Marketplace Assessment

NBCUniversal
Contents

2022 Market in Review

Looking Forward

Economic Indicators to Watch

Key Takeaways
Why talk so much about economic trends?

The #1 factor that impacts ad spend tomorrow are economic trends today.
Agencies and Media Companies Started 2022 Optimistic

“Advertising’s robust recovery this year will be followed by double-digit gains in 2022.”

DEADLINE

“Ad spending… [will] maintain a healthy clip of 12% growth in 2022”

AdAge

“UK Report predicts another big year for ad spend”

ADWEEK

“TV advertising will remain strong this year, with the rebound in spend experienced during 2021… to continue.”

campaign
<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
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<tbody>
<tr>
<td>War in Ukraine</td>
<td>Magna projected that the invasion of Ukraine likely would decrease total ad spend by 2-3pps</td>
</tr>
<tr>
<td>Consumer Inflation</td>
<td>Coupled with ongoing supply chain problems, inflation hit its highest increase since 1980</td>
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<tr>
<td>Price at the pump</td>
<td>Gas prices hit an all time high in March (avg. $4.33 per gallon) and continued to increase for several months</td>
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<tr>
<td>Q1 GDP</td>
<td>In April, Q1 GDP was released, showing a -1.4% vs Q4’21 Annualized</td>
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<tr>
<td>Recession Rumors</td>
<td>While it was a small number, there was a 30% increase in economists calling for a recession</td>
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2022 YEAR IN REVIEW: What We Learned

How did the total ad market fare? Who were the winners? How did categories shift their buying behaviors? And what does this tell us for 2023?

Substantial growth in H1, with the year still ending strong (8%).

As more people returned to in-person activities, Apparel and Travel Services saw growth.

Digital and OOH saw the most growth, with digital carrying the bulk, growing 18%.

Linear dollars shifted more to the UF than to Scatter compared to previous years.

Sources: SMI, Internal Analysis
WHILE Ad Spend Has Started to Slow,

The year is still expected to end strong, bolstered by holiday promotions.

Ad Spend Trends Compared to Previous Period

- Total Ad Spend
- Video

- 52 Week: 11.5%
- H1 2022: 8.2%
- Recent 12 Weeks: 1.3%

Source: SMI Gross Media Spend
*All periods ending June 2022
Recent 12 Weeks # Excludes Olympics
In the first half of 2022, total ad spend increased 8.2%. Momentum expected to slow in second half due to economic headwinds. The year is expected to close at 8.1%, despite the turbulent economy.
Travel & Apparel

These industries reaped the benefits of return to in-person activities, as consumers eagerly packed their bags after two years of quarantine and restrictions.

Travel’s strong performance is expected to carry through the rest of the year with a 57% increase in ad spending as restrictions lift, and domestic travel continues to surpass pre-pandemic levels.
Drove most of the growth in H1

Movie theaters saw a steep rebound, with ad dollars reaching 6x compared to the same time last year while transit grew at more than 2x. OTT was the key driver for growth in digital.
NBCU Fared Better Than Most Competitors, Outpacing Market

Total Linear: -2%

BY21-22 Total Linear Incremental Ad Revenue
(Q4’21-Q2’22 Actuals, Q3 Projected)

- Local
- National UF
- National Scatter

Source: SMI
Even More So For Digital Video*, Outpacing Traditional Competitors

Total Digital: +22%

*Digital Video: OTT, OLV, TV Digital Networks
Source: SMI
First Look Forecast
2023 & Beyond

A look ahead at key trends impacting how categories are going to market
2023 Forecast

**Outlook Positive, Likely to Drive Healthy Ad Spend**

Weighted consensus forecast across Magna, Zenith, eMarketer, Kantar, S&P Global, Cowen and Company

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<tr>
<th></th>
<th>Total</th>
<th>Linear</th>
<th>Digital Video</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>19.4%</td>
<td>-5.2%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Our forecast</td>
<td>4.6%</td>
<td></td>
<td>12.6%</td>
</tr>
<tr>
<td>Magna</td>
<td>2.6%</td>
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**HOW WE’VE APPLIED THOSE PRINCIPLES FOR 2023:**

- Our forecast aligns with a healthy outlook, projected to drive substantial ad spend growth.
WHILE ECONOMIC SIGNALS REMAIN MIXED IN THE NEAR-TERM, Market to Strengthen in Q2 and Beyond

Forecasted to Decline
Categories for New Business Development/prospecting/demand

Forecasted to Grow
Categories to prioritize

Sources: Internal Analysis
## THE NEXT 5

### Mid-Tier + Longtail Categories Poised for Explosive Growth in 2023

<table>
<thead>
<tr>
<th>Category</th>
<th>2023 Total Spend Forecast Growth Range</th>
<th>Key Themes</th>
</tr>
</thead>
</table>
| Baby and Children Toys          | $613M − $838M                          | • Ad spending pacing 59% for CY-2022  
• Significant revenue increases forecasted through 2027 |
| Activity Education/Lessons      | $186M − $630M                          | • Higher interest for in-person lessons driving growth  
• 208% ad spend increase YoY for the 1H’22 |
| Home Maintenance Service        | $35M − $86M                            | • Ad spend expected to be up 24% for CY-2022  
• Mortgage rates are causing consumers to pivot toward remodeling |
| Energy                          | $30M − $55M                            | • Natural gas to power 50% of US HH in 2023  
• More than 1 in 7 U.S. homes will have a rooftop solar power system by 2030 |
| Pet Discretionary Spending (Hobby) | $9M − $13M                           | • Consumers are still steadily spending on discretionary pet services such as dog walking, grooming (specifically mobile groomers) and boarding care. |

### Mid-Tier + Longtail Categories Likely to Decline in 2023

#### Key Themes

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| Athletic Associations             | - Athletic associations are declining. COVID negatively impacted participation in sports  
  - Ad spend declined 71% in H1, primarily from digital |
| Packaged Breakfast Foods          | - As people return to the office, more consumers are eating breakfast on the way to work  
  - Packaged breakfast food saw ad spend decline 44% in H1 |
| Fitness Equipment                 | - Fitness equipment ad spending down 25%  
  - Consumers are returning to gyms, slowing home athletic equipment sales |
| Real Estate Investment Services   | - Real estate investment services cut ad spend by 50%  
  - Inflation + interest rates are slowing demand for real estate |
| Food Subscription Services        | - Food subscription boxes ad spend saw a 14% decline  
  - Consumers are cutting discretionary expenses as food costs remain high |

**Sources:** MediaRadar, National Federation of State High School Associations
WHAT ARE WE WATCHING FOR 2023?

4 Economic Indicators That Could Sway Ad Spend

NBCU Custom Analytics

- Pet Spend
- Ad Market Index
- Stock Market Performance

Publicly Available Data

- Price Inflation
EXECUTIVE SUMMARY
With over 70% of US HH owning pets, how people spend on pets gives us clues about Main Street’s financial health.

WHY THIS MATTERS?
Lower consumer spending almost always precedes lower advertising spend.

Discretionary Pet Spend Serves As a Good Indicator of Retail Sales

By studying spending on cats and dogs, we have near real-time consumer spending and retail sales, months ahead of when official government spending numbers are released, giving us a competitive advantage.

Sources: Numerator, American Pet Products Association
EXECUTIVE SUMMARY
We are tracking near-time real trends, that impact ad spend, like search traffic.

WHY THIS MATTERS?
It provides us a more accurate view into the future of the ad market, sooner.

The index helps us predict next month’s direction in the ad market (will go up, will go down) based on near-real time inputs like economic data, search traffic, and spending on competitive networks.
EXECUTIVE SUMMARY
The best predictor of ad spend for our Top 100 clients is their stock market performance.

WHY THIS MATTERS?
The top 100 clients represent 80% of total spend at NBCU.

OUR VERY OWN STOCK INDEX
Predicting the Ad Spend of Top Accounts

Watching the stock performance of our top accounts helps us better predict their future spend and strategize accordingly.

Sources: MediaRadar; S&P Global CIQ Custom Stock Index Top 100 Ad Spenders, 2017-2022; Publicly Traded Companies only
**EXECUTIVE SUMMARY**

We follow the Atlanta Federal Reserve’s measure on inflation, which only tracks things like food or clothes.

**WHY THIS MATTERS?**

Not only does it track closer to how advertisers spend, but it is also the type of inflation that impacts Main Street.

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*Source: Federal Reserve Bank of Atlanta, Flexible Price Consumer Price Index*

The index helps provide a better view of inflation and the economy, which has declined for 3 consecutive months, as the goods people are paying for have become cheaper.
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<td>Consumer Inflation</td>
<td>Likely to remain high but <em>according to most measures is improving</em> going into holiday season.</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>At least according to our Pet index, <em>retail sales</em> likely to see continued <em>growth through Q4</em>.</td>
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<tr>
<td>Q4 Scatter Market</td>
<td>Our demand forecast sees the video ad market <em>relatively healthy</em> at <em>10% growth in Q4 scatter</em>.</td>
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<tr>
<td>Growth Categories</td>
<td><em>Ad growth</em> likely to come from <em>travel, mid to small sized categories</em> going into Q4.</td>
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