

# Fast Forward: Market Update and 2019 Predictions

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# PJ SOLOMON FIRM AND APPROACH



We are an independently operated investment bank with proprietary access to research, financial capabilities and international coverage available through our parent company Natixis

- Founded in 1989
- We advise on mergers, acquisitions, divestitures, restructurings, recapitalizations, capital markets solutions and activism defense across a range of industries
- Our principal shareholder, Natixis, is part of Groupe BPCE, a top European and global bank



**105+**  
EMPLOYEES

**22**  
MANAGING  
DIRECTORS

**75+**  
INVESTMENT  
BANKERS

**9**  
SENIOR  
ADVISORS



**21,000+**  
EMPLOYEES

**38+**  
COUNTRIES

**€500B+**  
TOTAL ASSETS

# PJ SOLOMON MEDIA AND TECH SERVICES

We advise clients globally in the following areas:

## Advertising and Marketing Services

- Background Music
- Smart Cities / Urban Infrastructure
- Classic Out of Home Advertising
- Sports / Stadium Marketing
- Digital Out of Home
- Transit Media
- Point of Care Media














## Retail Tech / In-Store Media

- Back-Office Software
- In-Store Media and Tech
- Digital Menu Boards
- Kiosk Solutions
- Digital Signage and Interactive Displays
- Payments
- Retail Analytics
- E-Commerce Platforms


























## Event Technology

- Audiovisual Production
- Creative Services
- Audience Engagement
- Video & Projection Mapping
- Lighting, Staging and Rigging
- Event Internet & Mobile Applications

# RECENT FIRM MANDATES

<p>2018</p> <p>€3,250,000,000</p> <p></p> <p>Has sold select real estate assets to and formed a joint venture with</p> <p> <b>SIGNA</b></p> <p>to operate</p> <p> <b>KAUFHOF</b>  <b>KARSTADT</b></p> <p><i>Served as financial advisor to Hudson's Bay Company</i></p>	<p>2018</p> <p></p> <p>Has divested</p> <p> to </p> <p><i>Served as financial advisor to V.F. Corporation</i></p>	<p>2018</p> <p>\$437,000,000</p> <p><b>PERRY ELLIS</b></p> <p>Has been sold to a newly formed entity controlled by George Feldenkreis</p> <p><i>Served as financial advisor to the Special Committee of Perry Ellis</i></p>	<p>2018</p> <p><b>BARE NECESSITIES</b></p> <p>Has been sold to</p> <p></p> <p><i>Served as financial advisor to Bare Necessities</i></p>
<p>2018</p> <p>\$2,500,000,000</p> <p><b>Varsity // BRANDS</b></p> <p>Has been sold to</p> <p></p> <p><i>Served as co-advisor to Charlesbank Capital Partners</i></p>	<p>2018</p> <p>\$558,000,000</p> <p><b>FINISH LINE</b></p> <p>Has been sold to</p> <p></p> <p><i>Served as financial advisor to the Special Committee of The Finish Line</i></p>	<p>2017</p> <p>\$446,000,000</p> <p></p> <p>Has been sold to</p> <p><b>HGGC</b></p> <p><i>Served as financial advisor to Nutraceutical International</i></p>	<p>2017</p> <p><b>MODCLOTH</b></p> <p>Has been sold to</p> <p>   </p> <p><i>Served as financial advisor to ModCloth</i></p>

# SELECTED RECENT MEDIA & TECH SERVICES MANDATES

<p>P E N D I N G</p>  <p>Has agreed to acquire</p>  <p><i>Serving as exclusive strategic and financial advisor to Broadsign</i></p>	<p>2 0 1 8</p>  <p>Has sold its Seattle advertising portfolio to</p>  <p><i>Served as exclusive strategic and financial advisor</i></p>	<p>2 0 1 8</p>  <p>Has been sold to</p>  <p><i>Served as strategic and financial advisor to Exterion Media and Platinum Equity</i></p>	<p>2 0 1 8</p>  <p>Has acquired LA market spectacular out of home media assets of</p>  <p><i>Served as exclusive strategic and financial advisor to Netflix</i></p>
<p>2 0 1 7</p>  <p>Has been sold to</p>  <p><i>Served as financial advisor to AMI Entertainment</i></p>	<p>2 0 1 7</p>  <p>Has received capital from</p>   <p><i>Served as exclusive financial advisor to PatientPoint</i></p>	<p>2 0 1 7</p>  <p>Has formed a JV with</p>  <p><i>Served as exclusive financial advisor to GSTV, Rockbridge Growth Equity and Verifone</i></p>	<p>2 0 1 7</p>   <p><i>Served as financial advisor to the Special Committee of the Board of NCM in connection with NCM's agreement with AMC to enable AMC to comply with the DOJ Final Order for Carmike transaction</i></p>
<p>2 0 1 7</p>  <p>Has been sold to</p>  <p><i>Served as exclusive financial advisor to Cieslok Media</i></p>	<p>2 0 1 6</p>  <p>Has received an investment from</p>  <p><i>Served as exclusive financial advisor to Vector Media</i></p>	<p>2 0 1 5</p>  <p>Has acquired</p>  <p><i>Served as financial advisor to Searchlight Capital Partners</i></p>	<p>2 0 1 4</p>  <p>Has acquired the major market outdoor advertising portfolio of</p>  <p><i>Served as financial advisor to CBS Outdoor</i></p>

# OOH: THE BEST MEDIA CHANNEL ON EARTH?

# OOH ADVERTISING REACHES REAL PEOPLE

OOH advertising purchases drive real eyeballs to client products rather than fake views

Only ~**25%** of digital advertisements are displayed to **real people**; the rest are “viewed” by **bots**



**Companies are cutting digital spend:**

**JPMorgan Chase** now has its ads appear on **5,000** sites, **down** from **400,000**

# OUT-OF-HOME MEDIA CAN'T BE BLOCKED

In contrast to digital advertisement's over-supply and widespread adoption of ad-blocking technology, OOH cuts through advertising clutter



## Consumers are Distracted on their Digital Devices

The average consumer is exposed to **4,000 – 10,000** digital advertisements per day

**2/3** of Americans recall seeing a digital OOH advertisement in the past month

Source: Forbes.



## Both Desktop and Mobile Ad-Blocking is on the Rise

Internationally, publishers lost **~\$42B** in potential advertising revenue to ad-blockers in 2017, up **~50%** year-over-year



# SOCIAL MEDIA BECOMING OOH TACTIC

Social media shares turn an OOH advertisement into a digital / social media campaign without the need for additional marketing dollars



**1** in **4** Americans have posted an image of an **outdoor ad** to **Instagram**



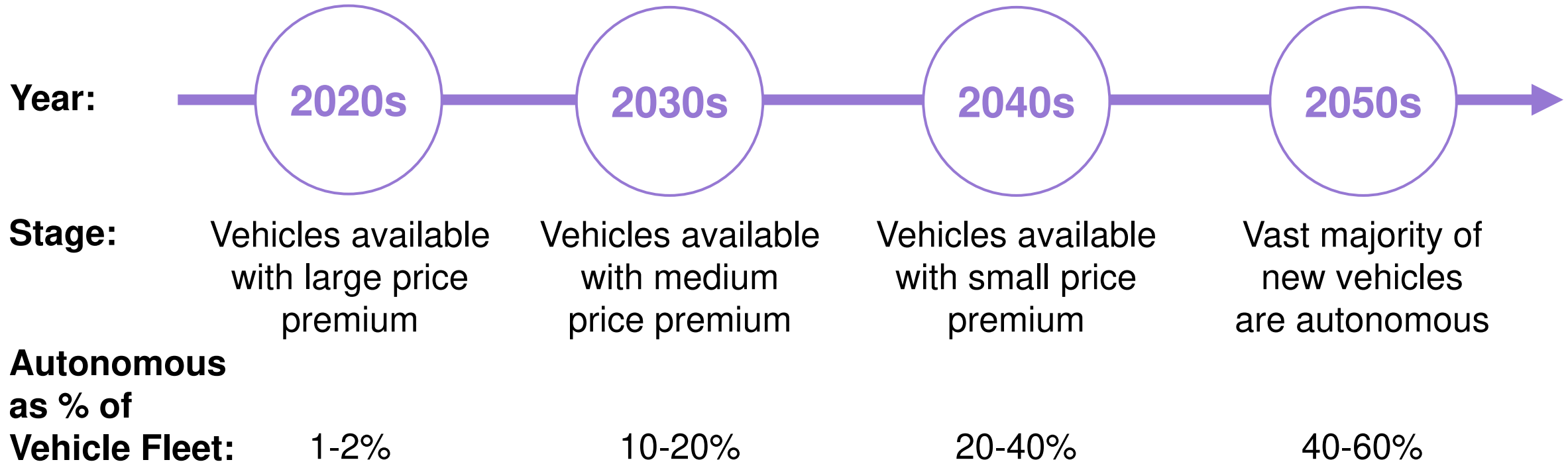
In 2018, a **NYC subway billboard** reached over **50 million** people after being shared on social media channels



Cannabis brand **Tweed** created **“Instagrammable” outdoor art installations**, which helped the brand reach **#1** in awareness among Canadian cannabis brands

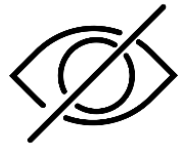
# MORE MOBILE WITH AUTONOMOUS CARS: NOT AN IMPENDING OOH INDUSTRY HEADWIND

## Hypothetical Autonomous Vehicle Timeline

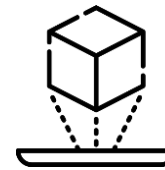


**Autonomous vehicles will not gain truly significant traction until 25+ years from now**

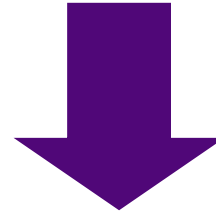
# DRIVERLESS CARS ALLEVIATE REGULATORY RESTRICTIONS ON TRADITIONAL ASSETS



Currently, there are areas with visual restrictions on OOH assets in fear of driver distraction



A world of self-driving cars opens up opportunities to enhance assets with brighter lights, holograms, video, etc.



**These enhancements would attract and retain greater attention from car passengers**

# ARTIFICIAL INTELLIGENCE COULD DRIVE OOH MEDIA SELF-OPTIMIZATION

Artificially-intelligent advertising systems could have the ability to self-optimize a client campaign depending on real-time audience reactions and data inputs



## Tracking

Digital screens track purchase behavior and leverage sensor technology to detect passerby demographic features and track facial expressions, and use these sources as inputs for artificially-intelligent advertisements



## Adaptation

AI-based algorithms enable “smart advertisements” that adapt and improve to better conform to the preferences of target audiences over time

# 5G TECHNOLOGY IMPROVES CONNECTION SPEEDS FOR OOH ASSETS

- 1 Enables live, real-time advertisement placements, even in remote areas
- 2 Improves ability to monetize last-minute inventory with dynamic connectivity
- 3 Allows asset owners to push more placements at premium, peak-hour CPMs



**Requirements of 5G infrastructure will lead to further implementation of small cells on billboards**



# DRONES IN OOH ADVERTISING

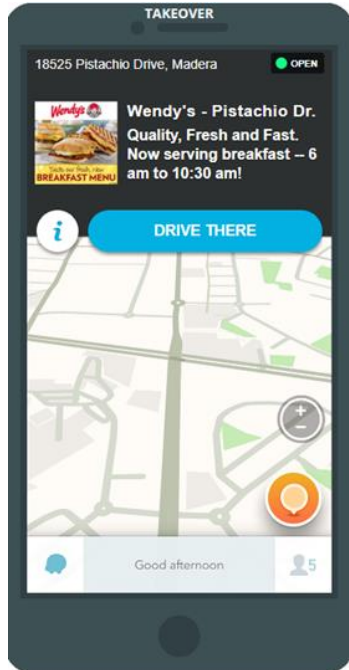
Drones can lower lead times and maintenance requirements, as well as improve asset mobility by...

- 1 Remotely and routinely performing OOH maintenance services
- 2 Improving OOH proof of play capabilities and traffic measurement
- 3 Having digital screens embedded and displaying overhead advertisements



# LOCATION-BASED ADVERTISING IS GAINING TRACTION

Waze is pitching itself as a digital complement to OOH ads through its Zero-Speed Takeover ad unit



## ZERO-SPEED TAKEOVER



Zero-Speed Takeover runs banner ads across users' screens when they have come to a complete stop. In April 2019, Waze made it available through Google's programmatic suite



Media buyers can now buy the unit within Display & Video 360 and target its 115 million users with first, second-, or third-party data



Integrated with Google's buy-side ad server, Campaign Manager, which lets buyers measure their Waze campaigns



Partnered with IRI to measure in-store sales lift for packaged goods



Offering incentives for agencies to increase their OOH buys with Waze

# EXTENDING REACH AND IMPACT: MCDONALD'S / DYNAMIC YIELD CASE STUDY

McDonald's \$300 million acquisition of Dynamic Yield enables it to become one of the first companies to integrate decision technology into its outdoor displays



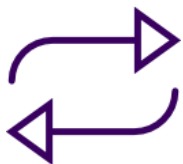
Varies outdoor digital Drive Thru menu displays to show food based on time of day, weather, current restaurant traffic and trending items



Connects to all other data-driven consumer engagements in both paid media and in-store messaging



Presents the right message to the right person at the right time



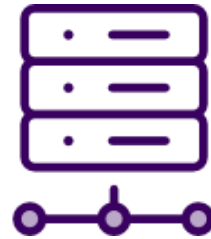
Uses OOH as a two-way medium for ad messages and delivers personalization at scale



# THE RISE OF PROGRAMMATIC: IS IT FINALLY HERE?

# RISE OF AUTOMATION AND PROGRAMMATIC PLATFORMS

Programmatic platforms are driving growth in OOH wallet share by reducing campaign purchasing friction



## Programmatic Platforms Reduce Friction by:

- 1 Easing the OOH buying process through **automation**
- 2 Replacing the inefficient buying procedure of **RFPs, human negotiation and manual orders**
- 3 Helping current asset owners optimize inventory monetization

# OOH INDUSTRY AMIDST A DIGITAL AND DATA REVOLUTION

## THE PAST



### Classic OOH

- Limited buying process, traditionally with agencies as “gatekeepers”
- No data available
- Rudimentary audience measurement and ROI

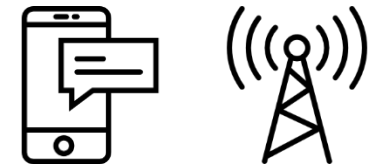
## THE PRESENT



### Digital OOH

- Replacement of static panels with digital screens
- Buying process expanding; still more constrained than digital ad channels
- Some data available
- Improving audience measurement, with path to quantifiable ROI

## THE FUTURE



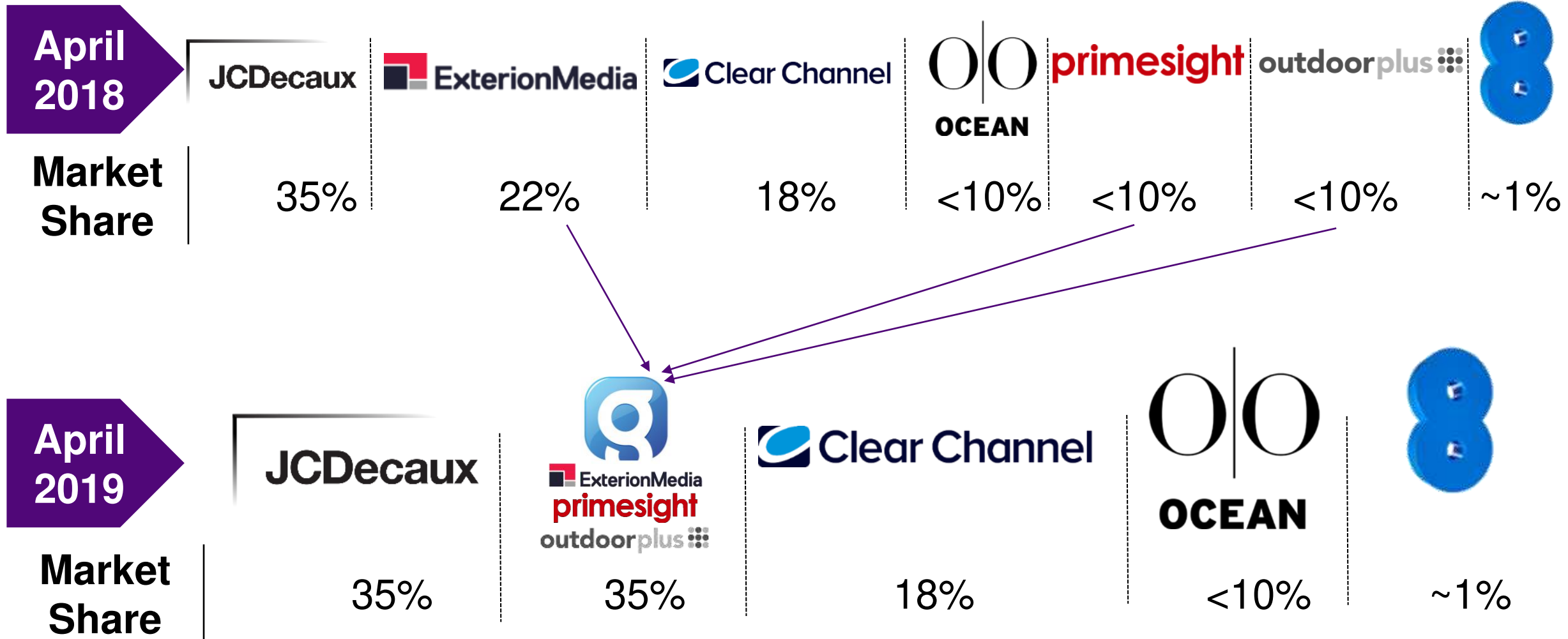
### Data-Enhanced OOH

- Digital screen steady-state reached
- Programmatic technology enables automated, real-time bidding and buying
- Immediate, contextual advertising available
- Operators able to quantify audience and ROI for brands

# RAPID CONSOLIDATION ON THE HORIZON...?

# UK MARKET CONSOLIDATION IN PAST 12 MONTHS

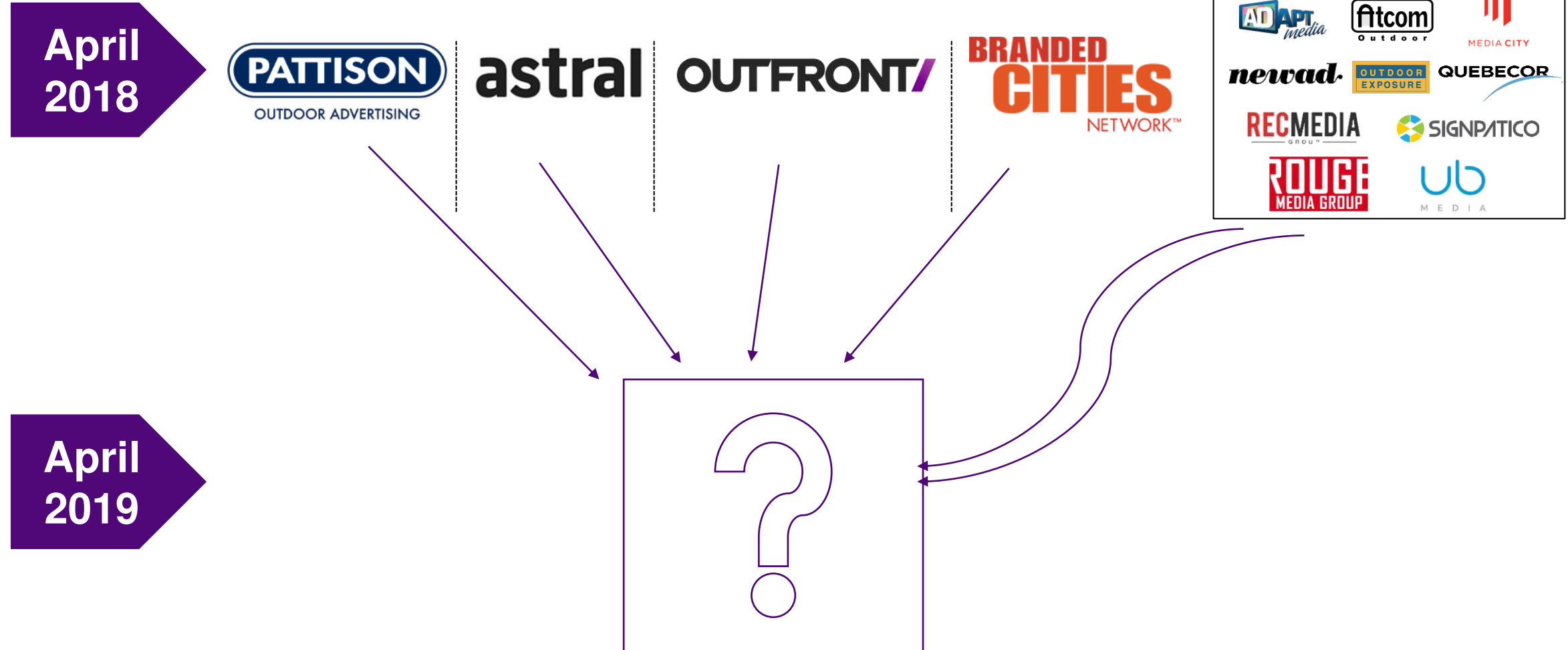
UK OOH market has seen significant recent consolidation



**Rapid market consolidation can happen in a flash**

# CANADIAN MARKET RIPE FOR CONSOLIDATION...













Canadian OOH could look different in near future



Substantial opportunity exists to consolidate fragmented traditional and digital OOH networks across Canada

# EUROPEAN OOH WILL CONTINUE TO CONSOLIDATE

## Select Markets Overview

UK Market Size: £1.2bn (a)		FRANCE Market Size: \$1.3bn (b)		GERMANY Market Size: \$1.3bn (b)		SPAIN Market Size: €0.4bn (c)	
	Market Share		Market Share		Market Share		Market Share
JCDecaux	~35%	JCDecaux	~40%	STRÖER	~55-60%	JCDecaux	~35%
	~35%	 Clear Channel Outdoor	~20%	JCDecaux	~25-35%(d)	 Clear Channel Outdoor	~15-20%
 Clear Channel Outdoor	~15-20%	 (e) METROBUS Créons les connexions utiles	~10-15%			 exteriorplus	~10%
 OCEAN	~5-10%	 ExteriorMedia	~10%			 ExteriorMedia	~5-10%
	~1-2%	 MEDIAGARES Créons les connexions utiles	~5%			redext	~5%
UBIQUITOUS ICONSONICONS	~1-2%	MEDIA KIOSK	<5%			 grupo promedios PM PROMEDIOS exclusivas de publicidad	<5%

Note: market share sourced per Wall Street research, PJ SOLOMON estimates.

(a) Source: Outsmart.

(b) Source: Magna and Rapport.

(c) Source: INFOADEX.

(d) PJ SOLOMON estimate.

(e) 33% owned by JCDecaux.

# RECENT M&A TRANSACTIONS



# SOFTWARE CONSOLIDATION: BROADSIGN / AYUDA

In April 2019, Broadsign International agreed to acquire Ayuda Media Systems for an undisclosed price



- Unites two complementary platforms to streamline static and digital OOH operations for media owners
  - Combined company will allow OOH media owners to manage, sell and deliver all of their advertising content from one single solutions provider
- Post-closing, the platform will service the many well-known clients in OOH, including Adshel, Intersection, JCDecaux, OUTFRONT, Ströer and others

**PJ SOLOMON advised Broadsign International**

# NEW ENTRANTS: NETFLIX / REGENCY

In July 2018, Netflix agreed to acquire 35 Regency billboards along the Sunset Strip in Los Angeles

# NETFLIX



- Netflix acquired premium spectacular assets to advertise its own shows in the country's entertainment capital
- Netflix plans to spend \$2 billion on marketing this year, including billboard advertising

**PJ SOLOMON advised Netflix**

# NEW ENTRANTS: AMERICAN TOWER / RSA MEDIA

In 2018, American Tower acquired ~30 billboard faces located in the Boston area through its purchase of RSA Media



- Acquired boards located primarily along freeways in Boston, with high-profile locations near Fenway Park and Gillette Stadium
- Tower operators are emerging as new buyers in the out of home industry
- Lessons learned as a tower operator are transferable to out of home, including:
  - Regulatory skills to negotiate the permitting process
  - Lease administration skills to manage a large portfolio of sites

# U.K. CONSOLIDATION: GLOBAL / EXTERION MEDIA

In October 2018, Global agreed to acquire Exterior Media for an undisclosed purchase price



- Represents the next step in Global's consolidation of the U.K. marketplace
  - Global previously acquired U.K. out of home media companies Primesight and Outdoor Plus in September 2018
- This acquisition will give Global close to 35% market share in the U.K., making it a strong competitor to JCDecaux, who also has about 35% share

**PJ SOLOMON advised Exterior Media**

# U.K. CONSOLIDATION: OCELOT / OCEAN OUTDOOR

In March 2018, Ocelot, a publicly-listed acquisition company, agreed to acquire Ocean Outdoor, the UK-based DOOH advertising company, from Searchlight Capital Partners for £200 million, an implied multiple of 12.4x EBITDA

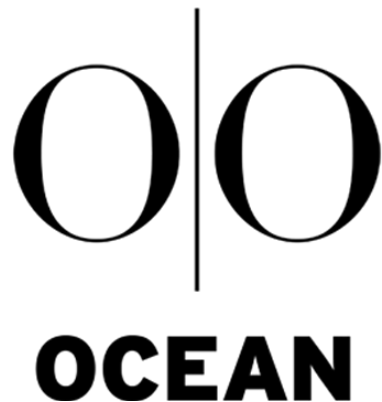
**Ocelot  
Partners**



- “Clear, synergistic opportunity for consolidation” as key deal rationale
- Digital, data-driven company with attractive growth platform
- High-quality assets in prominent locations

# U.K. CONSOLIDATION: OCEAN / FORREST MEDIA

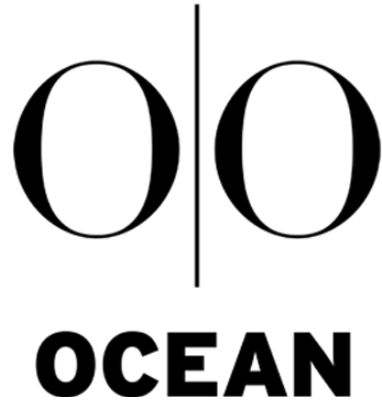
In June 2018, Ocean acquired Forrest Media, a leading provider of large format outdoor media solutions in Scotland, for an enterprise value of £32 million at an implied multiple of 10.7x EBITDA



- Ocean's strategy focuses on scaling through consolidation
- Acquisition broadens Ocean's footprint in the UK and enhances its strength in large format out-of-home with premium DOOH market leader in Scotland and the North of England
- Forrest generated revenue of £8.4 million and EBITDA of £3 million in 2017
- Transaction was funded with cash on hand and is expected to be immediately accretive and to yield synergies

# EU CONSOLIDATION: OCEAN / NGAGE AND INTERBEST

In March 2019, Ocean acquired Ngage Media and Interbest, two leading independent companies which operate across the Netherlands, for an enterprise value of €51 million at an implied multiple of 6.9x EBITDA



- Ocean's strategy shifts from U.K. consolidation to broader European presence through this expansion into continental Europe
- Ngage Media is a 100 percent pure play digital operator with 76 large full motion digital screens in 50 locations
- Interbest is the country's biggest independent roadside operator with 88 digital and static OOH displays in prime locations

# U.S. CONSOLIDATION: LAMAR / FAIRWAY

In December 2018, Lamar agreed to acquire Fairway Outdoor Advertising's billboard operations in five U.S. markets from GTCR for a purchase price of \$419 million, an implied multiple of ~12x EBITDA



- Lamar acquired over 8,500 faces in 5 new markets, including 3 top 50 DMA markets, in the Southeast and upper Midwest
- GTCR retains ~11,500 Fairway faces (which we expect will be sold in next few weeks)
- All-cash transaction was funded using bank facilities and is expected to be immediately accretive and to yield synergies, with \$4 million already in place
- Lamar currently has another \$230 - \$240 million in acquisitions "under various stages of agreement"



# U.S. CONSOLIDATION: PACIFIC OUTDOOR / TOTAL OUTDOOR SEATTLE

In December 2018, Pacific Outdoor agreed to acquire Total Outdoor's Seattle assets for an undisclosed purchase price



- Continues Pacific Outdoor's Northwestern expansion with entrance into adjacent geography
- Allows Pacific Outdoor to leverage Seattle's favorable demographics, with a growing affluent young professionals market
- Total Outdoor was a strong #2 operator in Seattle behind Lamar

**PJ SOLOMON advised Total Outdoor**

# MARKET CONSOLIDATION: APN OUTDOOR / JCDECAUX

In June 2018, JCDecaux agreed to acquire APN Outdoor, a leading OOH company in Australia and New Zealand, for an enterprise value of A\$1.1 billion at an implied multiple of 12.9x EBITDA



JCDecaux



APN'  
OUTDOOR

- Grows JCDecaux's market share to nearly 40% in Australia and helps JCDecaux challenge oOh! Media, the country's biggest outdoor advertiser
- Complements JCDecaux's existing street furniture assets
- Allows JCDecaux to enter the fast-growing New Zealand market
- Contributed ~€35mm to JCDecaux's Q4 revenue
- Transaction cleared antitrust concerns following previously-terminated APN Outdoor / oOh! Media merger

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