

TODAY'S ADVERTISING: WHERE ARE WE NOW?

A PJ SOLOMON Update on 2020 Advertising Trends

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PJ SOLOMON Update

PJ SOLOMON OVERVIEW

- Founded in 1989, PJ SOLOMON is a leading financial advisory firm with a legacy as one of the first independent investment banks
- We offer unmatched industry knowledge in the sectors we cover, providing comprehensive strategic solutions tailored to generate long-term shareholder value
- We offer the “best of both worlds”: the experience of a boutique, as well as global reach and capabilities

125+
Employees

80+
Investment
Bankers

24
Managing
Directors

8
Senior
Advisors

10
Sectors &
Specialties

Our principal shareholder, Natixis, is part of Groupe BPCE, a top four European and a top 20 global bank



GROUPE BPCE



NATIXIS
BEYOND BANKING

4 core businesses to support clients and the Groupe BPCE networks

Corporate &
Investment
Banking



€9.6B+
Net Revenues ^(a)



38+
Countries

Asset & Wealth
Management



€1.7B+
Net Profit ^(a)

A+

S&P

Insurance



€500B+
Total Assets ^(a)

A2

Moody's

Specialized
Financial
Services



240+
M&A
Professionals ^(a)

A

Fitch

Long Term Ratings (All Stable)

**51% Owned by
Natixis**

**49% Owned by
Partners**



PJ
SOLOMON
unrivalled wisdom

PJ SOLOMON TEAM

Senior bankers with judgement and experience



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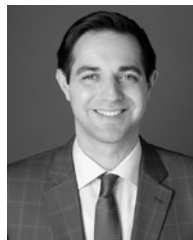
- 20 years of M&A experience
- Executed >\$40 billion in completed transactions in US, Europe and Asia
- Frequent speaker and panelist at industry events
- Former Head of Barclays / Lehman Brothers Out of Home, TV Broadcasting and Radio coverage
- Former M&A Attorney, Paul, Weiss
- Former Director, *Digital Signage Federation*, trade association supporting the interactive technologies, digital signage and digital out of home network industries

Other

- Author of *Times Square Everywhere*, an analysis of how digital and mobile media are changing the media industry
- 2016 and 2015 Investment Banking MD of the Year by *Corporate Vision Executive Awards*
- 2015 Deal Maker of the Year in Media and Communications by *Business Worldwide*
- "40 Under Forty" by NACVA and CTI
- *Digital Signage Expo*, Faculty Member
- Member, New York and Massachusetts State Bars

Education

- L.L.B, B.C.L., McGill University, Faculty of Law
- J.W. Scholarship, McGill University, Faculty of Management



Ben Zinder
Director

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Recent Media & Tech Services Transactions

- Ongoing sellside of out of home media company
- Restructuring of Mood Media
- Ares preferred equity investment in OUTFRONT Media
- Sale of Total Outdoor assets to each of American Tower, New Tradition and Pacific Outdoor
- Sale of Exterior Media (f.k.a. CBS Outdoor International) to Global
- Netflix's acquisition of select Regency Outdoor assets
- Raise of capital for PatientPoint by Searchlight Capital and Silver Point Partners
- Joint venture between Gas Station TV and Verifone
- Sale of Vector Media to Spire Capital
- Sale of Cieslok Media to Bell Media

Other Transactions

- Sale of De Novo Legal to Epiq Systems
- Sale of Thomas Nelson to HarperCollins
- Sale of Soulcycle founders' minority interest stake to Equinox Holdings

Other

- Emerging Leaders Dealmaker by M&A Advisor

Education

- B.B.A., *high distinction*, Ross School of Business at the University of Michigan



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Associate

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Recent Media & Tech Services Transactions

- Ongoing sellside of out of home media company
- Restructuring of Mood Media
- Ares preferred equity investment in OUTFRONT Media
- Sale of Exterior Media (f.k.a. CBS Outdoor International) to Global
- Netflix's acquisition of select Regency Outdoor assets
- Sale of Cieslok Media to Bell Media

Other Transactions

- Sale of Modcloth to Walmart

Education

- B.S., *magna cum laude, phi beta kappa*, Brown University



Ethan Volk
Analyst

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Recent Media & Tech Services Transactions

- Ongoing capital raise for digital out of home media company

Education

- B.S., *cum laude*, The Wharton School at the University of Pennsylvania

PJ SOLOMON MEDIA & TECH SERVICES

Overview and areas of focus

We advise clients in the following areas

Advertising / Marketing Services

- Ad Tech
- Classic Out of Home (OOH) Media and Advertising
- Digital OOH
- Marketing Technology
- Point of Care Media
- Smart Cities / Urban Infrastructure
- Sports / Stadium Marketing
- Transit Media

Global Retail Tech / On-Premise Media

- Background Music
- Digital Signage and Interactive Displays
- E-Commerce Tech
- In-Venue Media and Tech
- Kiosk Solutions
- Payments
- Retail Analytics


Professional Audiovisual / Event Tech

- AV Integration
- Audio / Audio Equipment
- Content Distribution and Media
- Conferencing / Collaboration
- Digital Signage
- Event Production
- Meeting Rooms
- Learning
- Security / Surveillance
- Simulation and Visualization


RECOGNIZED AUTHORITY IN OUT OF HOME / OUTDOOR MEDIA

PJ SOLOMON has authored or been quoted in numerous articles / research pieces in the last several years and its bankers have been keynote speakers at industry conferences


PJ SOLOMON Out of Home / Outdoor Publications




[Link](#)




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platt | retail | institute
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Enhancing Retail Environments & Experiences
[Link](#)




[Link](#)




Digital Out of Home – Insight, Knowledge, Opinion
[Link](#)




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[Link](#)




Book by Mark Boidman
[Link](#)




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PJ Solomon Out of Home / Outdoor Speaking Engagements




[2016](#) [2017](#) [2018](#) [2019](#)




FOUNDED 1896




[2014](#) [2015](#) [2016](#) [2017](#) [2019](#)




[2015](#) [2016](#)




[2015](#) [2018](#)




[2015](#) [2016](#)



[2015](#) [2018](#)



[2019](#) [2019](#) [2020](#)



[2020](#)

SELECTED RECENT PJ SOLOMON TRANSACTIONS

<p>JULY 2020</p> <p>MOOD:MEDIA™</p> <p>Advised Mood Media on its pre-packaged Chapter 11 restructuring</p>	<p>JULY 2020 ~\$2,200,000,000</p> <p>Banijay Group</p> <p>Acquired</p> <p>EndemolShine Group</p> <p>Served as financial advisor to Banijay</p>	<p>JUNE 2020</p> <p>Southeastern Grocers</p> <p>Sale of Select Stores and Pharmacy assets to</p> <p>Ahold Delhaize Walgreens CVS</p> <p>Served as financial advisor to Southeastern Grocers</p>	<p>MAY 2020</p> <p>STAGE</p> <p>Served as financial advisor to Stage Stores Chapter 11 Proceedings</p>	<p>APRIL 2020</p> <p>JCDecaux</p> <p>4.5 Year 2.000%</p> <p>EUR 500,000,000 Active Bookrunner^{a)}</p>	<p>APRIL 2020</p> <p>JCDecaux</p> <p>8 Year 2.625%</p> <p>EUR 500,000,000 Active Bookrunner^{a)}</p>
<p>APRIL 2020 \$400,000,000</p> <p>ARES PROVIDENCE EQUITY</p> <p>Invested in newly issued convertible preferred stock in</p> <p>OUTFRONT/</p> <p>Served as financial advisor to Ares</p>	<p>APRIL 2020</p> <p>save a lot</p> <p>Business Recapitalization</p> <p>Served as financial advisor to Save-A-Lot</p>	<p>MARCH 2020</p> <p>STACKPATH</p> <p>Was advised on its Series B round of equity financing led by</p> <p>JUNIPER NETWORKS COX</p> <p>Served as financial advisor to StackPath</p>	<p>MARCH 2020</p> <p>TAILORED BRANDS™</p> <p>Sale of the Joseph Abboud trademarks to</p> <p>WHP GLOBAL</p> <p>Served as financial advisor to Tailored Brands</p>	<p>FEBRUARY 2020</p> <p>IKAV</p> <p>Acquired San Juan Basin Position of</p> <p>bp</p> <p>Served as financial advisor to IKAV</p>	<p>JANUARY 2020</p> <p>Lucky's Market</p> <p>Sale of Select Stores to</p> <p>Publix Bo & Trish Sharon</p> <p>HITCHECOCK'S</p> <p>Served as financial advisor to Lucky's Markets</p>
<p>JANUARY 2020 \$149,000,000</p> <p>Stein Mart</p> <p>Sold to an affiliate of</p> <p>KINGSWOOD CAPITAL MANAGEMENT</p> <p>Served as financial advisor to the Special Committee of Stein Mart</p>	<p>JANUARY 2020</p> <p>FAIRWAY LIKE NO OTHER MARKET™</p> <p>Sale of Select Stores & Distribution Center to</p> <p>THE VILLAGE CENTER MARKET</p> <p>Served as financial advisor to Fairway Market</p>	<p>JANUARY 2020</p> <p>GENESCO</p> <p>Acquired</p> <p>Togast LLC</p> <p>Served as financial advisor to Genesco</p>	<p>DECEMBER 2019</p> <p>NEW SEASONS MARKET</p> <p>NewLeaf Community Markets</p> <p>Sold to</p> <p>GoodFood HOLDINGS eMart</p> <p>Served as financial advisor to New Seasons Market LLC</p>	<p>DECEMBER 2019 \$3,360,000,000</p> <p>vivendi</p> <p>Has agreed to sell a 10% stake in</p> <p>UNIVERSAL UNIVERSAL MUSIC GROUP</p> <p>To a consortium led by</p> <p>Tencent 腾讯</p> <p>Served as financial advisor to Vivendi</p>	<p>DECEMBER 2019</p> <p>five BELOW</p> <p>Has acquired select assets from</p> <p>hollar</p> <p>Served as financial advisor to Five Below on its acquisition of e-commerce, fulfillment and select other assets from Hollar.com</p>
<p>DECEMBER 2019</p> <p>PVH</p> <p>Formed a JV with Basic Resources for all of its socks and hosiery brands in the US and Canada and agreed to terminate early the licenses for the global Calvin Klein and Tommy Hilfiker socks and hosiery businesses</p> <p>Served as financial advisor to PVH</p>	<p>NOVEMBER 2019</p> <p>IPIC®</p> <p>Served as financial advisor to iPic Entertainment on its Chapter 11 filing</p>	<p>NOVEMBER 2019</p> <p>HBC</p> <p>Sale of</p> <p>LORD TAYLOR to LE TOTE</p> <p>Served as financial advisor to Hudson's Bay Company</p>	<p>OCTOBER 2019 \$152,250,000</p> <p>WILLIS TOWERS WATKINS</p> <p>Sold to</p> <p>KIN POLIS</p> <p>Served as financial advisor to VSS-Southern Theatres / Movie Tavern</p>	<p>OCTOBER 2019</p> <p>sears HOMETOWN STORE</p> <p>Sold to</p> <p>Transform Holdco</p> <p>Served as financial advisor to the Special Committee of Independent Directors of Sears Hometown and Outlet</p>	<p>SEPTEMBER 2019</p> <p>TOTAL OUTDOOR</p> <p>Sold select advertising assets in Chicago to</p> <p>OUTFRONT/</p> <p>Served as financial advisor to Total Outdoor</p>

a) Natisis, PJ SOLOMON's parent company, served as Active Bookrunner.

Reflects Media & Technology transactions.

Executive Summary

EXECUTIVE SUMMARY

Ad markets have been in turmoil since the onset of COVID-19

INITIAL SHOCK

- COVID-19 caused many companies across the U.S. to slash expenses and conserve cash
- Most companies immediately reduced advertising spend
 - Marketing dollars are one of the first expenses cut as companies aim to conserve cash
- Extent and duration of pandemic (and associated ad spend reductions) remain unclear

ALL AD CHANNELS IMPACTED

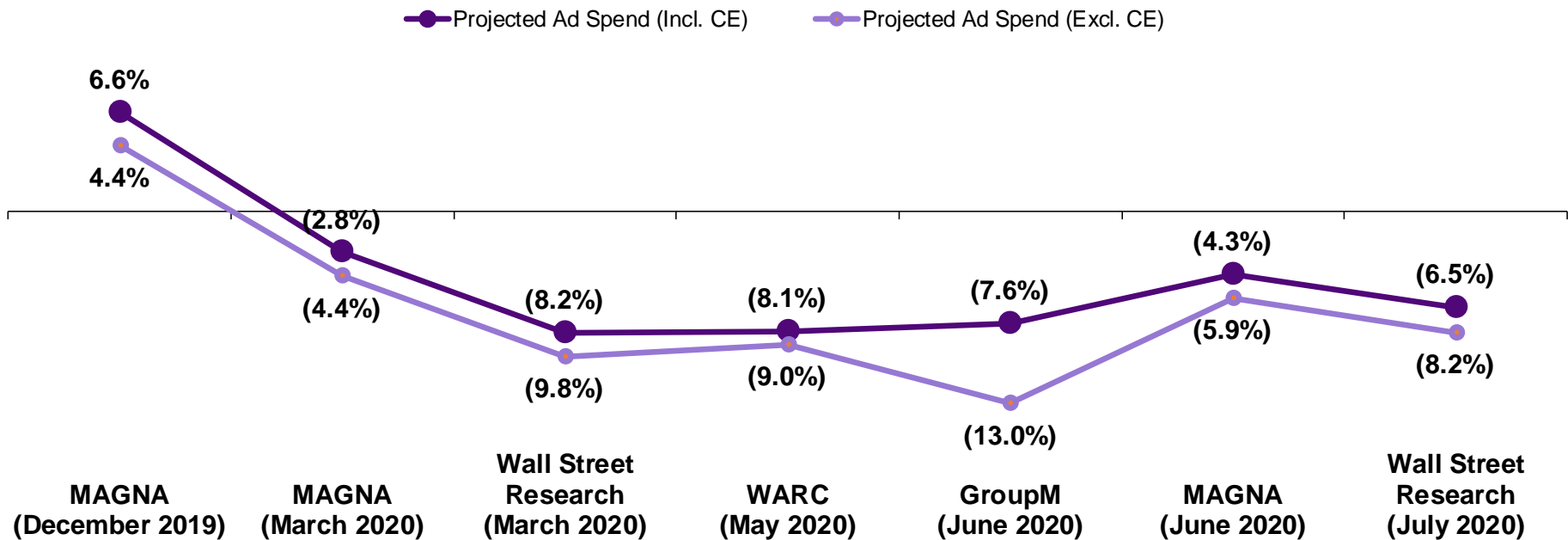
- All ad channels are expected to be impacted, with classic media channels (print, TV, radio, OOH) expected to be hit hardest
 - Classic media channels are forecasted to decline from 10% - 30% year-over-year ("YOY")
- Digital advertising, historically growing north of 10 - 20% annually, is expected to be flat YOY
- Estimates of ad spend industry performance in 2020 have settled around an expected 5-10% decline YOY, including the effect of political ad spend from the 2020 election year
 - Pre-COVID, analysts were expecting a 5-10% *increase* in YOY ad spend

ACCELERATION OF PREVIOUS TRENDS

- The pandemic has served to accelerate trends in the ad industry, including:
 - Cord cutting limiting the reach of linear TV while YouTube and other streaming networks, including Roku and Amazon, continue to grow
 - Print struggling to retain audience and ad dollars
 - Digital media growing share as most new dollars continue to flow to digital, albeit at a slower pace due to the pandemic
 - Radio spend shifting to podcasting, streaming and other audio channels

RECENT U.S. AD SPEND PROJECTIONS OVER LAST 6 MONTHS

2020 Ad Spending vs. Prior Year



Commentary

- 2020 was originally projected to be another strong year for ads, with a healthy economy and key events, including the Tokyo Olympics and Presidential Election, expected to drive ad spend
- As mandatory quarantine restrictions began to take shape, projected ad spend plummeted as analysts expected disruptions to classic advertising revenue channels
- As states began to reopen, ad spend projections began to normalize, reflecting the beginning of the "return to normalcy"

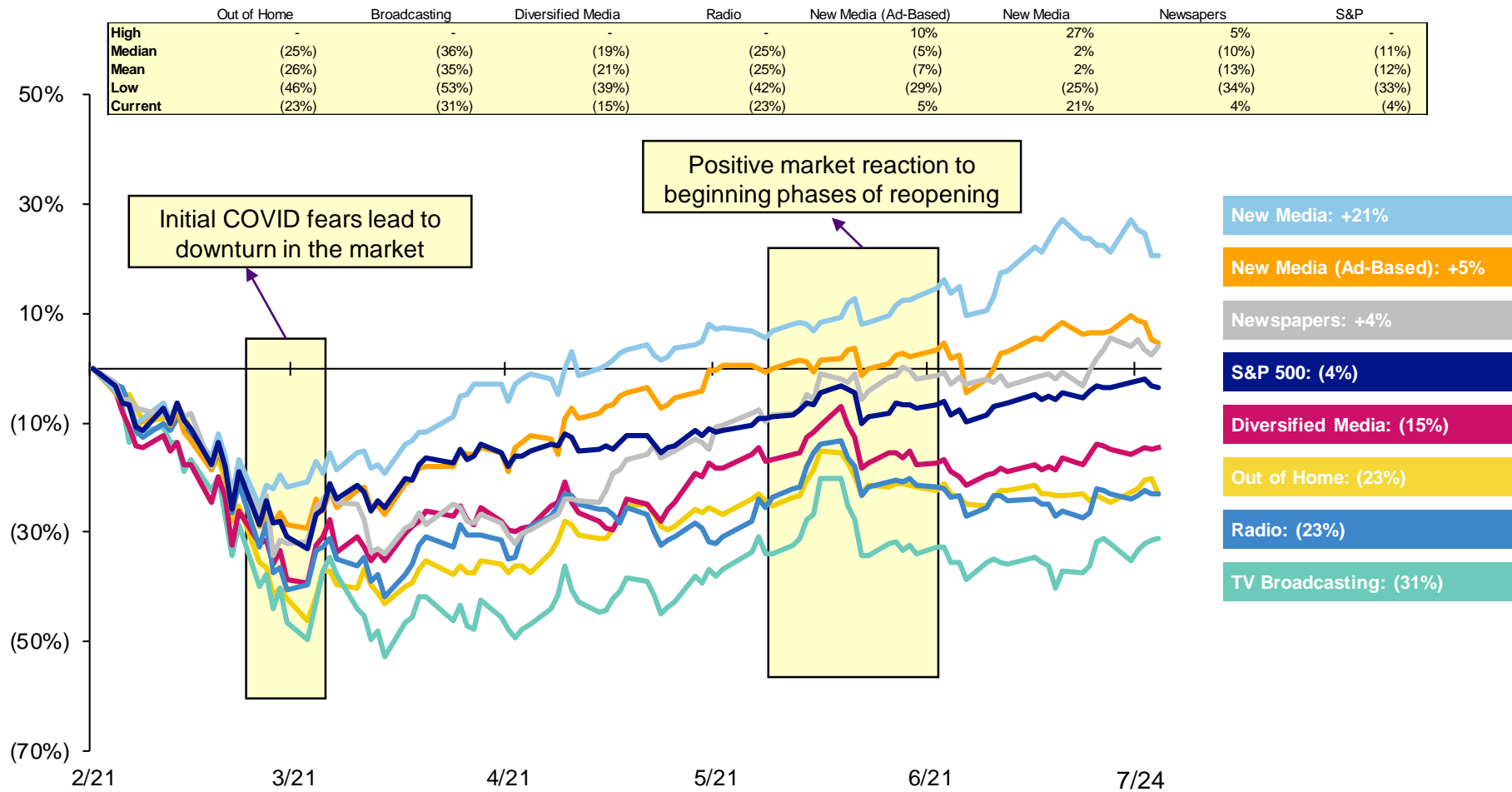
Source: Wall Street Research, GroupM, MAGNA.

Note: U.S. ad spend projections include political-related spending. "CE" refers to cyclical events, such as the Olympics and Presidential Elections.

a) Based on Wall Street Research estimates.

MEDIA INDUSTRY INDEXED MARKET PERFORMANCE (2/21 – 7/24)

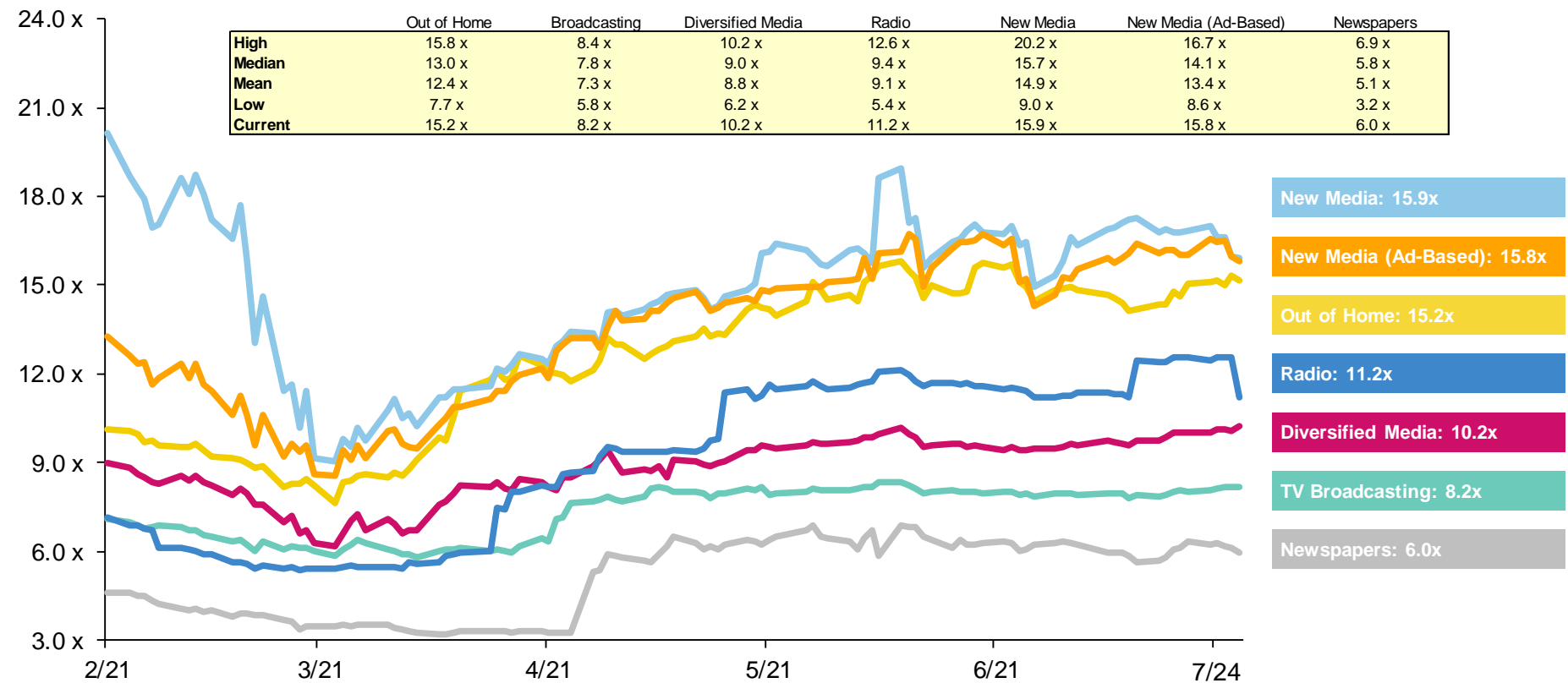
Despite initial sector index declines in mid-March, all indexes have rebounded from initial COVID lows



Note: Represents changes in total sector market capitalizations.
Source: Capital IQ from February 21, 2020 – July 24, 2020.
Out of Home includes: Clear Channel, JCDecaux, Lamar Advertising and OUTFRONT Media.
Broadcasting includes: Entravision, Gray Television, Nexstar Media, Sinclair Broadcast, TEGNA and E.W. Scripps.
Diversified Media includes: ViacomCBS, Comcast, Walt Disney Company, Fox and News Corporation.
Radio includes: Beasley, Entercom, iHeartMedia, Saga, Salem, Sirius XM, Cumulus and Townsquare.
Newspapers includes: Gannett, New York Times and Tribune Publishing.
New Media includes: Alphabet, Amazon, Facebook, Netflix, Snap, Twitter, Yelp and Spotify.
New Media (Ad-Based) includes: Alphabet, Facebook, Snap, Twitter, Yelp.

MEDIA INDUSTRY EV / CY+1 EBITDA (2/21 – 7/24)

Media sector valuations have rebounded from initial COVID lows



CY+1 valuations now generally higher than pre-pandemic, reflecting a stabilized market that is “looking past” depressed 2020E projections

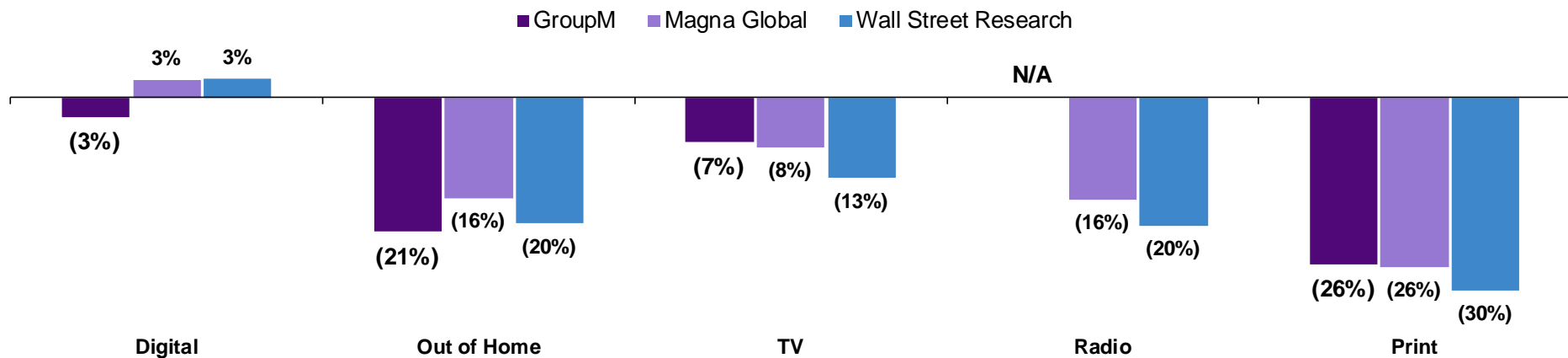
Note: EBITDA estimates have been lowered but likely do not include full impact of estimated COVID-19 impact.
 Note: EBITDA estimates are medians of companies included in each respective industry.
 Source: Capital IQ from February 21, 2020 – July 24, 2020.
 Out of Home includes: Clear Channel, JCDcaux, Lamar Advertising and OUTFRONT Media.
 Broadcasting includes: Entravision, Gray Television, Nexstar Media, Sinclair Broadcast, TEGNA and E.W. Scripps.
 Diversified Media includes: ViacomCBS, Comcast, Walt Disney Company, Fox and News Corporation.
 Radio includes: Beasley, Emmis, Entercom, iHeartMedia, Saga, Salem, Sirius XM, Cumulus and Townsquare.
 Newspapers includes: Gannett, New York Times and Tribune Publishing.
 New Media includes: Alphabet, Amazon, Facebook, Netflix, Snap, Twitter, Yelp and Spotify.
 New Media (Ad-Based) includes: Alphabet, Facebook, Snap, Twitter, Yelp.

Trends in Select Ad Channels

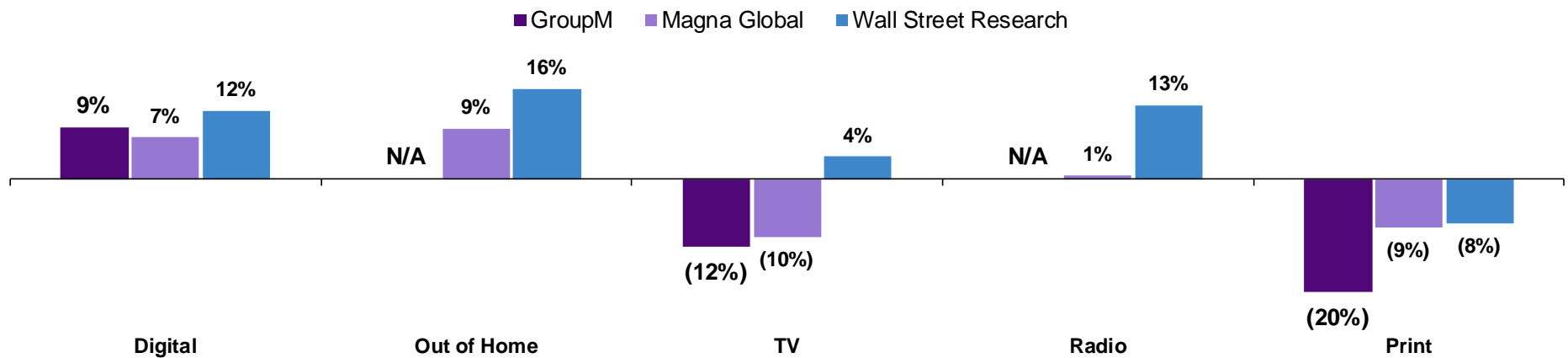
SUMMARY 2020 AND 2021 PROJECTIONS BY AD CHANNEL FORMAT

While almost all ad channels will face declines in 2020, classic media channels are projected to be hit hardest

Select 2020E U.S. Ad Channel Growth Estimates



Select 2021E U.S. Ad Channel Growth Estimates



Source: Wall Street Research, MAGNA and GroupM.
Note: All projections include political advertising.

Digital Update

DIGITAL ADVERTISING OUTLOOK

COVID-19, amidst other factors, will slow digital advertising growth to a halt in 2020, with an expected recovery in 2021

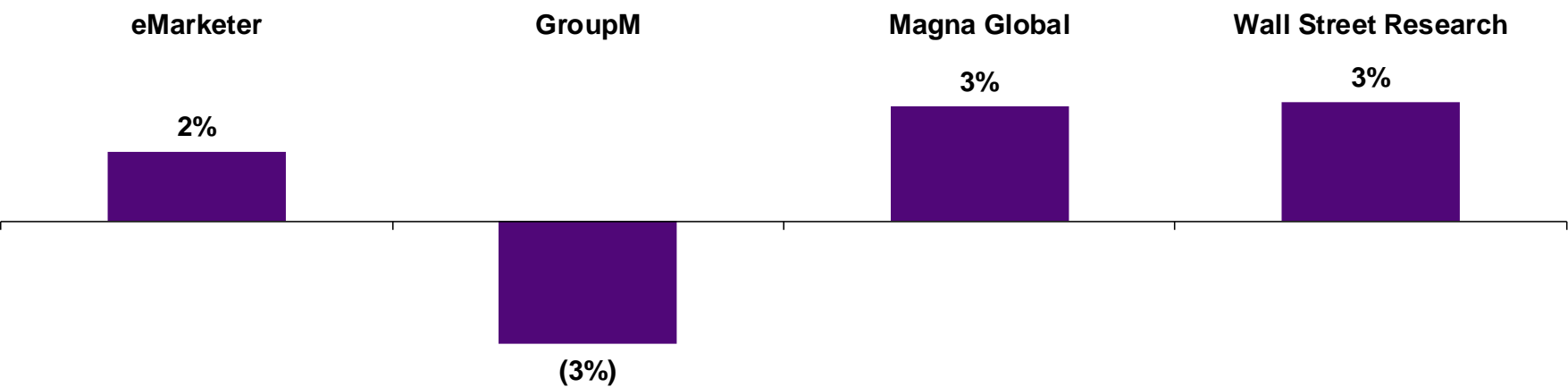
POST-COVID
OUTLOOK

- After consistently growing 10%+ annually, digital advertising is expected to generally remain flat in 2020 as COVID has slowed brand interest and other issues have driven some firms to boycott digital ad spending all together
 - Revised digital media forecast will still outpace all other major media channels in 2020
 - Digital share of U.S. ad spend will near 60%

DIGITAL
COMPARATIVE
ADVANTAGES

- Digital advertising is quantifiable and performance-based
- Most large digital channels – Facebook, Snapchat, YouTube and Amazon – are “bottom-of-funnel” and closest to transactions
 - With advertisers becoming choosier with dollars throughout the pandemic, proximity-to-transaction becomes increasingly relevant
- Consumer spend has shifted from experiences to e-commerce as a result of quarantines, providing a meaningful tailwind to online ad platforms

2020 Digital Media Ad Spend Industry Estimates



Source: Wall Street Research.

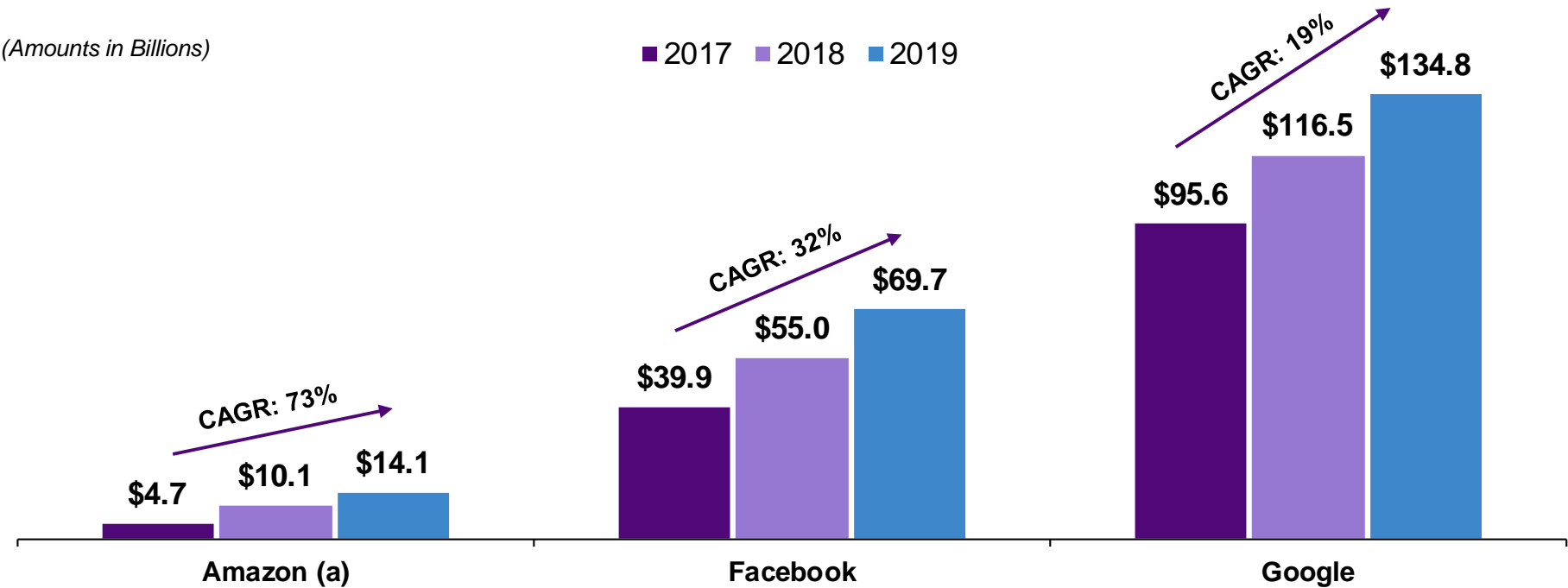
ADVERTISING REVENUE FOR THE BIG 3

Amazon, Facebook and Google collectively accounted for \$220 billion in global digital advertising spend in 2019

BIG 3
COMMENTARY

- Amazon, Facebook and Google collectively hold a combined market share of over 60% of the digital ad market
- Revenue growth for each company has far outpaced the overall market, with each growing at annualized growth rates between 20% and 70%

(Amounts in Billions)



Note: Represents total global advertising revenue for each. U.S.-specific spend is not disclosed.

a) Represents "Other" sales, defined as sales of advertising services, as well as sales related to other service offerings.

DIGITAL ADVERTISING TRENDS: SOCIAL MEDIA BOYCOTT

Dozens of major brands have paused or outright suspended paid advertisements on social media platforms



THE ISSUE

- With unrest growing over how social media platforms monitor and restrict certain social media posts, a group of civil rights organizations called on businesses to boycott advertising on these platforms in the month of July (and beyond)
- The movement quickly picked up steam, with advertisers including Patagonia, North Face and Magnolia Pictures joining the effort
 - Larger advertisers, including Verizon and Unilever, also announced they would pause advertising on certain social media platforms, with Unilever noting it would not advertise on Facebook, Instagram or Twitter for the remainder of 2020
- Disney was reported to have quietly pulled its ads from these platforms
- While these boycotts had strong symbolic impact, their economic impact may not be long-lasting, as paid advertising revenues for social media platforms are buoyed by a long tail comprised of millions of SMBs

With a complex cultural landscape and a new trend of accountability in advertising, we expect these issues to continue to generate problems for social media ad platforms

DIGITAL ADVERTISING TRENDS:

GOOGLE'S U.S. AD REVENUE TO DECLINE

Amid a historic travel decline due to COVID, eMarketer projects Google's U.S. advertising revenue to decrease in 2020

OVERVIEW

- Google's U.S. advertising revenue has grown by double-digits every year for the past decade
 - Even grew 8% during the 2008-2009 financial crisis
- This trend is projected to reverse in 2020, with Google's ad revenue expected to decline, largely as a result of Google Search's reliance on travel advertising and other advertisers impacted by the pandemic

ADVERTISERS PULLING BACK

- Expedia, one of Google's biggest advertisers (spending more than a billion dollars annually on the platform), suggested it may "reset" its traditionally search-heavy advertising spending
 - Travel represented ~11% of search ad revenue in 2019
- Amazon, the top advertiser on Google's platform, has also pulled back on Google Search ad spending
- Ultimately, Google's U.S. net ad revenue is forecast to decline by 5% in 2020, still less than the overall ad market's projected decline

TRIOPOLY CONTINUES TO GROW SHARE

- Despite declines, the triopoly of Amazon, Google and Facebook are expected to continue to take share in digital and overall advertising
 - Projected to represent over 62% of digital ad spending in 2020
 - Digital ad spending itself projected to represent nearly 60% of the entire ad market

Despite projected potential declines, top digital advertising companies are still gaining share on the rest of the market

Out of Home / Outdoor (OOH) Media Update

OUT OF HOME MEDIA (OOH) OUTLOOK

The pandemic has stymied the OOH industry's consistent annual growth and momentum following a strong 2019

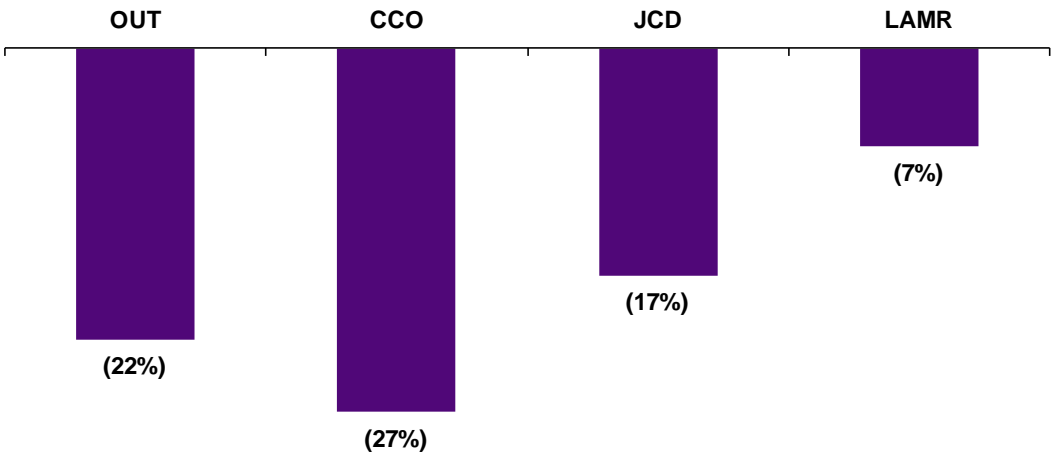
POST-COVID
OUTLOOK

- Industry as a whole expected to decline 15 – 20% as a result of COVID and associated ad budget pull-back
- Degree to which each operator is affected depends on exposure to national vs. local advertising, billboard vs. transit vs. street furniture revenue mix, and other factors

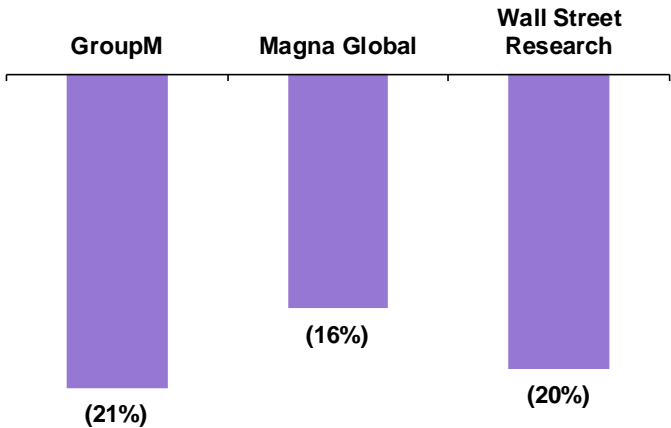
COMMENTARY

- Time outside of the home has decreased in most of the country as a result of social distancing, quarantining, and other COVID-related measures
- Certain segments or verticals of OOH (e.g., point-of-care media) continue to perform well
- Remains to be seen how quickly OOH will rebound
 - Industry has historically regained ad spend post-recession quicker than other media channels
- We remain positive on OOH in the long-term given it is the only media channel that can effectively reach a mass audience

2020 Revenue Estimates for Public OOH Operators



2020 Industry Estimates



Source: Capital IQ and Wall Street Research as of July 24, 2020.

HYPERLOCAL MESSAGING

How OOH Media is Adapting to the Coronavirus

OOH EXPOSURE HAS SHIFTED

- While many people are no longer heading into work, out to events or congregating in large numbers in city centers, people are exploring neighborhoods and communities
- This is a crucial time for brands to stay active in the public space
 - In the short term, audience movements may shrink, but people are still active and more engaged than ever

HYPERLOCAL MESSAGING HELPS BRIDGE THE GAP

- Hyperlocal messaging is the practice of targeting an audience in a highly-specific geographic location (e.g., parks, local streets, grocery stores, etc.)
- With audiences resigned to their homes and neighborhoods, hyperlocal, which features types of OOH media, including bus shelters, street furniture, transit, package inserts and kiosks, all have a unique ability to reach audiences on a more personal level

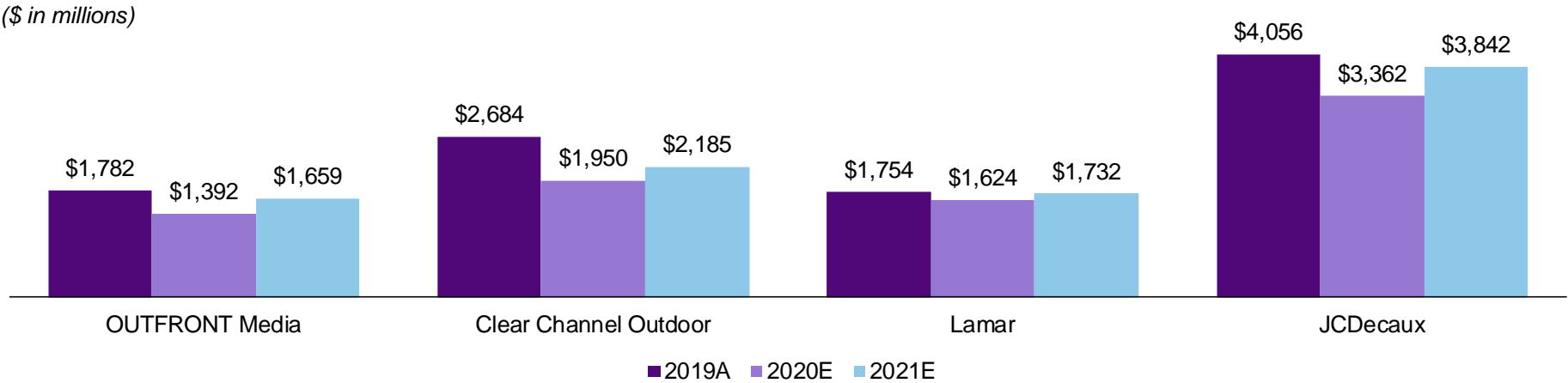
LEVERAGING DATA- DRIVEN SOLUTIONS

- To target a consumer through hyperlocal messaging, it is important to leverage data to increase campaign effectiveness and reach
- Recently, foot traffic has experienced dramatic decreases compared to the same time last year
 - Airports, restaurants, hotels and malls are all decreasing in foot traffic as they remain closed due to COVID
 - However, certain essential businesses have seen encouraging increases in foot traffic, including supermarkets, gas stations and general merchandise stores that have been on the front lines of retail reopening

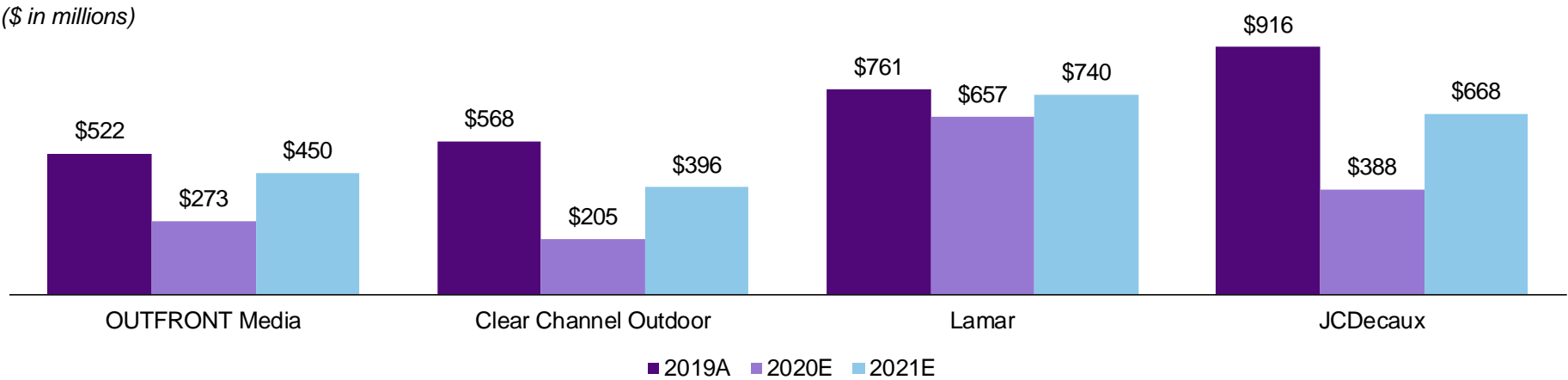
OOH REVENUE AND EBITDA ESTIMATES

OOH operators are projected to see revenue and EBITDA declines in 2020, with 2021E revenue and EBITDA estimates expected to be closer to 2019 levels

Revenue



EBITDA



Source: Capital IQ as of July 24, 2020.
Note: OUTFRONT EBITDA not adjusted to expense direct lease acquisition costs.

Television & Over-The-Top (OTT) Update

BROADCAST AND CABLE TV OUTLOOK

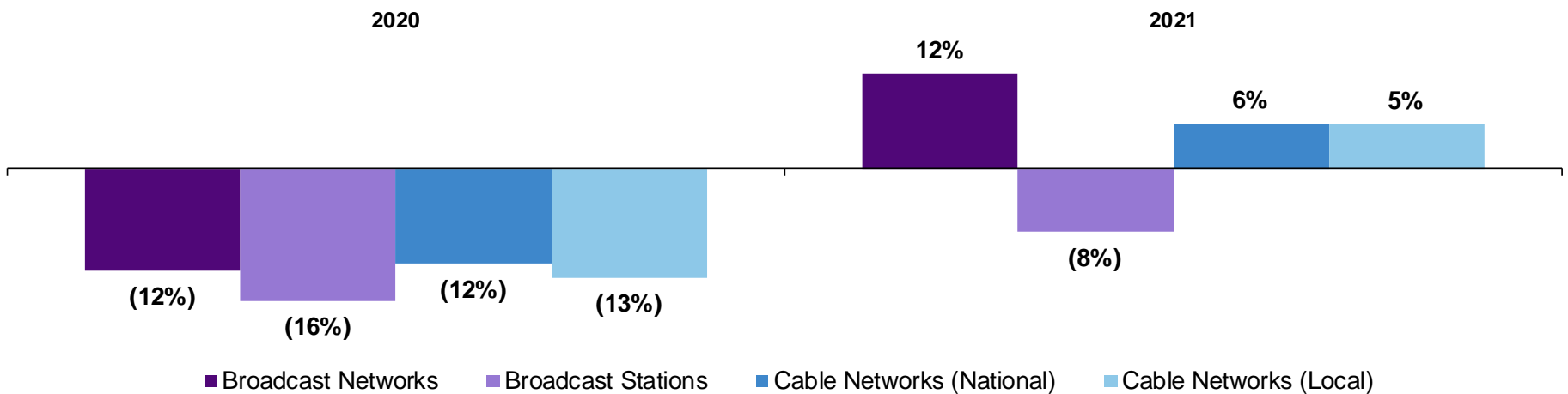
The interruption of live and linear / traditional TV programming has led to a significant cut in ad spending

POST-COVID
OUTLOOK

- Linear television ad revenues are projected to shrink by 12% in 2020
 - Ad revenues are expected to decrease due to a combination of factors, including weak demand, the cancellation of many TV campaigns and the postponement of major sporting events
- Excluding the impact of linear political ad revenues, the decline of linear ad sales are expected to be closer to 17%
- Cord-cutting hit a record high (1.8 million pay-TV subscribers) during the early months of 2020 as COVID shut down sports bars and hotels
 - AT&T lost more than one million pay-TV subscribers in the first quarter while Dish lost nearly half-a-million

COMMENTARY

Broadcast and Cable Advertising Revenue Forecasts



Broadcast and Cable TV advertising revenues are expected to shrink in 2020; Including a projected rebound in 2021, revenues remain well below 2019 levels

OVER-THE-TOP (OTT) OUTLOOK

OTT platforms have performed well during the pandemic

COVID
COMMENTARY

- Despite initial shocks to ad spend in March at the outset of COVID, OTT ad spend has bounced back over 40% during the period from April to May
 - Hulu and Sling TV, the two biggest Roku store apps by programmatic ad spend, saw significant gains (+44% and +30%, respectively)
- Consumers have increased their reliance on OTT programming to satisfy media and entertainment desires while key live programming is on hold

OTT Comparative Advantages



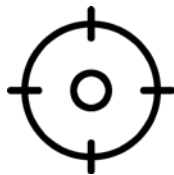
Strong Growth

OTT platforms can generate audiences comparable to those of some of the largest broadcast TV events



Non-Skippable Ad Options

Unlike traditional broadcast TV, ads on AVOD platforms can't be skipped using a DVR and generate more impressions



Data-Driven Targeting

Advertisers can leverage user data collected by platforms related to content tastes and preferences to create bespoke, curated messaging



Key Demographics

OTT is more focused on millennials because millennials are willing to pay for what they want regardless of how much it costs



Flexible Budgeting

Unlike traditional television or print media, digital media allows advertisers to make tweaks based on what the data is showing

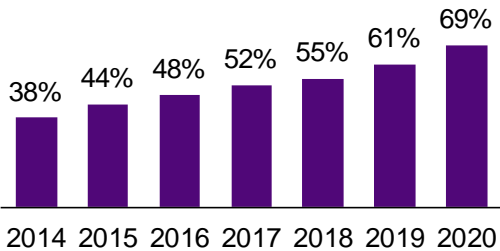
OTT TRENDS

COVID has accelerated cord cutting and consumer shift to OTT

CONTINUED CORD CUTTING

- Vizio reported a 40% increase in viewership across its connected TV platforms for both ad-supported and ad-free apps in late March / early April
- Since 2015, consumers have more than doubled the amount of time spent on Roku from 2.1 to 4.6 hours
 - Roku (~40 million active accounts, up 8% in Q1 YoY) and other connected TV platforms have taken a large share as total viewership hours have largely held steady

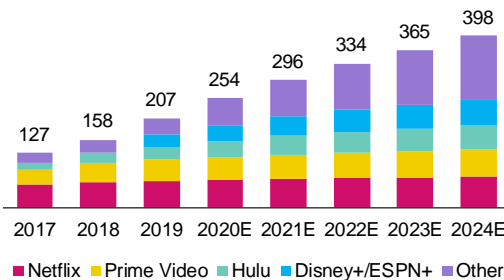
% of Consumers with a Connected TV



AVOD/SVOD AS A COMMODITY

- With disruptions in traditional cable programming, including scripted TV, sports and other live entertainment, subscription-based OTT platforms have filled the void
 - In the outset of the COVID-19 pandemic, shows including Tiger King and Love is Blind drew 64 million and 30 million subscriber views as consumer turned to OTT
 - YouTube TV subscribers grew 15% in Q1'20 to 2.3 million
- By the end of 2020, U.S. consumers are expected to hold over 250 million streaming subscriptions, up nearly 20% from 2019

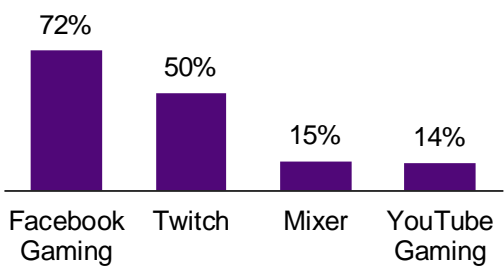
OTT Subscriptions by Platform (mm)



THE NEW APPOINTMENT TELEVISION

- In the absence of live sports and entertainment, engagement with live streaming services including Amazon's Twitch has surged
- In Q1'20, Twitch users collectively watched over 3 billion hours of content, a 12% increase year-over-year
 - Additionally, Twitch users created over 121 million hours of content during the same period
- Live and recorded user generated content on platforms, including Twitch, Facebook and YouTube garner millions of views and creates a robust audience for advertisers

% Growth (March to April)



Source: Wall Street Research.
Note: Other includes Apple TV+ and Peacock

Radio / Podcasting Update

RADIO OUTLOOK

Pandemic expected to accelerate radio decline, with potential long-lasting effects as ad dollars shift to other advertising channels

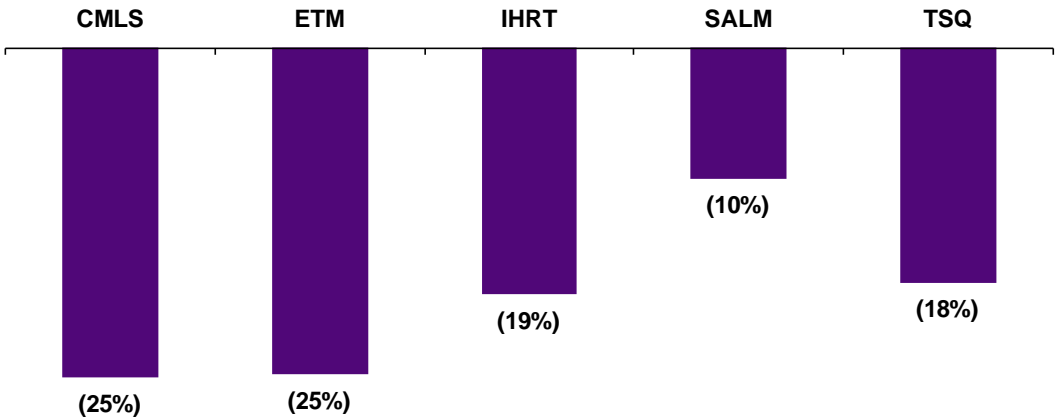
POST-COVID
OUTLOOK

- Radio advertising is expected to be relatively hard-hit, with Wall Street consensus estimates for public operators' revenue down 10 - 25% and industry estimates generally tracking revenue down 15% - 20%
 - Represents acceleration of radio's typically flat YOY growth

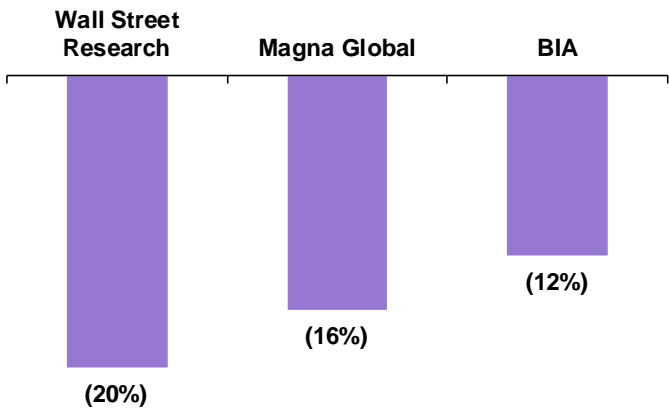
COMMENTARY

- Decline driven by (i) prevalence of local advertising and (ii) strong decrease in listenership as a result of the pandemic ending / postponing commutes to work
 - Some stations have seen a spike in audience as a result of increased listening at home
- Listenership drop generally seen as an acceleration of an already-declining audience, with AM/FM radio listenership having decreased 5 percent from 2017 to 2019 as listeners shift to streaming music and podcasts

2020 Revenue Estimates for Public Radio Operators



2020 Industry Estimates



“This kind of change was going to take place over the next decade.
But the pandemic has shown us what our future is now.”
- NPR Executive

PODCASTING OUTLOOK

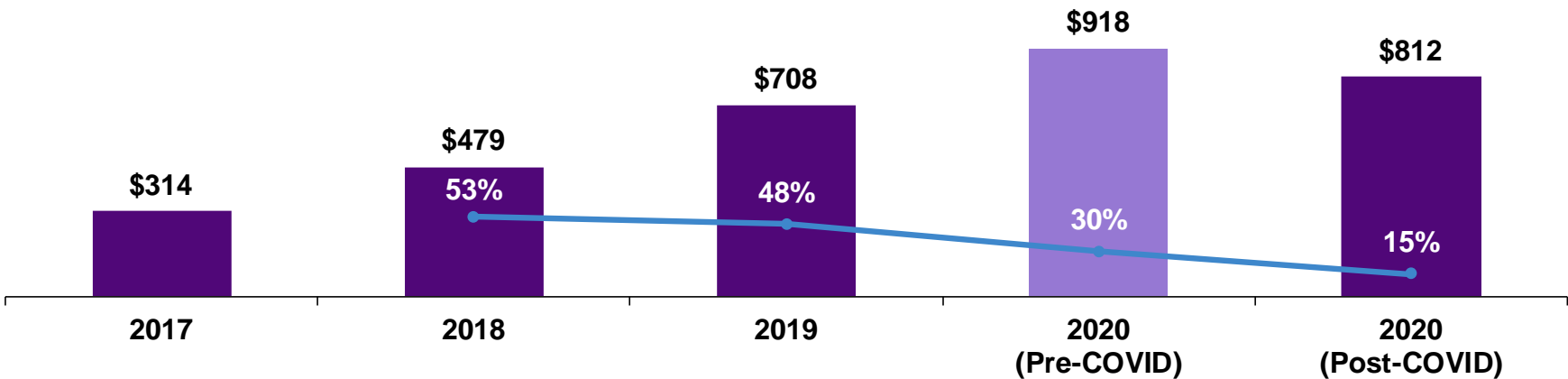
Podcast advertising expected to grow in 2020, despite declines in other audio ad mediums

POST-COVID
OUTLOOK

COMMENTARY

- Despite COVID, podcasting is expecting to continue to grow in 2020, with ~15% 2020 growth expected, based on a survey of companies in the industry^(a)
 - Down from ~30% growth expected for 2020 prior to the pandemic
- Podcast advertising is particularly well-positioned
- Digital format enables quick shift in ad messaging changes
 - Substantial portion of podcast advertising is performance-based
 - Consumption trends continue to rise, while investments in ad tech are attracting more advertisers to the channel
 - Podcast formats most favored by advertisers, including news, are seeing greater adoption in 2020 as a result of COVID
 - Top podcast advertisers (e.g., DTC and Financial) are performing relatively well compared to top advertisers in other media

Historical and Projected U.S. Podcast Advertising Revenue



Source: IAB / PWC, and other Wall Street Research.
a) Per IAB.

PODCASTING TRENDS

Radio and new media companies have begun to focus corporate development and M&A efforts on podcasting

THE NEW AUDIO BATTLEGROUND

- Entercom, iHeart, Sirius, and Spotify have all made substantial investments into podcasting
 - With other mediums starved for growth (terrestrial radio) or profitability (streaming music), podcasting will likely remain a continued area of focus
- While the podcasting industry is still nascent and historically open, we expect to see continued consolidation, and with it, a proliferation of “first-party” or “exclusive” podcasts, as well as proprietary podcasting platforms and advertising technology



Entercom



Cadence13

- In August 2019, Entercom announced it had acquired podcast content network Pineapple Street Media and ad distribution / production company Cadence13, for ~\$70 million



- Acquired podcast producer StuffMedia in 2018 for ~\$55 million
- Now offers 750 original podcasts with 215 million monthly downloads
- Recently announced podcasts with Vice and Warner Media



adswizz



- Acquired AdSwizz in May 2018, a leader in audio advertising technology
- In June 2020, acquired podcast management platform Simplecast
- Acquired Stitcher for ~\$300 million in July 2020



GIMLET



- Acquired Gimlet Media in February 2019 for \$230 million
- Acquired the Ringer in February 2020 for ~\$200 million
- Announced partnership with Joe Rogan Experience in May 2020

Print Update

PRINT OUTLOOK

Annual decline worsened by pandemic, potentially leading to shakeout in the industry

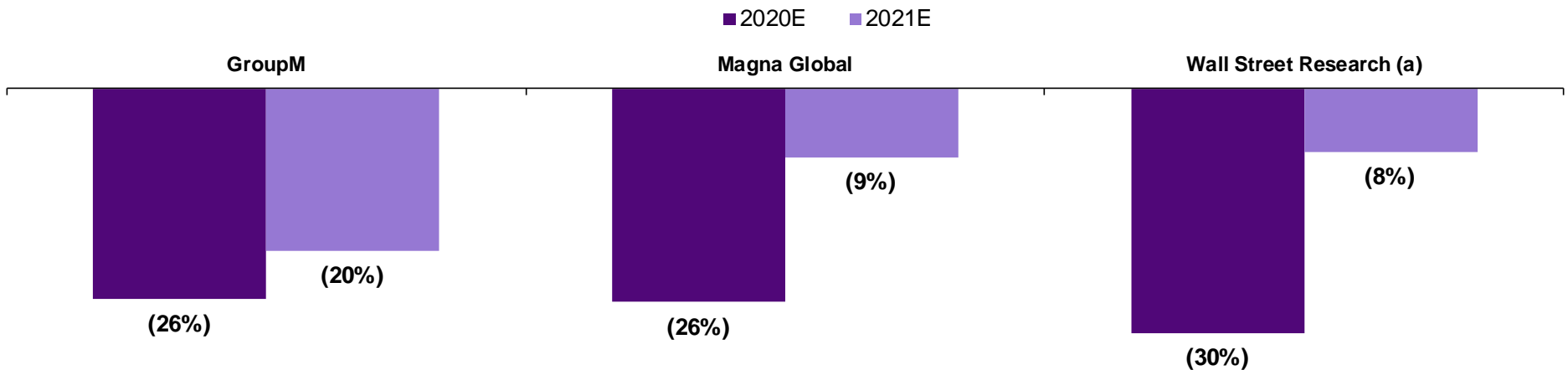
POST-COVID
OUTLOOK

- The pandemic has further accelerated print advertising’s decline, with pre-COVID estimates of ~15-20% decreases moving to expected decreases of 25-30%
 - Driven by businesses’ continued shift to online and other formats, as well as pull-back of local advertising as post-pandemic ad budgets shrink

COMMENTARY

- May lead to a shakeout in the industry, with many newspapers and magazines already struggling prior to COVID
 - Between 2005 and 2018, newspapers lost more than 70% of their advertising revenue
 - Newspapers especially focused on local news are particularly vulnerable
 - In April, Gannett noted that it expected its revenues to be "significantly impacted by the COVID-19 pandemic" as a result of declines in advertising and events

2020E / 2021E Print Ad Spend Industry Growth Estimates

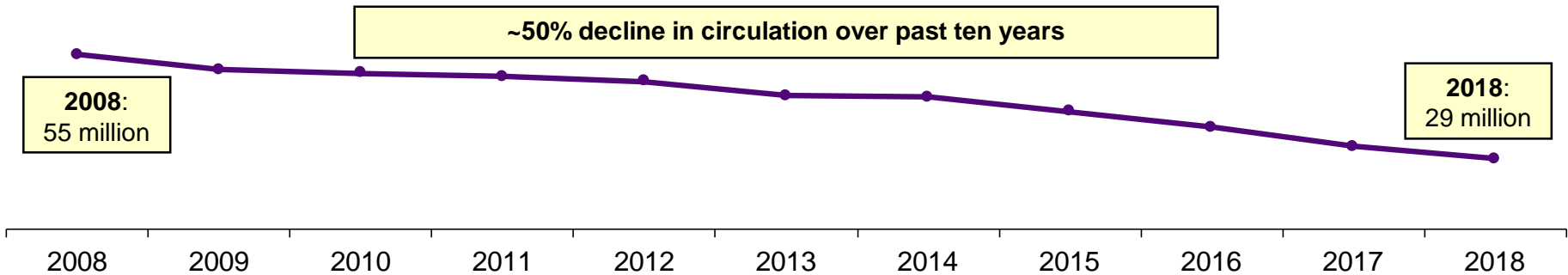


Source: Wall Street Research.
a) Represents average of newspaper and magazine ad spend projections.

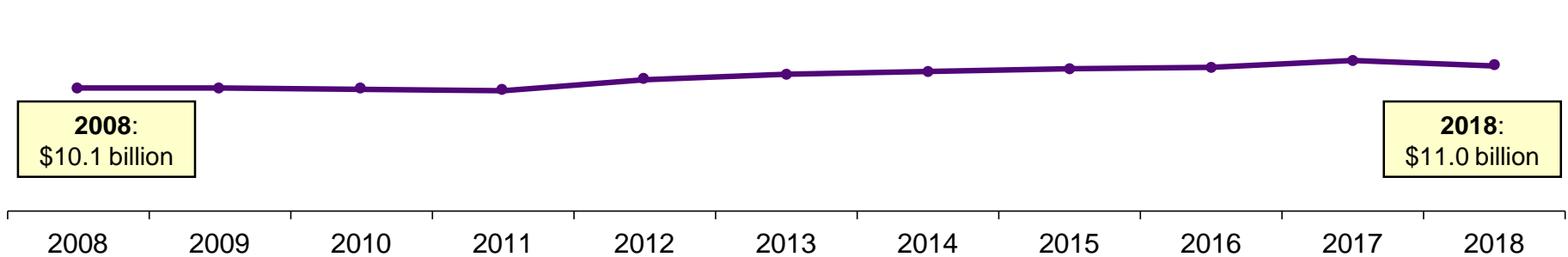
PRINT TRENDS: CONTINUED DECLINE IN NEWSPAPER CUSTOMER BASE AND AD REVENUE

Circulation and advertising declines look irreversible

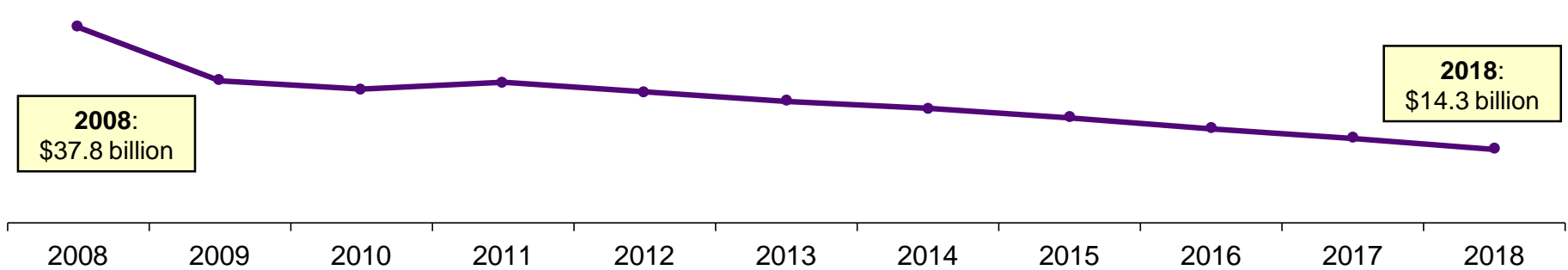
U.S. Weekday Newspaper Circulation Dropping...



...But U.S. Newspaper Circulation Revenue^(a) Has Held Steady...



...While U.S. Newspaper Advertising Revenue Has Decreased Significantly



Source: Wall Street Research.
a) Inclusive of digital subscription revenue.

Key Takeaways

KEY TAKEAWAYS

- With the onset of COVID-19, advertising budgets were cut in 2020 as companies across the U.S. slashed expenses to conserve cash
- However, while total U.S. ad spend is projected to decrease in 2020 (down 6 – 8%, including spend from cyclical events), not all ad channels are expected to be impacted equally
- While we expect most classic mediums (TV, print, radio) to continue to decline, we are bullish on two key channels going forward:

1 DIGITAL ADVERTISING

- Digital advertising is the only major channel not projected to decline in 2020, and while recent boycotts have generated attention, we do not expect them to have a major impact on industry's macro prospects
- Consumer spend has shifted from experiences to e-commerce as a result of quarantines, providing a meaningful tailwind to online ad platforms

2 OUT OF HOME (OOH) MEDIA

- Though OOH Media is expected to decline 15 – 20% as a result of COVID, we remain very positive on OOH in the long term
- OOH Media is expected to experience the largest bounce-back in 2021, as OOH is the *only* classic media channel that can both effectively reach an audience en masse and resist deterrents such as ad blocking

As marketing budgets begin to come back, we expect a large portion of those dollars to flow to digital and OOH

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