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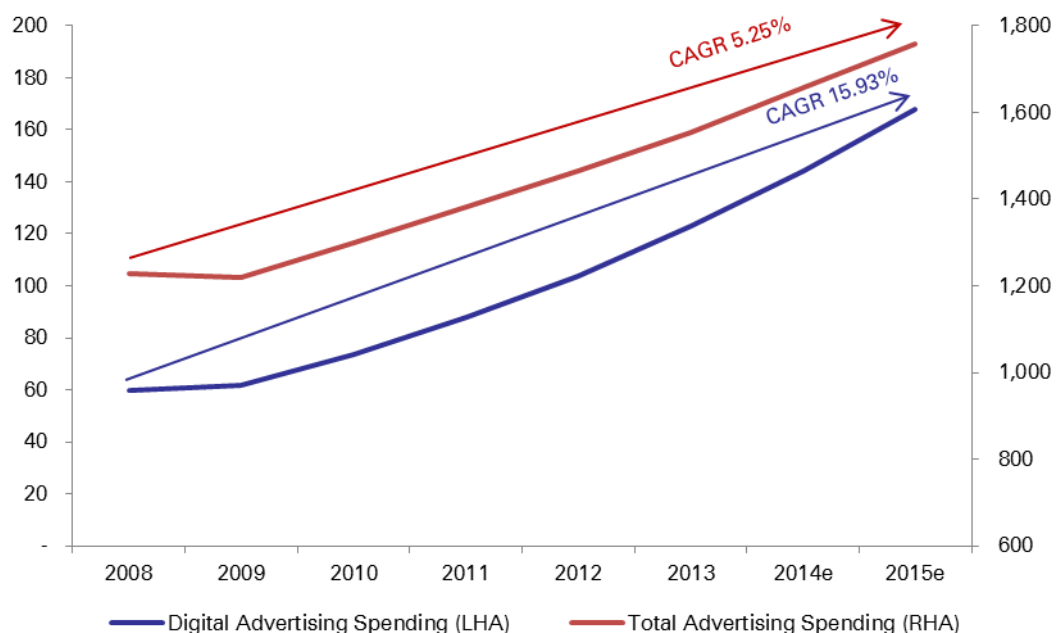
Advertising is one of the most expanding and evolving sectors in an economy. Even as one advertising platform's growth slows or loses relative share, another takes its place, gaining people's attention with new modes of digital interaction, mobility, or social networking. While technology has always been a driver of change in this sector increasing digitization has escalated the speed of its transformation.

Globally, total advertising spending has been on the rise, increasing by a compounded annual growth rate (CAGR) of 5.25% since 2008, where it is forecasted to reach \$1.56T, by the end of 2015. During that period, digital advertising was the fastest growing segment, with a GAGR of 15.93%, to reach \$167.76B in 2015.

Total Global Advertising Spending by Category (\$B)

Category	2008	2009	2010	2011	2012	2013	2014	2015	CAGR
Digital Advertising	59.62	61.87	73.45	88.04	103.81	123.04	144.26	167.76	15.93%
Broadband	216.85	245.44	279.89	327.84	373.45	421.38	467.61	512.22	13.07%
TV Advertising	153.35	142.14	158.92	166.56	175.77	181.12	195.23	202.32	4.04%
In-Home Video Entertainment	229.99	237.28	247.39	258.88	270.59	283.08	296.49	311.17	4.41%
Audio Entertainment	97.72	92.49	91.11	92.39	93.57	96.54	96.38	98.01	0.04%
Cinema	28.33	31.09	32.87	33.42	35.91	37.22	39.18	41.23	5.50%
Out-of-Home	29.81	26.06	28.30	29.06	30.27	31.82	33.60	35.50	2.53%
Consumer Magazine Publishing	77.20	68.64	68.69	68.09	66.23	64.05	62.65	62.10	-3.06%
Newspaper Publishing	178.60	159.63	160.97	160.37	156.71	152.79	151.49	151.17	-2.35%
Consumer Books	71.42	70.90	71.02	70.67	70.57	71.45	71.96	72.53	0.22%
Educational Publishing	40.17	39.37	40.36	40.88	40.07	40.66	41.41	42.29	0.74%
Video Games	54.81	54.86	57.42	60.41	63.70	70.03	77.46	85.28	6.52%
Total	1,228.74	1,220.46	1,299.11	1,383.18	1,465.06	1,555.35	1,657.10	1,757.94	5.25%

Total and Digital Global Advertising Spending (\$B)



Source: McKinsey & Company Global Media Report

In Lebanon, there is a consensus among market players that the size of the digital advertising market stands between \$22M and \$24M in 2015. Specifically, Ziad Nassar, co-founder of AddBloom, mentioned that the size of the market is \$24M, while the Arab Media Forum report expects it to be T \$22.7M.

Due to low barriers to entry, the digital advertising sector is highly competitive, with more than 400 companies. The market players are either big advertising agencies that expanded and added online marketing to their services, or new start-ups dealing only with digital advertising.

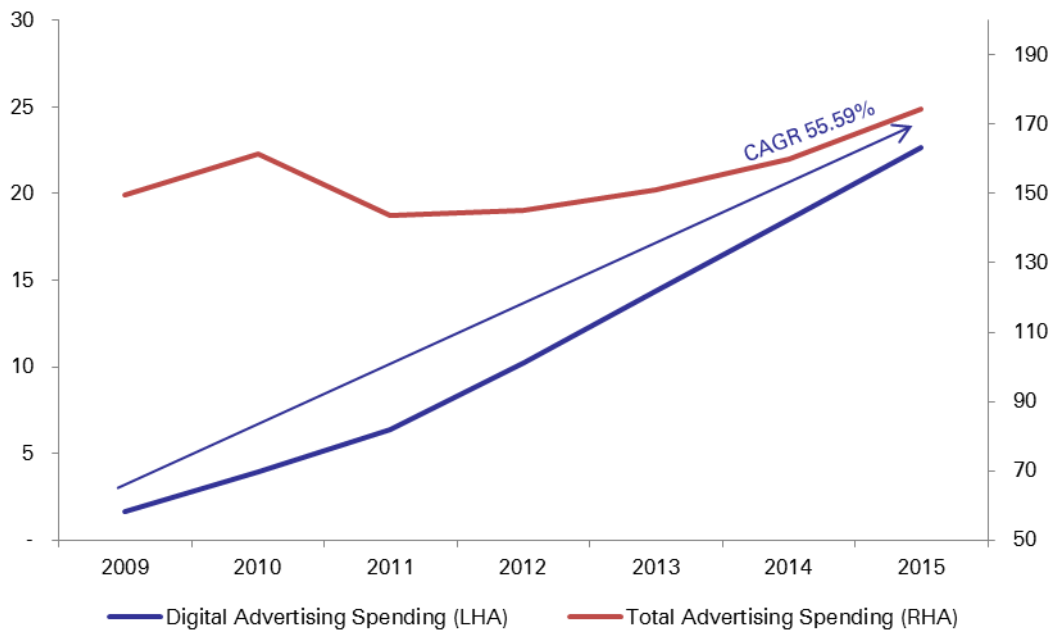
Demand for digital advertising has been increasing, at a compounded annual growth rate of 55.59% since 2009, according to Arab Media Forum. Digital advertising has showed the highest compounded growth, followed by magazine and television with much lower CAGRs of 2.53% and 2.49%, respectively. The other categories of advertising saw declines in the budget allocated to them. In total, advertising spending has increased by a compounded annual rate of 2.62% to \$174.6M.

Real estate, F&B, and the retail are the sectors that are heavily demanding digital ads.

Total Lebanese Advertising Spending by Category (\$M)

Category	2009	2010	2011	2012	2013	2014	2015	CAGR
Out-of-home (including cinema)	42.5	42.9	41.8	40.0	39.3	39.3	40.1	-0.96%
Radio	7.1	5.0	5.0	5.3	5.7	6.2	7.0	-0.24%
Digital	1.6	3.9	6.4	10.2	14.4	18.5	22.7	55.59%
Television	57.2	66.2	54.2	54.8	57.2	60.7	66.3	2.49%
Magazines	10.5	11.2	10.0	10.1	10.5	11.2	12.2	2.53%
Newspapers	30.6	32.2	26.3	24.8	23.9	24.2	26.2	-2.55%
Total	149.5	161.4	143.7	145.1	151.1	160.1	174.6	2.62%

Total and Digital Advertising Spending in Lebanon (\$M)



Source: Arab Media Forum

The shift from traditional to digital media is gaining a foothold, a normal evolution when considering the many advantages online advertising possesses over traditional and the increasing time spam consumers are spending over the internet. First, as George Abi Abdallah, managing director of Right Click, stated, online marketing is efficient. Unlike other categories of advertising, digital advertising could target a specific audience. Moreover, online marketing has a wider reach and can report accurately the number of people that viewed the advertisement. Hence market education and delivery of quantifiable results are the main drivers of the digital advertising sector.

According to Mohamed Ghalayini, general manager of Media MEA, there are two main factors behind the growth of digital advertising. The continuous awareness of consumer interaction in requiring response to ads is shifting demand from traditional to online advertising. In addition, in order to keep flagging consumers of their goods or services, advertisers have to stay on track and adopt all new forms of marketing.

Digital advertising is cheaper than other platform of advertisement taking into consideration the advantages it has. For instance, as George Slim the chief operating officer of Lowe Pimo noted, any person could go online and market a good or service with no cost by opening a Facebook page or Instagram account, and feeding it with posts.

Facebook has been the most digital advertising platform being demanded in the past two years due to its practicality, low cost, and wide reach. However, recently many advertisers are looking beyond this social giant and exploring additional channels such as YouTube.

Digital advertising in Lebanon would have grown at a much faster rate if it was not for the low-speed internet connection in Lebanon. For instance, in 2015, Lebanon ranked 13th out of the 17 MENA countries in the Household Download Index, with a download speed of 3.73 Mbps. It took the 12th rank in the Household Upload Index, with an upload speed of 1.81 Mbps.

Ranking of Household Download/Upload Index in 2015

Household Download Index			Household Upload Index	
Rank	Country	Speed(Mbps)	Country	Speed(Mbps)
1	UAE	21.25	Qatar	9.58
2	Qatar	17.53	Kuait	8.9
3	Oman	15.83	UAE	8.37
4	Bahrain	11.44	Bahrain	7.59
5	KSA	10.74	Iraq	6.38
6	Kuwait	9.98	Libya	5.39
7	Jordan	8.47	Jordan	5.22
8	Iraq	6.81	Oman	3.82
9	Morocco	6.21	KSA	3.64
10	Palestine	5.37	Palestine	2.66
11	Libya	5.07	Tunisia	2.26
12	Tunisia	4.53	Lebanon	1.81
13	Lebanon	3.73	Algeria	1.36
14	Algeria	3.2	Sudan	1.23
15	Egypt	2.86	Morocco	1.14
16	Sudan	2.45	Egypt	1.1
17	Syria	1.76	Syria	0.57

Source: Speedtest

Despite this drawback in infrastructure, digital advertising is cannibalizing other marketing platforms and is expected to take over customary forms. Of all categories, digital advertising was the only one to see its share of total advertising spending steadily rising, from 1.07% in 2009 to 13% in 2015. According to Tina Sioufi, digital planner at Leo Burnett, even though online marketing is perceived to dominate other forms of advertising, traditional advertising would not disappear. Different categories of marketing will become intertwined.

Category's Share of Total Advertising Spending in Lebanon

Category	2009	2010	2011	2012	2013	2014	2015
Out-of-home (including cinema)	28.43%	26.58%	29.09%	27.57%	26.01%	24.55%	22.97%
Radio	4.75%	3.10%	3.48%	3.65%	3.77%	3.87%	4.01%
Digital	1.07%	2.42%	4.45%	7.03%	9.53%	11.56%	13.00%
Television	38.26%	41.02%	37.72%	37.77%	37.86%	37.91%	37.97%
Magazines	7.02%	6.94%	6.96%	6.96%	6.95%	7.00%	6.99%
Newspapers	20.47%	19.95%	18.30%	17.09%	15.82%	15.12%	15.01%

Source: Arab Media Forum

Digital marketing is still in its booming phase, it has not reached its peak yet. According to Mr. Nassar, over the next 5-10 years, digital advertising will grasp a 50% share of total advertising spending in Lebanon as new generations take over family businesses and progressive CEOs look to expand their companies.

Higher demand for digital advertising is pulling the revenues of digital advertising companies up, especially that of small startups. For instance AddBloom is averaging a 90% year on year growth in

revenues, and is expecting a triple digit growth in the years to come. Therefore, these companies have plans of expansions by acquiring larger offices in Lebanon, hiring additional personnel to support the growth, and even expanding outside Lebanon.

Digital advertising is becoming a lucrative niche market. Due to its practicality, efficiency, and accurate reporting, this market will continue to flourish, providing new services for the advertisers that no other platform is able to offer. However, some regulatory and infrastructure hurdles must be improved, such as the price and speed of the internet connection and a modern regulatory framework for online businesses and payments.

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