NINE (9) SECTOR STUDIES FOR THE SMALL AND MEDIUM SIZED ENTERPRISES

SECTOR ANALYSIS:

EXECUTIVE SUMMARY

ADVERTISING

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ΣΥΜΒΟΥΛΟΙ ΕΠΙΧΕΙΡΗΣΕΩΝ

ΥΠΟΥΡΓΕΙΟ ΑΝΑΠΤΥΞΗΣ
ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ
ΒΙΟΜΗΧΑΝΙΑΣ

Hellastat

Strategic Review

Major points of the sector:

- The Greek advertising market comprises numerous domestic and multinational companies that provide the full spectrum of communication services, such as advertising, media specialists, public relations and direct marketing.
- In the Greek territory roughly 2,500 enterprises are active. Most of them (42.6% of the total number) are General and Limited Partnerships. LTDs consist 34.8%, while SAs are less (22.7%).
- During the past few years the sector has lost the dynamic growth of the period prior to 2000, as after the abrupt decline of the Stock Exchange market, customers contained drastically their advertising expenses.
- The escalation of competition between the advertisers, which is focused rather in the lower offered price than in the quality of services, is considered as one of the factors that underpinned this deterioration. At the same time, other important factors are the considerable increase of the services cost and the difficulty of recruiting the proper human capital.
- The impact of Law 2328/95 is considered as unfavourable, as it is characterized ineffective and complicated. Market players propose the abolition of article 12 (relations between advertisers, customers and Mass Media), as it is opposed to the EU legislation.
- Also, the sector is interested in the new modified EU directive regarding "Television Without Borders", that was proposed last May (abolition of the maximum limit of 3 hours on daily basis, reduction of time that intervenes between the TV-spots from 45 to 30 minutes, introduction of indirect advertising). Also, the new Code of Publicity and Communication contains new regulations on the children's advertisements, subjects relating to obesity, diet, drinks, while it imports provisions on sales promotions, sponsoring, direct marketing and internet promotion.
- Further growth is impended by the customers' policy to reduce the funds they allocate to communication purposes during periods of economic downturn.
- Moreover, the competitive environment of Mass Media, concerning the introduction of increasing numbers of magazines and newspapers titles, creates uncertainty to the advertising market, as the companies face difficulty in preparing long term business plans, thus limiting to shorter-term objectives.
- However, the technological progress in sectors like the outdoor advertisement and particularly the digital environment of internet and mobile telephony constitutes a new prospect for the advertising companies. Hence, an opportunity for activities differentiation, investments in human resources and IT and telecommunications equipment and collaborations with digital technologies companies emerges.
- The national elections of 2007 provided activities escalation for the wider communication sector.
- The advertising income of Mass Media in 2007 was increased by 13.3%, to €2.65 bl, while television and radio recovered partially as compared to the printed media. The causes for this evident improvement lie on the national elections and the escalation of competition in various sectors, such as telecommunications and banks (aggressive communication policy etc). However, the first 9 months of 2008 the growth rate has decelerated to 3.9% (€1.89 bl), despite the organization of Olympic Games.

Strategic Review

Strengths & Opportunities:

The dynamic environment of the sector features the following aspects:

- Operation of multinational companies in local markets – infusion of know-how and raising standards
- The high growth rates of the Greek economy during the last years
- The high profitability of various sectors, such as telecommunications, banks, insurance and cars representatives (key accounts of advertising companies)
- Escalation of competition in various sectors of the Greek economy and appreciation towards the positive influence of advertising
- Increase of demand in the field of consulting services regarding the development of company communication and crisis management programs
- Full spectrum of services offered by the larger companies of the sector
- Increase of Sales and profitability in 2007
- High RoE ratio

The rising opportunities for the companies of the sector are summarised in the following:

- The creation of domestic Groups of Companies creates increased advertising and communication needs
- The new EU Directive "Television Without Borders" will lead to new advertising ways
- Expansion of Greek companies to Balkan countries through the use of suitable communication policy
- The increase of cultural and athletic events will increase the demand for advertising services
- The acceleration of broadband penetration provides opportunities for extension of advertising expenses in the digital media sector
- Development of new communication channels that encompass more possibilities
- Development of ambient media applications in the field of outdoor advertising
- Increase of public expenditure in the advertising field

Strategic Review

Weaknesses & Threats:

The weak points of the sector are the following:

- Ineffective and complicated legal framework
- High advertising cost due to taxes and duties
- The competition moves from quality to the offered price
- Unfair competition by companies of similar sectors
- The numerous illegal stands spoil the image of outdoor advertising
- Prohibition for the advertising of tobacco products through television, radio and printed forms
- Continuous reduction of newspapers circulation
- Low penetration of internet use
- Extensive use of external capitals and very high leverage ratios

The major threats of the sector are the following:

- High circularity in the advertising sector: during periods of economic downturn, customers reduce the advertising and communication expenses
- The increase of the paper price and the readability rates of electronic newspapers are expected to reduce the advertising expenses that are allocated to printed newspapers
- The development of digital advertising is expected to restrict other communication forms, as it will provide more choices
- The strengthening of the multinational companies of the sector, in combination with the reduction of profitability margins, is due to unfavour smaller companies

Summary of financial indicators

- The Revenues of the sample reached €1.17 bl in 2007, having increased by 6.2% as compared to 2006. 62% of the companies enhanced the Sales of previous year, leading the average growth rate to 9.1%.
- The Operational Expenses changed slightly, thus allowing the EBITDA to rise by 13.8%, at €56.72 mn, while EBT were €43.42 mn at year-end (+81%).
- Gross Profit Margin was increased by 1 percentage unit, at 27.6%, thus contributing to the increase of EBITDA and EBT margins (6.5% and 3.7% respectively).
- Quick ratio remained at 1.06, while the Trading Cycle is negative (a surplus of -24 days in 2007).
- Finally, the companies of the sector use aggressive leverage of their Net Worth (6.4 times during the last year).

Population:	**316**
Population per turnover size	
Above € 2,5 mn.	82
Between € 0,3 mn.and € 2,5 mn.	110
Between € 0 mn. and € 0,3 mn.	124

Profitable	**188**
Increase	*117*
Decrease	*51*
Loss reversal	*20*
Loss making	**64**
Increase	*17*
Decrease	*21*
Profit reversal	*26*

Key Statistics	Advertising 2007	Economy median 2007
Sales increase	142 - (61,7% of the sample)	*55,4%*
Sales reduction	88 - (38,3% of the sample)	*44,6%*
Median sales growth	9,1%	*4,3%*
Median earnings growth	17,8%	*6,4%*

Key ratios	Advertising 2007	Advertising trend	Economy median 2007	Economy median trend
Debt to equity	6,40	+	*1,14*	-
Asset turnover	1,13	-	*0,62*	+
Quick ratio	1,06	+	*1,24*	+
EBITDA margin	6,5%	+	*9,4%*	+
Net margin	3,7%	+	*2,7%*	+
RoE	32,1%	+	*4,6%*	+

The major companies

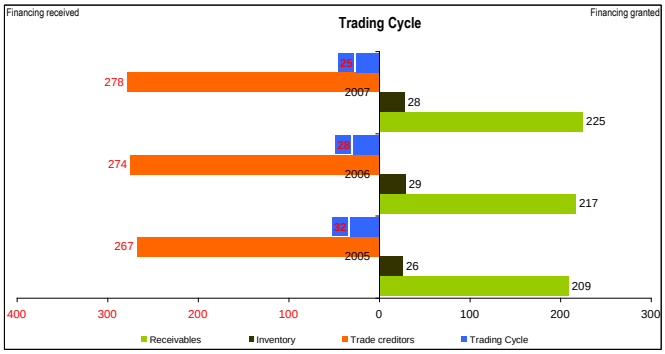
TOP 50 Key Figures [2007]	Sales	Gross results	EBITDA	Earnings before taxes	Total Assets	Equity capital	Current liabilities	Debt to equity	RoA
1 BBDO ADVERTISING SA	48,78	9,56	1,52	2,62	48,72	7,90	40,56	5,14	5,4%
2 JOINT VENTURE ASHLEY AND HOLMES SA LEO BURNETT SA	45,93	1,91	0,38	0,36	5,40	0,15	5,25	34,39	6,6%
3 PUBLICIS HELLAS ADVERTISING SA	44,98	6,51	1,59	1,47	21,44	0,48	20,72	43,38	6,9%
4 TEMPO OPTIMUM MEDIA ADVERTISING SA	43,17	3,55	0,88	1,10	27,11	0,15	26,54	177,80	4,1%
5 ALMA - ATERMON SA	40,03	8,39	0,33	-1,38	91,83	11,89	76,59	6,72	-1,5%
6 MASS ADVERTISING SA	34,48	6,58	3,62	3,31	37,64	5,67	31,93	5,63	8,8%
7 ADEL SA	32,49	7,37	1,56	1,50	22,40	3,38	18,19	5,39	6,7%
8 ARROW ADVERTISING SA	29,29	3,93	1,39	1,32	17,18	0,48	16,52	34,41	7,7%
9 OPINION - FCB SA	28,31	4,05	1,26	1,16	27,69	1,33	26,12	19,64	4,2%
10 OLYMPIC DDB HOLDING SA	26,90	6,97	2,14	3,87	30,26	2,49	27,34	10,97	12,8%
11 MEDIACORP SA	26,26	2,70	0,62	0,57	21,09	0,94	20,11	21,31	2,7%
12 CREAM SA	23,99	6,03	0,39	0,22	17,45	0,25	17,16	68,95	1,3%
13 MAGNET ADVERTISING SA	22,42	2,97	0,94	0,89	17,67	1,23	15,42	12,54	5,1%
14 GEO YOUNG AND RUBICAM SA	21,59	4,74	0,60	0,05	11,65	0,54	11,04	20,52	0,4%
15 MARK CREATIVE ADVERTISING SA	19,98	0,60	0,12	0,12	21,13	0,15	20,94	135,32	0,5%
16 UNITED MEDIA SA	19,84	1,94	0,56	0,42	13,67	0,32	13,35	41,90	3,1%
17 MCCANN ERICKSON ADVERTISING SA	18,97	7,43	0,67	0,07	12,68	-6,30	17,64		0,6%
18 CARAT INTERNATIONAL HELLAS SA	17,95	0,94	0,04	0,07	7,29	0,34	6,75	19,94	0,9%
19 LEON AND PARTNERS ADVERTISING SA	17,33	3,37	1,17	1,05	9,71	0,13	9,57	73,16	10,8%
20 ATTP SA	16,46	4,17	0,72	0,65	15,06	1,32	13,71	10,38	4,3%
21 CARAT HORIZON SA	16,43	0,75	0,17	0,20	7,06	0,39	6,65	16,90	2,8%
22 THE MEDIA EDGE SA	16,09	1,55	0,30	0,14	6,95	0,09	6,82	77,38	2,0%
23 ADVANCED MEDIA SERVICES SA	15,75	2,61	0,22	0,13	14,92	0,36	13,87	38,43	0,9%
24 TOP MAGE SA	15,22	2,58	0,51	0,43	15,73	0,69	15,04	21,89	2,7%
25 JNL LEOUSIS I SA	13,71	3,31	0,81	0,43	13,59	1,35	9,53	9,01	3,1%
26 MEDIA DIRECTION SA	13,64	2,99	0,34	0,24	7,64	0,22	7,41	34,37	3,2%
27 BOSIL LTD	12,76	1,46	-0,23	-0,59	11,01	-0,79	11,75		-5,4%
28 BRAND CONNECTION MEDIA SA	11,93	1,28	0,87	0,26	10,94	0,05	10,58	233,78	2,3%
29 AGRICULTURAL ADVERTISING SA	11,87	1,86	1,22	1,21	7,91	1,52	6,16	4,05	15,3%
30 TAF SPORTS MARKETING SA	11,66	2,68	1,38	1,21	9,23	0,41	8,82	21,61	13,1%
31 TBWA ATHENS SA	11,59	3,47	0,12	0,25	7,67	1,00	6,43	6,40	3,3%
32 DELTA POST SA	10,42	1,88	0,94	0,83	6,45	0,46	5,99	13,03	12,9%
33 DOT AND DASH COMMUNICATION SA	10,11	3,47	0,17	0,00	15,11	0,76	14,33	18,81	0,0%
34 EXTRA LARGE MEDIA SA	10,02	0,47	0,16	0,00	10,53	0,07	9,74	131,60	0,0%
35 CARAT CREATIVE AND COMMUNICATION SERVICES SA	9,87	1,04	0,34	0,37	3,12	0,49	2,57	5,28	11,9%
36 KARAMELLA SA	9,84	3,39	0,70	0,13	11,33	0,46	10,67	23,78	1,2%
37 MEDIA INSIGHT SOLE SHAREHOLDER LTD	9,74	0,11	0,09	0,12	2,90	0,03	2,87	106,42	4,1%
38 LOWE COMMUNICATIONS SA	9,56	3,96	0,45	0,02	4,89	0,66	4,00	6,04	0,4%
39 AEGIS MEDIA HELLAS SA	9,23	2,48	0,54	0,73	6,82	1,48	4,69	3,18	10,7%
40 ABLE SA	8,71	2,03	0,43	0,10	8,85	0,10	8,75	87,61	1,1%
41 AVENUE C AND W SA	8,61	3,38	0,37	0,31	8,66	0,13	8,52	63,66	3,6%
42 TEAM ATHENS SA	8,36	1,48	0,17	0,15	6,71	0,19	6,47	34,45	2,2%
43 COMMUNICATION CHANNELS MANAGEMENT SERVICES SA	8,00	0,86	0,13	0,11	4,80	0,74	3,51	4,76	2,2%
44 GREY ATHENS SA	7,72	1,86	0,39	0,38	4,10	1,50	2,55	1,70	9,2%
45 REMEDY ADVERTISING SA	7,54	2,05	1,34	1,04	6,78	1,59	5,01	3,15	15,3%
46 CLEAR CHANNEL - CHAIDEMENOS SA	7,49	1,51	0,77	0,22	7,77	4,35	1,57	0,36	2,9%
47 PROXIMITY ZZ SA	7,24	2,33	0,86	0,78	3,30	0,21	3,08	14,34	23,7%
48 DOMISI SA	7,06	1,02	0,39	0,34	10,12	0,45	9,65	21,39	3,3%
49 LAMDA - ALPHA ADVERTISING SA	6,68	1,16	0,30	0,02	7,74	0,24	7,49	31,02	0,3%
50 EURO RSCG ATHENS SA	6,65	2,78	0,43	0,33	3,81	0,19	3,24	16,67	8,7%

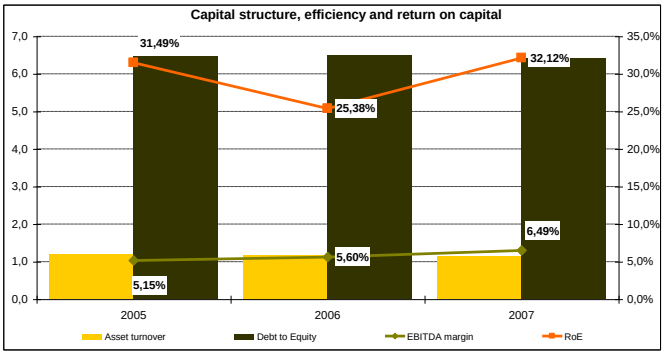
All amounts in mn. €

Financial Statements under IFRS for fiscal years 2005-2004, either detailed or condensed, may not be comparable to 2003 Greek GAAP data

Industry financial ratios

Industry Financial Ratios	Median			Average excluding outliers			Economy median		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Capital Structure									
Current liabilities to sales	0,71	0,67	0,68	0,76	0,81	0,76	0,59	0,59	0,54
Short term bank debt to sales	16,4%	18,6%	13,5%	19,2%	21,6%	17,1%	25,7%	25,5%	23,5%
Debt to equity	6,40	6,50	6,46	9,75	10,38	9,05	1,14	1,09	1,04
Debt to total assets	87,3%	87,5%	87,3%	82,9%	83,0%	82,0%	57,3%	56,3%	54,4%
Interest coverage	7,98	6,89	6,36	32,67	28,90	25,93	3,14	3,09	3,57
Current liabilities to assets	86,3%	86,6%	87,0%	81,7%	81,8%	81,1%	46,3%	46,8%	45,6%
Operating current liabilities to assets	53,8%	50,3%	51,8%	51,4%	51,6%	50,8%	27,5%	28,3%	27,6%
Operating current liabilities to total current liabilities	65,3%	64,4%	66,3%	63,7%	63,9%	63,4%	90,9%	91,8%	92,5%
Liquidity									
Quick ratio	1,06	1,06	1,06	1,12	1,13	1,15	1,24	1,22	1,23
Acid test	1,04	1,04	1,04	1,09	1,10	1,10	0,99	0,98	0,98
Trading Cycle	-24	-28	-32	36	37	10	46	42	37
Days sales outstanding	225	217	209	239	248	226	140	135	124
Days in inventory	28	29	26	69	61	53	72	71	67
Days in accounts payable	278	274	267	272	272	269	166	164	154
Inventory to current assets	4,9%	4,3%	4,5%	10,8%	8,9%	11,5%	21,1%	21,6%	21,9%
Inventory to assets	4,1%	3,6%	3,5%	8,6%	7,2%	9,4%	13,7%	13,7%	13,9%
Efficiency									
Receivables turnover	1,60	1,66	1,72	1,75	1,76	1,91	2,00	2,06	2,27
Inventory turnover	12,73	12,22	13,91	42,28	40,93	54,74	5,16	5,19	5,51
Assets turnover	1,13	1,17	1,19	1,17	1,15	1,20	0,62	0,62	0,65
Administration expenses to sales	11,4%	9,9%	10,1%	13,4%	13,1%	14,1%	9,7%	9,9%	9,7%
Selling expenses to sales	8,3%	10,3%	8,8%	10,9%	12,5%	10,6%	10,5%	10,6%	10,1%
Total operating expenses to sales	21,4%	22,2%	22,1%	25,3%	25,9%	25,3%	21,8%	22,2%	21,1%
Interest expenses to sales	0,39%	0,49%	0,31%	0,99%	1,02%	0,84%	1,72%	1,58%	1,47%
Extraordinary expenses to sales	0,19%	0,17%	0,14%	0,43%	0,41%	0,40%	-0,04%	-0,05%	-0,02%
Profitability & Return on capital									
Gross margin	27,6%	26,6%	26,1%	28,9%	28,7%	28,3%	27,8%	27,2%	26,7%
EBIT margin	5,4%	4,5%	4,1%	5,9%	5,2%	4,6%	5,2%	4,5%	4,9%
EBITDA margin	6,5%	5,6%	5,2%	7,3%	6,5%	5,9%	9,4%	8,9%	9,3%
EBT margin	3,7%	2,9%	2,7%	4,2%	3,5%	3,3%	2,7%	2,2%	2,6%
Return on assets	3,2%	2,0%	2,5%	4,1%	3,3%	3,6%	1,5%	1,1%	1,4%
Return on equity	32,1%	25,4%	31,5%	50,0%	39,7%	42,4%	4,6%	3,6%	4,1%





Industry financial statements

	Amounts in mn €			COMMON SIZE			TREND ANALYSIS		
Balance Sheet									
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007/2006**	**2006/2005**	**2007/2005**
Formation expenses	4,49	3,78	4,27	0,4%	0,4%	0,5%	18,5%	-11,5%	2,4%
Fixed assets	55,93	57,61	64,42	5,4%	6,0%	7,2%	-2,9%	-10,6%	-6,8%
Participations	32,20	32,16	18,36	3,1%	3,3%	2,1%	0,1%	75,2%	32,4%
Current Assets	915,27	852,50	787,97	89,1%	88,6%	88,5%	7,4%	8,2%	7,8%
Inventory	*34,81*	*27,09*	*31,69*	*3,4%*	*2,8%*	*3,6%*	*28,5%*	*-14,5%*	*4,8%*
Receivables	*767,00*	*710,00*	*644,42*	*74,6%*	*73,8%*	*72,4%*	*8,0%*	*10,2%*	*9,1%*
Cash & securities	*113,47*	*115,41*	*111,85*	*11,0%*	*12,0%*	*12,6%*	*-1,7%*	*3,2%*	*0,7%*
Transitory accounts	19,74	16,36	15,49	1,9%	1,7%	1,7%	20,6%	5,6%	12,9%
Total Assets	**1.027,64**	**962,42**	**890,51**	**100,0%**	**100,0%**	**100,0%**	**6,8%**	**8,1%**	**7,4%**
Equity capital	97,04	86,13	78,85	9,4%	8,9%	8,9%	12,7%	9,2%	10,9%
Share capital	*122,42*	*113,21*	*105,44*	*11,9%*	*11,8%*	*11,8%*	*8,1%*	*7,4%*	*7,8%*
Reserves & retained earnings	*-25,39*	*-27,08*	*-26,59*	*-2,5%*	*-2,8%*	*-3,0%*			
Provisions	8,20	6,29	7,38	0,8%	0,7%	0,8%	30,5%	-14,8%	5,4%
Long term liabilities	13,61	17,01	12,07	1,3%	1,8%	1,4%	-20,0%	40,9%	6,2%
Reserves & retained earnings	*8,32*	*11,76*	*9,22*	*0,8%*	*1,2%*	*1,0%*	*-29,2%*	*27,6%*	*-5,0%*
Other	*5,29*	*5,26*	*2,85*	*0,5%*	*0,5%*	*0,3%*	*0,7%*	*84,2%*	*36,2%*
Current liabilities	899,20	845,58	786,34	87,5%	87,9%	88,3%	6,3%	7,5%	6,9%
Suppliers	*299,12*	*260,90*	*266,63*	*29,1%*	*27,1%*	*29,9%*	*14,7%*	*-2,1%*	*5,9%*
Checks & notes payable	*333,25*	*306,46*	*246,91*	*32,4%*	*31,8%*	*27,7%*	*8,7%*	*24,1%*	*16,2%*
Short-term bank debt	*88,82*	*120,60*	*103,15*	*8,6%*	*12,5%*	*11,6%*	*-26,4%*	*16,9%*	*-7,2%*
Taxes and social contibutions	*60,95*	*52,50*	*50,94*	*5,9%*	*5,5%*	*5,7%*	*16,1%*	*3,0%*	*9,4%*
Dividends payable	*25,92*	*21,90*	*21,77*	*2,5%*	*2,3%*	*2,4%*	*18,3%*	*0,6%*	*9,1%*
Intercompany liabilities	*23,12*	*14,77*	*20,89*	*2,3%*	*1,5%*	*2,3%*	*56,6%*	*-29,3%*	*5,2%*
Other	*68,01*	*68,45*	*76,05*	*6,6%*	*7,1%*	*8,5%*	*-0,6%*	*-10,0%*	*-5,4%*
Transitory accounts	9,59	7,40	5,87	0,9%	0,8%	0,7%	29,5%	26,0%	27,7%
Total Equity & Liabilities	**1.027,64**	**962,42**	**890,51**	**100,0%**	**100,0%**	**100,0%**	**6,8%**	**8,1%**	**7,4%**
Off-balance sheet accounts	35,51	39,31	41,15	3,5%	4,1%	4,6%	-9,7%	-4,5%	-7,1%
Profit & Loss Statement									
Sales	**1.167,70**	**1.099,74**	**1.015,51**	**100,0%**	**100,0%**	**100,0%**	**6,2%**	**8,3%**	**7,2%**
Gross results	**235,37**	**239,27**	**214,13**	**20,2%**	**21,8%**	**21,1%**	**-1,6%**	**11,7%**	**4,8%**
Gross margin	*20,2%*	*21,8%*	*21,1%*						
Administration expenses	99,50	98,89	91,52	8,5%	9,0%	9,0%	0,6%	8,1%	4,3%
Selling and distribution expenses	88,98	89,37	90,57	7,6%	8,1%	8,9%	-0,4%	-1,3%	-0,9%
EBITDA	**56,72**	**49,85**	**37,82**	**4,9%**	**4,5%**	**3,7%**	**13,8%**	**31,8%**	**22,5%**
EBITDA margin	*4,9%*	*4,5%*	*3,7%*						
EBIT	**50,55**	**43,00**	**29,97**	**4,3%**	**3,9%**	**3,0%**	**17,6%**	**43,5%**	**29,9%**
EBIT margin	*4,3%*	*3,9%*	*3,0%*						
Earnings before taxes	**43,42**	**23,98**	**15,03**	**3,7%**	**2,2%**	**1,5%**	**81,1%**	**59,6%**	**70,0%**
EBT margin	*3,7%*	*2,2%*	*1,5%*						
Income taxes	14,21	11,97	12,38	1,2%	1,1%	1,2%	18,7%	-3,3%	7,1%

Financial Statements under IFRS for fiscal years 2005-2004, either detailed or condensed, may not be comparable to 2003 Greek GAAP data