THIS YEAR NEXT YEAR

BELGIUM 2020-2021

groupm

2020-2021

BELGIUM END-OF-YEAR FORECAST

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OVERVIEW

Making previsions in an era were COVID plays a central role doesn't ease up the task. Uncertainty remains central but let's not get too pessimistic.

For Belgium and other European countries 2020 has been defined by a first lockdown around March which has strongly impacted the economy and social life based on the restrictions in which only the essential stores were open.

March till June remained strongly impacted in terms of media spend but a recovery during the summer was visible. A positive note at that moment! Nevertheless, after all the efforts of the Belgian population a second semi-lockdown was unavoidable in October but keeping in mind that the economical impact couldn't be one as bad as in March. Schools remained open and the definition of essential stores got extended. This implied that the second wave impacted less the economy and media expenditures which is reassuring. Human efforts have shown that Belgium managed until now to stay away from a 3rd lockdown as health data has shown a strong improvement.

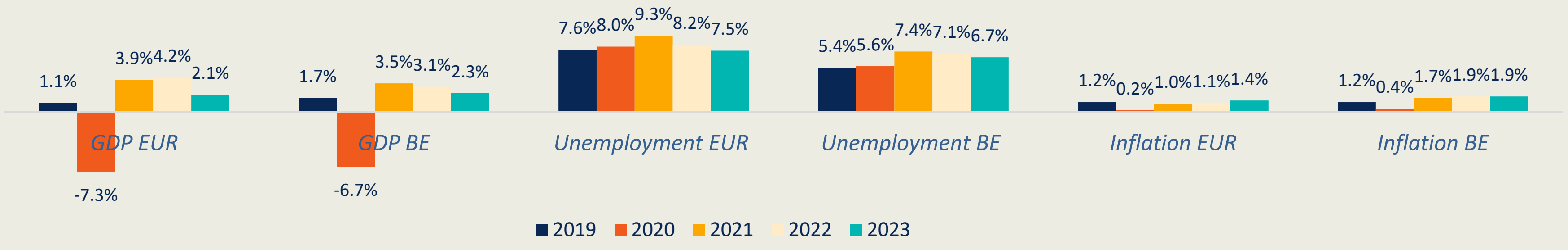
> *"Long term impact on the economy."*

The Belgian economy is performing better than the European average in terms of GDP, unemployment rate and inflation.

Even though Belgium is delivering "better" economical results, the pandemic has clearly impacted us for the next years. The next 2 years we see a gradual recovery with each year more than 3%, which will only be obtainable if there is an effective COVID-cure.

Belgian unemployment rate is estimated to decrease by 100.000 jobs in the fall of 2021. The inflation of 2020 would only be around 0.4%, mainly driven by low energy prices.

Next to COVID, we should also not forget that Brexit will also impact the surrounding countries on a higher level, including Belgium.



IMPACT ON MEDIA AND CONSUMERS

This pandemic has impacted our economy but also our media & overal consumption.

People were being recommended to work from home or were just out of work due to temporary unemployment which impacted positively e-commerce. Take-away meals and home/PC equipments are seeing the highest evolutions . But in a situation where the stores are closed, business es are encouraged to invest in their own e-commerce platform and this for every type of category. E-commerce is the new hype and you cannot avoid it. Missing this train will impact your business big time. Belgium remains a country in which e-commerce has started later in comparison to its neighboring countries as the most popular webshops are foreign: Bol.com, Coolblue, Amazon and Zalando.

In terms of media consumption, it is no surprise that OOH and cinema have suffered under the governmental restrictions as theaters have been closed and people's mobility has been limited. The main drivers of audiences were delivered by television and digital, particularly for social media. Followed by radio thanks to the uplift of digital audio consumption.

The combination of e-commerce uplift, homeworking and fast consumption culture will result in a global digital uplift within the traditional media for Belgium.

In terms of Belgian business the Kantar study showed this during the first lockdown, 64% (vs. 50% Global) of customers wanted to cut their media investment during lockdown and 37% (vs. 52% Global) to increase their e-commerce business as 86% thinks that there will be a change in consumer behaviour.

The reluctant attitude of the advertising market in H1 has partially been recovered in the second half of 2020. The final outcome should be around -15.6% vs 2019.

"The combination of e-commerce, homeworking & fast consumption will result in digital uplift within traditional media."

2021 AND BEYOND

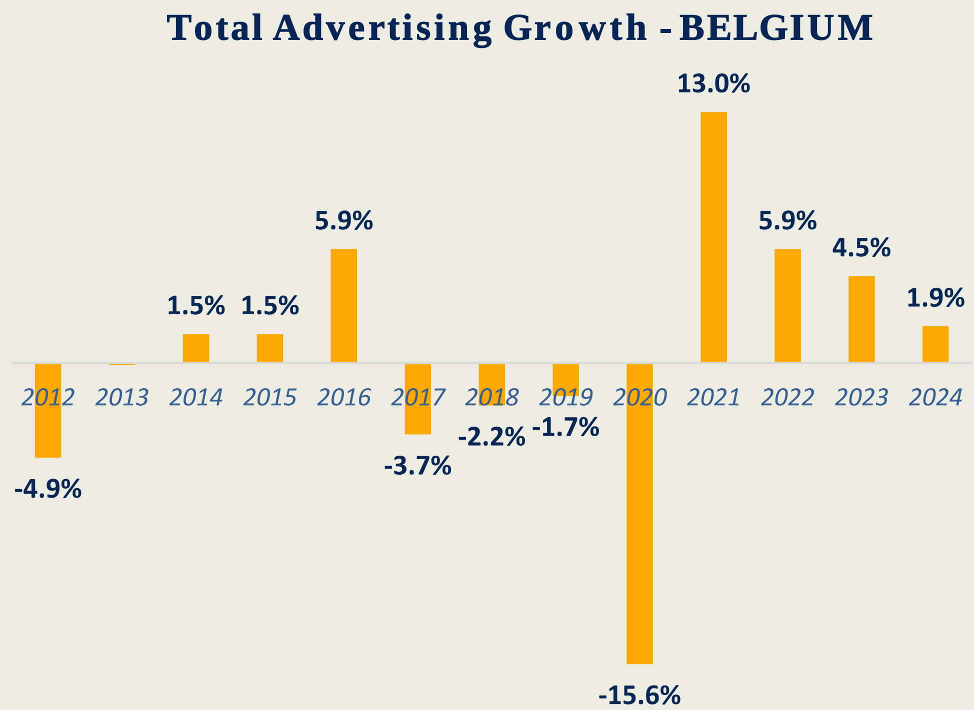
Based on the Global TYNY we can state that all regions have suffered in 2020 and the predictions are that for 2021 most of the regions will have recovered on global level. For EMEA and Belgium specifically we predict that the full recovery will come later.

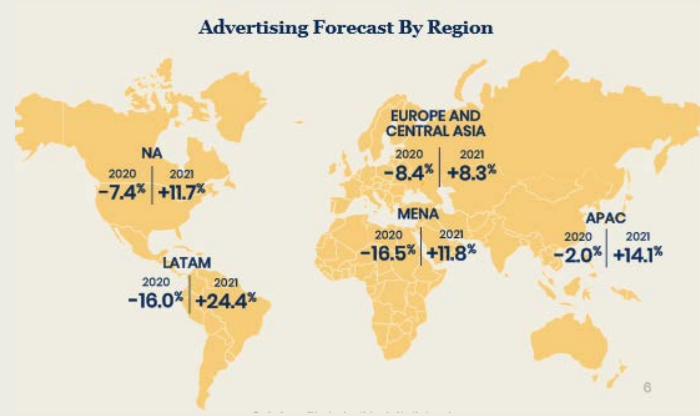
2021 will remain a year in which lockdown and restrictions make a part of our live, but vaccines deployment should change this vicious circle.

We suppose that all major sport events in the upcoming years will be maintained such as Euro Football Championship and the Tokyo Olympic Games (2021), Football World Cup in Qatar (2022), Rugby World Cup in France (2023) and Paris Olympic Games (2024).

On top of this, the movie and travel industry should be facing a true investment uplift for 2021.

We estimate that the Belgian market will decrease with 15.6% in 2020 and that total recovery will be for 2022.





ADVERTISING FORECASTS

Several times a year we revise our predictions based on market data, but it is without any surprise that 2020 has been very challenging to predict. The period of mid-March till June was the worst with budget declines of +/- 55%, while as from the summer, we saw a global uplift.

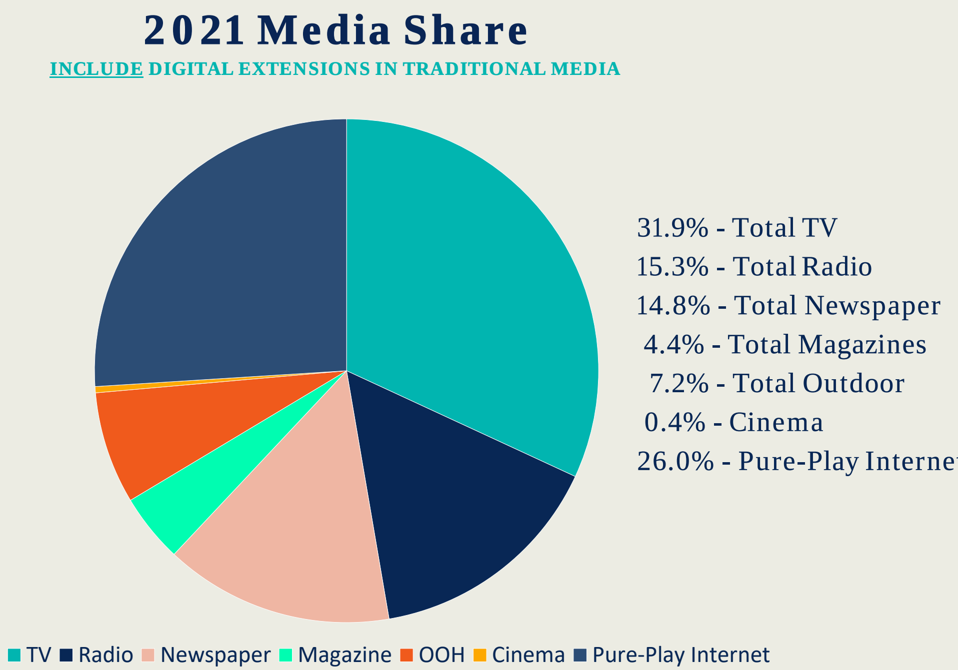
2021 will be a year of major uncertainties as some advertisers will keep on investing, others will be withholding budget and all that within a challenged media mix.

The 13% budget increase for 2021 still means that we would be facing a 4.6% decline vs 2019, it will only be in 2022 that we predict a full recovery.

For television, digital, radio and newspapers we forecast a +/- 11% increase in 2021 vs 2020. While for magazines we foresee a 19% uplift and 28% for OOH.

Share of investment per media includes the share of the online extensions. This impacts positively the share in newspaper vs radio. The online radio offer is still limited in comparison to the one of newspaper. With the increase of online radio offer, we predict a growth of radio share for the upcoming years.

If we would consider the digital extensions under internet, we would reach a digital share of 35% in 2021. instead of the actual 26% (without digital extensions).



"If we would consider the digital extensions under internet, we would reach a digital share of 35% in 2021"

DIGITAL

For digital we make a comparison between total digital (digital extensions included) and “pure” digital (digital extensions attributed to the corresponding traditional media). In Belgium we estimate that the pure digital share will remain at around 25% and decrease slightly year after year. But when we include the digital extensions then this becomes a share of 35% in 2021 and even close to 38% in 2024.

Digital is the only media that has known an uplift in 2020. The reasons are plural. There has been a strong uplift in terms of e-commerce due to the governmental restrictions, and this for different sectors, but also smaller businesses have found their way to e-commerce and digital investments in order to promote their products while stores were closed. Digital remains a performance-driven media, which delivers in the eye of the advertisers a better and faster return on investment than the more traditional media. Amongst other reasons we have also the uplift in search investment driven by the pandemic period, but the uplift has been less important due to the impact on the travel industry. All these reasons have resulted in the uplift of ad spend amongst both international and local largest media owners.

With the cookie-less era approaching rapidly, it is clear that digital spend will have to be challenged and that the focus on data and content-driven-thinking will be key. Let’s also not neglect the force of traditional media in the build up of brand image and content creation.

TELEVISION

Television has known an incredible year in terms of usage as the first lockdown installed a strong uplift in homeworking and presence at home. Based on the graph below, we see that the average level of homeworking in 2019 was around 25%, while in Q2 2020 it was 36%. This means that there has been an uplift of 44% among the working population. This percentage will be even higher for the non-working population.

This had a direct impact on TV audiences with an uplift of +/- 22% from March till May on the broader target group 15+ and an even higher impact on 15-34 with a 35% uplift. Global TV viewing has increased in 2020, mostly driven by Connected TV viewing. Linear TV remained stable.

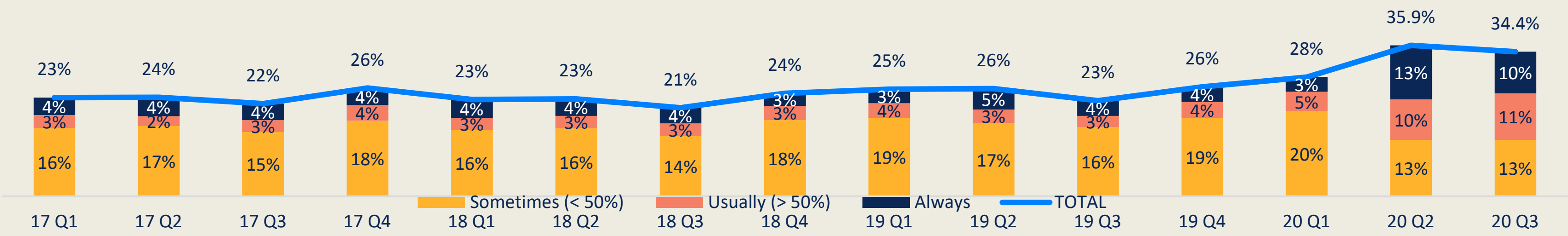
The closing of bars, restaurant, theaters, stores,... had a positive effect on TV usage uplift. SVOD services have known a true uplift as an alternative to everything that has been cut from our daily habits. As from September we have, next to Disney+, our own local SVOD platform in the North of Belgium.

Next to this TV and local SVOD platform uplift we also observe an increase in the usage of targeted TV by advertisers. More advertisers believe in Targeted TV, which allows advertisers to combine the power and impact of TV with the precision of data usage.

Closer collaborations between publishers and digital players will emerge. The efficiency and effectiveness of both content and data will deliver better marketing results for advertisers.

Looking at the investments of 2020 we still foresee a decline of 17.6% and a full recovery by 2022-2023, with a stability in share of approximately 32% if we include the digital extensions.

Homeworking frequency of working population



PRINT

Print media covers newspapers, magazines and to a smaller extend free sheets. On top of this, it also includes all the digital extensions and native advertising. Over the past 5 years (2019 vs 2015) we have seen a global decline in revenue of 21%, with a stronger decline for magazines (-28%) than for newspapers (-18%), as several magazines have been stopped over the years in order to reduce costs and increase efficiency.

For 2020 we foresee a global print decline of 27% (newspapers -23% and magazines -39%). The difference between those two is that newspapers have enjoyed a major uplift in retail, banking & insurance and real estate, while for magazines all sectors have declined in 2020.

Looking on the long run, we don't foresee a recovery for either media, but rather a 50/50 mixture of 2019-2020 expenditures as a reference.

In order to create efficiencies and scale consolidated partnerships such as Magixx have emerged and we foresee more in the near future.

In terms of digital extensions, we clearly forecast an uplift for the upcoming years as there remains a potential thanks to the consolidated partnerships, the increase of programmatic offer and content driven media. Let's not forget about the cookie-less era as this should encourage publishers to invest in product innovation and high-quality content.

OOH

The pandemic crisis has had a strong impact on the OOH-industry as it is driven by the mobility of people: subways, airports, events and in general street advertising. This resulted in periods where investment dropped by 95% between April and May.

Trust from clients has quickly returned, and we didn't see a strong negative impact during the second partial lockdown in October .OOH remains a fighter media and has quickly regained its strength thanks to a recovery strategy which consists of following action points: Transparent "near real time audience figures" & use of new technologies to follow audience curves daily, more flexibility offered on cancellations for impacted sectors, etc...

Technological evolution for the sector has always been the focus in Belgium. Next to the revolution in measurement with the VRP, DOOH has reached a share of 20% and programmatic buying offering keeps on growing. 2021 will see an important acceleration in DOOH programmatic buying, as sales houses will enable this trading method on the one hand, and new screen installations are planned on the other hand.

Even though OOH has done a great job after the first lockdown, the full year impact remains important with a forecasted decline of 23.6%. Since lockdowns and restrictions will be playing a major role in 2021 we foresee a close to full recovery by the end of 2021.

AUDIO

The share of Audio in Belgium has always been higher than in other European countries (15% vs 5%). This media has an immediate impact on traffic build up.

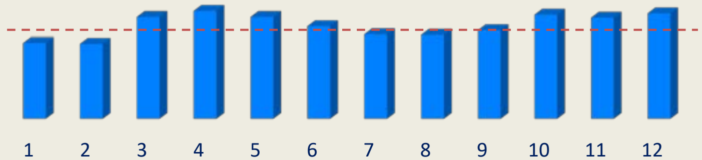
In terms of measurement, it remains an old fashion methodology based on listening diaries taken for 70% face-to-face 6 times a year. This implies that recruitment wasn't possible between 16/03 and 30/04 due to COVID. Afterwards the study switched to a 70% RDD-approach (Random digit dialing) which is again not ideal for audience measurement. This means that we were not able to see the impact of lockdown on Radio audiences.

We suppose that radio audiences remained strong and that drive time was simply delayed, as people got up later due to homeworking. But of course, the on-the-go radio will have decreased.

Based on digital sessions we can see that radio clearly saw an uplift as from March and a strong increase during lockdown (March-May & Oct-Nov). An Ipsos study in Flanders also demonstrated that consumption decreased in the car and increased at home. The arrival of DAB+ and the impact of Covid has led to an increase of digital audio and this trend will continue in the future.

A recovery in terms of investment should go faster than TV and be a fact already in 2021.

NATIONAL Online Audio Sessions > 10min (FY 2020)



CINEMA

Cinema is the media that suffered the most as theaters were closed during the first lockdown, but also EOY as from mid October. This reduced investment to 0 € and when they reopened between July and October, this impacted the investments by approximately 70%.

Even though we foresee an increase of 140% in 2021, this still reflects a 35% decline vs 2019.

Movie releases were postponed and planned in Q1 2021, but we expect some movement there.

On a social level we see that people prefer to stay at home rather than go to theaters where masks are compulsory. The uplift of streaming services such as Netflix, Amazon, Disney+, Streamz,... will make it difficult to attract the Belgian population in cinema's again. We will wait and see how the industry and customers react.

For sure 2021 will see the release of major blockbusters as these have been put on hold in 2020. Promotion will happen through different media channels and we should see a major budget uplift for the movie sector.

CONCLUSION

Following the 2020 shock our forecasts are conservative, as we consider that volatility and uncertainties remain at several levels:

- Despite the future promises of vaccines, the deployment of which remains unclear, the crisis will have long lasting effects on a health level and on a social level.
- The economic consequences of this crisis are uncertain in terms of the magnitude and duration of the impact,
- And by cascading effect, the loss of household confidence the drop in purchasing power and the increase in savings will limit consumption.

However, while our figures are cautious, they remain confident with an expected long term consistent growth based both on a situation evolving positively and on ongoing innovation from the media to create new advertising opportunities.

Despite the pressure induced by the crisis media companies have continued to invest in technology, data, measurement, formats, quality and performance, in order to ensure a successful exit of 2020.

The media sector has been strongly affected by this crisis, and we can see that the future is uncertain. The financial health of several groups is alarming.

Without support we may expect a restructuring of the sector, either via shutdowns or buy-outs and in the end increased media concentration, with the gains in investment shares of Google and Facebook over the last 10 years.

In order to track the evolution very closely, GroupM has created a frequently updated *Recovery Dashboard* which reflects the latest data on various levels.

BELGIUM

FIGURES INCLUDE DIGITAL EXTENSIONS IN TRADITIONAL MEDIA LINES

YOY% change	2012	2013	2014	2015	2016	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
TV	-5.1%	-0.1%	-3.2%	6.3%	11.3%	-4.4%	-3.9%	-4.4%	-17.6%	12.0%	5.3%	5.1%	1.8%
Radio	3.8%	1.3%	5.7%	-4.2%	5.2%	3.8%	0.5%	2.3%	-16.7%	10.9%	7.6%	6.1%	1.9%
Newspapers	-10.6%	1.6%	-2.6%	-12.2%	4.1%	-12.2%	-4.1%	-6.4%	-23.3%	10.8%	4.8%	2.6%	2.5%
Magazines	-9.0%	-7.5%	6.6%	16.1%	-0.1%	-15.4%	-6.2%	-9.1%	-39.2%	18.5%	8.4%	7.5%	1.9%
Outdoor	-5.4%	2.4%	0.3%	5.8%	0.5%	-10.6%	3.2%	2.1%	-23.6%	27.8%	12.5%	2.8%	3.2%
Cinema	14.1%	16.6%	-5.1%	-0.6%	-17.8%	-7.7%	-4.7%	-3.0%	-73.0%	140.7%	15.4%	13.3%	5.9%
Internet	-0.3%	-2.6%	14.1%	9.0%	4.6%	9.6%	0.0%	5.1%	5.3%	11.5%	3.8%	3.7%	1.2%
MEDIA TOTAL YOY% CHANGE	**-4.9%**	**-0.1%**	**1.5%**	**1.5%**	**5.9%**	**-3.7%**	**-2.2%**	**-1.7%**	**-15.6%**	**13.0%**	**5.9%**	**4.5%**	**1.9%**
% shares of media	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020f**	**2021f**	**2022f**	**2023f**	**2024f**
TV	33.2%	33.2%	31.6%	33.1%	34.8%	34.5%	33.9%	33.0%	32.2%	31.9%	31.7%	31.9%	31.9%
Radio	13.9%	14.0%	14.6%	13.8%	13.7%	14.8%	15.2%	15.8%	15.6%	15.3%	15.5%	15.8%	15.8%
Newspapers	23.5%	23.9%	22.9%	19.8%	19.5%	17.7%	17.4%	16.6%	15.0%	14.7%	14.6%	14.3%	14.4%
Magazines	7.1%	6.6%	6.9%	7.9%	7.4%	6.5%	6.3%	5.8%	4.2%	4.4%	4.5%	4.6%	4.6%
Outdoor	6.9%	7.1%	7.0%	7.3%	6.9%	6.4%	6.8%	7.0%	6.4%	7.2%	7.7%	7.5%	7.6%
Cinema	0.8%	1.0%	0.9%	0.9%	0.7%	0.7%	0.6%	0.6%	0.2%	0.4%	0.5%	0.5%	0.5%
Internet	14.6%	14.3%	16.0%	17.2%	17.0%	19.4%	19.8%	21.2%	26.4%	26.0%	25.5%	25.3%	25.2%

SOURCE: GroupM, insights IAB (declaration based), Company Reports

GroupM's This Year Next Year is published once 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 $63B 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 Data & Technology, 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 Advertisers wherever they do business.

Methodology: Forecasts are based upon observations of GroupM industry-leading client base. Historical figures informed by internal estimates, data from the AA/WARC, the IAB and analysis of public company reports. Economical information (GDP, unemployment rate and inflation) from Belgium was collected from the National Bank of Belgium and from ECB for Europe. On top we have also added information from stat.gov in terms of homeworking data and the CIM Radio Stream Monitor for the online audio sessions.

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