

Faster than Expected Economic Recovery Will Boost Advertising Spending in 2021

The full report deck (80 pages) and complete database (excel file) are available for Mediabrands employees and MAGNA subscribers from atlas.magnaglobal.com

KEY TAKEAWAYS

- 1. MAGNA has increased its forecast for media companies' advertising revenues in 2021.** Advertising revenues will increase by **+6.4% to \$240 billion**. The normalized growth rate would be **+8.6%** if we neutralize for the impact of cyclical ad spending – generated by elections and Olympics - in both years. That is **2.3 percentage points above the previous MAGNA forecast** (published Dec. 2020) due to a stronger economic outlook, supported by the new stimulus package, well-pacing COVID decline, and a return to normal sports events.
- 2. Total ad spend (digital and linear, incl. CE) will grow by +6% yoy during 1Q21**, by +15% in 2Q21 (against a historically low quarter in 2020), +6% in 3Q21 (with \$800m of incremental revenue generated by summer Olympics) and +2% in 4Q21 (comparing with a strong quarter boosted by political spend and record holiday sales).
- 3. Improving business conditions will fuel marketing expenditures and allow most industry verticals to grow advertising spending again.** The strongest ad spend growth rates will come from Travel, Automotive, Drinks, and Movies, following heavy ad budget cuts in 2020.
- 4. Most advertising channels and formats will stabilize or grow ad revenues in 2021**, with double-digit growth expected from social media, digital video, search and out-of-home, and low to mid-single-digit growth for national TV and radio. Overall non-political linear ad sales (TV, radio, print, OOH) will grow by +1% to \$77 billion (incl. cyclical spending), while digital ad sales (search, social, video, display, audio) will grow by +13% to \$161 billion. **Digital ad formats will capture two thirds (67%) of total advertising sales for the first time.**
- 5. Cross-platform editorial media ad sales (linear+digital) will grow by +4% in 2021** (excluding cyclical), with television (including broadcast and cable TV plus long-form AVOD) up +4% and audio (including broadcast radio, streaming and podcasting) up +5%.
- 6. The ad market recovered faster than it did during the last recession of 2008-2009.** Total advertising (linear+digital) decreased during only one quarter in 2020 (Q2 2020) compared to nine consecutive quarters in 2007-2009. *Linear* ad spend is suffering just as much as did 11 years ago, but spending is expected to grow again in 2Q21 after four negative quarters compared to 11 consecutive quarters during the great recession.
- 7. MAGNA also published its final estimate for the US media owners' net ad revenues in 2020**, that shows even greater resilience than previous estimates: **the US market was essentially stable in 2020 at +1% to \$226 billion**. Non-political growth was also better than expected, at -2%.
- 8. The fourth quarter of 2020 was exceptionally strong**, based on the analysis of financial reports from media companies, due to economic stabilization, strong holiday sales, and record political spending in October. Year-over-

year ad revenue growth reached +12% (still +8% excluding political), but that was entirely driven by - and captured by - digital ad formats (+24%) while linear ad spend were down again (-5%).

9. The near stability of the ad market in 2020, despite the severity of the economic recession, was greatly helped by **all-time high political advertising**. Political campaigns contributed seven billion of incremental ad revenues for media owners (+75% vs 2016). Local television attracted the bulk of political spending, as always, but digital political campaign spending grew almost threefold from 2016 to reach \$1.5bn.

10. The resilience of the US ad market in 2020 was also a function of the continued double-digit growth in digital advertising, fueled by a surge in ecommerce and in digital marketing adoption by national brands and local businesses. Digital ad sales grew by +13% overall while social and video formats grew by more than +20%. The “big three” digital giants (Google, Facebook, Amazon) outperformed again, growing ad revenues by +17% to reach a market share of 82%; other digital pure players also grew above average (+27%); by contrast, traditional media companies and independent publishers barely stabilized digital ad sales.

Next MAGNA forecast update (US and global): June 2021

US AD MARKET GROWTH (ALL MEDIA NET AD REVENUES 4Q20-4Q21)

YOY growth	4Q20	1Q21	2Q21	3Q21	4Q21
Excl. Cyclical	+8.1%	+7.4%	+15.7%	+6.9%	+5.9%
Incl. Cyclical	+12.3%	+6.2%	+14.9%	+5.8%	+1.6%

Source: MAGNA March 2021. Cyclical ad spend includes political (2020) and Olympics (2021)

KEY MAGNA FORECASTS

	4Q20 Growth (%)	FY 2020 Growth (%)	FY 2021 Growth (%)	Previous	Market Shares
Total Market (All Media, incl. CE)	12.3%	0.6%	6.4%	4.1%	
Total Market (All Media, excl. CE)	8.1%	-1.6%	8.6%	6.0%	
Linear Ad Sales (incl. CE)	-5.4%	-16.1%	-2.9%	-2.6%	
Linear Ad Sales (excl. CE)	-14.6%	-20.2%	1.2%	0.9%	32.5%
National TV (excl. CE)	-5.4%	-11.6%	3.4%	3.3%	16.1%
Local TV (excl. CE)	-7.1%	-18.7%	-2.5%	-3.7%	6.0%
Print	-27.4%	-31.6%	-14.4%	-13.0%	3.2%
Radio	-27.4%	-31.0%	2.1%	1.4%	4.0%
OOH (excl. Cinema)	-23.9%	-24.6%	11.5%	11.3%	2.9%
Cinema	-89.6%	-79.9%	151.8%	123.1%	0.1%
Digital Ad Sales (incl. CE)	24.4%	13.2%	11.7%	8.0%	67.7%
Search	22.6%	11.6%	12.4%	8.4%	32.9%
Video	35.3%	23.1%	14.1%	11.7%	8.4%
Social	32.5%	21.4%	14.1%	9.6%	20.7%
Digital Audio	19.9%	5.6%	7.5%	7.0%	1.5%

Source: MAGNA March 2021. CE=Cyclical Ad Spend.