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IRELAND END-OF-YEAR FORECAST

DECEMBER 2021

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OVERVIEW AND ASSUMPTIONS:

MEDIA ACCELERATES IN 2021, KEEPS A FAST PACE IN 2022

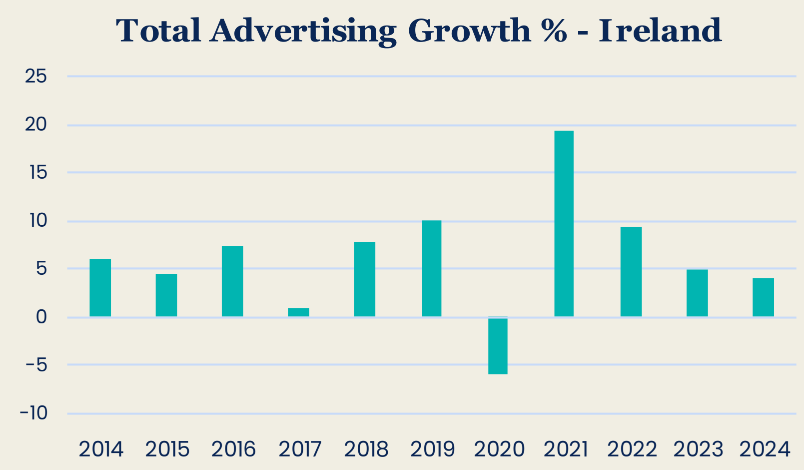
As Ireland continues the slow process of cautiously reopening and learning to live with the realities of managing Covid as a localised epidemic as well as a global pandemic, it seems right to reflect on how resilient and resourceful we have been as a people and how, despite everything, we are emerging in a position of such relative strength.

Both the wider Irish economy and the ad market we are concerned with here have returned to growth, beyond all expectations for the latter, so in this edition of This Year, Next Year we are able to take a far more optimistic view in our forecasts. Midway through 2021, it became apparent that the market was growing much faster than we expected and remarkably since then it has continued to accelerate and reach a level not seen since before the crash of 2008.

We now estimate that in 2021 the advertising market grew by just under 20% and we're now anticipating 9% growth next year. For reference, during 2008, the global financial crisis produced an 11% decline (2020 was down 6%) and took 6 years to return to growth.

While many of the factors causing this growth were in place before last year, the pandemic has proven to be an accelerant to shifting consumption trends, be they media or economic. Helpfully, most of the assumptions incorporated into our numbers then remain unchanged now, including widespread vaccine distribution and improved therapeutic treatments.

However, there are still some negative considerations. Most obviously, we have made great strides nationally but globally we are yet to fully emerge from the pandemic.

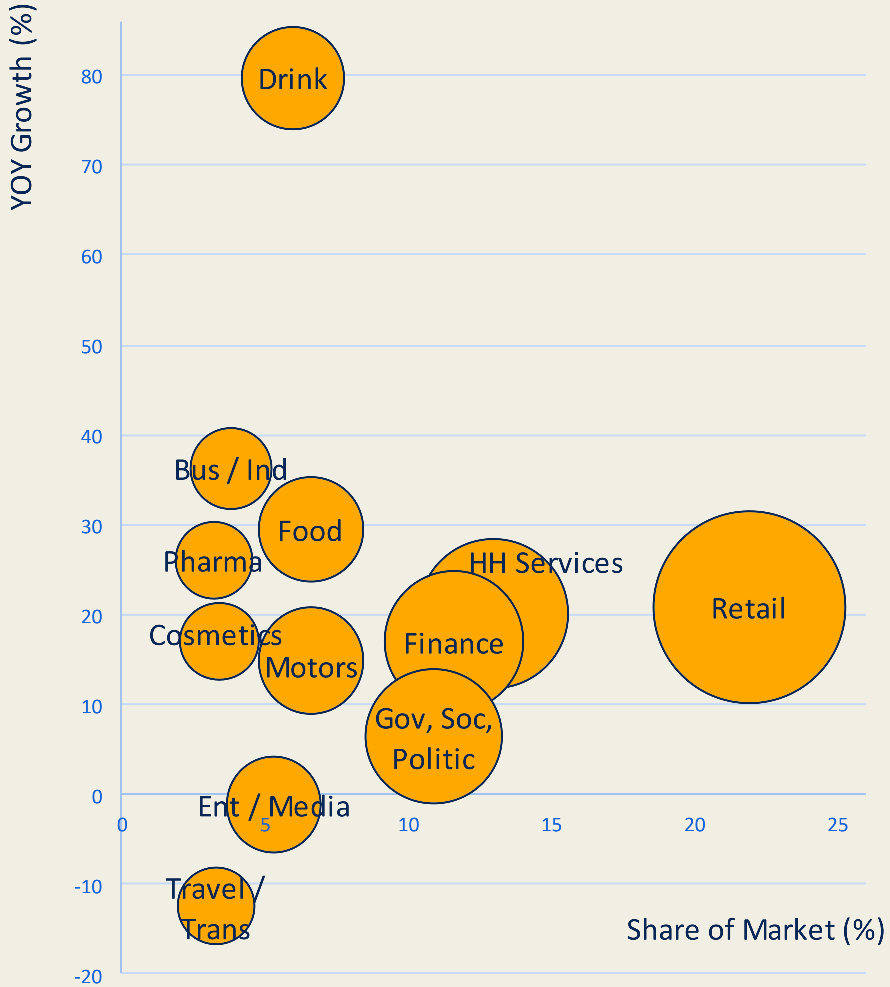


Alongside this there is Brexit and its wide range of unresolved issues and potential disruptions, many focused on the issue of the Northern Ireland protocol. These bring generational challenges that must be overcome, beginning with higher levels of inflation across all sectors of society and something the advertising market is particularly susceptible to.

Generally, we think that economic activity will be somewhat normal after 2022, although actions taken now will affect the pace at which the economy expands. This is potentially optimistic: Social safety nets, including support systems for people affected by the ongoing volatility, remain a considerable source of risk to a broader economic recovery.

CATEGORY TRENDS:

A RISING TIDE RAISES ALL SHIPS



With the obvious exception of those categories most constrained by the Government restrictions that have remained in place to a greater or lesser extent across 2021, all major media categories have shown impressive growth across this year.

Retail retained the number one spender spot with growth in line with the overall market despite a government ban on the traditional January sales due to concerns around the Delta variant and related surge in cases seen over the 2020 Christmas and New Year period.

The most significant year on year growth came from Drink, up close to 80% in terms of total spend and driven by a forced focus on the in-home trade for both alcoholic and soft drinks brands as well as a pivot to supporting non-alcoholic variants for the former in response to tightened advertising guidelines.

The other traditionally big spending categories, Household Services (which includes TV and Broadband suppliers), Finance and Government, Social, Political Organisations (which includes the HSE) all retained similar market shares by maintaining the high levels of advertising seen throughout last year, bucking the rest of market and meaning their base was stronger and their growth less marked in 2021.

Expectations for 2022 would see lower level growth but a consistency in top four spending categories: Retail, HH Services, Finance and Government, Social, Political; and highest year on year shifts to come from Entertainment and Media, Travel/Transport and possibly Motors.

January – October 2021 v January to October 2020. Size of bubbles indicates total spend €m

SOURCE: GroupM estimates utilising Nielsen AdIntel reported spends.

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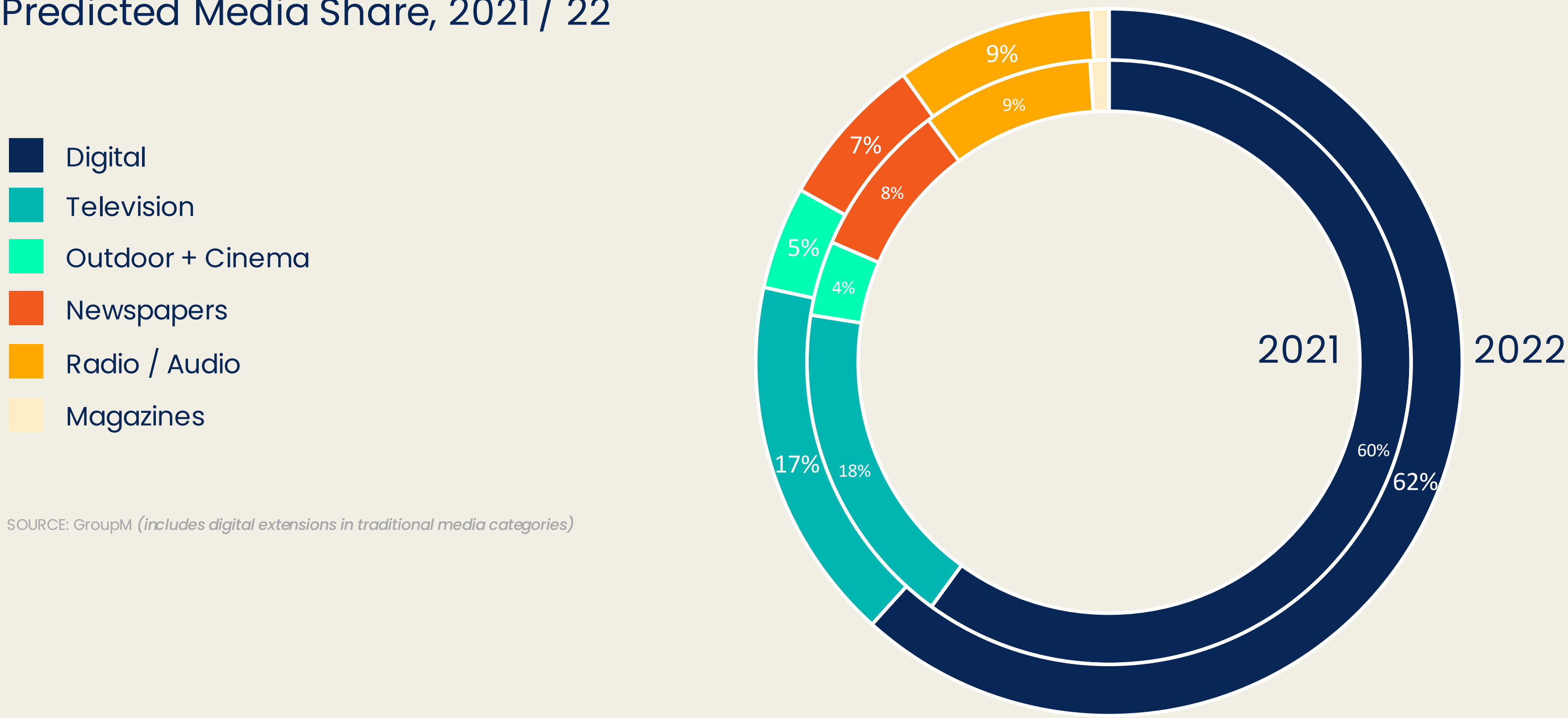
MEDIA TRENDS

Predicted Media Share, 2021 / 22



SOURCE: GroupM *(includes digital extensions in traditional media categories)*

DIGITAL

ONCE AGAIN DRIVING RESULTS

Most notable among the broad consumer trends rapidly accelerated by the realities of Covid-19, are the expansion of the app ecosystem, increasing consumer adoption of e-commerce and the growing role of cross-border media marketplaces – spend placed outside of Ireland with pan-European or Global platforms and networks, but targeting Irish consumers. These factors are most tangibly causing growth in Digital media in Ireland to accelerate faster than any other medium.

Digital advertising will likely end 2021 growing by 23%, meaning it now accounts for 60% of total advertising in Ireland, up from 58% last year and 52% in 2019. We predict further strong expansion of 12% in 2022 resulting in a 62% share of market.

Search has outperformed this average rate, aided by the ongoing effect of Irish advertisers accelerating their investment into their online properties and e-commerce capabilities. The current year for non-Search remains somewhat hampered by the negative impact from travel, entertainment and price-led retail messaging early in the year, as well a lower relative online investment for Government messaging, which retained a significant share of traditional media spending. Therefore, we expect a less marked, but still impressive +18% in 2021 followed by a 13% gain in 2022 with investment in Social channels setting the pace.

Our overlapping sub-category of digital extensions (digital ad revenue realised by traditional media owners for their online properties and reported within their numbers in this document) accounted for around 10-12% of total internet-related media and 7 % of all media, having, rebounded quickly this year, as anticipated. We estimate that total digital extensions grew by 44% during 2021 and will do so again by 14% during 2022. Radio and other audio digital-related ad revenues, including podcasts, and Digital Outdoor formats have seen the biggest jumps from an admittedly low comparative base while the more established Connected+ TV and Print extensions ad revenues both performed more modestly, though well ahead of their traditional off-line parents.

Because many marketers seek to benchmark their budgets against industry-wide averages, it's important to note some spending dynamics that may be lost in the overall numbers. For example, smaller companies and businesses that operate entirely online likely allocate 100% of their budgets to digital media, while marketers that have an omnichannel orientation, or are large enough to activate other media, tend to have lower shares of spending on digital media. The result is that, in reality, the typical large brand spends substantially less than the average amount, as we explore later in this document.

Importantly, the more broadly we define digital advertising, the more that all advertising is considered to be digital. As time progresses, the distinction between digital and non-digital advertising will become less meaningful than the distinction between the media companies, whose products will increasingly blur lines that historically divided different media types.

TELEVISION

RECOVERING RELEVANCE

Television is now expected to have grown by 16% in 2021, an extraordinary return to prominence given the uncertainty that reigned throughout the year. Due to the strength of this revival on top of last year's remarkable second half recovery we expect low single digit growth next year and beyond for the broadly-defined medium, including what we call Connected TV+ which incorporates all BVOD. True in the future as it has been in the past, many of the largest marketers rely on television because of its unique capacity to help them build or reinforce the strength of their brands by borrowing the brand equity of content and pairing that with uniquely broad and deep reach and frequency.

As broadcasters invest further in their catch-up and streaming platforms, Connected TV+ will also continue to grow. We estimate that Connected TV+ inventory will account for over €18m in Irish media company ad revenue, up by 10% over 2020 levels. We anticipate Connected TV+ ad revenue will grow to €37 million by 2026.

The biggest challenge for commercial TV in the short to medium term is that its unique reach advantage is still eroding at pace as investments in ad-free or ad-light streaming video services dominate the industry. By spending billions of dollars on content annually, Netflix, Disney, Amazon and Apple have already established a presence in almost every major market on earth. Each of these companies individually and collectively represent a competitive threat to our local broadcasters and UK based satellite and cable operators.

On a positive note, the robustness of overall viewing to TV content offers some evidence to suggest that the rise of these services has initiated a golden age for the medium which has seen all broadcasters benefit from an increased interest and appetite for the quality product it can deliver, thus unlocking broader commercial opportunities for them beyond spot advertising through the likes of sponsorships, product placement and ad-funded programming.

However, as a practical consideration, falling viewership of ad-supported TV in traditional environments has undeniably led to reduced reach potential for campaigns that rely on the medium, which may generally make TV less attractive to some marketers. To deal with this challenge, some have looked to better integrate the management of campaigns on YouTube and TV rather than manage them separately, as still typically occurs today. To the extent that YouTube and TV converge, this will help sustain the role of a broadly defined notion of television in the media mixes for many, while further blurring the lines between TV, digital and search advertising for others.

Ongoing technological advances such the recently launched Sky Glass will necessarily play a vital part in retaining the television set's relevance as the main source of in-home entertainment into the future, offering a platform that collates and catalogues the myriad viewing choices available to the modern viewer. However, it is an expensive business investing in such innovation and the rewards not immediately realised, so it remains to be seen which local suppliers will be best able to keep up in this rapidly evolving race for Irish consumers' attention.

RADIO/AUDIO, PRINT, OUTDOOR AND CINEMA

Expectations for Radio/Audio have been raised significantly in this update, with our forecast now at 12% growth in 2021; however, this revision is partly the result of updating 2020's performance to a 9% decline following a weaker than anticipated final quarter amongst regional stations. Newer forms of Radio—particularly podcasting and streaming audio services–help provide some "sizzle" to the medium. Beyond perceptions of podcasting as an appealing format, the sector is improving its commercial potential. Large traditional broadcasters, as well as other media owners in publishing and pure-play internet, are embracing the format and investing in technologies to better produce and host content. All of this makes it much easier and very desirable for large brands to deploy resources into the medium. At the same time, the vast majority of Radio ad inventory and the bulk of the industry's advertiser base skews local or regional and small or medium-sized. Both factors are negative in a world that is increasingly oriented around larger brands with national orientations. Without the backstop of government messaging and with a reluctance to embrace more innovative ways of trading, another socially restricted Summer lacking festivals and other mass gatherings, meaning less high yield promotional activity, would spell a year of potential toil for the medium.

Looking at other media, we expect Print, including Newspapers and Magazines, to temporarily halt declines previously experienced. We forecast that Newspapers will rebound by 15+% in 2021, buoyed by strong digital-first bounce back from smaller scale, local advertisers but then fall by 8% in 2022. The more niche appeal of Magazines unfortunately means the medium has lagged behind and will likely continue to struggle across the next three years. Where publishers of both formats are investing in their digital properties, they will maintain a capacity for relevance and an ability to add tremendous value to marketers' advertising efforts. Unfortunately, for much of the industry, the relative yield potential of online is very different from their offline printed model, hence the remorseless rebasing of the marketplace. However, to the extent that incremental revenues generated from related licensing activity on social platforms can be redeployed into content, individual publishers will be poised to benefit. If this occurs locally, the industry might be better positioned to reduce its pace of decline.

By contrast, Outdoor advertising should fare much better, albeit in recovery from an exceptionally low base, growing by 19% in 2021 and then growing by a further 27% in 2022. Extensive lockdowns meant a more delayed return to growth than for other media and the stop start nature of the recovery and reopening of society means the medium lost ability to accommodate backlog swiftly. Outdoor is benefitting from new digital formats which allows for incremental sources of demand to emerge. Better targeting, the capacity for real-time and/or programmatic buying and the increasing number of locations for digital signage are all positive factors leading into next year and beyond.

Finally, we expect Cinema advertising to have only partially recovered this year and then leap up by close to 90% in 2022 as studios release their extensive backlog of films and people's pent up demand to re-engage with a perennially popular leisure activity is finally sated.

BENCHMARKING DATA:

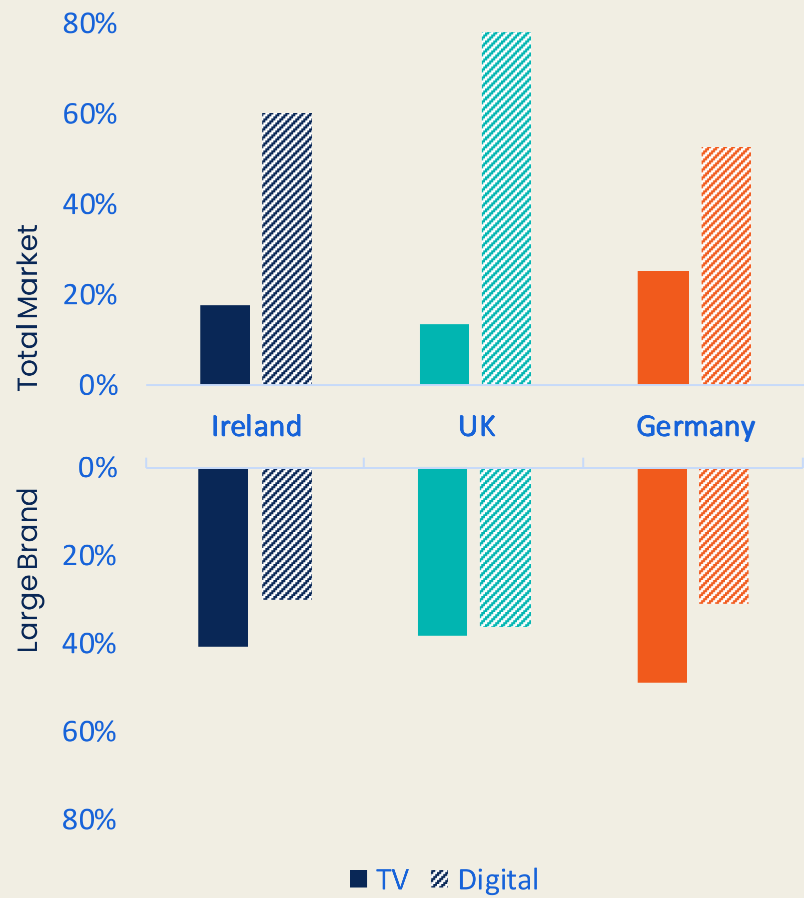
BROADCAST TV STILL LEAD MEDIA FOR MOST LARGE ADVERTISERS

A superficial read of the data included in This Year, Next Year might leave one with the impression that because 60% of Ireland's advertising revenue is generated by digital media and 17.5% goes to TV, that marketers are allocating 60% of their budgets to digital media and 17.5% to TV, on average. This would be a mistaken interpretation, because many advertisers—especially small ones and those whose businesses operate entirely online—often allocate all or nearly all of their budgets to digital media while large businesses typically allocate higher shares of their budgets to television.

Given the focus of most Irish media agencies, servicing larger brands primarily, we wanted to better assess the typical large advertiser media mix. To do this, we looked to GroupM's own data to find useful illustrations of the ways in which different marketers allocate their budgets in Ireland. In studying these trends, we primarily focused on two dominant groupings of media, television and digital platforms and have included UK and Germany data following same methodology to illustrate how this trend is mirrored across major European markets.

This shows that during 2021, a large brand is allocating 41% of its advertising budget to television, including Broadcaster VOD, and 30% to internet-based media, excluding BVOD. For reference, in 2019, television typically accounted for 39%, while digital media typically accounted for 24%.

For clients, we recognise that this data may provide useful information about what other marketers are doing. However, the goal should not be to mimic them. Instead, we present this information to help spur questions about the right allocations for your brand. Well-developed media plans account for a marketer's unique goals, apply some creativity to achieving those goals and consider what worked well for others who faced similar circumstances.



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IRELAND ADVERTISING REVENUE SUMMARY – DIGITAL EXTENSIONS IN TRADITIONAL MEDIA LINES (EG. TELEVISION INLCUDES BROADCASTER VOD)

EUR (€000)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TELEVISION	**191,058**	**196,586**	**199,647**	**192,333**	**197,467**	**206,589**	**190,221**	**220,695**	**229,678**	**240,179**	**249,497**
• Growth	5.1%	2.9%	1.6%	-3.7%	2.7%	4.6%	-7.9%	16.0%	4.1%	4.6%	3.9%
• Share	22.9%	22.5%	21.3%	20.4%	19.4%	18.4%	18.0%	17.5%	16.7%	16.6%	16.6%
RADIO / AUDIO	**128,814**	**131,717**	**134,430**	**130,175**	**119,115**	**114,110**	**103,548**	**115,588**	**125,102**	**125,405**	**124,429**
• Growth	-1.4%	2.3%	2.1%	-3.2%	-8.5%	-4.2%	-9.3%	11.6%	8.2%	0.2%	-0.8%
• Share	15.4%	15.1%	14.4%	13.8%	11.7%	10.2%	9.8%	9.2%	9.1%	8.7%	8.3%
NEWSPAPERS	**206,438**	**180,383**	**176,285**	**153,010**	**133,422**	**118,401**	**90,806**	**104,714**	**96,654**	**96,803**	**94,798**
• Growth	-3.7%	-12.6%	-2.3%	-13.2%	-12.8%	-11.3%	-23.3%	15.3%	-7.7%	0.2%	-2.1%
• Share	24.7%	20.7%	18.8%	16.2%	13.1%	10.6%	8.6%	8.3%	7.0%	6.7%	6.3%
MAGAZINES	**18,213**	**18,435**	**18,446**	**18,364**	**17,153**	**15,851**	**14,054**	**13,002**	**11,392**	**11,544**	**11,432**
• Growth	0.5%	1.2%	0.1%	-0.4%	-6.6%	-7.6%	-11.3%	-7.5%	-12.4%	1.3%	-1.0%
• Share	2.2%	2.1%	2.0%	1.9%	1.7%	1.4%	1.3%	1.0%	0.8%	0.8%	0.8%
OUTDOOR	**61,350**	**65,027**	**67,798**	**72,355**	**76,520**	**72,043**	**40,431**	**48,215**	**61,379**	**62,648**	**63,538**
• Growth	8.0%	6.0%	4.3%	6.7%	5.8%	-5.8%	-43.9%	19.3%	27.3%	2.1%	1.4%
• Share	7.3%	7.5%	7.2%	7.7%	7.5%	6.4%	3.8%	3.8%	4.5%	4.3%	4.2%
CINEMA	**6,200**	**6,400**	**7,040**	**6,429**	**6,281**	**6,368**	**1,849**	**2,011**	**3,745**	**3,932**	**4,089**
• Growth	9.7%	3.2%	10.0%	-8.7%	-2.3%	1.4%	-71.0%	8.8%	86.2%	5.0%	4.0%
• Share	0.7%	0.7%	0.8%	0.7%	0.6%	0.6%	0.2%	0.2%	0.3%	0.3%	0.3%
DIGITAL	**222,782**	**273,259**	**332,012**	**370,950**	**468,349**	**587,420**	**614,376**	**756,860**	**850,350**	**906,705**	**957,321**
• Growth	24.3%	22.7%	21.5%	11.7%	26.3%	25.4%	4.6%	23.2%	12.4%	6.6%	5.6%
• Share	26.7%	31.3%	35.5%	39.3%	46.0%	52.4%	58.2%	60.0%	61.7%	62.7%	63.6%
- Search	**137,000**	**176,000**	**219,000**	**245,000**	**288,942**	**304,675**	**320,706**	**409,437**	**456,841**	**488,986**	**517,621**
• Growth	42.7%	28.5%	24.4%	11.9%	17.9%	5.4%	5.3%	27.7%	11.6%	7.0%	5.9%
• Share	16.4%	20.2%	23.4%	26.0%	28.4%	27.2%	30.4%	32.5%	33.1%	33.8%	34.4%
- Non-Search	**85,782**	**97,259**	**113,012**	**125,950**	**179,407**	**282,745**	**293,670**	**347,423**	**393,510**	**417,719**	**439,699**
• Growth	3.1%	13.4%	16.2%	11.4%	42.4%	57.6%	3.9%	18.3%	13.3%	6.2%	5.3%
• Share	10.3%	11.2%	12.1%	13.3%	17.6%	25.2%	27.8%	27.5%	28.6%	28.9%	29.2%
TOTAL	**€834,855**	**€871,806**	**€935,659**	**€943,615**	**€1,018,307**	**€1,120,783**	**€1,055,285**	**€1,261,085**	**€1,378,300**	**€1,447,215**	**€1,505,104**
• Growth	**6.1%**	**4.4%**	**7.3%**	**0.9%**	**7.9%**	**10.1%**	**-5.8%**	**19.5%**	**9.3%**	**5.0%**	**4.0%**

SOURCE: GroupM, Nielsen, TAM Ireland, IAB, The Association of Advertisers in Ireland/WARC, Company Reports

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GroupM's This Year Next Year is published twice a year with the goal of informing analysts and marketers of GroupM's market observations.

GroupM is the world's leading media investment company responsible for more than $50B in annual media investment through agencies Mindshare, MediaCom, Wavemaker, Essence and m/SIX, as well as the outcomes-driven programmatic audience company, Xaxis. GroupM's portfolio includes Investment and Services, all united in vision to shape the next era of media where advertising works better for people. By leveraging all the benefits of scale, the company innovates, differentiates and generates sustained value for our clients wherever they do business.

Methodology: Approaches vary by media. Please contact GroupM for details.

Questions? Contact: Bill Kinlay, bill.kinlay@groupm.com

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Published December 2021