

Trend&Forecast

Advertising expenditure

groupm for WPP

April 2015

THE WORLDWIDE OUTLOOK



In the next charts Worldwide, European and Big 5 Adv trend in the last seven years, based on the latest release of This Year Next Year

Worldwide Adv 2015

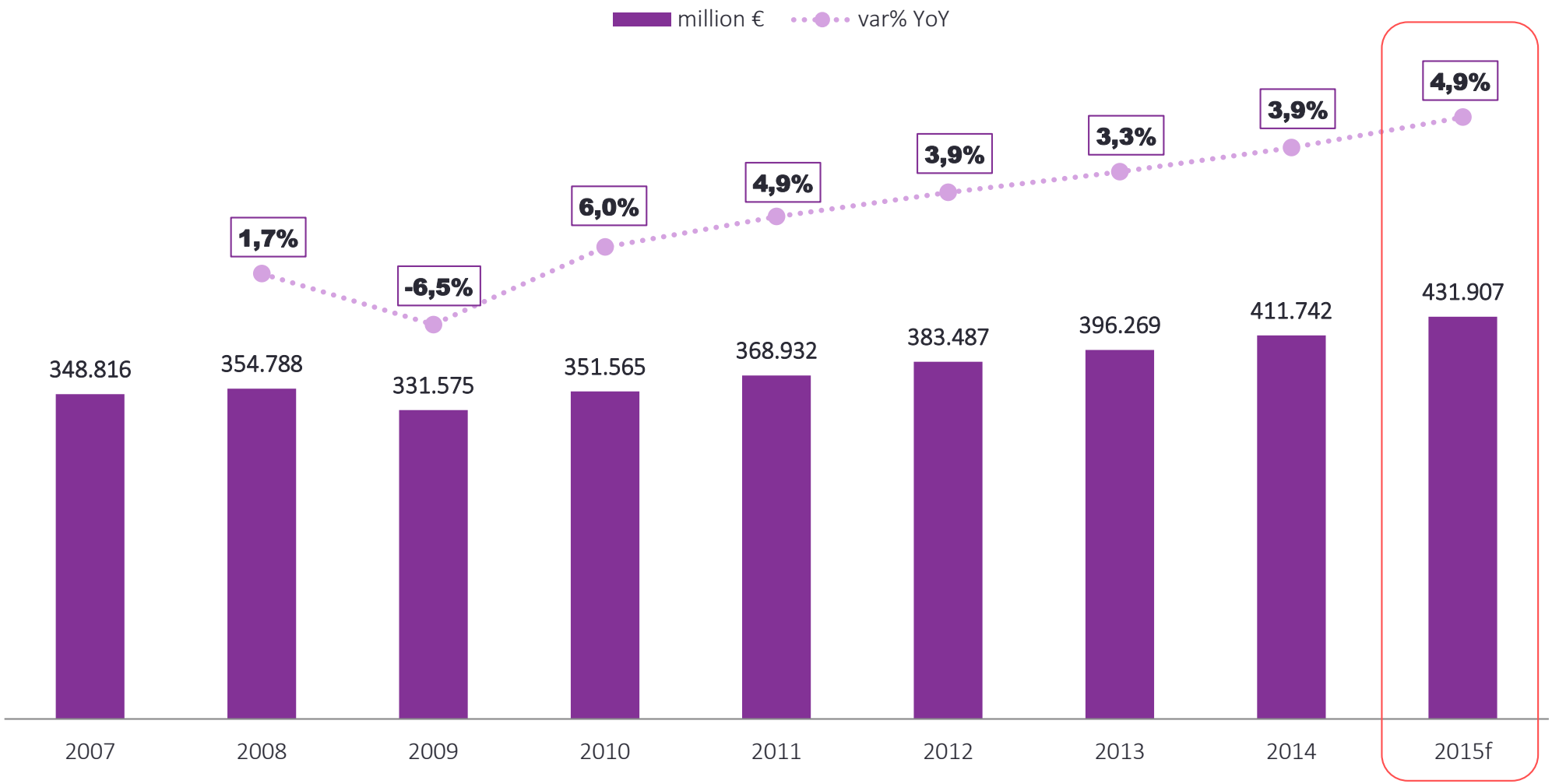
All positive the ad expenditure performance in the ww macro region



Source: GroupM Research & Insight on This Year Next Year December 2014 data

Worldwide Adv Trend 2007-2015 f

After the 2009 decrease the ww ad spend keep growing and 2015 is expected to growth of +4,9% (+ 20 billion €) vs 2014, with an improvement of +23,8% (83 billion €) vs 2007

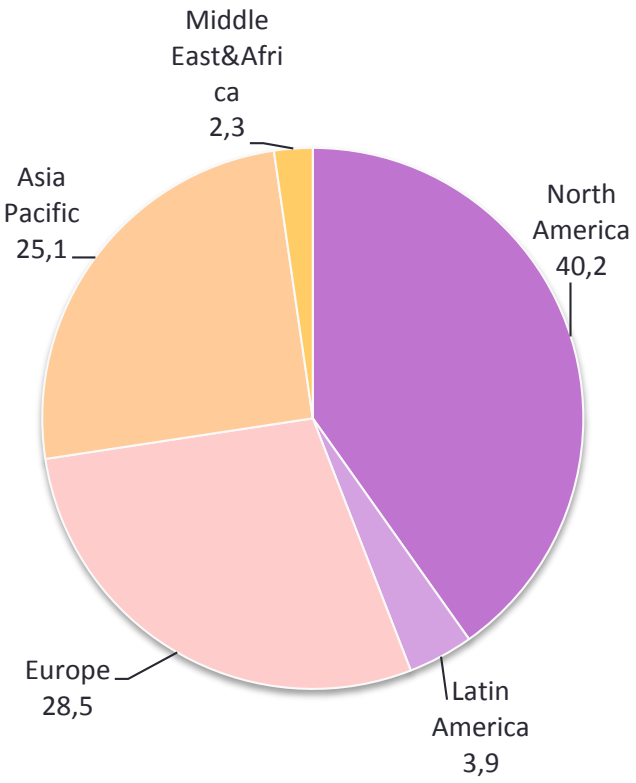


Source: GroupM Research & Insight on This Year Next Year December 2014 data

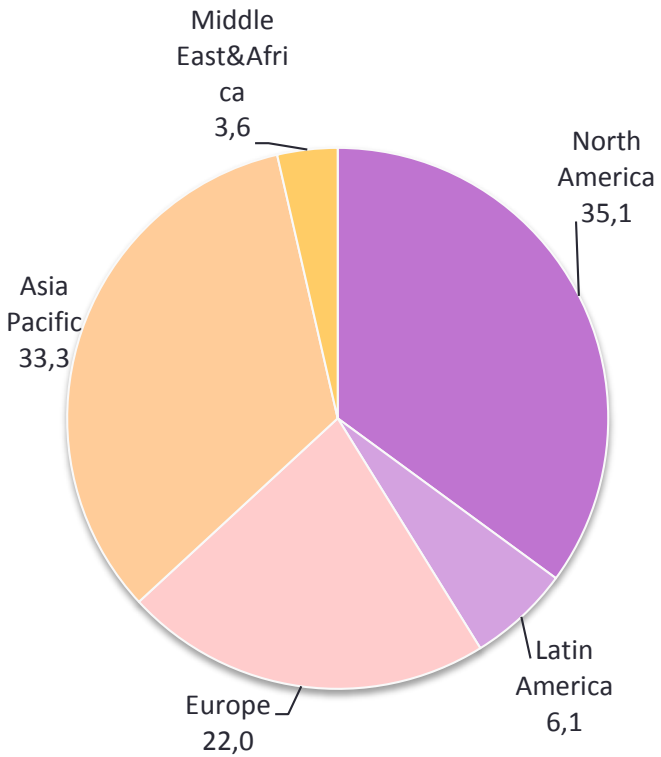
Worlwide Areas Share 2007 and 2015(f)

North America maintains his leading share, but loses almost 5 pp in 8 years. Asia Pacific occupies, by now, the second position with 33,3% adv share and a growth of +64% vs 2007. Europe shows a decline in share (-6.5 p.p.) and a -4,2% decrease in adv spending vs 2007.

2007 share % on Worlwide Adv



2015f share % on Worlwide Adv



2007 vs 2015f
var. percentage points

North America	-5,1
Latin America	+2,2
Europe	-6,5
Asia-Pacific	+8,2
Middle East&Africa	+1,3

Worldwide Top 15 Countries Adv 2007 and 2015 f

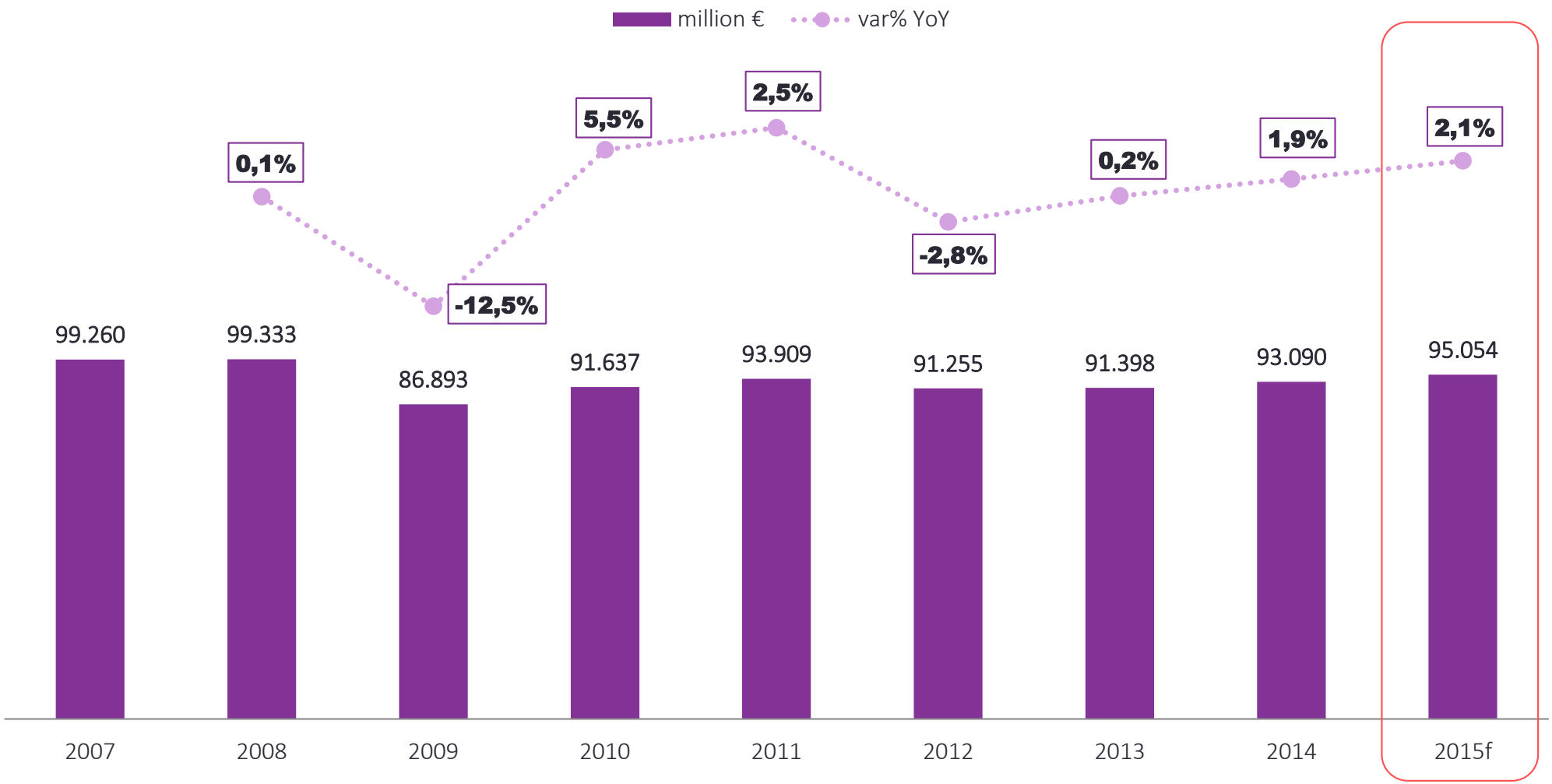
US kept being the biggest adv market in the world and increases its trend by +7,4% vs 2007. Important growth in 8 years occured to China, India, Brazil and Hong Kong, allowing these countries to climb the ranking. China moved from 3° to 2° position, Brazil from 11° to 6, while Hong Kong and India are new entries in 2014 replacing Netherlands and Switzerland. Italy loses 4 positions, from 7° to 11° and over 1,3 p.p. of market share.

Rank 2007	Countries	2007 million €	Share% on World Adv	Rank 2015f	Countries	2015f million €	Share% on World Adv	Var% Top 15 Countries 2015f vs corresponding 2007
1	USA	132.340	37,9	1	USA	142.073	32,9	7,4%
2	Japan	33.779	9,7	2	China	66.583	15,4	159,2%
3	China	25.689	7,4	3	Japan	31.714	7,3	-6,1%
4	Germany	17.428	5,0	4	UK	19.738	4,6	20,2%
5	UK	16.428	4,7	5	Germany	17.172	4,0	-1,5%
6	France	11.836	3,4	6	Brazil	12.715	2,9	116,5%
7	Italy	10.409	3,0	7	France	10.791	2,5	-8,8%
8	Australia	8.202	2,4	8	Australia	9.604	2,2	17,1%
9	Spain	8.008	2,3	9	Canada	9.382	2,2	17,5%
10	Canada	7.987	2,3	10	South Korea	7.327	1,7	39,1%
11	Brazil	5.873	1,7	11	Italy	7.312	1,7	-29,8%
12	South Korea	5.269	1,5	12	Hong Kong	6.382	1,5	96,9%
13	Netherlands	4.407	1,3	13	India	6.368	1,5	126,4%
14	Russia	3.710	1,1	14	Russia	5.566	1,3	50,0%
15	Switzerland	3.347	1,0	15	Spain	4.693	1,1	-41,4%

Source: GroupM Research & Insight on This Year Next Year December 2014 data

Europe Adv Trend 2007-2015 f

Europe lost 4,2 billion € in 8 years (-4,2%). After the +1,9% in 2014, 2015 shows a positive sign again, with UK and Germany leading the growth.



Source: GroupM Research & Insight on This Year Next Year December 2014 data

Europe Top 15 Countries Adv 2007 and 2015 f

Russia, Austria and Turkey show the best performances. Turkey is the new entry in 2015 Top 15 countries vs 2007, replacing Greece. Italy remains stable in 4° position but loses 2,8 p.p. of market share.

Rank 2007	Countries	2007 million €	Share% on Europe Adv	Rank 2015f	Countries	2015f million €	Share% on Europe Adv	Var% Top 15 Countries 2015f vs corresponding 2007
1	Germany	17.428	17,6	1	UK	19.738	20,8	20,2%
2	UK	16.428	16,5	2	Germany	17.172	18,1	-1,5%
3	France	11.836	11,9	3	France	10.791	11,3	-8,8%
4	Italy	10.409	10,5	4	Italy	7.312	7,7	-29,8%
5	Spain	8.008	8,1	5	Russia	5.566	5,9	50,0%
6	Netherlands	4.407	4,4	6	Spain	4.693	4,9	-41,4%
7	Russia	3.710	3,7	7	Netherlands	3.721	3,9	-15,6%
8	Switzerland	3.347	3,4	8	Austria	3.507	3,7	40,3%
9	Greece	2.681	2,7	9	Switzerland	3.092	3,3	-7,6%
10	Sweden	2.621	2,6	10	Sweden	2.853	3,0	8,9%
11	Austria	2.499	2,5	11	Turkey	2.214	2,3	67,8%
12	Denmark	1.956	2,0	12	Norway	2.086	2,2	8,5%
13	Norway	1.922	1,9	13	Belgium	2.066	2,2	12,3%
14	Belgium	1.840	1,9	14	Poland	1.939	2,0	11,2%
15	Poland	1.744	1,8	15	Denmark	1.602	1,7	-18,1%

Source: GroupM Research & Insight on This Year Next Year December 2014 data

Europe Top 15 Countries Media Spend per capita 2007 and 2015 f

Italy remains stable in 13° position with -32% decrease in adv spend per capita. Only Greece, Spain and Ireland perform worst.

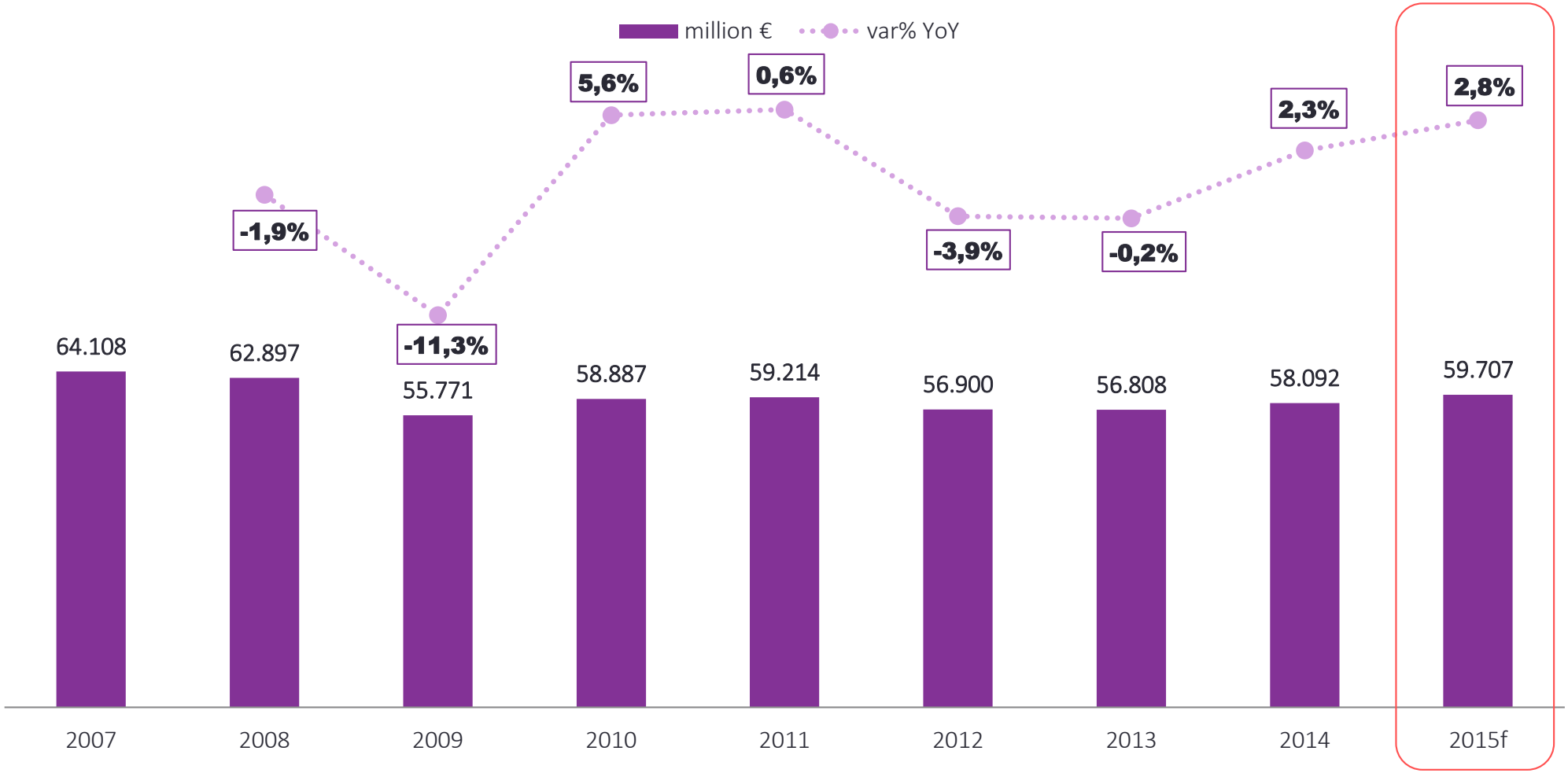
Rank 2007	Countries	2007 €	Rank 2015f	Countries	2015f €	Values var. € Top 15 Countries 2015f vs corresponding 2007	Var% Top 15 Countries 2015f vs corresponding 2007
1	Switzerland	446	1	Austria	410	109	36,2%
2	Norway	407	2	Norway	400	-7	-1,7%
3	Denmark	359	3	Switzerland	382	-64	-14,3%
4	Austria	301	4	UK	304	35	12,8%
5	Sweden	285	5	Sweden	291	6	2,1%
6	Ireland	271	6	Denmark	285	-74	-20,8%
7	UK	269	7	Netherlands	220	-49	-18,1%
8	Netherlands	269	8	Germany	212	0	0,0%
9	Finland	252	9	Finland	211	-41	-16,3%
10	Greece	241	10	Belgium	184	10	5,7%
11	Germany	212	11	France	168	-24	-12,3%
12	France	192	12	Ireland	156	-115	-42,5%
13	Italy	179	13	Italy	121	-58	-32,1%
14	Spain	177	14	Greece	111	-129	-53,8%
15	Belgium	174	15	Spain	101	-76	-42,9%

Source: GroupM Research & Insight on This Year Next Year December 2014 data

Big 5 Adv Trend 2007-2015 f

Big 5 lost 4,4 billion € in 8 years (-6,8%), showing their responsibility in the European ad spend downturn. With the exception of UK that grows by +20,2% from 2007, all other countries experienced sharp decreases.

After a +2,3% in 2014, lead by UK, Spain and Germany, 2015 shows a positive sign again. The trend is lead by UK (+5,7%), followed by Spain (+5,1%), Italy (+1,5%) and Germany (+1,2%), while France is flat (+0,1%).



Source: GroupM Research & Insight on This Year Next Year December 2014 data

Big 5 Adv 2007 and 2015 f

Germany, first country in 2007, is replaced by UK in 2015. Italy remains in fourth position, but decreases by -29,8% and loses 4,0 p.p. of market share in 8 years.

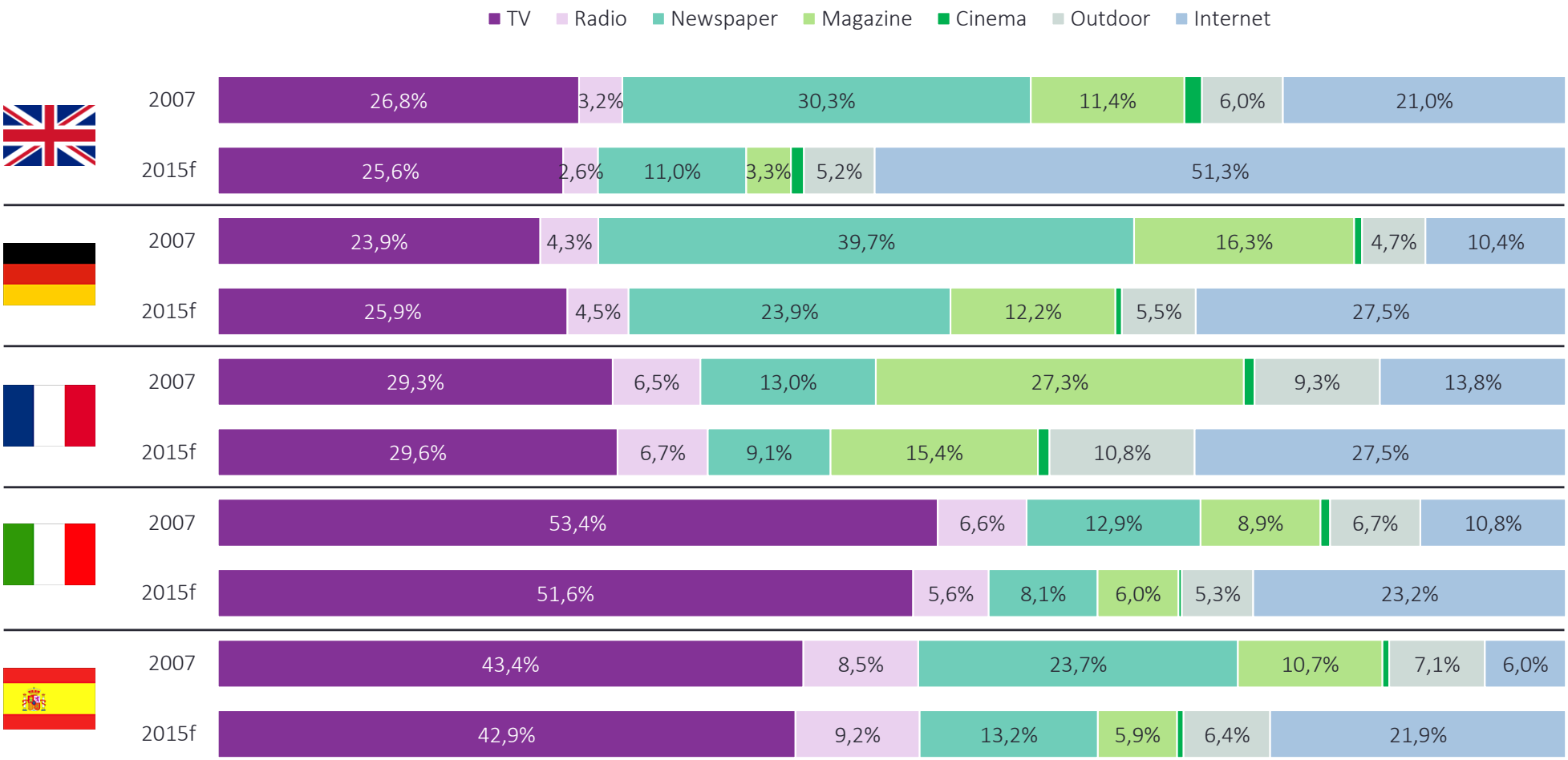
Rank 2007	Countries	million €	Share% on Big 5 Adv	Rank 2015f	Countries	million €	Share% on Big 5Adv	Var% 2015f vs corresponding 2007
1	Germany	17.428	27,2	1	UK	19.738	33,1	20,2%
2	UK	16.428	25,6	2	Germany	17.172	28,8	-1,5%
3	France	11.836	18,5	3	France	10.791	18,1	-8,8%
4	Italy	10.409	16,2	4	Italy	7.312	12,2	-29,8%
5	Spain	8.008	12,5	5	Spain	4.693	7,9	-41,4%

Source: GroupM Research&Insight on This Year Next Year December 2014 data

Big 5 2007 and 2015f Media Mix

Internet share more than doubled in 2015 within the Big 5 perimeter, gaining over 20% share in all countries with UK outperforming all others with a 51% of ad spends on Web

TV shows an extraordinary resilience in every country and Italy and Spain confirm to be the most TV oriented markets.

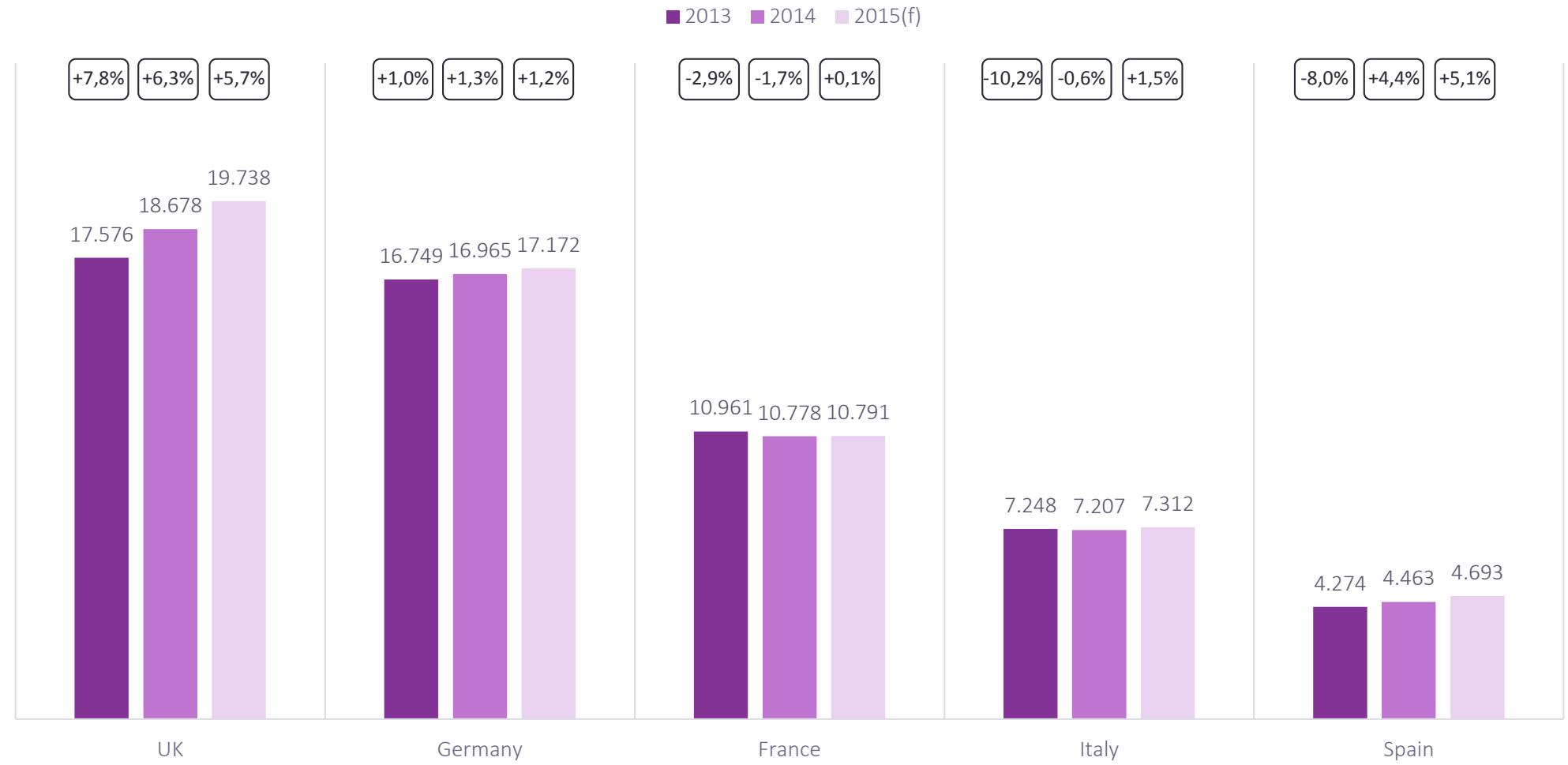


Source: GroupM Research&Insight on This Year Next Year December 2014 data

Big 5 Adv trend 2013 – 2015f

2015 shows a over +5% growth for Uk and Spain, a over +1% for Germany and Italy, and a stability for France. Italy and France return to a positive sign after a 2014 decrease.

€ million



Source: GroupM Research&Insight on This Year Next Year December 2014 data


THE ITALIAN OUTLOOK
NORWAY
Trondheim
Bergen
SWEDEN
UNITED KINGDOM
Glasgow
IRELAND
Belfast
Dublin
IRE-LAND
London
NETH
GERMANY
BELG
Prague
Paris
FRANCE
Brest
Bordeaux
Marseille
ITALY
Rome
Naples
ALB
GREECE
Athens
Sicily
PORTUGAL
Barcelona
Madrid
SPAIN
Sardinia
MEDITERRANEAN SEA
Tunis
TUNISIA
Lisbon
Gibraltar
Granada
Algiers
Tripoli
LIBYA
EGYPT
Rabat
MOR-OCCO
Casablanca
Figuig
Ghadamis
ALGERIA
In Salah
Marrakech
CHAD
In Zize
MADEIRA
S. (Port.)
CANARY
IS. (Sp.)

- **Conservative but positive forecast - Government and Bank of Italy:** The Government released the 2015 DEF (Economic and Financial Document). The program framework suggests a primary balance unchanged in 2015, while the overall deficit falls from 3.0 to 2.6% of GDP thanks to the decline in interest payments to 4.2% of GDP; on a cyclically adjusted basis and net of one-off measures, net deficit is projected to decline from 0.7 to 0.5 per cent this year and to 0.4 per cent next year, and **budget balance is projected for 2017**. The framework adopts conservative assumptions about the evolution of interest rates, which leave room for positive surprises in terms of interest payments, while the growth estimates are around (only slightly higher than) the consensus (+0,7% versus +0,5%). The Bank of Italy estimates in the Quarterly Economic Bulletin that economic activity has increased "slightly" this year already in the first quarter, and confirms that the GDP will grow above the 0.5% in 2015 and around 1.5% in 2016. The central bank also confirmed the estimate of an effect of the QE on GDP by more than one percentage point in the 2015-16 biennium (through the impact on interest rates interest and exchange).

- **Industrial output- Italy:** in the month of February, Industrial Output reabsorbed the "abnormal" decline of January: + 0.6% m/m from -0.7% m/m in January, and -0.2% from -2.2% y/y adjusted from calendar effects. The firsts hints on March make it likely that the 1st quarter 2015 will be the first quarter since 2013 to register growth for both Industrial Output and GDP

- **Orders and Industrial Turnover - Italy:** in February Orders rebounded (+0.8%) as well as Industrial Turnover (+0.4%) m/m, mirroring the recovery in industrial production. For Orders and Turnover too is, however, a partial rebound after the sharp decline (-3.7% and -1.7% m / m, respectively) in January. On an annual basis the Turnover remains in the red (-0.8%, with a -1.5% from domestic demand and + 0.8% from abroad) **while Orders return to positive** (+ 2% from -5,5% the previous month y/y). In summary, the data shows that the recovery is still struggling to take off in the industry; however, the magnitude of the shock is so positive that suggests an acceleration in the coming months

- **Exports-Italy:** The data on foreign trade in February showed a strong rebound in Exports (+ 2.5% m/m, exactly as it lost the previous month) and more modest growth for Imports (+0.6 % m / m). On an annual basis, both flows return to positive (Exports + 3.7%, Imports + 1%). The February figure for exports, as well as for Industrial Output, has corrected the "abnormal fall " in January, the latter being probably determined by calendar effects. The Export figures in particular towards the dollar area are beginning to significantly benefit from the effects of exchange rate depreciation;

Hard data: Italy disappointment from Retail sales.

- Retail sales-Italy:. Retail sales fell by -0.2% m/m in February, exactly as it earned the previous month. It is the most marked cyclical decline since May last year. On an annual basis sales are back in a neighborhood of zero (+0.1%) after the acceleration to 1.2% at the beginning of the year. In summary, the data confirms that retail consumption remains very weak.

- Industrial Output- Euro Area: Industrial Output was higher than expected in February, increasing by 1.1% m/m from -0.3% m / m in January (revised downward from a preliminary -0.1% m/m), the strongest improvement from last April, supported by the euro weakness and the price of oil. The annual change improves to 1.6% y/y from 0.4% y/y in January (also revised downward from 1.2% y/y). The February figure gives room for a change in Industrial Output in the first quarter of 0.9% q/q from 0.4% q/q in December, thus making a positive contribution to GDP growth of around two tenths in the first quarter.

Sentiment data: still positive, but less bright and more consistent with the mixed signals of hard data.

- Household Confidence - Euro Area: The preliminary estimate of household confidence disappoints in April, falling to -4.6 from -3.7. The index corrects in part the strong rise last month, when it had risen by three points from the level of -6.7, perhaps touched by a return of fears over the Greek situation.

- PMI - Euro Area: The preliminary estimate shows in April an unexpected decline in the composite PMI to 53.5 from 54.0 of the previous month. The decline follows four months of rises, which led to the highest level in a year. PMI indices suggest that the recovery is taking hold but at a pace more discontinuous than initially expected, highlighting the persistent difference in pace between Germany and the rest of Euro Area.

Monitor on economy & advertising: key evidence

- In the first two months of 2015, the ADV market kept, as an average, almost the same pace of the decline rate (- 3,8%) of the corresponding first two months of 2014 (-4%); but the decline rate of February 2015 (-3,4%) was less relevant both than February 2014's one (-5,4%) and than January's one (-4,3%)

- Up to Febrary 2015 the landscape of the individual components of the ADV market appears highly articulated, with Tv loosing around the average (-3,7%) , while both Radio and OOH show a positive momentum (respectively +5,2% and +8,7%) , while internet, the print medium and cinema perform much worse than the average, and the newspaper component of the print medium with a chilling two digit decrease (-11,3%) that almost mirrors the already chilling 2014 start (-19,8% in the first two months)

- As far as categories are concerned, though a YoY comparison limited to two months is still too limited to draw significant inferences, it's seems relevant the fact that FMCG in the first two months 2015 show a positive figure (+ 1,6%) compared with the sharp decline in the first two months 2014 (- 7,2%). Despite this good performance of these traditional pivotal categories for Tv advertising, TV shows a negative figure (-3,7%): an unexpected landscape and perhaps a clue to some changing habits. In Tv spending, Toiletris and Media almost match Telco spending (!) and the good performance of Radio Adv is no longer driven by Financial Services and Insurance (declining) nor by Automotive (declining too) but by Retail (and this is no surprise) and by Food (and this is totally unexpected) and by Telco (in contrast with the average)

- It could be also relevant that the more limited decline in the number of spenders up to February (-100 compared with -528 in the first two months 2014) for the second time in many months does not affect the magazine medium and affects in a limited measure newspapers (around -60), while it affects significantly internet (more than -100) . The attractiveness of the TV medium and the low entry thresholds for both incumbents and followers in a deflation environment explains the increase in the number of Tv spenders (around +50) , and explains the relevant decrease in average Tv spending

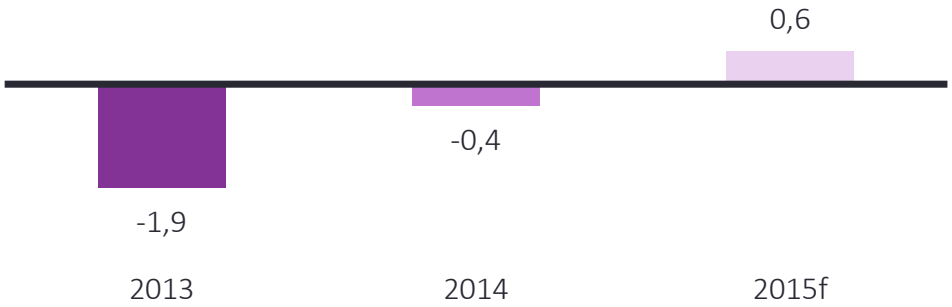
- Despite the disappointing first two months of 2015 and the negative hints for the 1st quarter, confirmed by the quarterly reports of listed companies of media owners, we still stick to our forecast on 2015: +1,5%, with TV, Radio and OOH around the average (+1/+2%), and the Press with a relevant decline (-5,5%), though less sharp than in the last years, and Internet growing by 7,5%

The economy

2014 showed a slight negative sign for GDP (-0,4%) and a flat trend for consumption, but a worsening one for unemployment rate.
Even if small, a positive sign for GDP and consumption, and an improving rate for unemployment, are expected for 2015.

GDP

FMI: +0,5%
Banca d'Italia: +0,5%
Confindustria: +0,5%
Ocse: +0,6%
Governo: +0,7%
Confcommercio: +1,1%



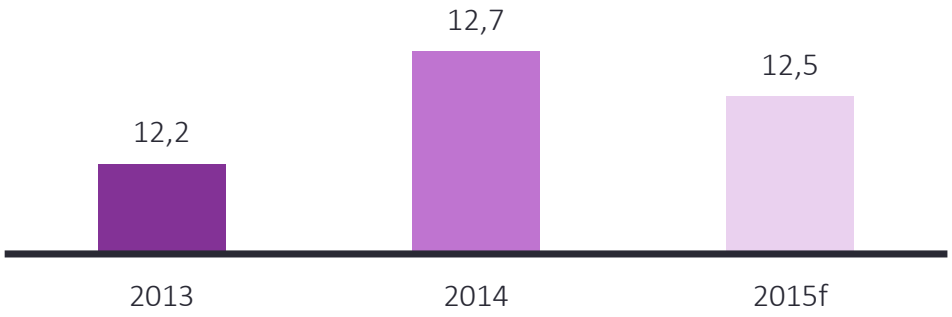
CONSUMPTION

Confcommercio: +1,2%

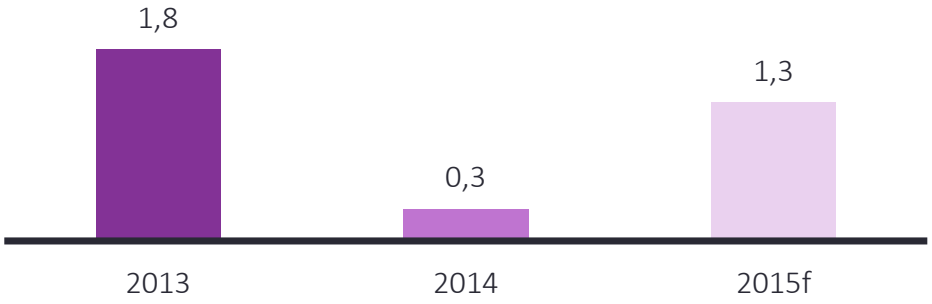


Histogram value: Istat data

UNEMPLOYMENT



INFLATION

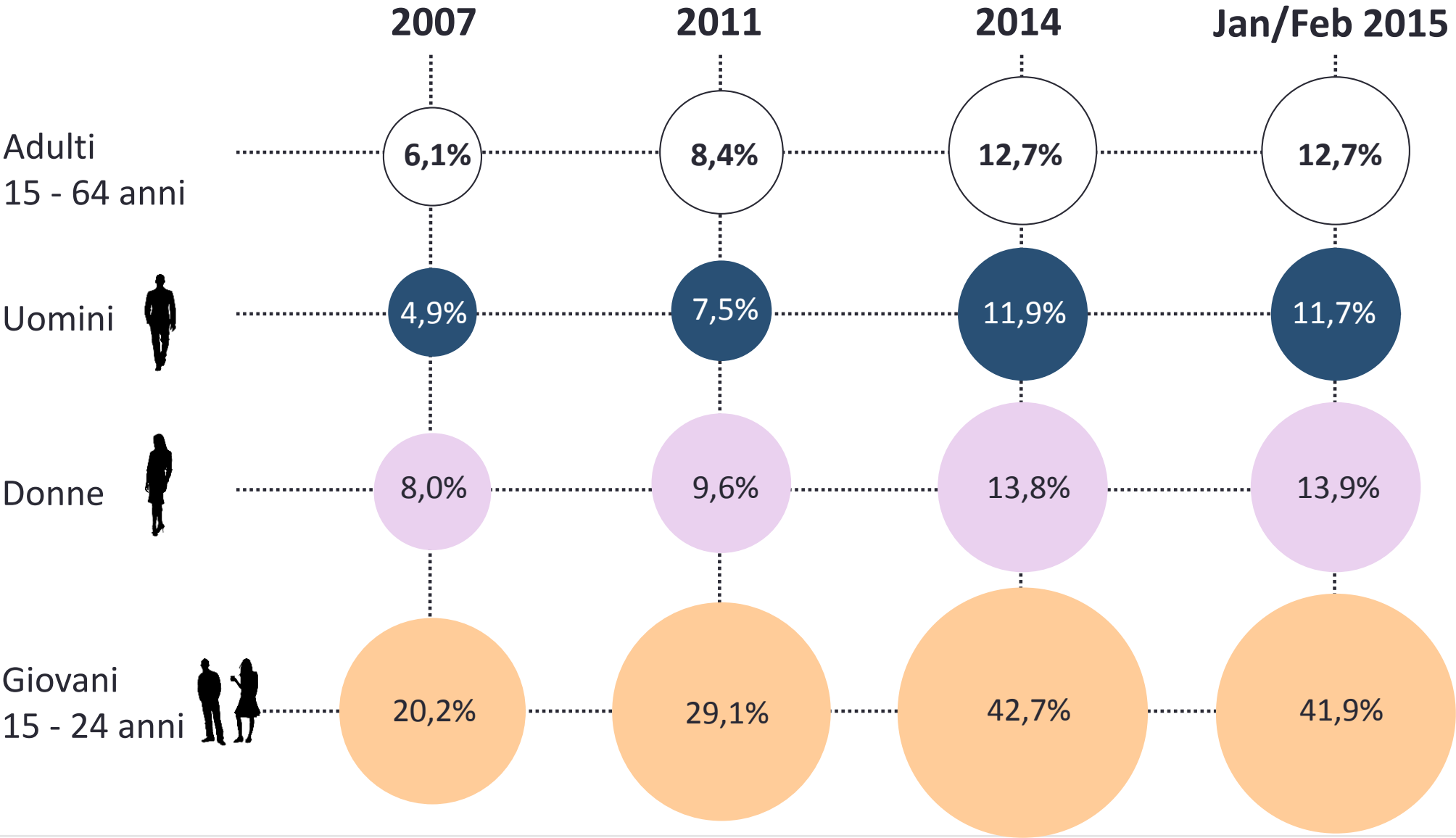


Source: Groupm Reseach&Insight analysis on main economic institutes data.
The value in the histogram are Istat data

Unemployment rate

A key issue for growth.

February 2015 shows a slight improvement vs January (12,6 vs 12,7) due to male rate improvement (-0,1 p.p.); the female trend worsen (+0,4 p.p.) like so the young one (+0,4 p.p.). Jan/Feb 2014 showed a 12,6 rate



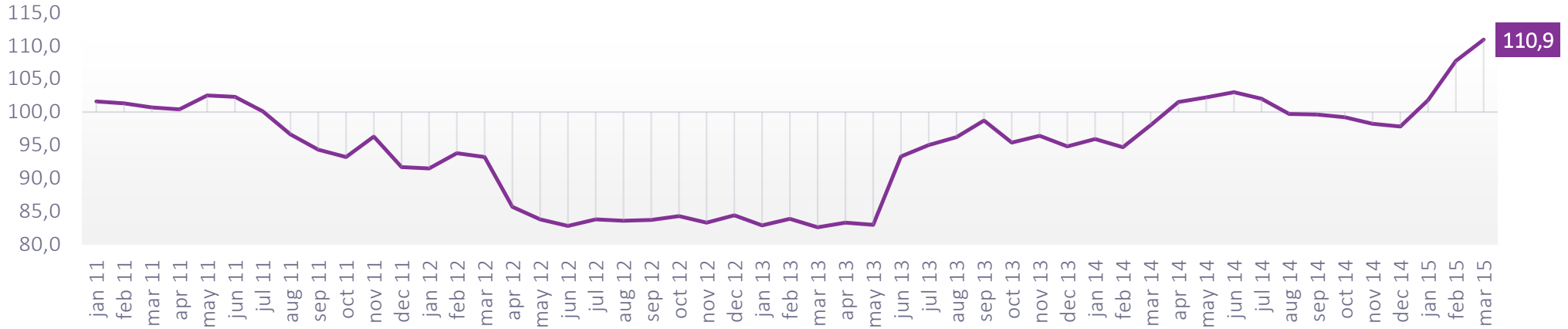
Source: GroupM Research&Insight analysis on Istat data

Consumer and corporate confidence

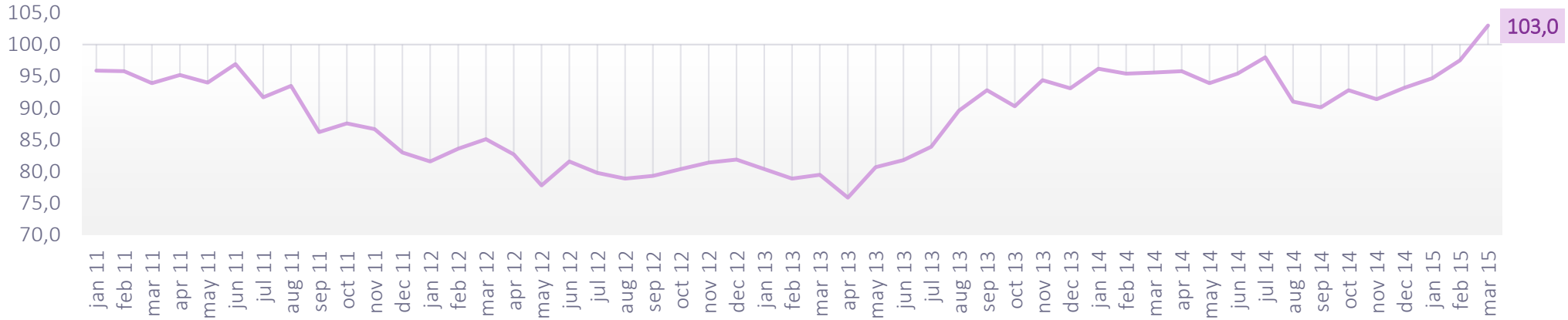
Positive signs for Consumer & Corporate confidence.

March shows an increase again on Consumer (+3,2 p.p. vs February and +8,7 vs previous year) due to an improvement of trust in Italian economic situation, and on Corporate (+5,5 p.p. vs Feb, and by +9,1 p.p. vs last year)

Consumer confidence



Corporate confidence

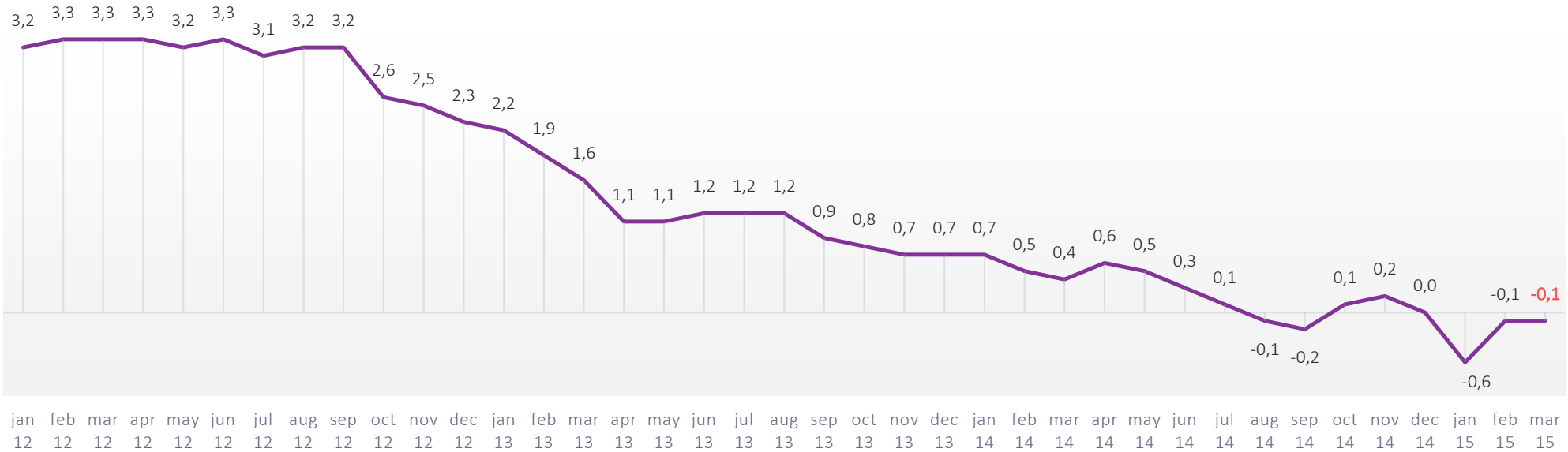


Source: GroupM Research&Insight analysis on Istat data (2010=100)

Inflation trend

March shows the same trend of February (-0,1%), mainly due to lower decrease of utilities cost (-9,0 vs -12,8 feb) but lower increase of services cost, as transport (+0,5 vs +1,4 feb)

Var% of inflation vs previous year



Goods

Mar 15 vs Mar 14

-0,6%

Mar 15 vs Feb 15

+0,3%

Total

Mar 15 vs Mar 14

-0,1%

Mar 15 vs Feb 15

+0,1%

Services

Mar 15 vs Mar 14

+0,5%

Mar 15 vs Feb 15

0,0%

Source: GroupM Research&Insight analysis on Istat data

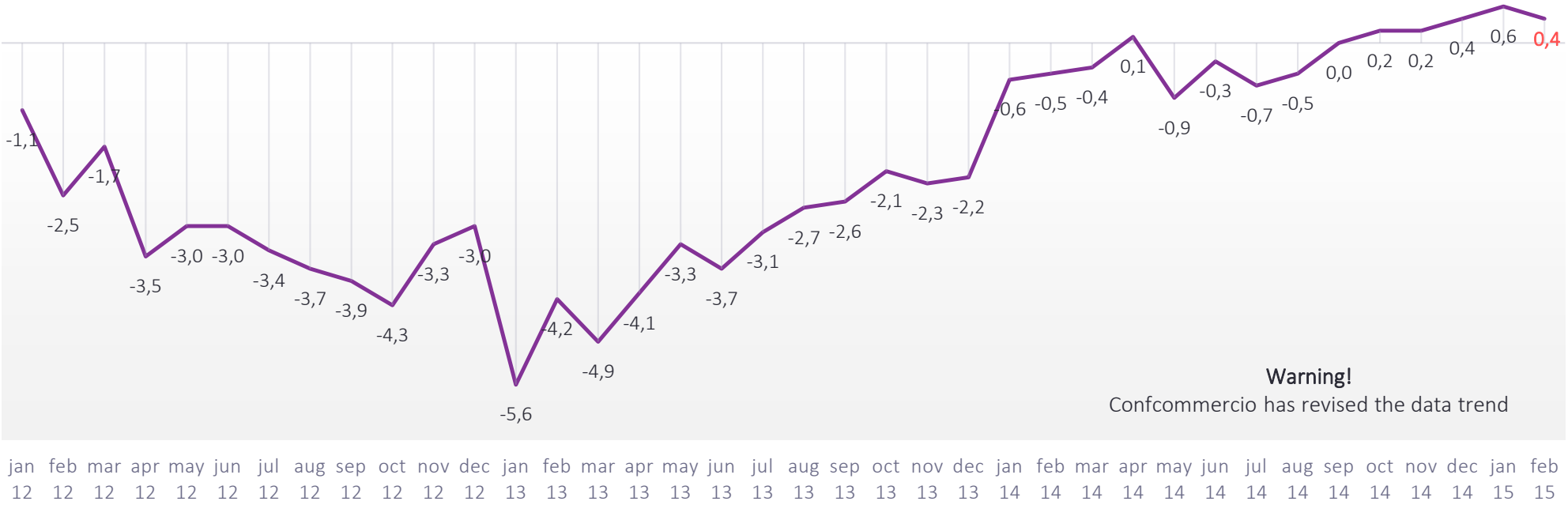
Consumption trend

Still positive sign, even if small, for consumption in February (+0,4%), but lower than January (+0,6%). The February trend vs January is due to Services improvement (+0,6 vs +0,3) but Goods lower increase (+0,3 vs +0,7).

Positive sign in February vs the previous year for *mobility* and *communication goods and services*, while negative trend for *clothing and shoes*.

goods: +0,3%
services: +0,6%

Var% of ICC vs previous year



Recreational goods and services **-0,3%**	Hotels and eating out **+0,9%**	Mobility goods and services **+2,4%**	Communic. goods and services **+3,4%**
Personal care goods and services **0,0%**	Clothing and shoes **-1,0%**	Home goods and services **-0,1%**	Food, beverages and tobacco **-0,4%**

Source: GroupM Research&Insight analysis on Confcommercio data

Monthly trend & overall performance



The Advertising Market Key Numbers: Jan/Feb 2015 vs 2014

Ratio advertisers IN/OUT shows a decrease of -100 spenders vs -539 lost in Jan/Feb '14 vs '13.

Top 20 Holding/Companies adv spending decreases by-5,2% in Jan/Feb, better than -6,3% showed in January, but worse than -4,4% showed in the first two month of 2014 (vs 2013).

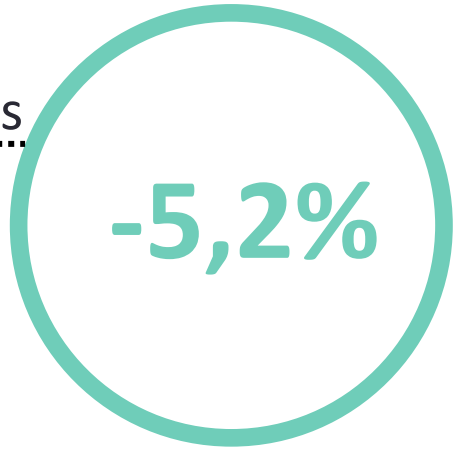
Adv Market



TV



Top 20 Holding/Companies



Ratio Advertisers IN/OUT



Source: GroupM Research&Insight on Nielsen and Fcp data

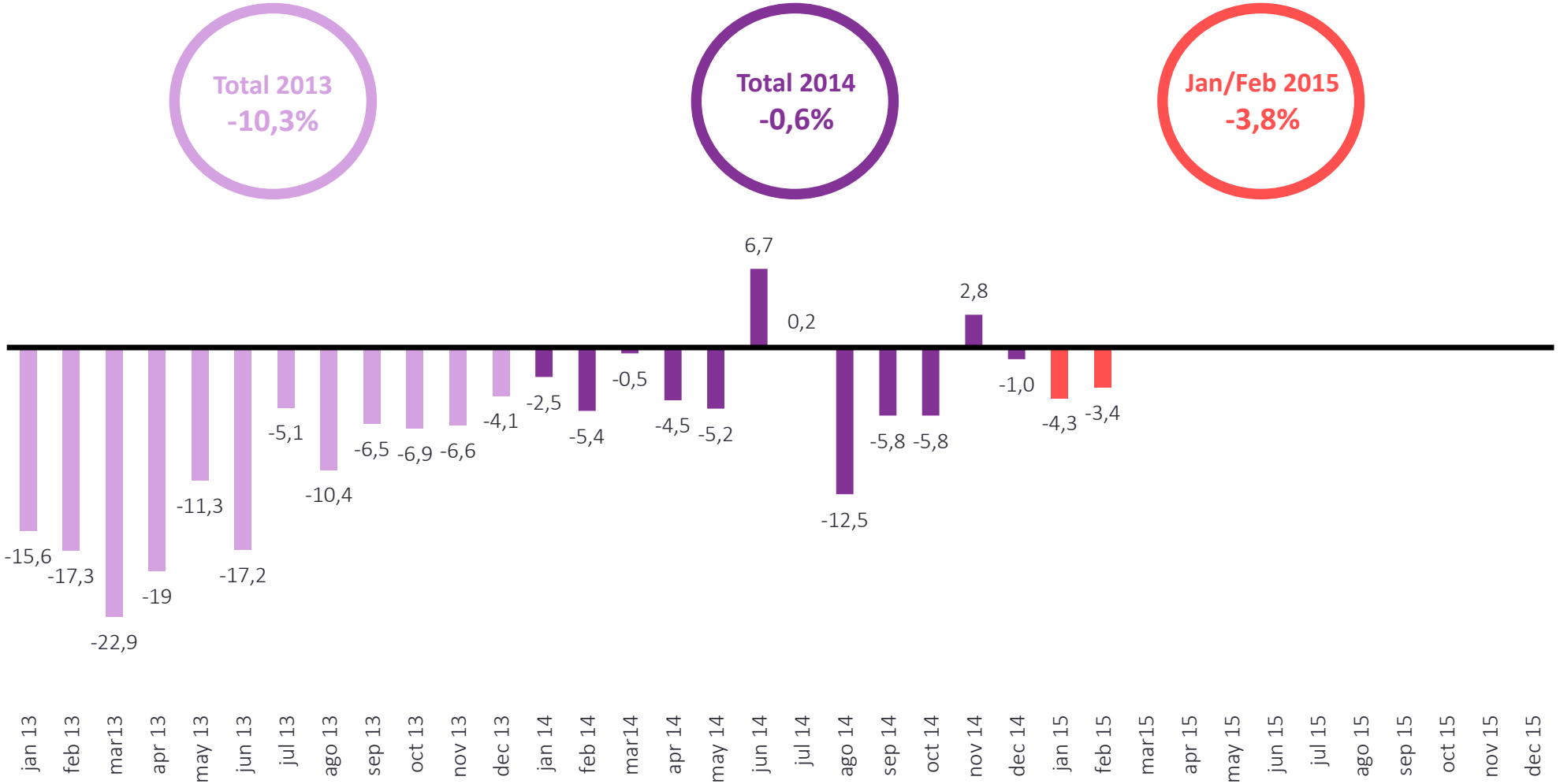
All media with the exception of Direct Mail –

Spenders with investment >1.000 €

Nielsen underestimates the Internet value due to an important lack of monitor into the digital area

The overall advertising market

February shows better performance both vs January '15 (-4,3%) and vs February '14 (-5,4%). The first two months decrease by -3,8%.



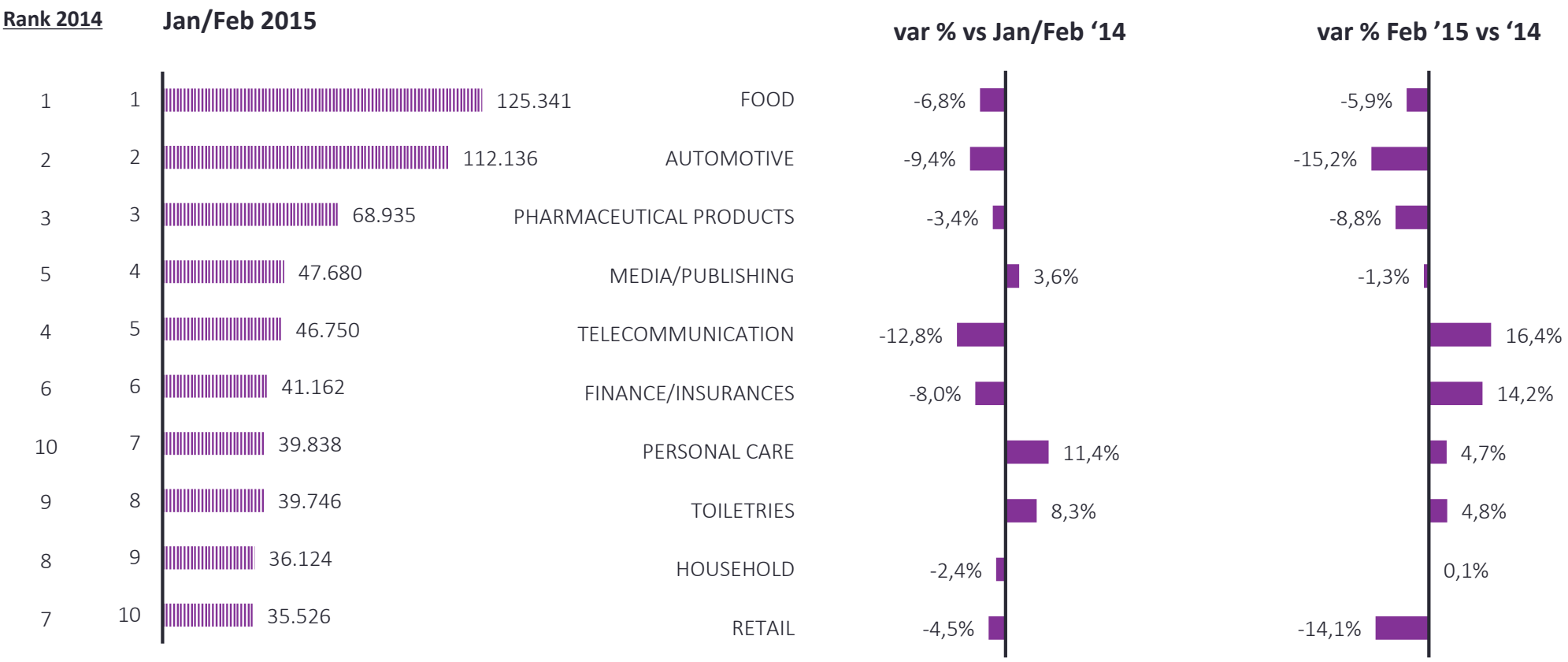
Source: GroupM Research&Insight elaborations on Nielsen + Fcp data (national and local advertising)
All media with the exception of Direct Mail
Nielsen underestimates the Internet value due to an important lack of monitor into the digital area

The key categories trend

Thanks to a positive sign in February, Tlc and Finance/Insurances show a lower decrease in the first two months of 2015 vs January, while Personal Care and Toiletries improve their trend, already positive.

February double digit decrease brings Automotive and Retail to a worsening trend, mainly due to “new cars” for the first, and “food” for the second one.

FMCG improves its trend pushed by Housekeeping and Beverage good performance in February.



Fast Moving Consumer Goods	33,7% share on total market	Var. vs Jan/Feb ‘14 **+1,6%**	Var. Feb ‘15 vs ‘14 **+2,1%**

Source: GroupM Research&Insight elaborations on Nielsen data (national and local advertising)
All media with the exception of Direct Mail - Local category is excluded - Value x.000
Nielsen underestimates the Internet value due to an important lack of monitor into the digital area

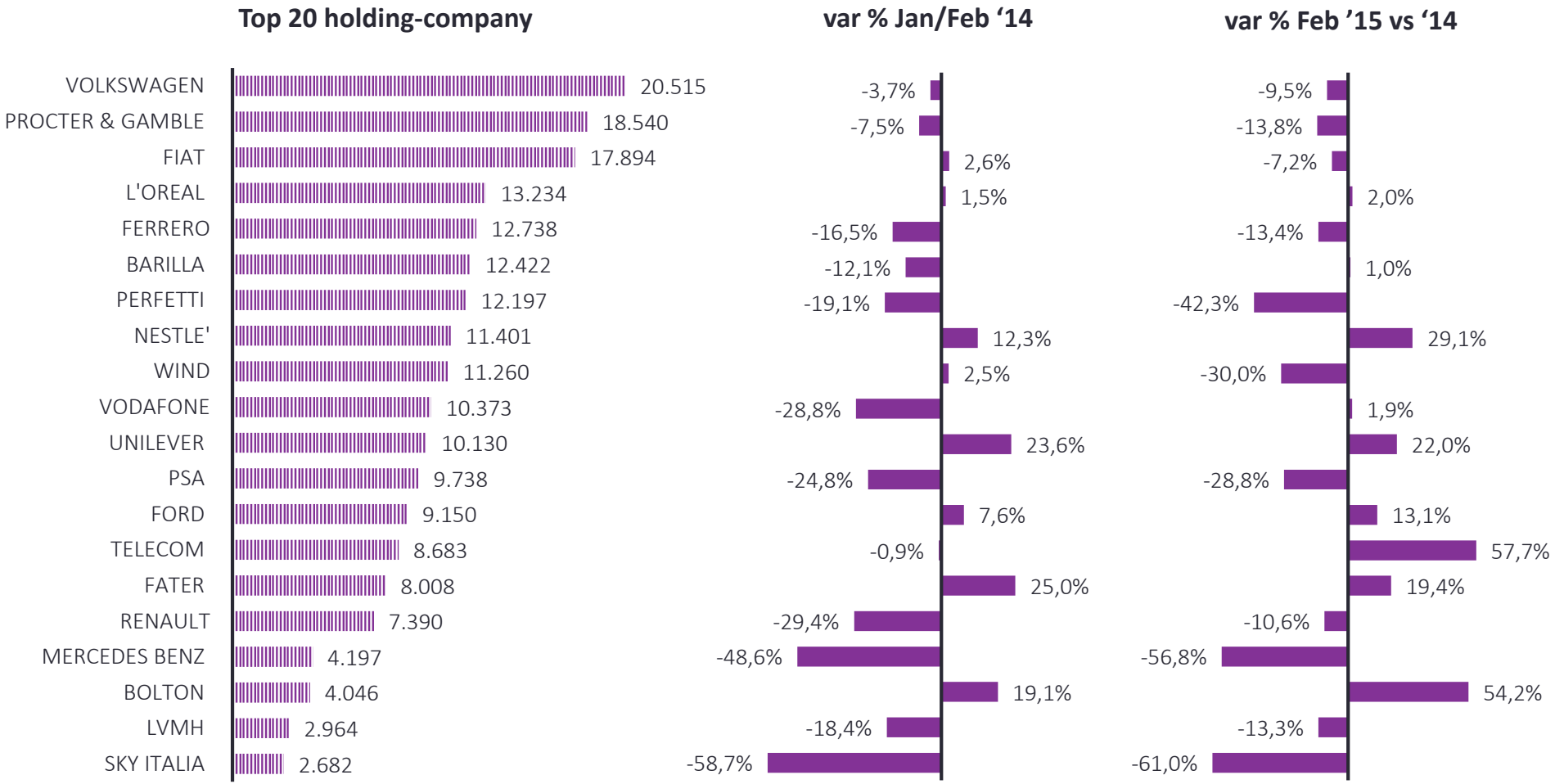
The top 20 spenders ranking

Eight out of the top 20 spenders of 2014, show a positive sign in Jan/Feb 2015. Good performance in the first two months for FMCG companies Nestlè (Nespresso), Unilever (Sunsilk and Dove), Bolton (Roberts, WC Net and Smac) and Fater (Ace), pushed by a very positive February.

Telecom, despite the over +50% in February due to Timvision, still shows a slight decrease in Jan/Feb, while Ford grows thanks to Focus and Mondeo.

Sky negative sign is due to the comparison with 2014 Olympic Games communication, while Mercedes decrease is due to the lack of Classe B adv.

Important decrease in February also for Perfetti (Daygum, Vigorsol, Vivident), Wind (Noi and All Inclusive) and PSA (Peugeot 208 and Citroen C4).

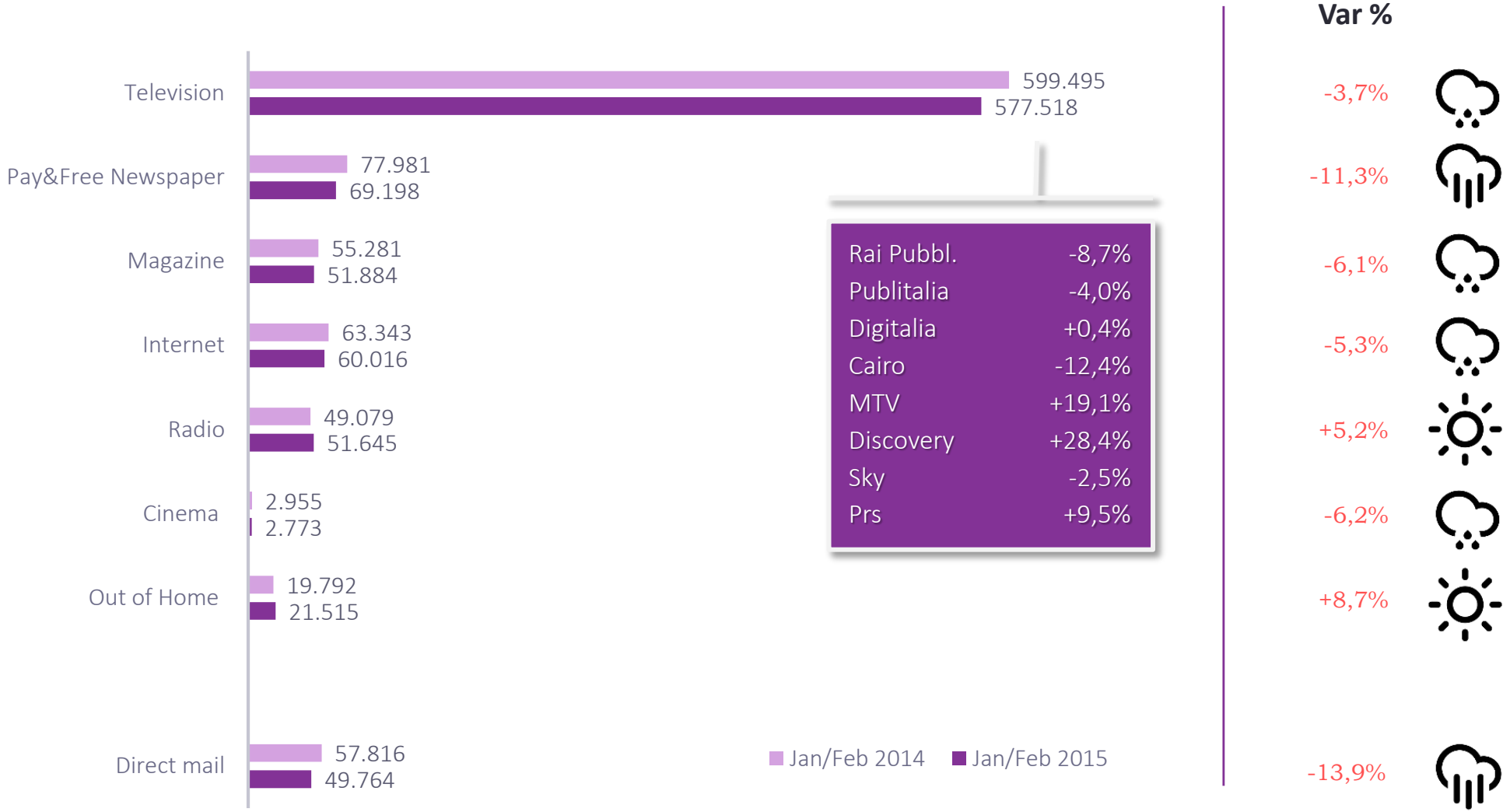


Source: GroupM Research&Insight elaborations on Nielsen data (national and local advertising)
All media with the exception of Direct Mail - Value x.000
Nielsen underestimates the Internet value due to an important lack of monitor into the digital area

Jan/Feb 2015= -3,8% vs 2014

(all media with the exception of direct mail)

Positive sign in the first two months for OOH and Radio, while Tv remains negative showing the same trend of January. Internet, thanks to the February lower decrease (-1,0%), improves its performance with a -5,3% in Jan/Feb.



Source: GroupM Research&Insight elaborations on Nielsen and Fcp data (national and local advertising)

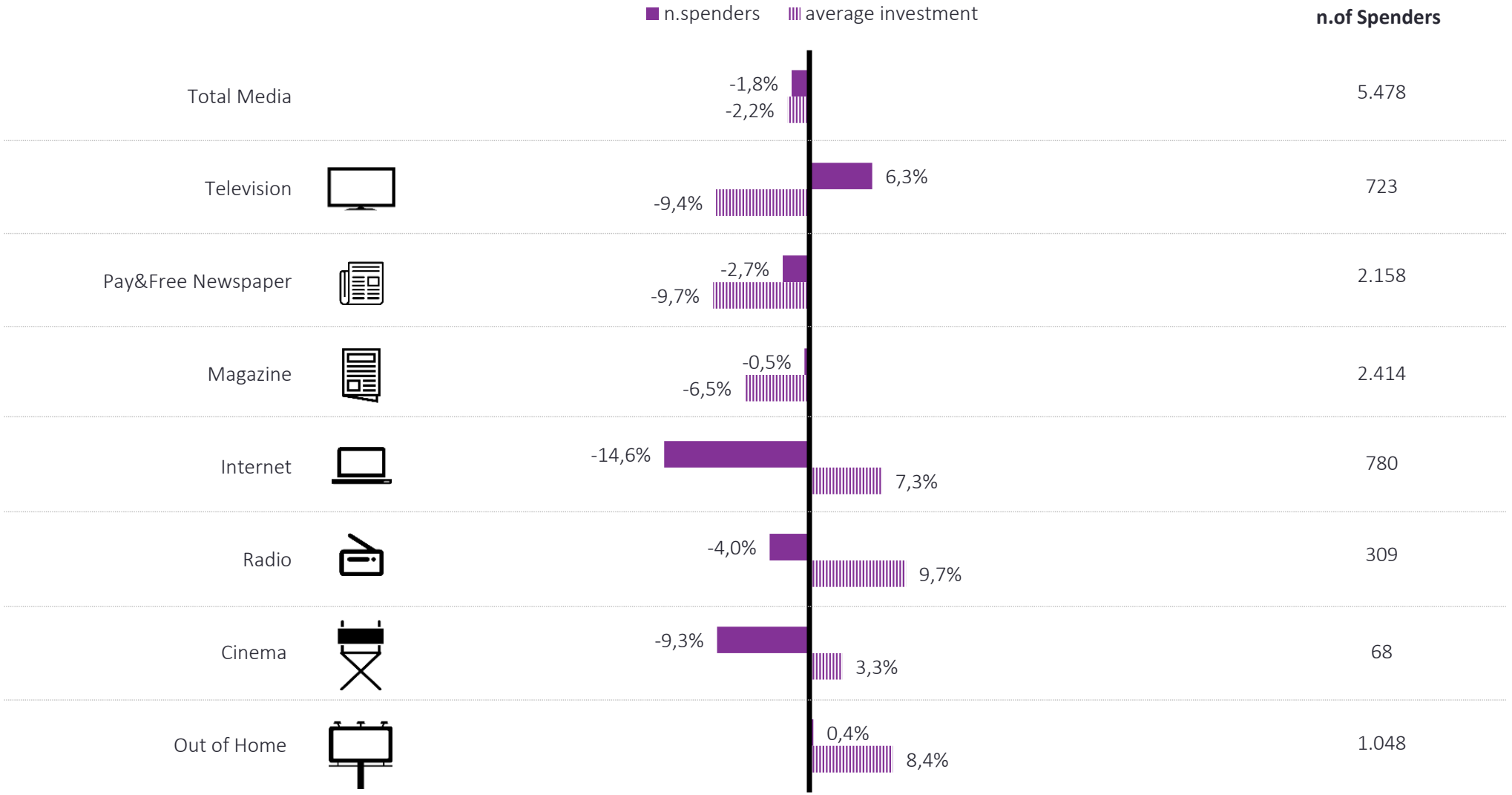
Values x.000

Nielsen underestimates the Internet value due to an important lack of monitor into the digital area

Number of Spenders and average investment by media

Jan/Feb 2015 vs 2014

TV is the only media that shows an increase in number of spenders, but with a decrease in average investment. Internet instead shows the opposite trend.



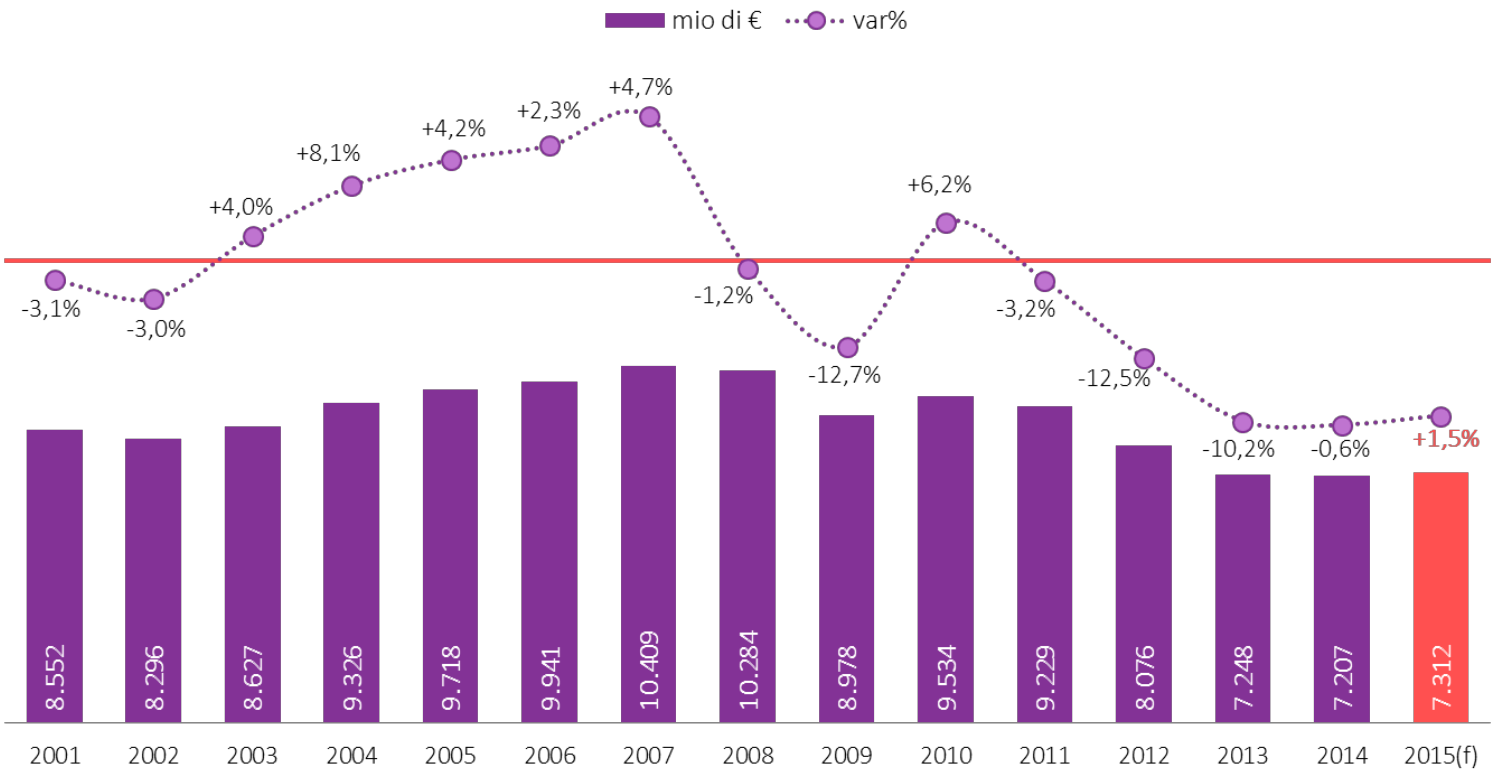
Source: GroupM Research&Insight elaborations on Nielsen data (national and local advertising)
Values x.000 - Spenders with investment >1.000 €
Nielsen underestimates the Internet value due to an important lack of monitor into the digital area



Forecast

Forecast 2015

Still a weak year in terms of adv trend but with a return to a positive sign, even if small



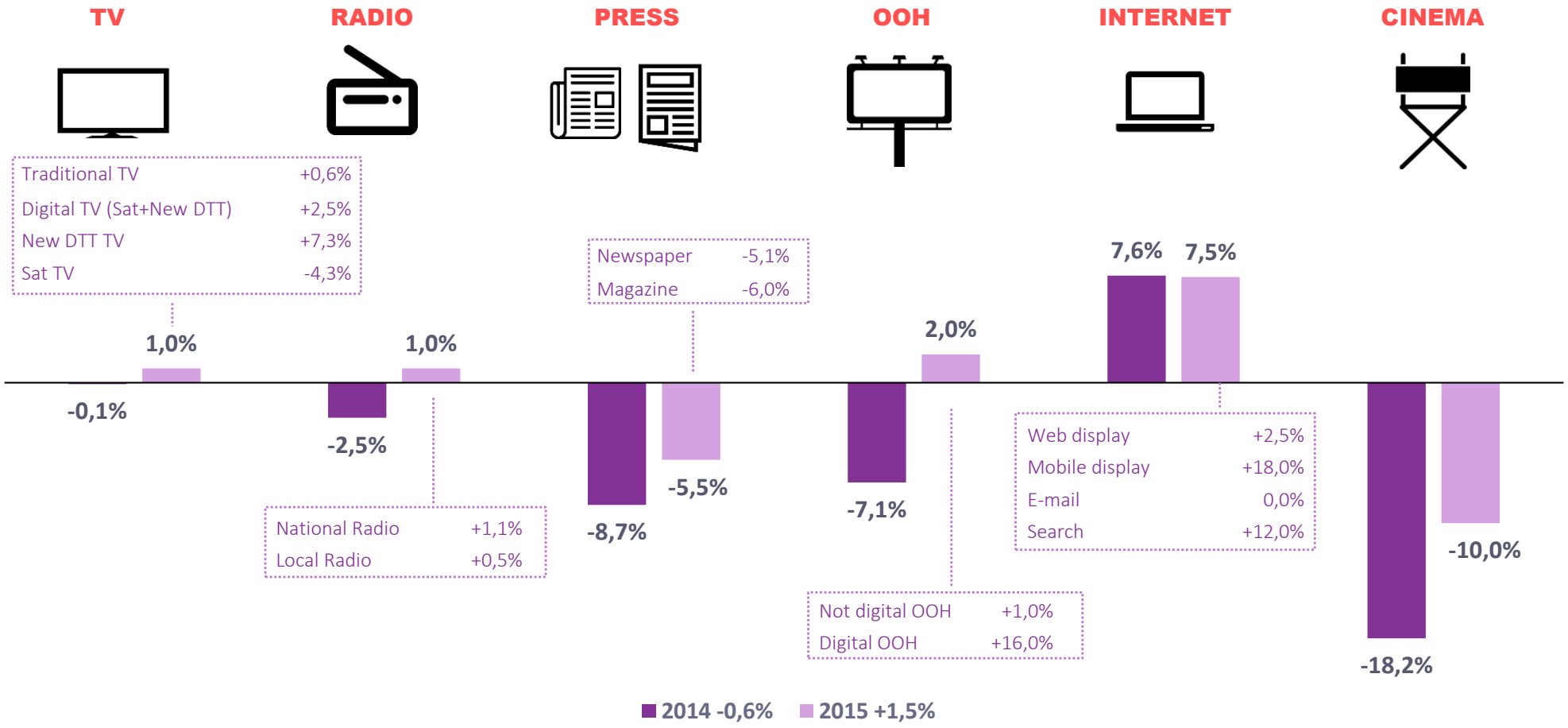
REASON WHY 2015

- From a macroeconomic point of view, 2015 will be characterized by a slight GDP increase driven by a return to an increase in domestic consumption (+0,5%) and by the mega event of Expo
- Different sources report a growth around +0,5/+0,7% for GDP, with the most optimistic CSC which has released a +1,1%. Consumptions are expected to grow around +0,5%.
- Final result will highly depend on:
  - the worldwide economic trend (important for our export highly favored by the exchange rate €/$)
  - a higher households disposable income (due to tax bonus & decrease of oil related products)
  - the economic and political reforms

2014 performance and 2015 forecast

In 2015 Internet still growing, while TV, Radio and OOH, pushed by the Expo event, return to a positive sign. Satellite negative performance is due to the comparison with a 2014 hosting two big sport events (Winter Olympic Games and World Football Champion).

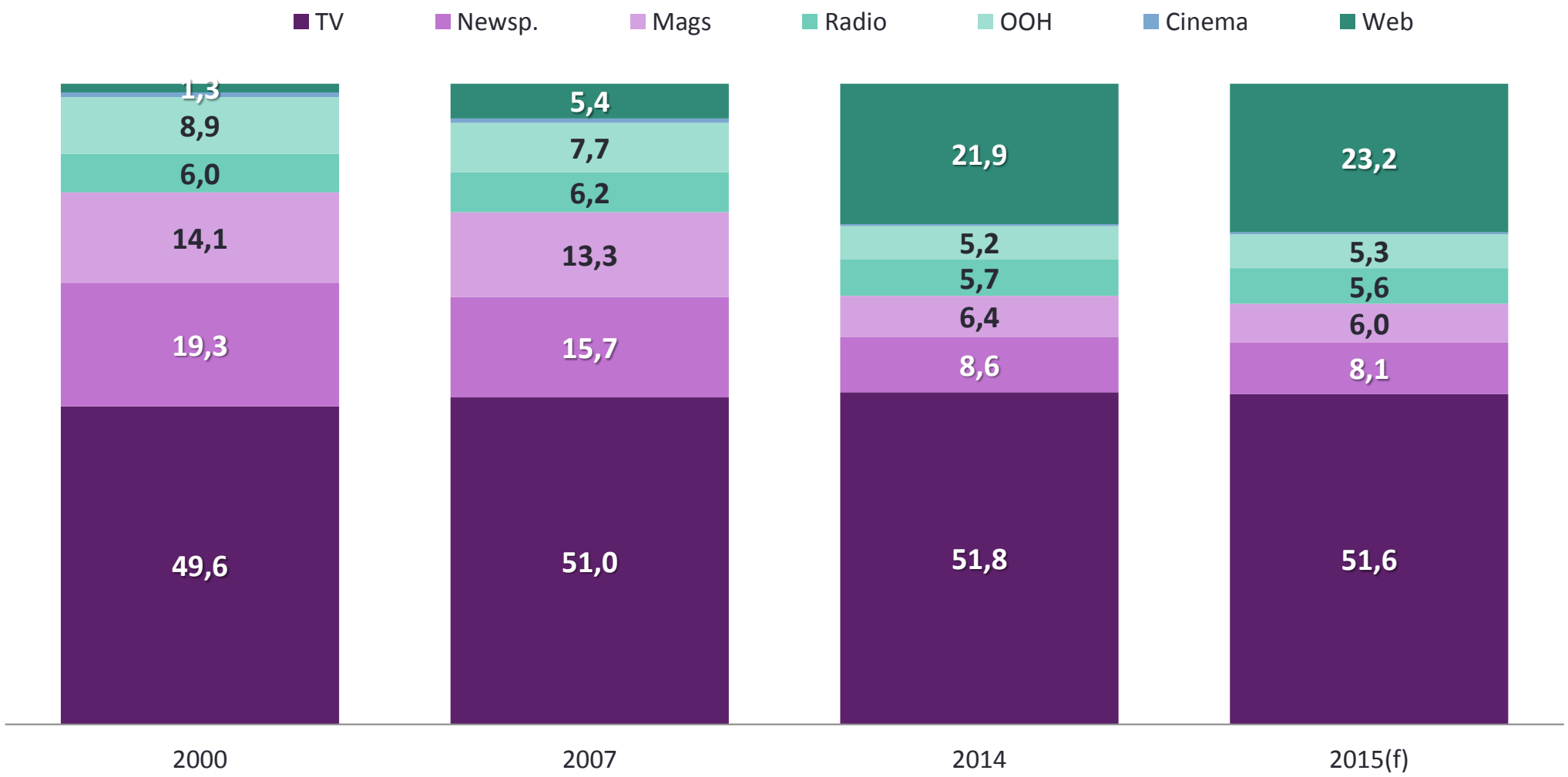
Internet is the second medium after TV, and it could grow even more than expected as far as today.



Warning! Internet data includes also players non monitored by Nielsen, such as Google, Facebook, Twitter, Criteo, Smartclip, etc….

The market share trend

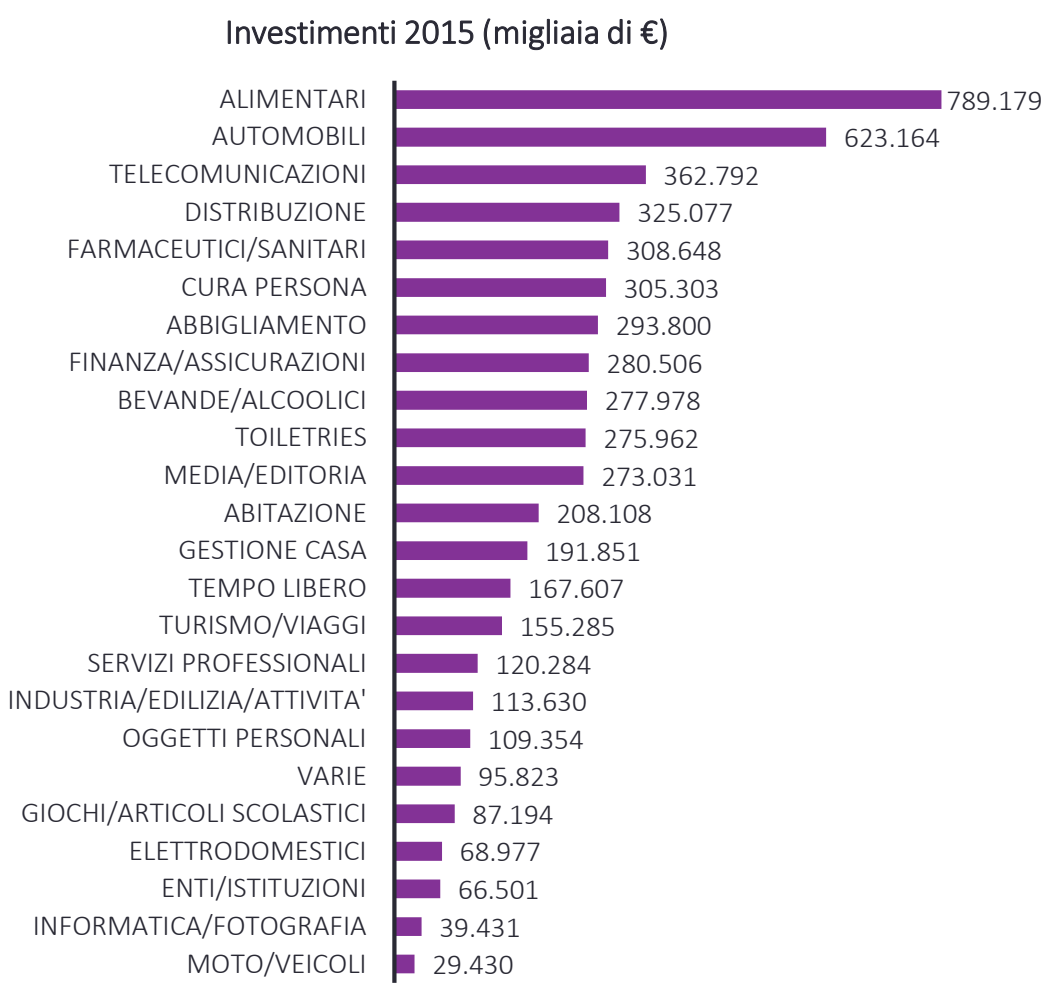
The adv market gets more and more concentrated: TV and Web worth count 75% ca. of market share.

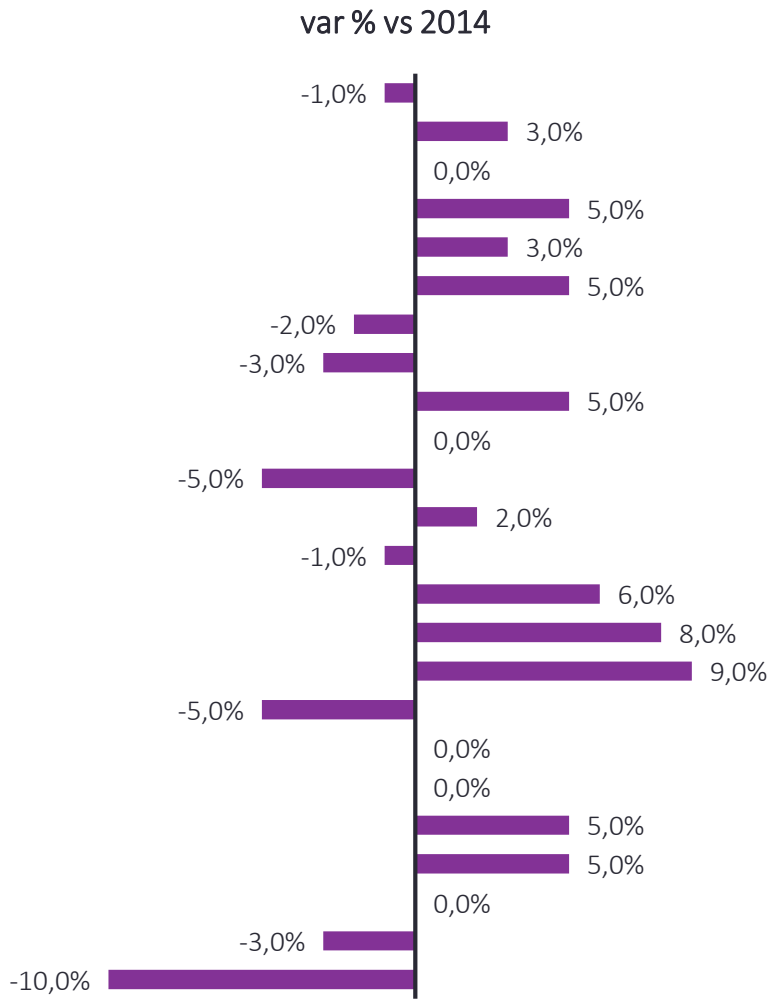


Source: GroupM Research&Insight

2015 scenario among categories: our first outlook

Automotive growth supported by increase in cars registration which is continuing and by new launches; FMCG benefits from consumption positive sign & Tourism is pushed by Expo. TCL stops falling.





Fast **M**oving **C**onsumer **G**oods: **1.840.273**

Var. 2015 vs 2014 **+1,0%**