TELEVISION & OVER-THE-TOP (OTT)

PJ SOLOMON Media and Tech Services Market Update

PJ SOLOMON

August 2020

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PJ SOLOMON Update

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PJ SOLOMON UPDATE

- 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

135+ Employees

100+ Investment Bankers

24 Managing Directors

8 Senior Advisors

7 Verticals

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	Asset & Wealth Management	Insurance	Specialized Financial Services

- €9.6B+ Net Revenues [a]
- €1.7B+ Net Profit [a]
- €500B+ Total Assets [a]
- 240+ M&A Professionals [a]
- 38+ Countries

A+	A2	A
S&P	Moody's	Fitch

Long Term Ratings (All Stable)

51% Owned by Natixis | 49% Owned by Partners

PJ SOLOMON

a) LTM as of November 30, 2019.

PJ SOLOMON MEDIA AND TECH SERVICES TEAM

Senior bankers with judgement and experience

Mark A. Boidman
Managing Director
Head of Media & Tech Services

W 212.508.1661
M 917.526.1092
mboidman@pjsolomon.com

- 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

W 212.508.1621
M 646.522.8353
bzinder@pjsolomon.com

Recent Media & Tech Services Transactions

- Ongoing sellside of out of home media company
- Restructuring of Mood Media
- Ares preferred equity investment in Outfront
- Sale of Total Outdoor assets to each of American Tower, New Tradition and Pacific Outdoor
- Sale of Exterion 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

Christian Bermel
Associate

W 646.708.8478
M 860.371.5882
cbermel@pjsolomon.com

Recent Media & Tech Services Transactions

- Ongoing sellside of out of home media company
- Restructuring of Mood Media
- Ares preferred equity investment in Outfront
- Sale of Exterion 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

W 646.708.8473
M 516.732.9302
evolk@pjsolomon.com

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
- Connected Media Solutions
- 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

EXPERIENCED ADVISOR IN TELEVISION AND OTT / STREAMING TRANSACTIONS

PJ SOLOMON has relevant industry and transaction-specific expertise

- PJ SOLOMON Bankers have advised on a number of television and OTT transactions over the course of their careers
  - Advised Banijay on its acquisition of Endemol Shine Group
  - Advised Netflix on its acquisition of assets of Regency
  - Advised Special Committee of Mediacom on $3.9Bn go-private by founder and control shareholder
  - Advised Committee of the Cablevision Board regarding spin-off of MSG
  - Advised Scripps / Cox on strategic joint venture in the Travel Channel
  - Advised Independent Committee of Charter Communications on capital structure and potential sale transaction
  - Advised Special Committee of Cablevision on $22Bn buyout offer by Dolan Family (terminated)
  - Advised Viacom on $40Bn merger with CBS Corporation
  - Advised Buyer on potential acquisition of Crackle
  - Advised Newsy on its sale to Scripps

Media Channel Trends

EXECUTIVE SUMMARY

As COVID accelerates the trend of audiences shifting from linear TV to streaming, advertising dollars are beginning to follow

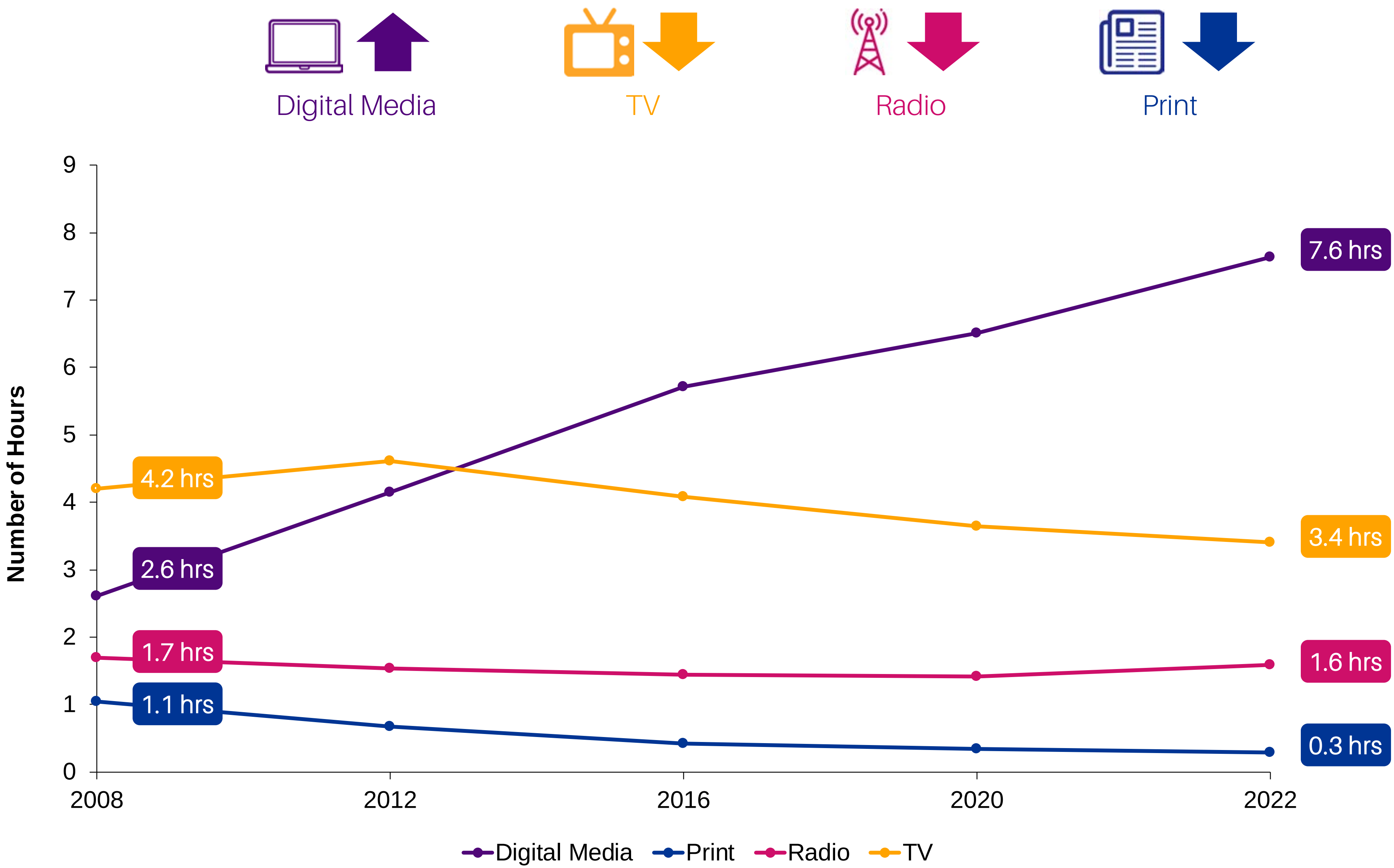
TV

- Cord cutting continues to hit record highs as over 1.8 million pay-TV subscribers left cable
- TV ratings are down significantly (10–12%) overall as limited live events and new content available
- Ad revenues are expected to decrease 24% in Q2 and 12–16% overall in 2020
  - Belief that TV ad spend will not recover to pre-COVID-19 levels until well into 2021
  - Brand advertisers are spending more money on streaming inventory in order to reach the audiences that are leaving traditional, linear TV

OTT

- Streaming hours are surging as the re-platforming of TV to streaming has accelerated
- Marketers are re-allocating spend and following consumers in the shift to streaming
  - Streaming will account for a larger slice of the ad dollars committed in this year's annual upfront negotiations compared to previous years
    - Estimated that 25% to 30% of dollars committed in the upfront market will go to streaming, compared to 10% to 20% in prior years
- Streaming and OTT providers have been able to increase advertising spend through:
  - Offering incremental reach guarantees and cordoning off most prized inventory
  - TV networks have enhanced streaming pitches by acquiring ad-supported streaming services like Hulu, Pluto TV and Tubi
  - Guaranteeing that upfront advertisers will only pay for ads shown to viewers that are additional to linear TV
  - Building DSPs and creating partnerships with third-party physical vendors to "close the loop"
  - Flexibility on content / advertising to be shown and ability to cancel commitments in shorter time frames than for traditional TV

HOW CONSUMERS SPEND THEIR TIME



Source: eMarketer.

U.S. Television Update

BROADCAST AND CABLE TV OUTLOOK

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

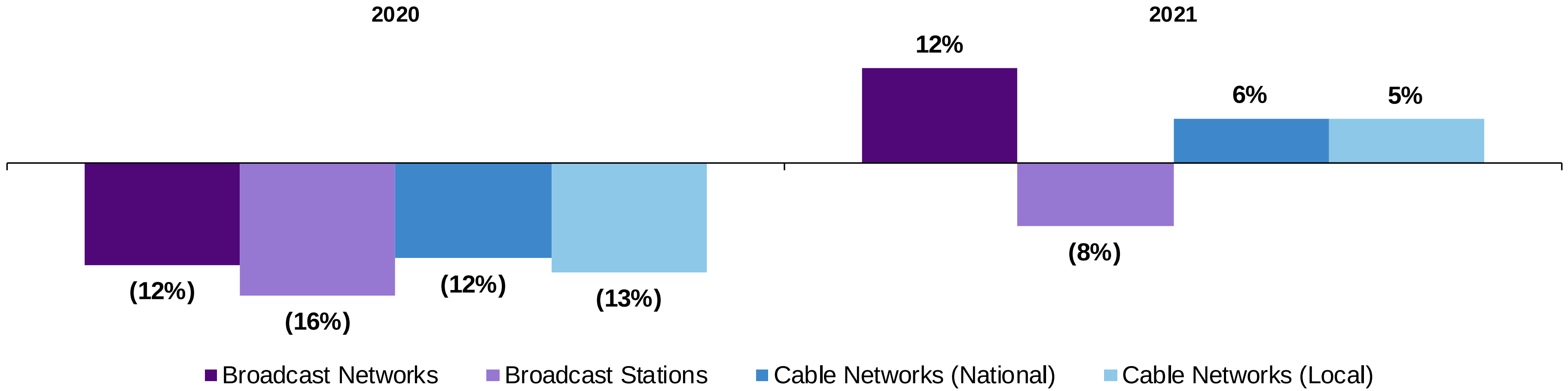
Post-COVID Outlook

- Linear television ad revenues are projected to shrink by 12% in 2020
  – Q2 U.S. TV advertising spend is expected to decline 24%
  – 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

Commentary

- Excluding the impact of linear political ad revenues, the decline of linear ad sales are expected to be closer to 17% for 2020
- Cord-cutting hit a record high (1.8 million U.S. 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

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

Source: Wall Street Research, MAGNA and the Wall Street Journal.

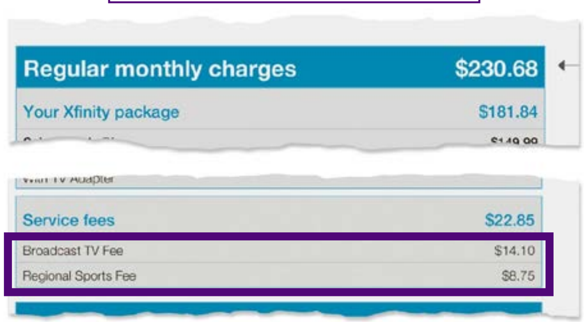
THE NEW NORM

The broadcast television ecosystem has had to adapt to its new COVID reality

Unbundling and Unsubscribing

- With little to no live sports for the first few months of the COVID pandemic, many consumers cut the cord and moved exclusively to streaming
  - Some consumers only subscribe to cable for access to national and regional sports networks that are bundled as part of a cable package
- Faced with the prospect of a subscriber exodus, companies like Verizon have started to review their contractual relationships with networks and leagues in an attempt to reduce subscriber costs

Illustrative Cable Bill



Shift in Ad Buying

- Historically, about one-third of the roughly $65 billion in annual TV ad spending occurs during the upfront in advance of the traditional September-to-May television season
  - This year, without live sports or production of new series, the TV ad environment is dealing with uncertainty
- In response, The Association of National Advertisers called on the TV industry to permanently delay upfront ad buying and suggested a shift to calendar-year deals

> ***"While there are benefits to the upfront, it remains an antiquated business system that needs reform."***
>
> **- Marc Pritchard, Chief Brand Officer Procter & Gamble**

Survive and Advance

- Trying to re-engage with their viewers, broadcast TV networks have found new ways to continue live and scripted television
  - Live shows including *Saturday Night Live, The View* and *Tonight Show* all turned to Zoom or other video platforms to continue producing content
  - Scripted television programs such as NBC's *The Blacklist,* which features in-person acting, animated parts of its season finale that weren't able to be filmed

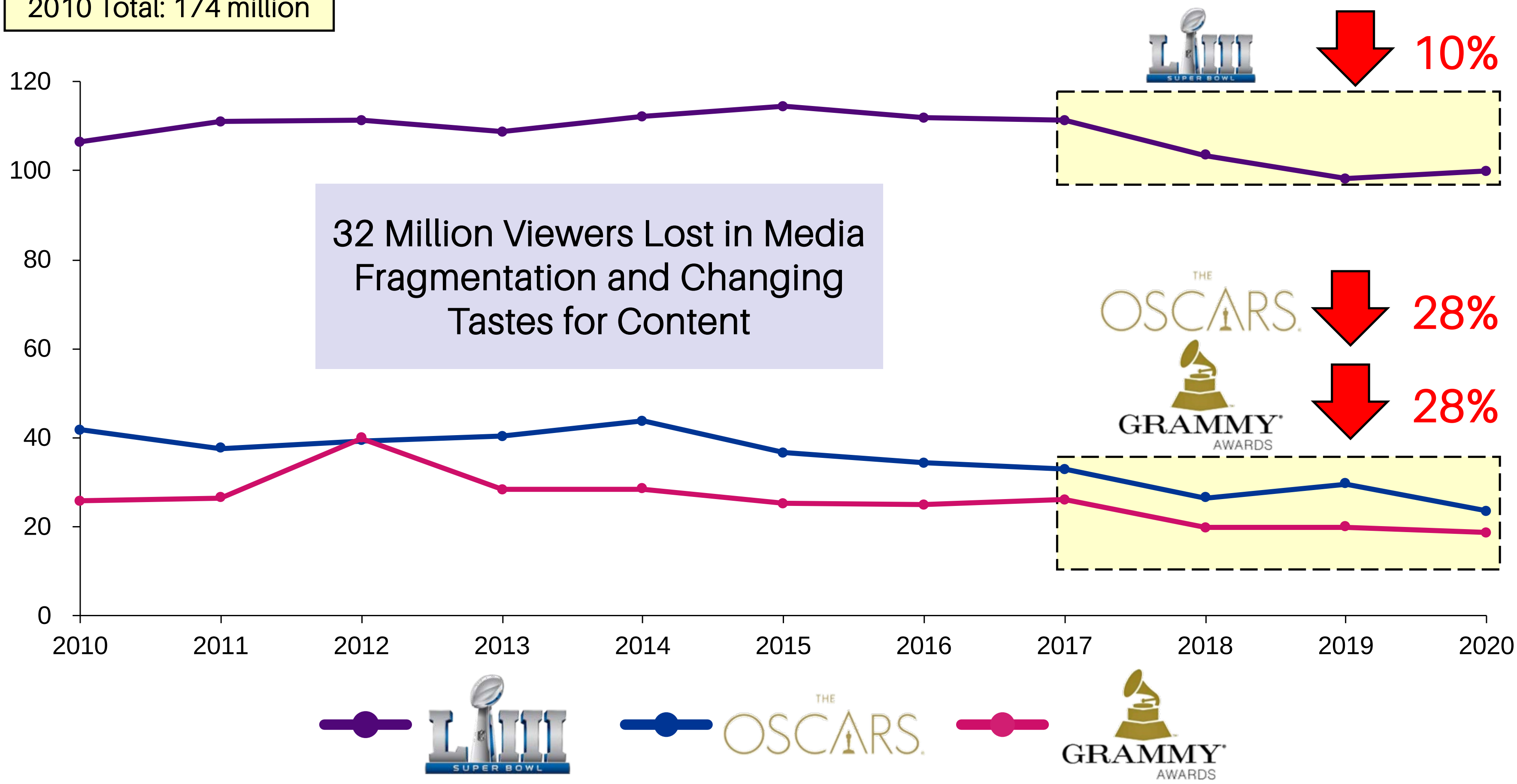
Source: Wall Street Journal, Time Magazine, New York Times and Deadline.

MAJOR TV EVENT AUDIENCES ARE STAGNATING OR FALLING…

(Amounts in Millions of TV Viewers)

2010 Total: 174 million

2020 Total: 142 million

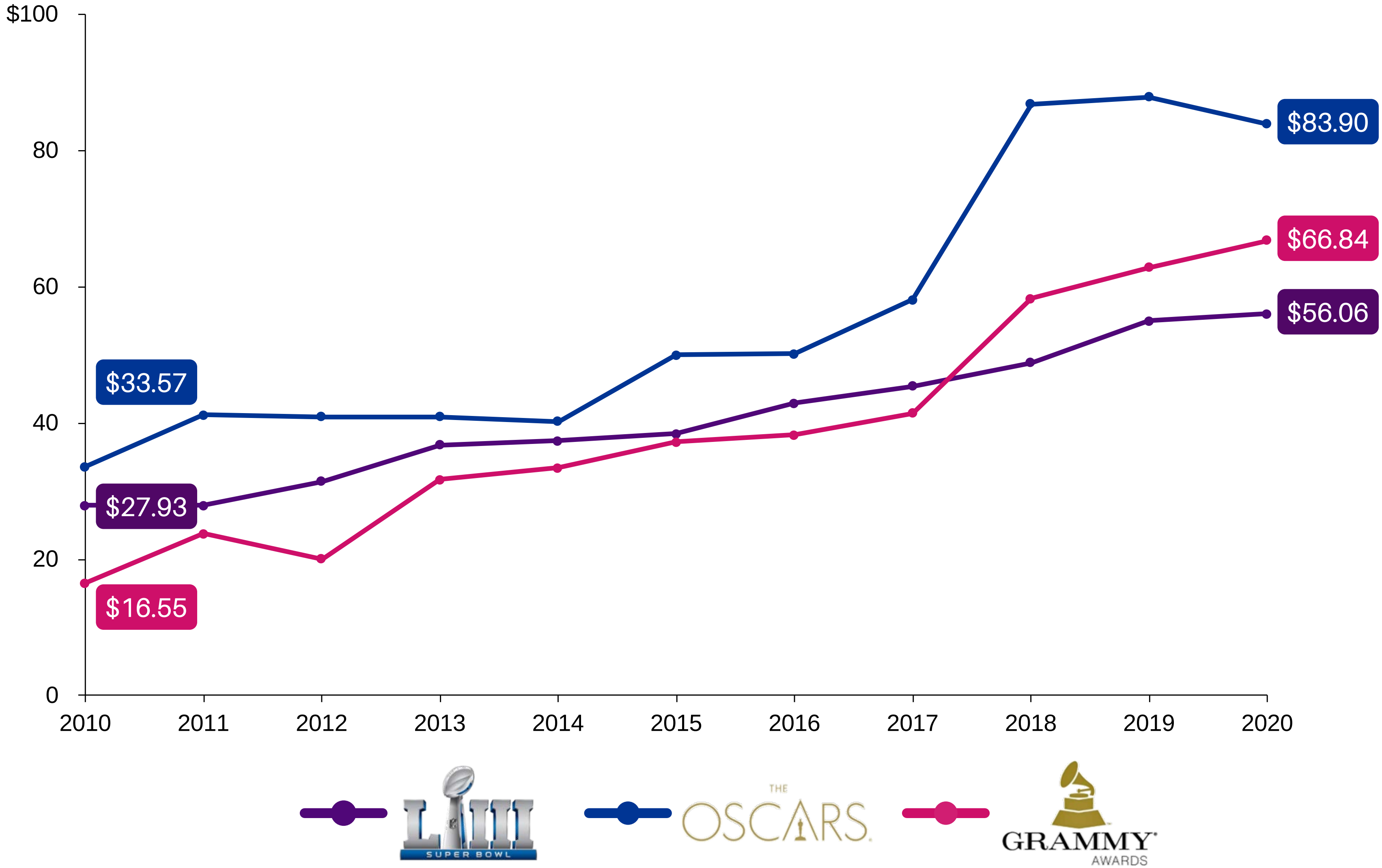


COVID will Exacerbate These Trends

Source: Publicly available information.

…WITH CPMS FOR MAJOR TV EVENTS RISING

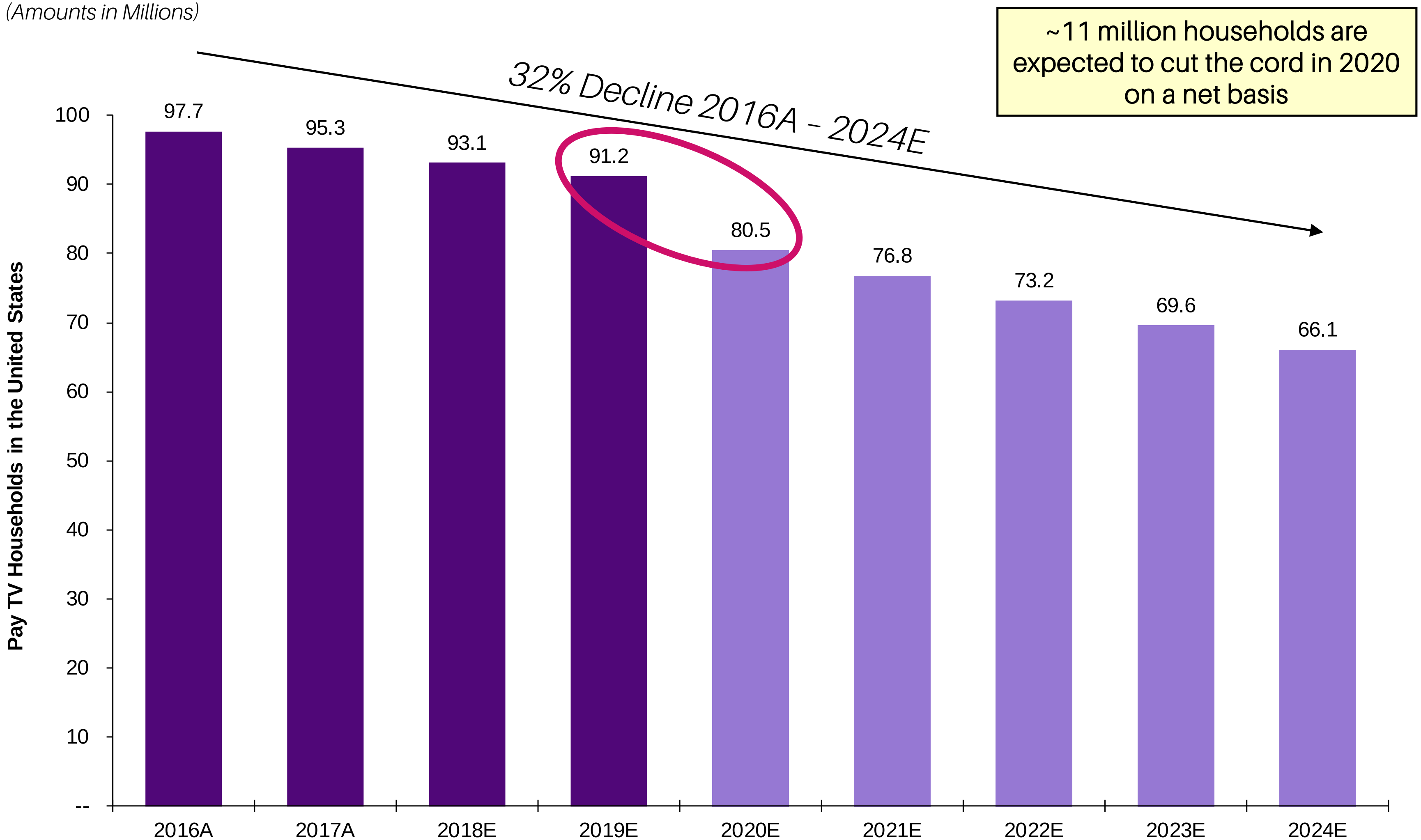
(Amounts in Dollars per Thousand Viewers)



Source: Publicly available information.

PAY TV HOUSEHOLDS ARE DISINTEGRATING

(Amounts in Millions)



Source: eMarketer.

Over-The-Top (OTT) Update

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OTT MARKET LANDSCAPE

PLATFORMS & DEVICES

- tv
- chromecast
- fire tv stick
- LG
- nexus player
- Roku
- SAMSUNG
- SHARP
- SONY
- VIZIO

SVOD

- tv+
- ACORN TV
- BET+
- britbox
- CBS ALL ACCESS
- Disney+
- epix NOW
- ESPN+
- FOX SPORTS GO
- HBO max
- hulu
- NETFLIX
- peacock
- prime video
- Quibi
- SHOWTIME
- STARZ HD

AVOD

- CRACKLE
- hulu
- peacock
- PLUTO TV
- redbox
- Roku TV
- tubi
- VUDU
- XUMO

TVOD

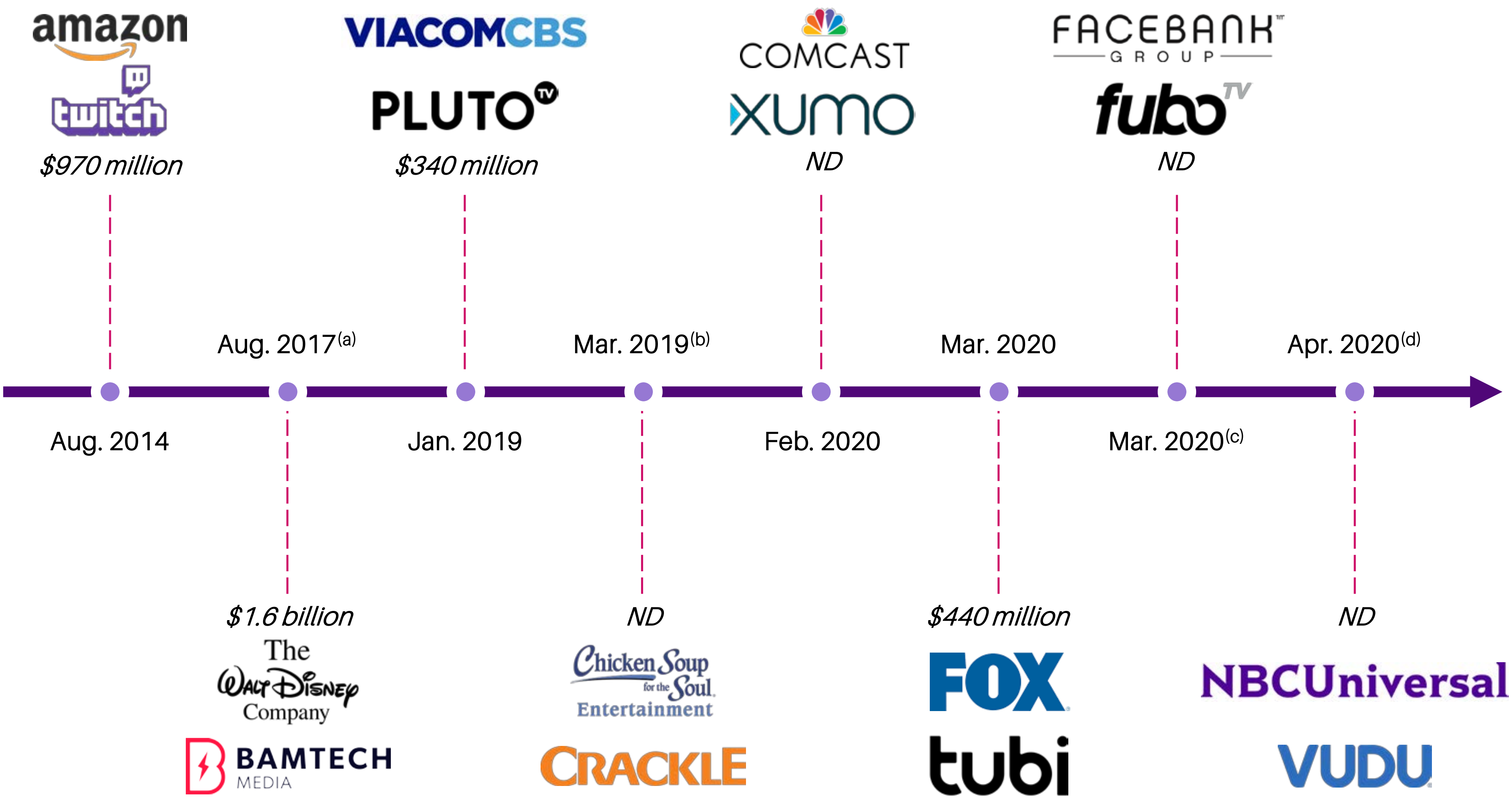
- AT&T tv NOW
- DIRECTV
- fubo TV
- hulu
- philo
- prime video
- redbox
- sling
- VIZIO
- VUDU
- YouTubeTV

LIVE STREAMING

- LIVE
- Periscope
- twitch
- YouTube

OTT INDUSTRY TRANSACTIONS

Recently, leading mass media companies have acquired niche AVOD platforms to expand their OTT capabilities



a) The Walt Disney Company acquired an additional 42% stake for $1.6 billion to retain a majority ownership (previously owned 33%).
b) CSS Entertainment acquired a majority ownership position in Crackle from Sony Pictures Television to launch Crackle Plus.
c) fuboTV became a wholly-owned subsidiary of FaceBank following the merger.
d) Fandango, a division of Comcast's NBCUniversal, acquired Vudu from Walmart.

KEY OTT OWNERSHIP

amazon	fire tv stick	prime video	twitch	
AT&T	AT&T tv NOW	DIRECTV	HBO max	otter
COMCAST	NBCUniversal	peacock	VUDU	XUMO
FOX	FOX SPORTS GO	tubi		
The Walt Disney Company	BAMTECH MEDIA	Disney+	ESPN+	hulu
VIACOMCBS	BET+	CBS ALL ACCESS	PLUTO TV	SHOWTIME

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	Non-Skippable Ad Options	Data-Driven Targeting	Key Demographics	Flexible Budgeting
OTT platforms can generate audiences comparable to those of some of the largest broadcast TV events	Unlike traditional broadcast TV, ads on AVOD platforms can't be skipped using a DVR and generate more impressions	Advertisers can leverage user data collected by platforms related to content tastes and preferences to create bespoke, curated messaging	OTT is more focused on millennials because millennials are willing to pay for what they want regardless of how much it costs	Unlike traditional television or print media, digital media allows advertisers to make tweaks based on what the data is showing

Source: Wall Street Research, MarTech Series, Media Shark.

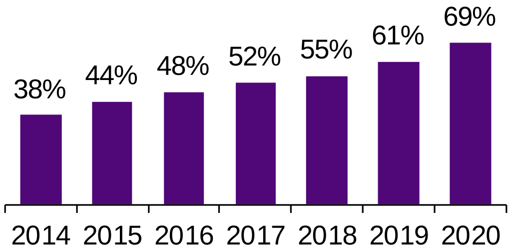
OTT TRENDS

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 (~43 million active accounts, up 42% in Q2 YoY) and other connected TV platforms have taken a large share as total viewership hours have largely held steady

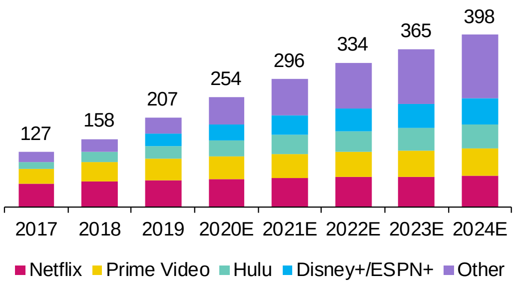
% of Consumers with a Connected TV



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 like 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

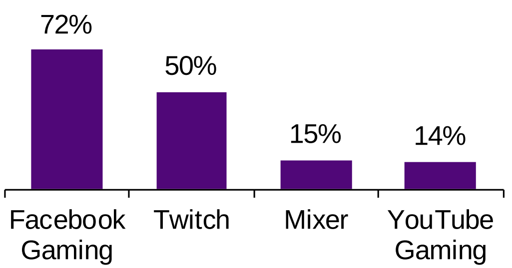
OTT Subscriptions by Platform (mm)



The New Appointment Television

- In the absence of live sports and entertainment, engagement with live streaming services like 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)



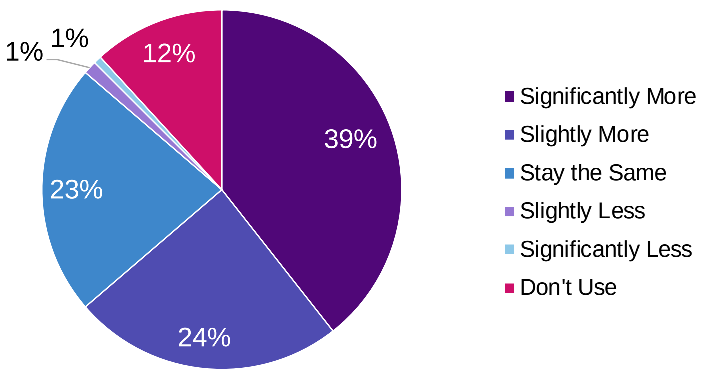
Source: Wall Street Research.
Note: Other includes Apple TV+ and Peacock.

GAINING STREAM

Interest in and engagement with streaming services has surged in the first half of 2020

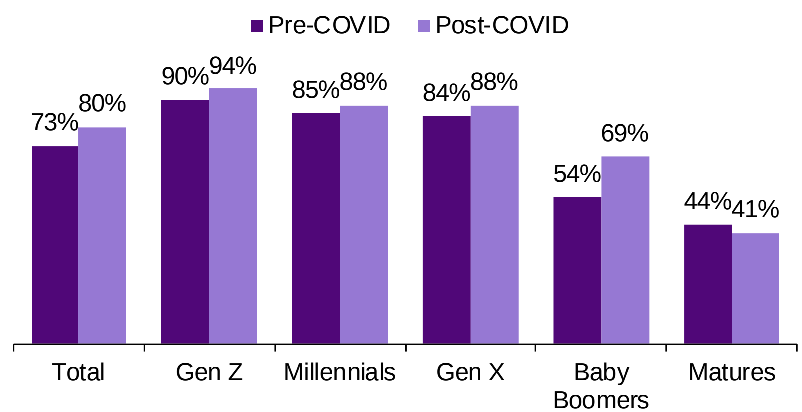
Live Streaming Replaces Live Television[a]

YouTube Usage During Quarantine



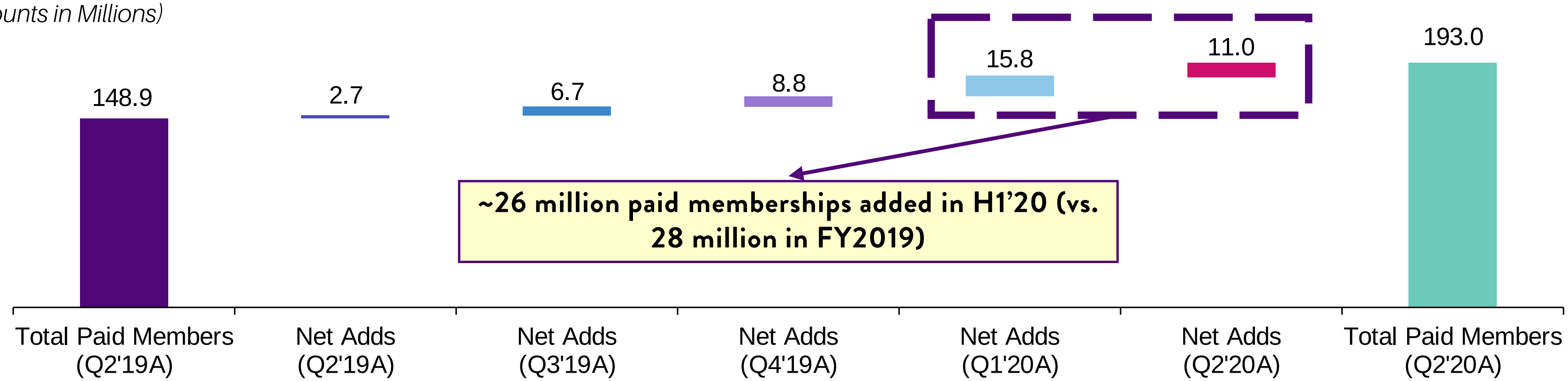
Subscriptions Have Become a "Must Have"[b]

Consumers with One or More Paid Video Subscriptions



LTM Netflix Paid Membership Growth

(Amounts in Millions)



Source: Netflix, Deloitte, Statista and other publicly available information.

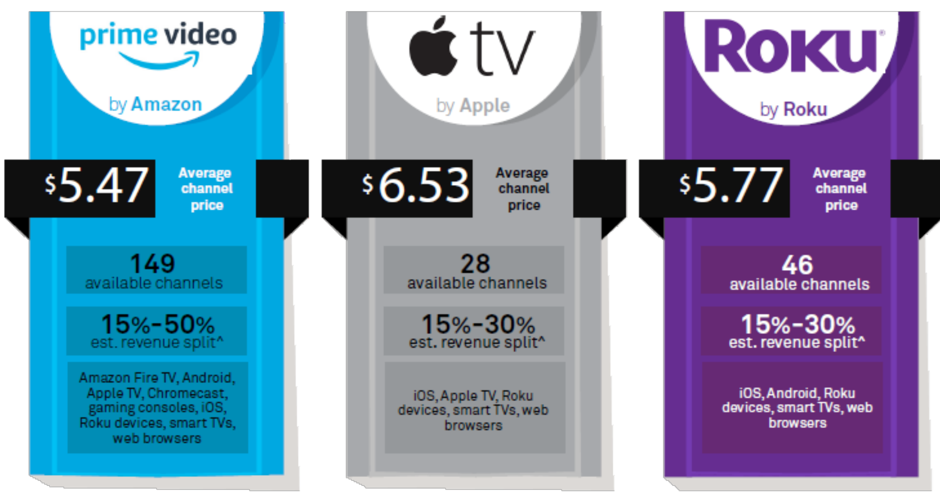
a) Represents responses to the question "How much will your time spent with YouTube change if confined at home during quarantine?"

b) Represents percentage of U.S. consumers with at least one paid streaming video subscription. Matures represents consumers born pre-1946. Pre-COVID as of December 2019. Post-COVID as of May 2020.

OTT CHANNEL SUBSCRIPTION MODEL THRIVES IN THE U.S.

- The OTT Channel Subscription model offers a quick path to market for video services providers and alleviates some technology, billing and customer service headaches that often plagues pay-TV
- Unlike AVOD platforms such as Pluto TV and Xumo, consumers pay a periodic subscription fee to gain access to multiple channels without the hassle of advertisements
- Platforms may take a significant chunk of monthly subscriber revenue for carriage — typically ranging from 15% to 50% — but the increased distribution and visibility could lead to 50% or more of subscribers coming from Amazon Prime Video Channels and similar offerings for some services

Selected US OTT Channel Subscription Platforms



<u>OTT Channel Providers Progression</u>

- Amazon was the first to roll out a subscription channels offering in late 2015
- Roku debuted premium subscriptions at The Roku Channel in January 2019
- Apple TV channels began operations in May 2019

Source: S&P Global Market Intelligence.

SHIFT IN AD SPEND

As consumers continue to transition from linear television to streaming, ad dollars are expected to follow

Viewership is Increasing

- The combination of COVID-19 and the increase in streaming platforms has led to step-function growth in the OTT industry
  - With this shift in viewership, OTT platforms are expected to continue to gain share in the TV advertising market
  - Even in the COVID-19 environment with consumers largely relegated to their homes, linear TV ratings are down 10% to 12%
- Networks have historically charged a premium for ads on streaming platforms relative to linear TV to encourage advertisers to funnel ad dollars to linear TV
  - Last year, networks lowered the price of their streaming inventory to be more in line with linear rates

Easier to Advertise to Reach Audience

- TV network groups – including Disney, NBCUniversal and ViacomCBS – have connected ad inventory across their connected TV and digital formats in order for advertisers to manage how often a viewer is exposed to a specific campaign
- AVOD providers have also made it easier to advertise on their platforms in an effort to facilitate the shift to digital advertising
  - Roku allows advertisers to cancel 100% of their commitments with 14 days notice, a much more flexible option compared to booking months in advance with linear TV networks

"A 15-30 second spot can influence how a consumer thinks about a brand. OTT **advertising gives us the opportunity to blend brand impact together with data, targeting and measurement."**

- Scott Rosenberg, SVP & GM of Platform Business, Roku

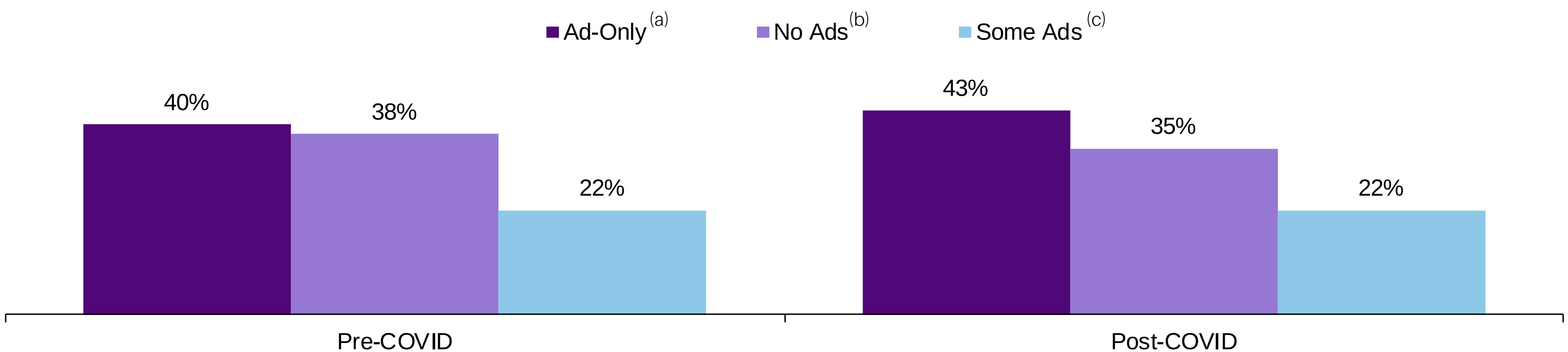
Source: Digiday, Roku.

GROWTH IN ADVERTISING-VIDEO-ON-DEMAND (AVOD)

Consumers and media companies have shown a willingness to support ad-supported streaming services

- While SVOD platforms including Netflix, Disney+ and Amazon Prime Video have dominated the streaming landscape, consumers have started to include AVOD platforms to their streaming portfolio in an effort to cut down on monthly subscription costs
  - 47% of U.S. consumers currently use at least one free ad-supported streaming service while 35% of consumers don't want ads and will pay to avoid them
- In March 2020, ViacomCBS' Pluto TV reported a 55% increase in its monthly active users, bringing its total user count to 2.4 million
- NBCUniversal's launched its new streaming platform, Peacock, in July, offering a free premium-ad supported streaming service with over 7,500 of live and on-demand content
- Tubi, which was acquired by Fox in March, recently surpassed 200 million hours streamed per month, up 100% year-over-year

Consumer Preference When Subscribing to a New Streaming Video Service



Source: Deloitte and other publicly available information.
Note: Pre-COVID is as of December 2019. Post-COVID is as of May 2020.
a) No monthly subscription fee, 12 minutes of ads per hour.
b) $12 per month subscription fee, no ads.
c) $6 per month subscription fee, 6 minutes of ads per hour.

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unrivaled wisdom