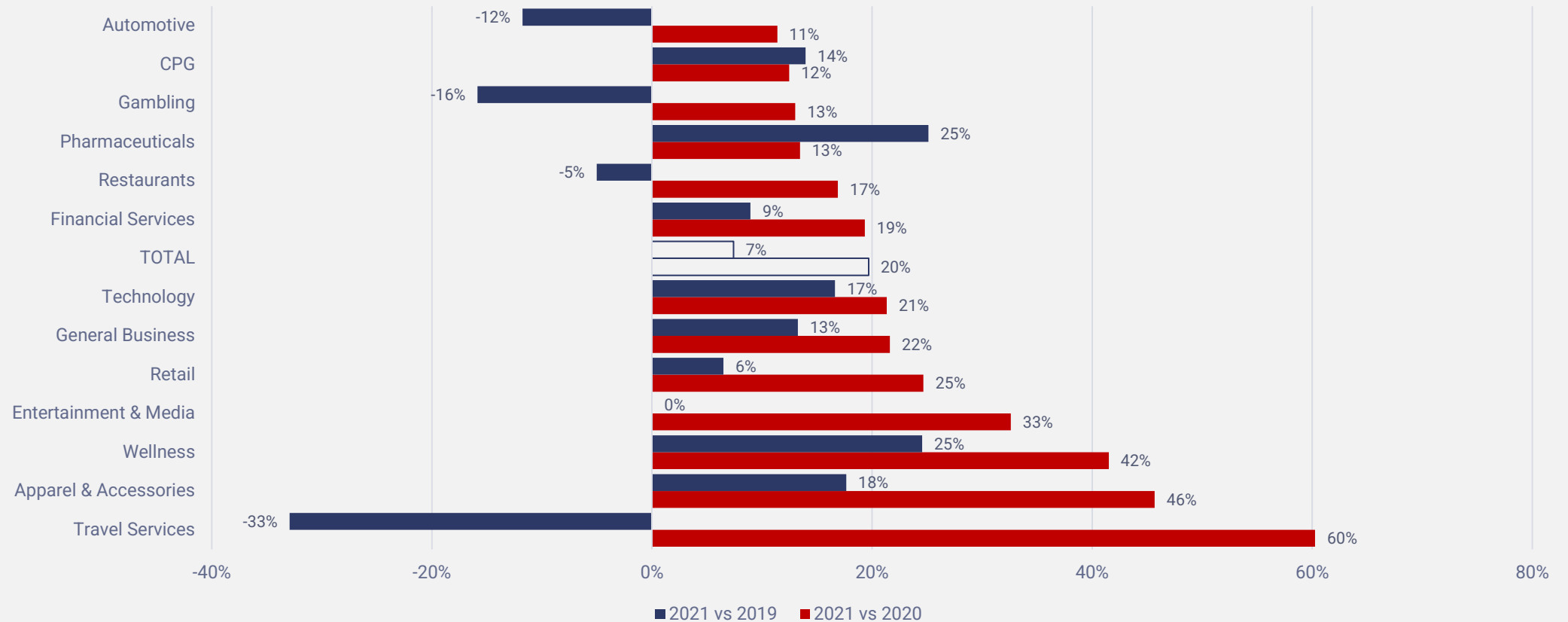


	Australasia	Central America	East Asia	Eastern Europe	MENA	North America	South America	South Asia	Western Europe
■ 2008 Ad Spend \$bn	9	5	85	7	9	191	7	3	84
■ 2019 Ad Spend \$bn	13	6	172	14	14	235	28	10	97
■ 2020 Ad Spend \$bn	12	5	168	14	13	219	26	8	89
■ 2021 Ad Spend \$bn	14	6	191	16	16	244	32	10	101
■ 2022 Ad Spend \$bn	14	6	209	18	17	262	38	11	107

All main ad categories growing Jan-Nov '21 vs Y-ago

Travel was the hardest hit in 2020; growing in '21 but still far down on '19

SMI Pool Main Product Categories Change in Budget



Source: Standard Media Index Anglo markets (US, Canada, UK, Aus/NZ) and China
 - agencies only, Does not reflect total market

Note: **General business** = Home, Government, office, power, real estate etc

Only Digital grew in 2020, Print, OOH and Radio severely affected

Updated forecast 3rd February 2022

2020 Market investment summary by market by media type

Market \ Media Type	TV	Digital	Press	OOH	Radio	All media
Australia	-8%	0%	-19%	-11%	-19%	-5%
Canada	-18%	-8%	-31%	-54%	-33%	-17%
China	-5%	8%	-27%	-8%	-20%	2%
Denmark	-16%	-11%	-20%	-22%	-7%	-14%
France	-11%	3%	-30%	-33%	-10%	-9%
GCC	-28%	8%	-72%	-52%	-58%	-27%
Germany	-8%	-2%	-9%	-15%	0%	-5%
India	-18%	9%	-15%	-38%	-23%	-12%
Italy	-10%	-2%	-24%	-53%	-25%	-11%
Mexico	-12%	-7%	-44%	-	-25%	-13%
Netherlands	-10%	8%	-22%	-37%	-17%	-4%
Poland	-9%	0%	-30%	-39%	-9%	-8%
Russia	-3%	1%	-46%	-25%	-27%	-5%
South Africa	-13%	-4%	-11%	-15%	-10%	-11%
South Korea	-8%	13%	-5%	-27%	-12%	0%
Spain	-18%	-5%	-35%	-48%	-23%	-18%
Sweden	-7%	-3%	-24%	-17%	-1%	-7%
UK	-9%	-3%	-26%	-42%	-18%	-9%
USA	-12%	5%	-27%	-41%	-29%	-7%
Brazil	-7%	-2%	-36%	-10%	-36%	-11%
Japan	-12%	-2%	-18%	-14%	-9%	-10%
WW	-10.0%	4.0%	-26.1%	-29.0%	-23.2%	-5.6%



Basket represents c90% of total global expenditure

- means decrease

0.1%	YoY increase
-0.1%	YoY decrease up to 15%
-15.1%	YoY decrease 15%+

2021 growth

Updated forecast 3rd February 2022

2021 Market investment summary by market by media type

Market \ Media Type	TV	Digital	Press	OOH	Radio	All media
Australia	10%	13%	-15%	17%	12%	11%
Canada	28%	24%	4%	5%	16%	24%
China	1%	21%	-9%	16%	-1%	17%
Denmark	8%	11%	-1%	-3%	11%	8%
France	16%	25%	5%	14%	7%	20%
GCC	0%	9%	-30%	3%	3%	4%
Germany	2%	8%	-5%	1%	1%	3%
India	29%	20%	9%	4%	5%	19%
Italy	15%	16%	4%	4%	9%	14%
Mexico	18%	8%	-7%	-	6%	14%
Netherlands	20%	19%	-2%	15%	17%	16%
Poland	12%	19%	-11%	21%	12%	14%
Russia	16%	25%	-6%	31%	17%	22%
South Africa	15%	9%	3%	13%	8%	12%
South Korea	1%	6%	-2%	-2%	1%	3%
Spain	8%	14%	2%	25%	10%	11%
Sweden	8%	13%	-6%	13%	5%	11%
UK	24%	13%	0%	6%	19%	14%
USA	11%	13%	0%	10%	5%	11%
Brazil	13%	-7%	0%	39%	36%	6%
Japan	12%	0%	2%	11%	4%	7%
WW	9.9%	13.9%	-2.6%	12.1%	6.2%	12.5%



Basket represents c90% of total global expenditure

- means decrease

0.1%	YoY increase
-0.1%	YoY decrease up to 15%
-15.1%	YoY decrease 15%+

2022 growth

Updated forecast 3rd February 2022

2022 Market investment summary by market by media type

Market \ Media Type	TV	Digital	Press	OOH	Radio	All media
Australia	-3%	6%	-15%	23%	9%	5%
Canada	4%	8%	3%	13%	3%	7%
China	3%	14%	-6%	10%	2%	11%
Denmark	1%	7%	-12%	32%	3%	4%
France	4%	5%	-1%	13%	1%	5%
GCC	3%	5%	-5%	1%	5%	4%
Germany	5%	9%	-3%	9%	2%	6%
India	13%	15%	10%	7%	6%	12%
Italy	1%	10%	1%	20%	8%	5%
Mexico	7%	8%	2%	-	1%	7%
Netherlands	12%	10%	-3%	12%	6%	9%
Poland	2%	6%	-9%	3%	2%	3%
Russia	13%	18%	-12%	13%	8%	15%
South Africa	12%	9%	3%	11%	7%	10%
South Korea	7%	5%	0%	11%	3%	5%
Spain	6%	8%	0%	23%	6%	7%
Sweden	1%	7%	-12%	29%	5%	5%
UK	6%	12%	0%	8%	1%	10%
USA	11%	5%	4%	5%	5%	8%
Brazil	8%	8%	4%	8%	4%	7%
Japan	5%	0%	5%	9%	5%	4%
WW	7.4%	8.0%	0.1%	8.5%	3.9%	8.2%



Basket represents c90% of total global expenditure

- means decrease

0.1%	YoY increase
-0.1%	YoY decrease up to 15%
-15.1%	YoY decrease 15%+

2022 vs 2019 growth

Updated forecast 3rd February 2022

2022 vs 2019 Market investment change by market by media type

Market \ Media Type	TV	Digital	Press	OOH	Radio	All media
Australia	-2%	20%	-42%	29%	-2%	10%
Canada	10%	23%	-27%	-46%	-20%	9%
China	-1%	48%	-38%	18%	-19%	33%
Denmark	-9%	5%	-30%	0%	7%	-3%
France	7%	37%	-28%	-14%	-3%	14%
GCC	-26%	23%	-81%	-50%	-54%	-21%
Germany	-1%	16%	-17%	-6%	3%	4%
India	20%	50%	2%	-31%	-14%	17%
Italy	5%	24%	-21%	-40%	-11%	7%
Mexico	11%	8%	-47%	-	-20%	7%
Netherlands	21%	40%	-26%	-19%	4%	22%
Poland	4%	26%	-43%	-24%	3%	8%
Russia	27%	49%	-55%	10%	-7%	33%
South Africa	13%	14%	-5%	7%	3%	9%
South Korea	0%	26%	-7%	-21%	-8%	8%
Spain	-7%	16%	-33%	-20%	-11%	-2%
Sweden	1%	17%	-37%	21%	9%	9%
UK	20%	23%	-26%	-33%	-1%	13%
USA	8%	25%	-24%	-32%	-22%	12%
Brazil	12%	-2%	-33%	35%	-10%	2%
Japan	3%	-2%	-13%	4%	-1%	0%
WW	6.2%	27.9%	-27.9%	-13.7%	-15.2%	14.8%



Basket represents c90% of total global expenditure

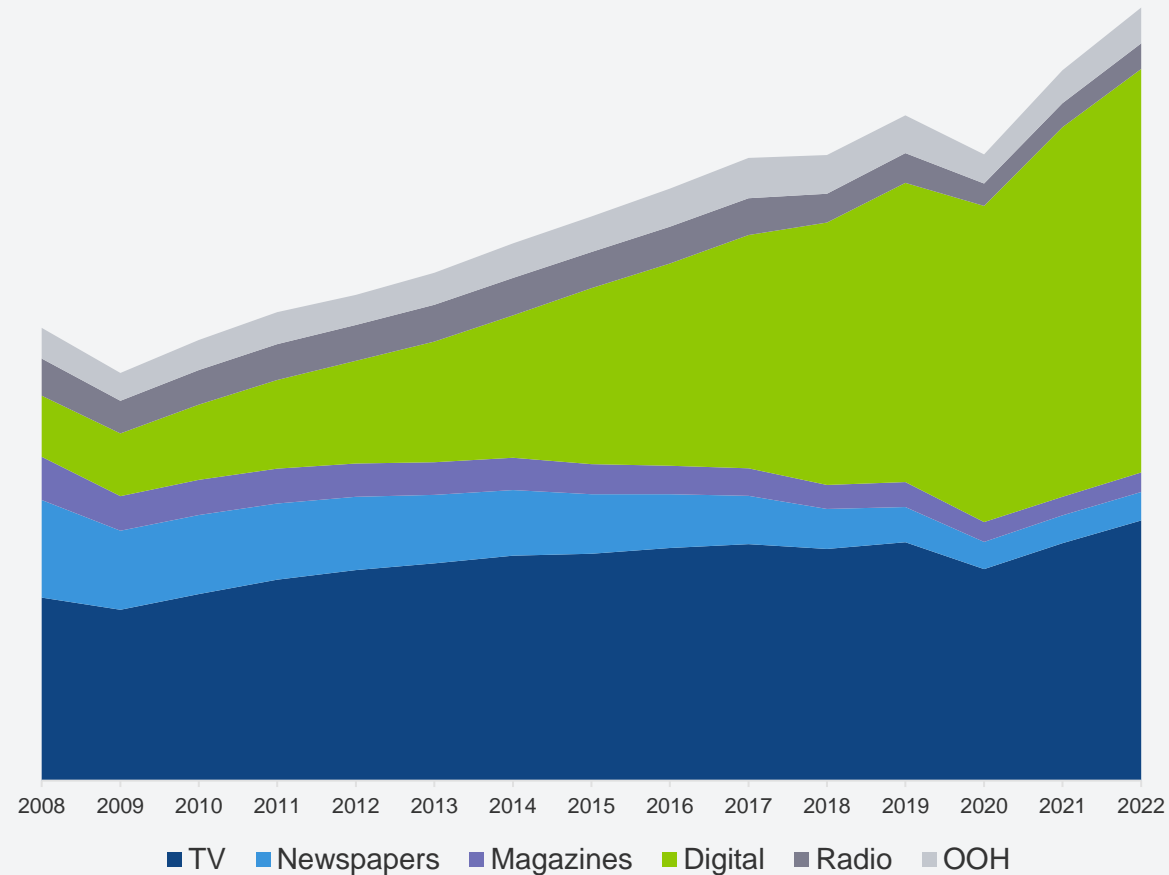
- means decrease

0.1%	YoY increase
-0.1%	YoY decrease up to 15%
-15.1%	YoY decrease 15%+

Digital spend will increase by 560% between 2008 & 2022 to \$357bn

Rest of media reflects their 'analogue' revs

WW Net Media Spend by Medium (\$BN)

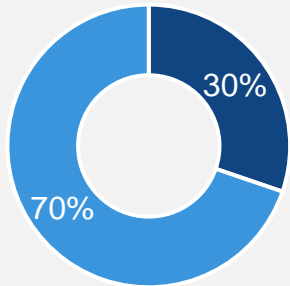


Medium	2022 vs. 2021	2022 vs. 2008
TV	10%	42%
Newspapers	2%	-71%
Magazines	4%	-55%
Digital	9%	560%
Radio	6%	-31%
OOH	9%	17%

'Rest of Digital' still dominant in most regions

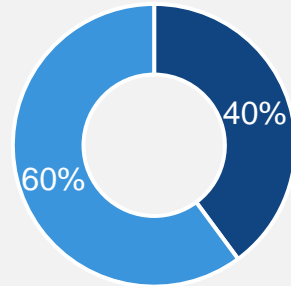
Latam high use of Social (41% of Dig vs 19% globally)

APAC- 2019



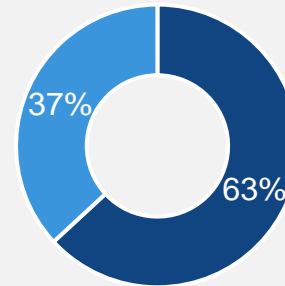
Spends: **\$87B**

EMEA- 2019



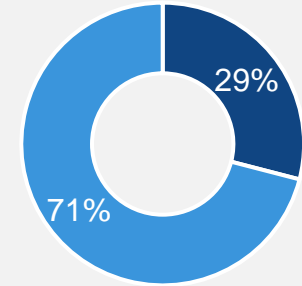
Spends: **\$48.1B**

LATAM- 2019



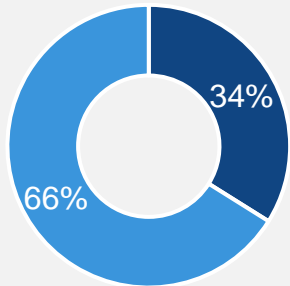
Spends: **\$9.2B**

NorthAm- 2019



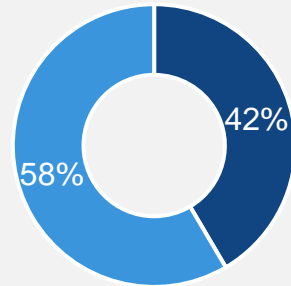
Spends: **\$101.8B**

APAC- 2022



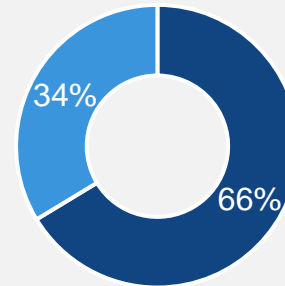
Spends: **\$140B**

EMEA- 2022



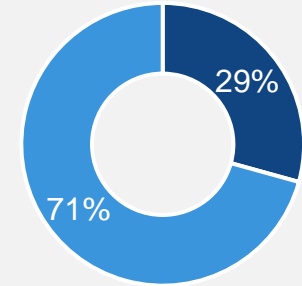
Spends: **\$74.7B**

LATAM- 2022



Spends: **\$11.3B**

NorthAm- 2022

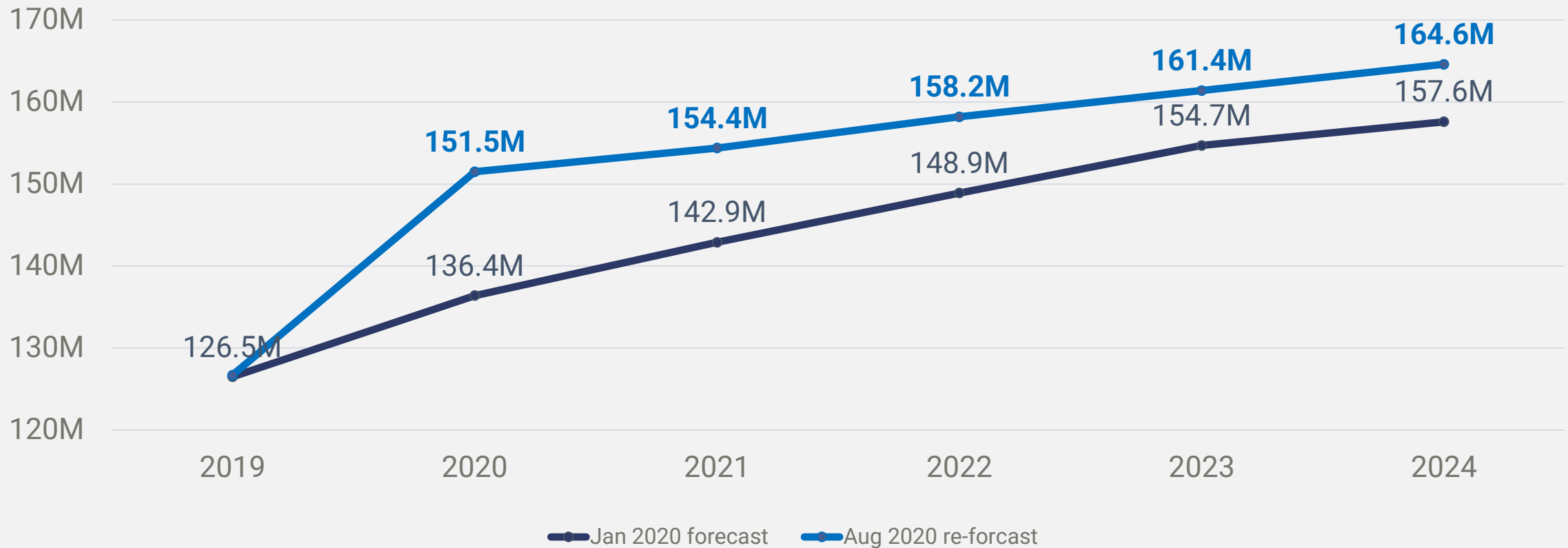


Spends: **\$127.4B**

One of the biggest digital media growth stories of the pandemic

The money follows the eyeballs: live events, sport, news, OTT, video gaming

US Online Live Viewers



The Whales in the room – 2021 \$s close to New Zealand’s GDP..

Record Alphabet Q4 21 earnings driven by retail spending – but Amazon ads now bigger than YT

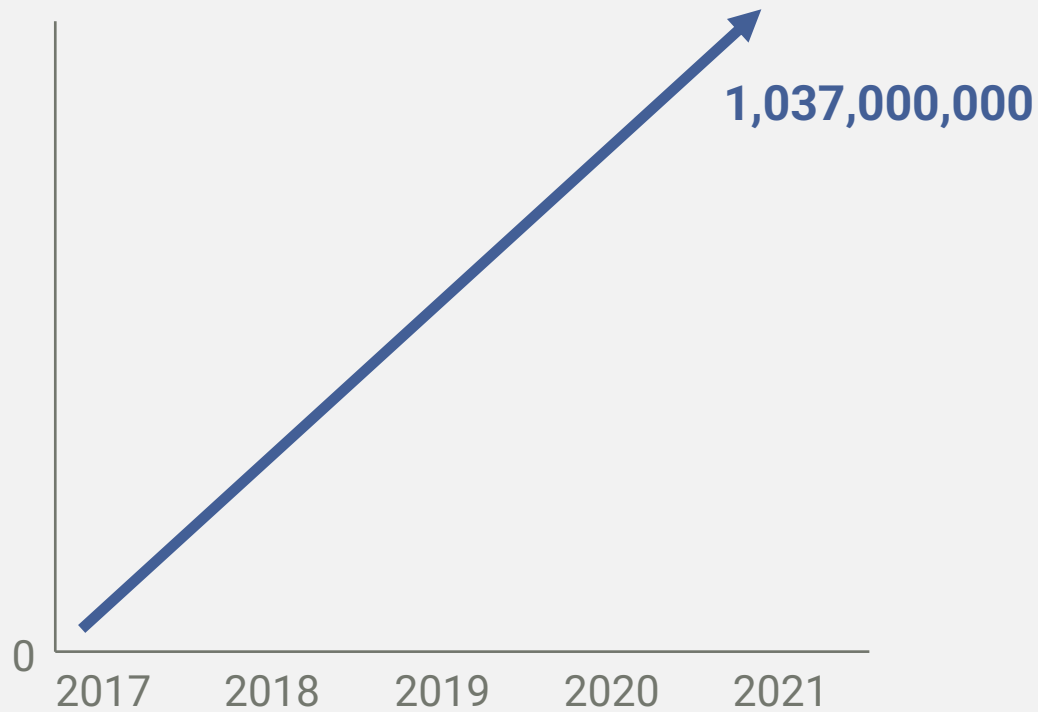
Google Global advertising revenue



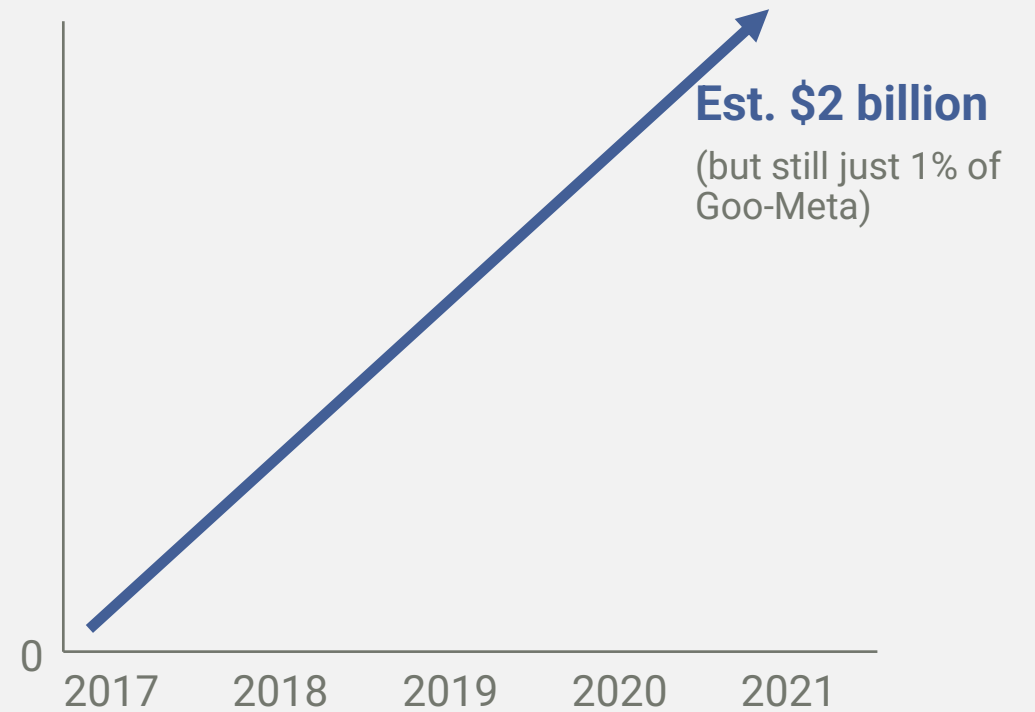
Dominance challenged?

It took Meta 9 years to reach 1bn. TikTok, just 4 – and Wall Street punished Meta for this

TikTok
Total Users



TikTok
Advertising Revenue



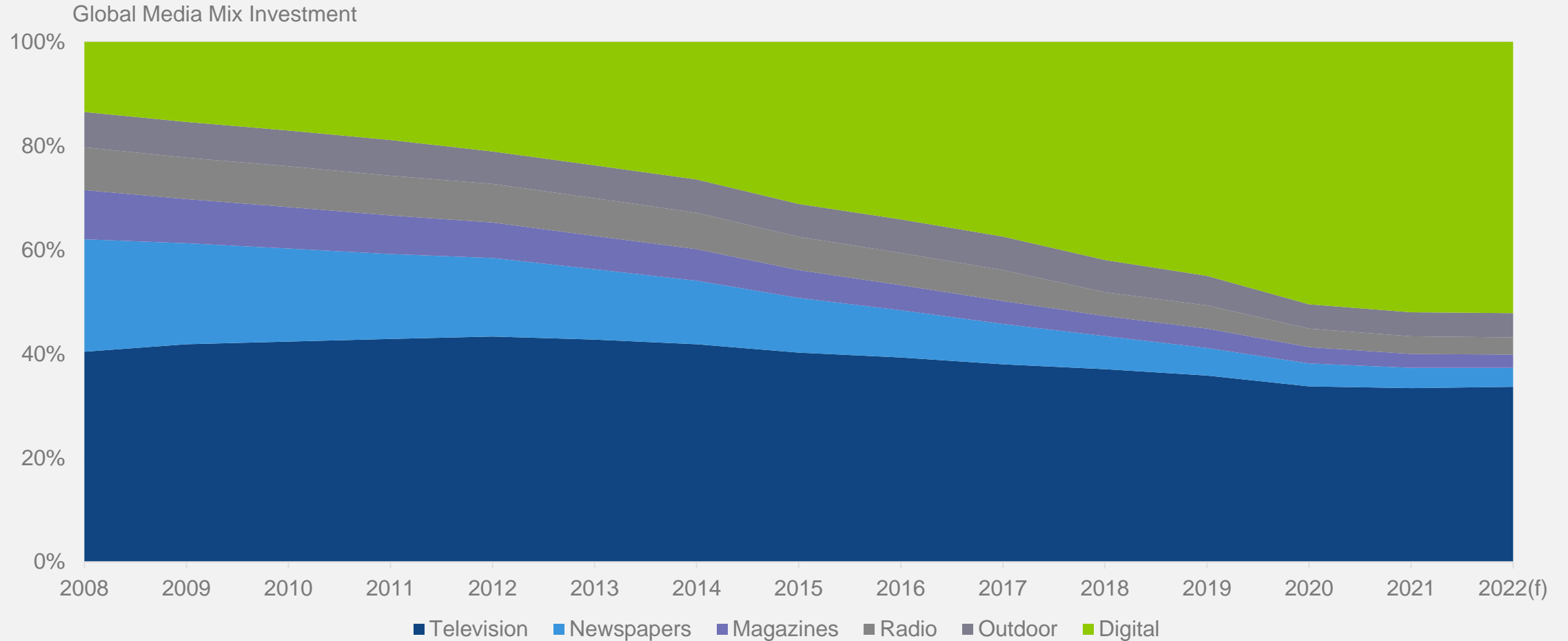
In fact....

-\$232bn was the biggest one-day drop for any single company in history – Meta CFO expects \$10bn spend hit due to iOS IDFA issues

The IBM logo, consisting of the letters 'IBM' in a blue, horizontally-striped font, with a registered trademark symbol (®) to the right.The IBM logo, consisting of the letters 'IBM' in a blue, horizontally-striped font, with a registered trademark symbol (®) to the right.The Netflix logo, featuring the word 'NETFLIX' in a red, bold, sans-serif font, with a registered trademark symbol (®) to the right.

86% of global ad spend now concentrated into TV & Digital

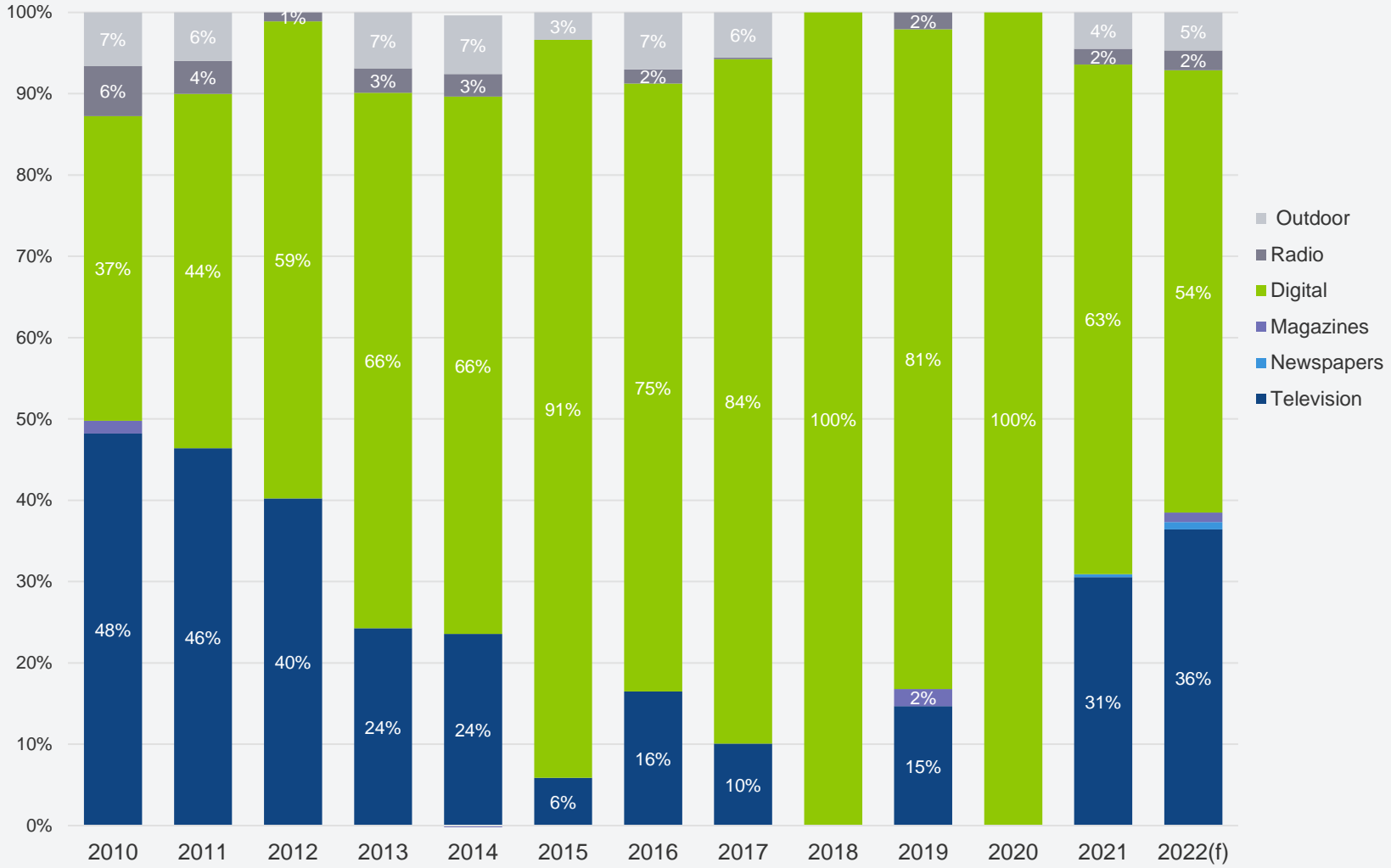
Print has eroded 21pts of share since the Great Recession (Digital 52% vs 18% then)



In 2022 TV showing highest net new dollars since 2012

We also saw a flight back to TV following the Great Recession

Media Mix of Net New Ad Spend



Source: Omnicom Media Group estimates (Feb 2022)

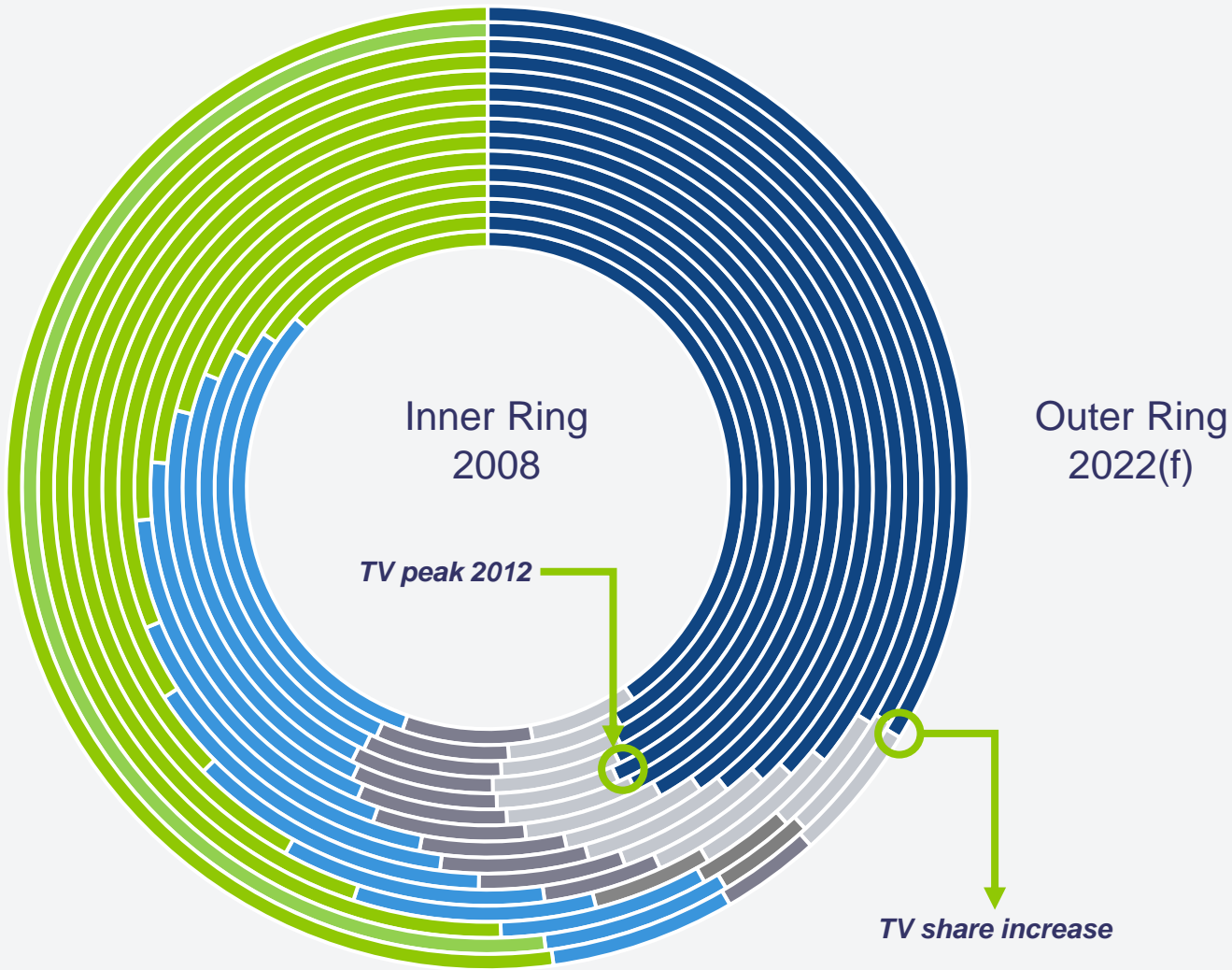


TV share -2pts in 2020, but increases in 2022

First increase in share for TV in 10 years (0.3pts vs '21)

Digital share growth is slowing (0.2pts vs '21)

WW Media Mix 2008-2022(f)



- Television
- Outdoor
- Radio
- Print
- Digital

Source: Omnicom Media Group estimates (Feb 2022)





Where next for TV?



More than \$30 billion now being 'funded directly'

How much did Netflix earn in 2020?

\$25 billion



- That's money that the media industry doesn't have to get from advertisers
- 209 / 166 million consumers are paying Netflix / Disney to get choice and convenience – and advertising is being removed as a byproduct

For now, multiple TV vendors reporting record revenues...

2021 a golden year for many vendors, as NBC announces sell-out for the Superbowl / record \$7.1MM 30"

TV 2 raises expectations after wild growth in advertising sales

A first half of 2021 with significant growth, especially in advertising revenue, causes TV 2 to raise its expectations for the result for the year by 50 per cent.



Foto: Miriam Dalsgaard



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ANALYSIS - Ad spend runs hot with a 'bottleneck' of advertisers



By Chris Pash | 3 November 2021

0 Comments



Industry insiders see the hot advertising market continuing despite some settling with the end of long term lockdowns in Sydney and Melbourne.

The value of national marketer ad spend jumped 15.5% in September, according to analysis by SMI (Standard Media Index).



ITV on target to break ad revenue record

The broadcaster reported huge rises in revenue across business lines in Q3.

CEO statement

Financial information

Notes

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"Strong operating performance and major consolidation moves will create significant value for RTL Group's shareholders."

Statement from Thomas Rabe,
Chief Executive Officer of RTL Group:

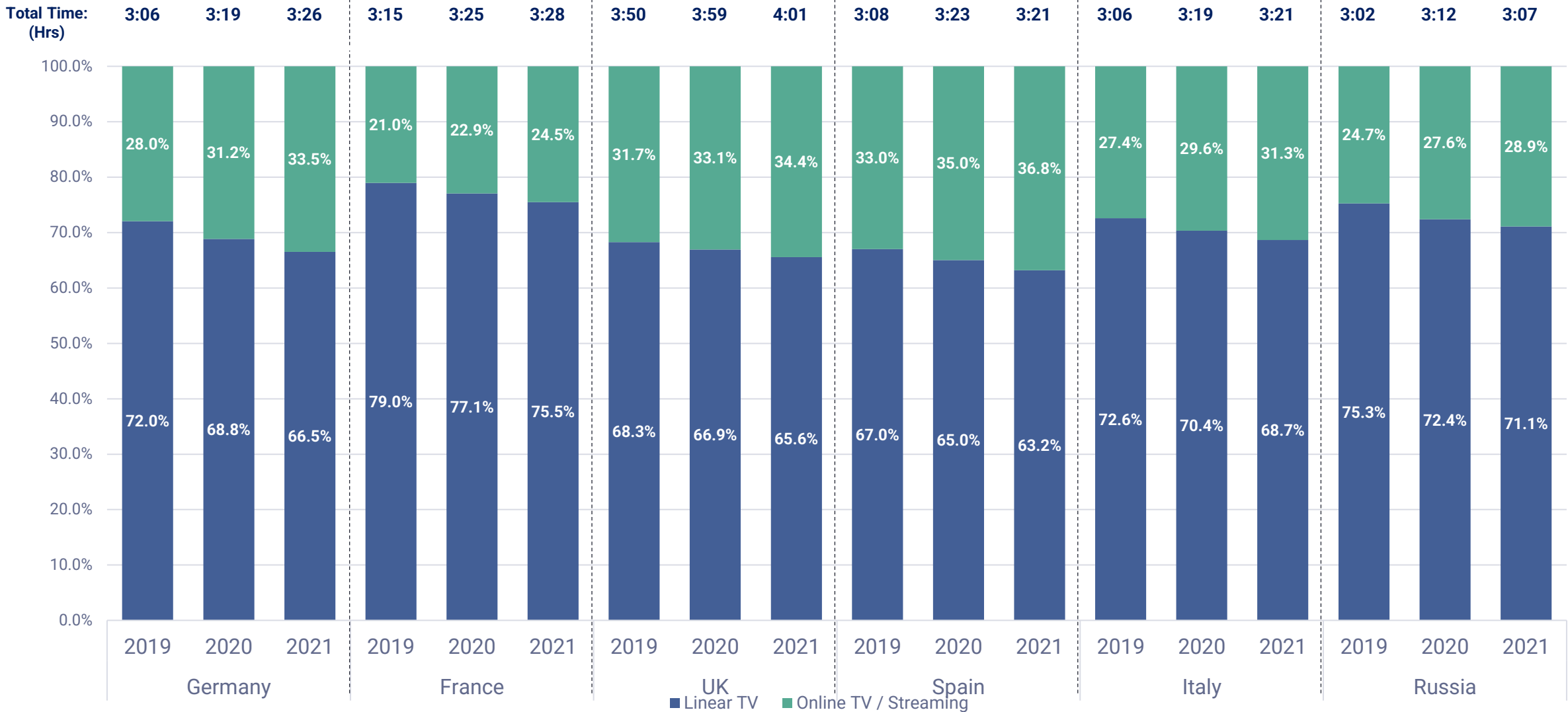


"In the first half of 2021, RTL Group performed strongly. Adjusted EBITA and Group profit were up significantly, driven by the recovery of TV advertising markets and the growth of our content production and streaming businesses. This, combined with active portfolio management, led to a record Group profit of € 929 million. Following RTL Group's strong performance in the first six months, we have raised our outlook for the full year 2021 and now expect an Adjusted EBITA of around € 1,050 million including streaming start-up losses and € 1,200 million before streaming start-up losses.

Over the past months, we have made significant progress in the execution of our national champions strategy. Major

... despite ever-decreasing audiences

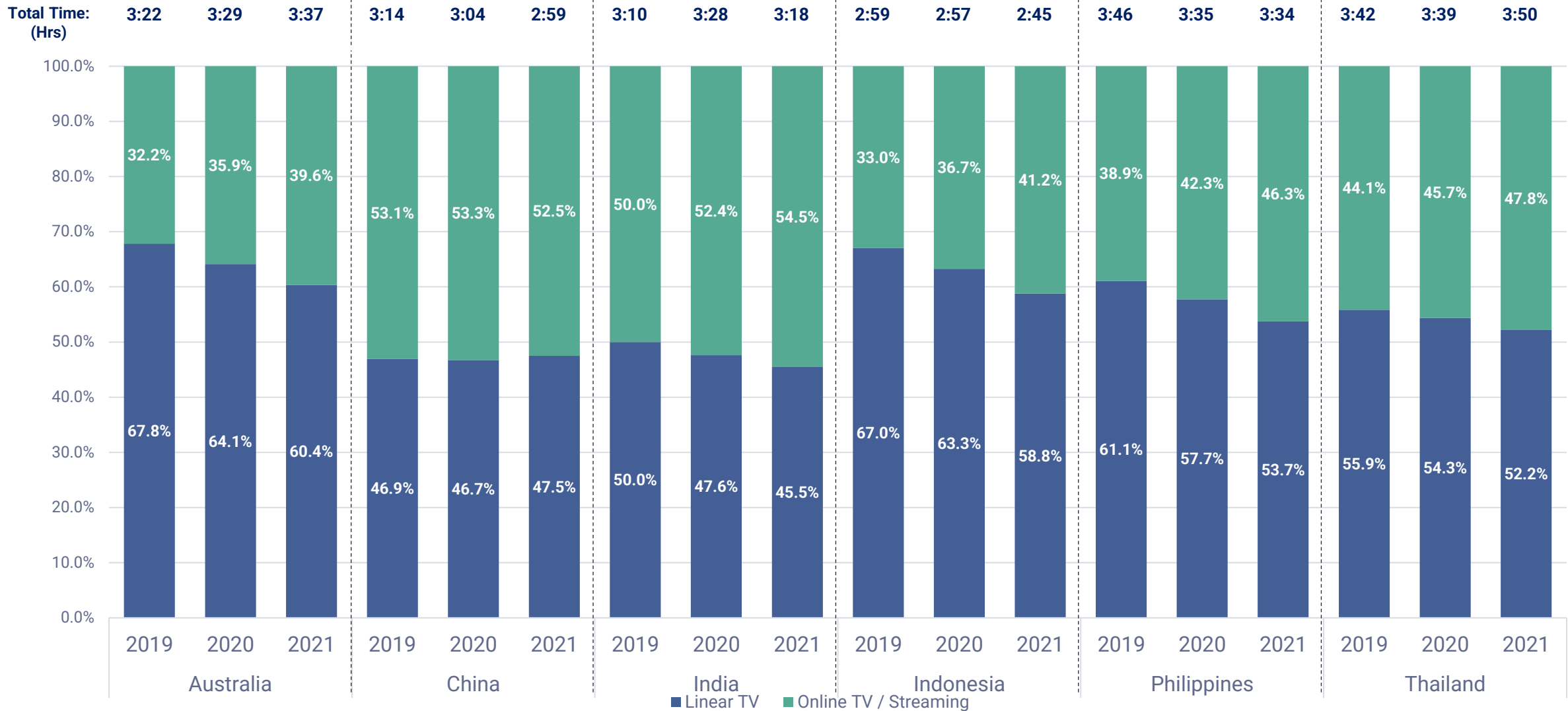
Price elasticity will be tested with aggressive vendors emboldened by record revenues last year



Source: Global Web Index, Feb 2022
(2019 Q1-Q4, 2020 Q1-Q4, 2021 Q1-Q3)

Similar picture in Asia

China a notable exception

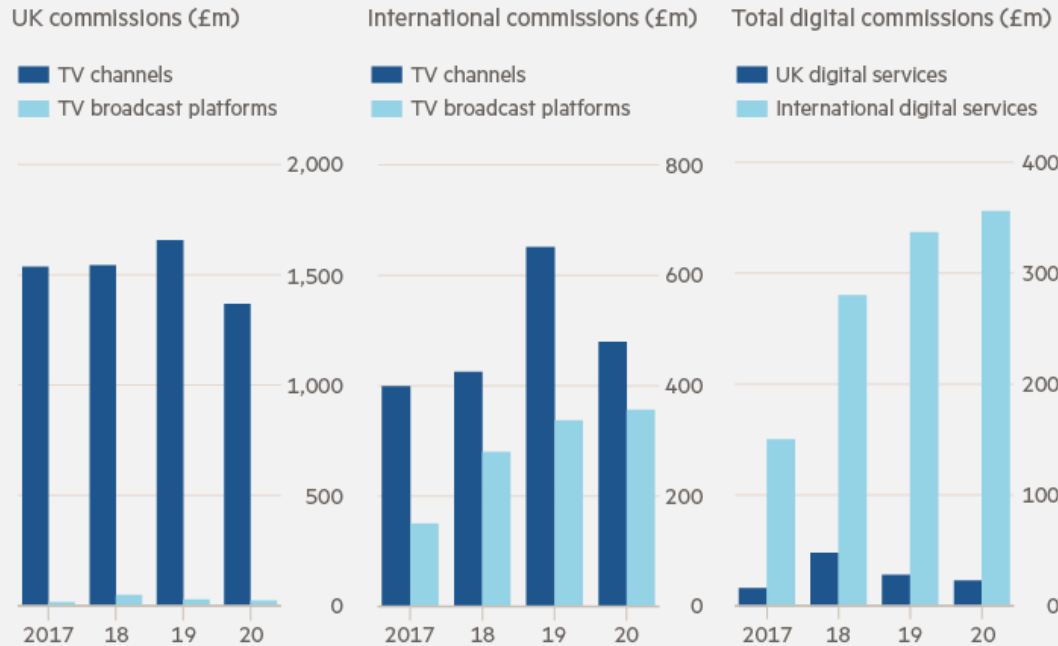


Source: Global Web Index, Feb 2022
(2019 Q1-Q4, 2020 Q1-Q4, 2021 Q1-Q3)

Meanwhile, the Streamers are vacuuming-up production resources

From camera lenses, to lighting rigs and make-up artists..

Demand from international streamers is growing



Source: O&O © FT



Linear TV companies content costs likely to increase / Domestic producers have to use 'indies'



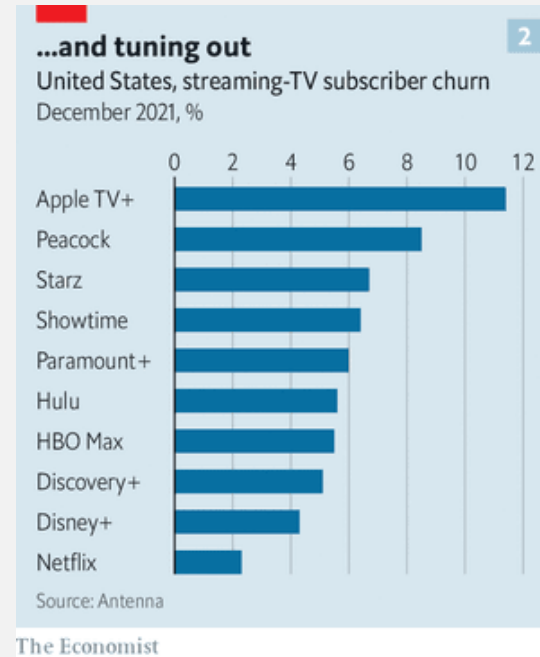
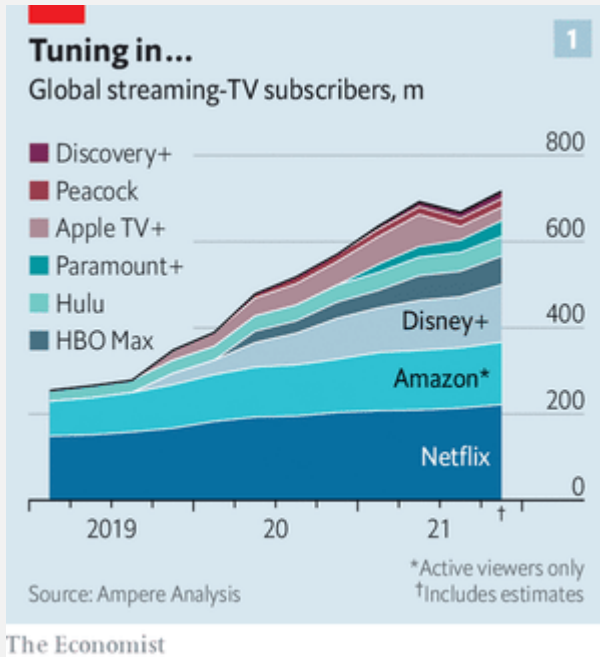
Quality of content could reduce, affecting audiences



A potential vicious circle of reduced investment and further audience decline in many markets

But streaming subscriber growth is slowing

In India, Netflix recently slashed the price of its basic plan from \$6.60 to \$2.60 a month



Some Streamers seeing churn up to the equivalent of their whole subs base each year in the US

**GoT ~\$15MM per episode in 2019
Amazon Lord of the Rings reported at 4X that..**

Rising costs and slowing revenue growth "calls into question the end-state economics of these businesses"*

The M&A canaries in the coal mine

Many proposed mergers currently going through competition authorities

TF1 / M6 in France

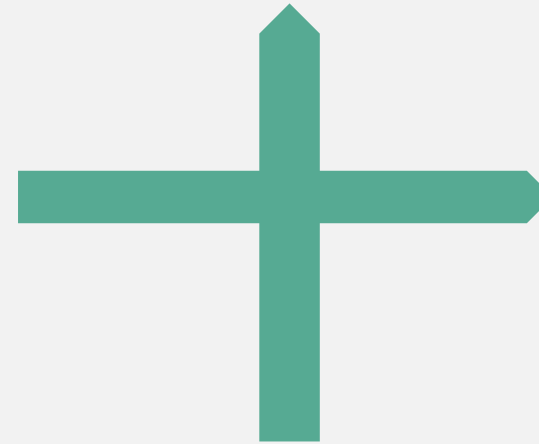
- Arguing that 70% share of TV is fine, as they compete with Big Tech
 - Lengthy questionnaire has been sent to agencies / clients / competitors
-

RTL/TALPA in Netherlands

- Control 80-85% of TV spend
 - Currently with competition commission to review effects on production, distribution and advertising
-



Horizontal /
quasi horizontal



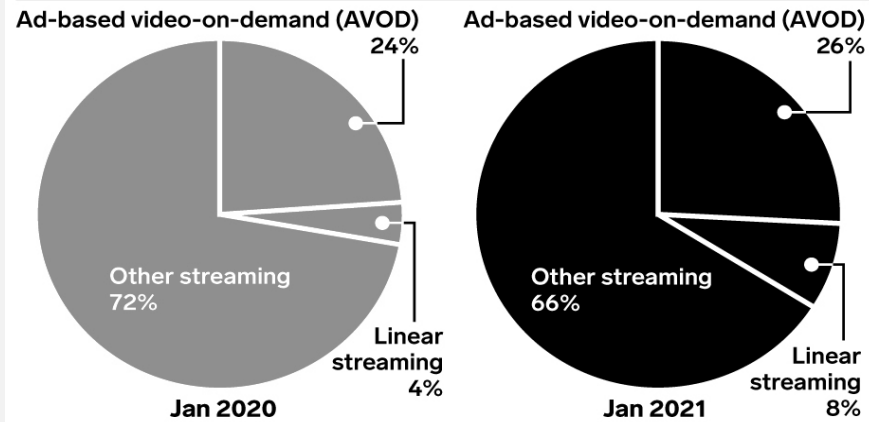
Vertical /
quasi vertical

Ad-supported VOD showing growth in the US and we expect other markets to follow

SVOD Streamers will be closely monitoring their ARPU as subscriber growth slows

Share of Time Spent with Streaming Among US Households, by Type of Platform, Jan 2020 & Jan 2021

% of total



Note: ages 2+; among streaming-capable homes
Source: Nielsen, "Total Audience Report: Advertising Across Today's Media" as cited by Next TV, March 25, 2021

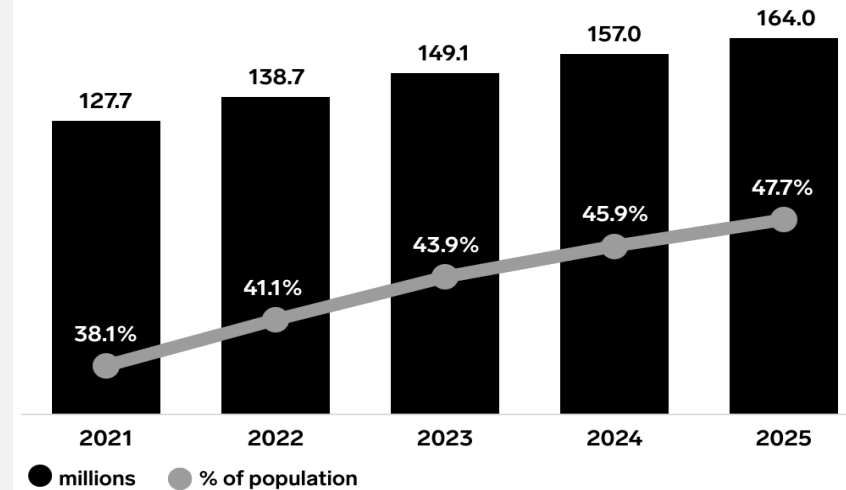
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eMarketer | InsiderIntelligence.com

8%

Increase in AVOD viewing (data only available to Jan '21)

AVOD Viewers US, 2021-2025



Source: eMarketer, September 2021

eMarketer | InsiderIntelligence.com

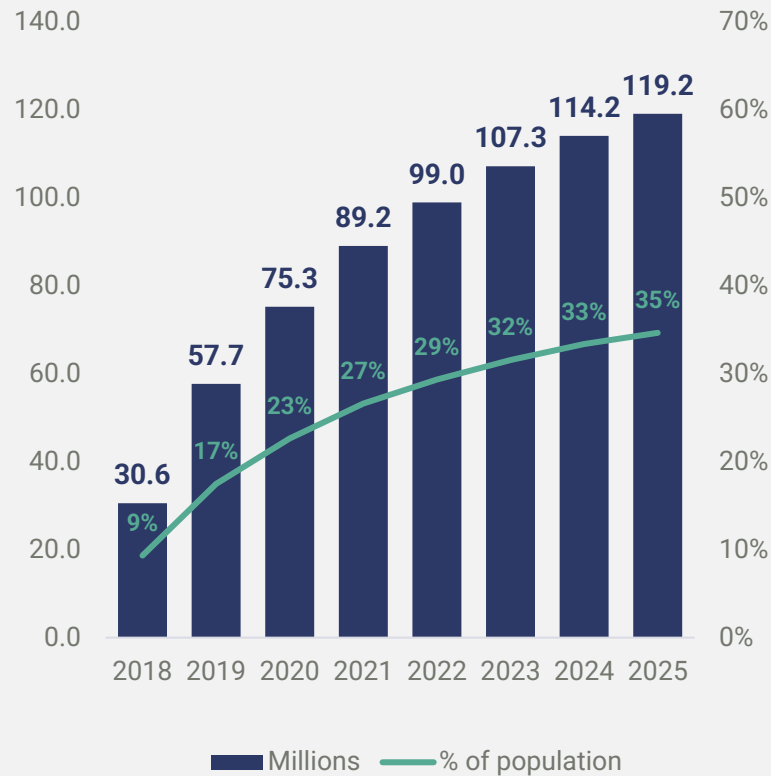
50%

In the US 127.7MM AVOD viewers half that of Linear, but growing

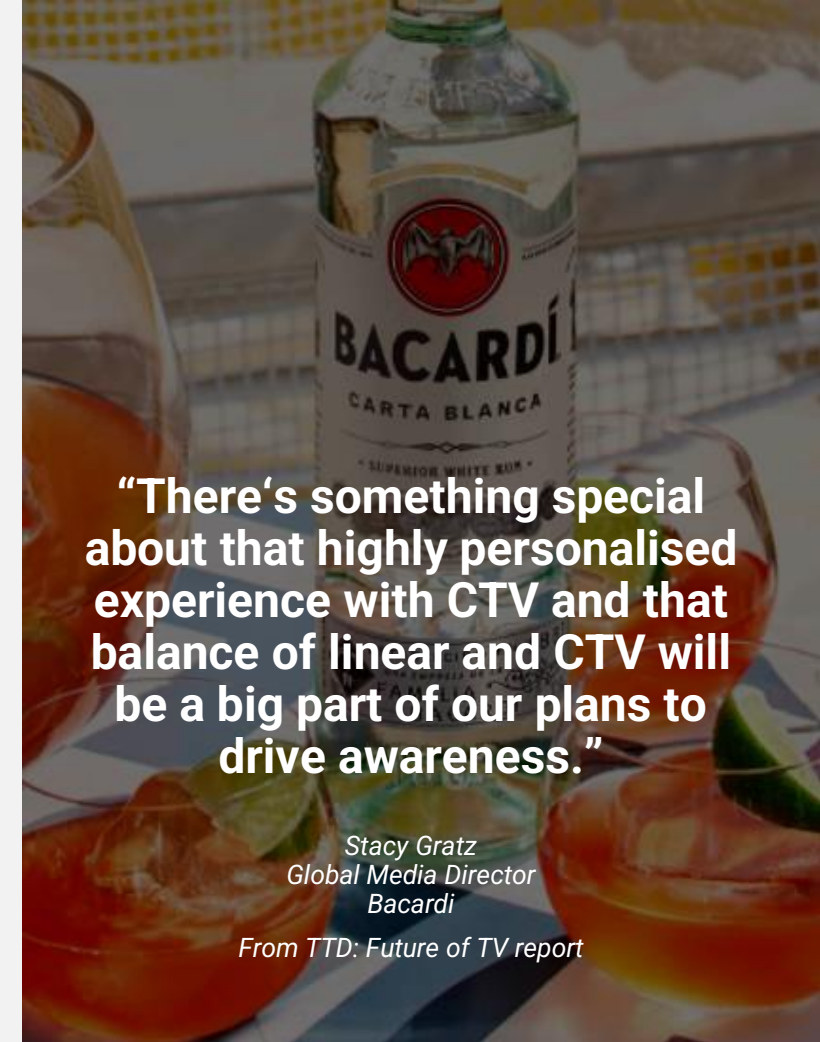
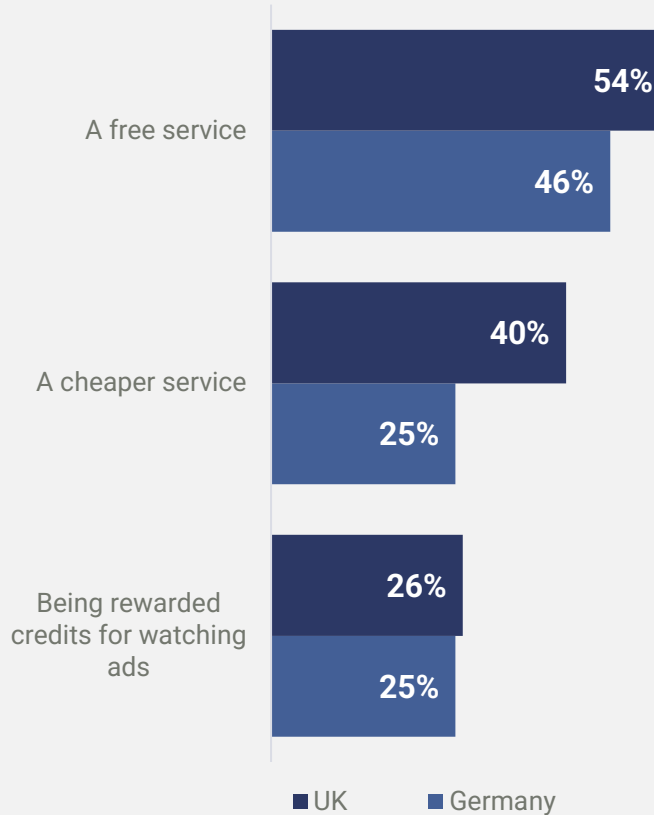
Consumers still like free services and accept advertising

More so if there is an inflation-driven cost of living squeeze

USA, Free premium video streaming viewers



Top 3 features that make advertising more tolerable on streaming



“There’s something special about that highly personalised experience with CTV and that balance of linear and CTV will be a big part of our plans to drive awareness.”

Stacy Gratz
Global Media Director
Bacardi
From TTD: Future of TV report

Navigating the landscape

- 1 Debt and consumer price inflation will result in interest rate rises, which might correct demand
- 2 Low vaccination rates in low-income economies / debt servicing costs will push more ad dollars to higher income countries
- 3 TV inflation set to continue above trend due to demand, but more so because of supply pressures
- 4 Think security vs flexibility – longer term deals for TV/Digital IO, Radio – seek to extract value via synergies across clients' portfolios
- 5 Assume more M&A activity and concentration of power as traditional vendors fight the Streamers
- 6 Look forward to long-awaited cross-media measurement systems (such as ANA/WFA, ComScore Everywhere, Nielsen One etc)
- 7 Expect more AVOD solutions as Streamers jockey for position / monitor ARPU / experience churn rates