

Communications Industry Spending & Consumption Trends

John Suhler

V S S Veronis Suhler Stevenson



Overview of VSS Verticals that
comprise the
VSS Communications Industry

Communications Industry Verticals

Information

- Professional Information & Services
- Business Information Services
- Business Services

Education

- K-12 Materials and Services
- College Materials and Services
- For Profit Schools
- Corporate Training

Marketing Services

- Promotion
- Agencies
- Custom Publishing
- PR and Word-of-Mouth
- Direct Marketing
- Tradeshows and Events

Targeted Media

- Internet (Search & Advertising)
- Mobile Advertising and Content
- Digital Out-of-Home
- Subscription TV (Cable & Satellite Television) Advertising
- B2B Magazines

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Entertainment

- Film & TV Content
- Movie Theaters
- Music
- Videogames
- Cable & Satellite Television

Traditional Media

- Newspapers
- TV
- Radio
- Yellow Pages
- Consumer Magazines

Representative Companies Comprising VSS Verticals

Information



Education



Marketing Services



Targeted Media



Entertainment



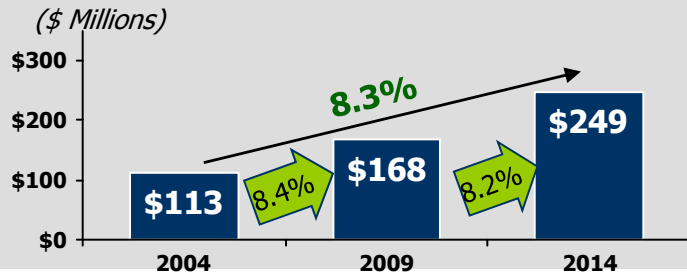
Traditional Media



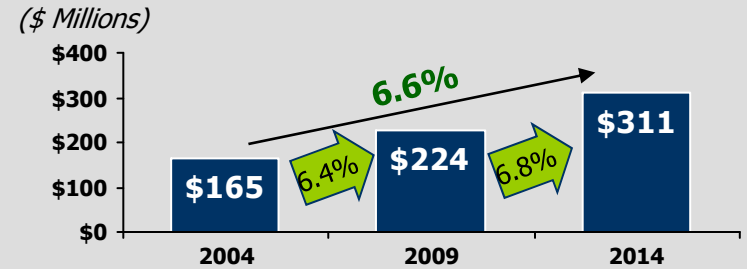
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Industry Spending by Vertical

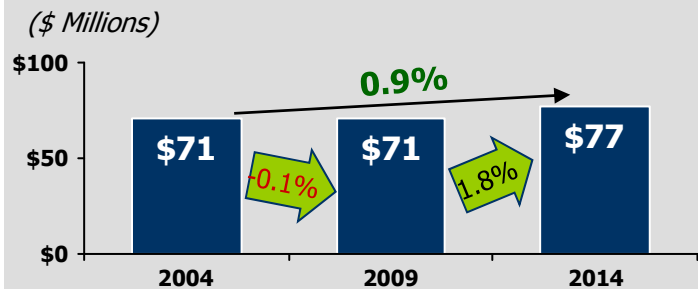
Information



Education



Marketing Services

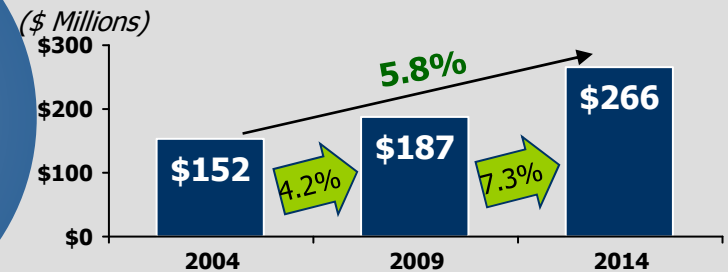


Industry Spending

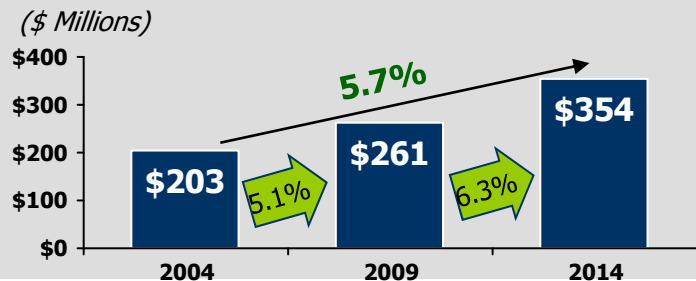
	(\$ Millions)	% of GDP
'04	\$879	7%
'09	\$1,054	7%
'14	\$1,416	8%

10 yr CAGR:
GDP: 4.7%
COMM Industry:
4.9%

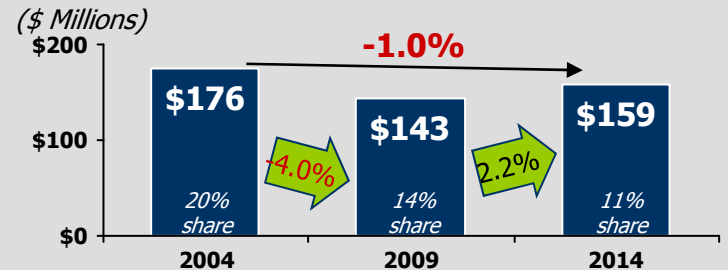
Targeted Media



Entertainment



Traditional Media



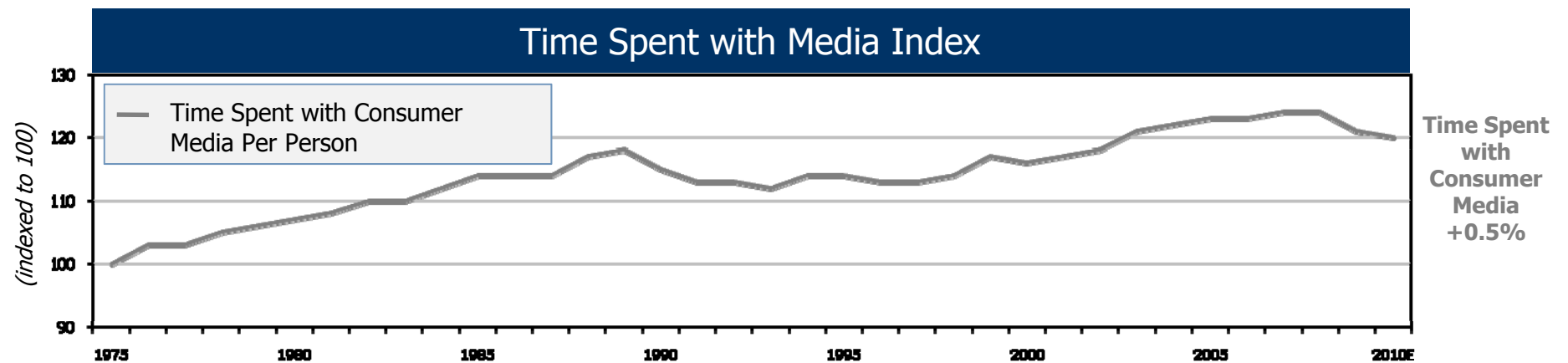
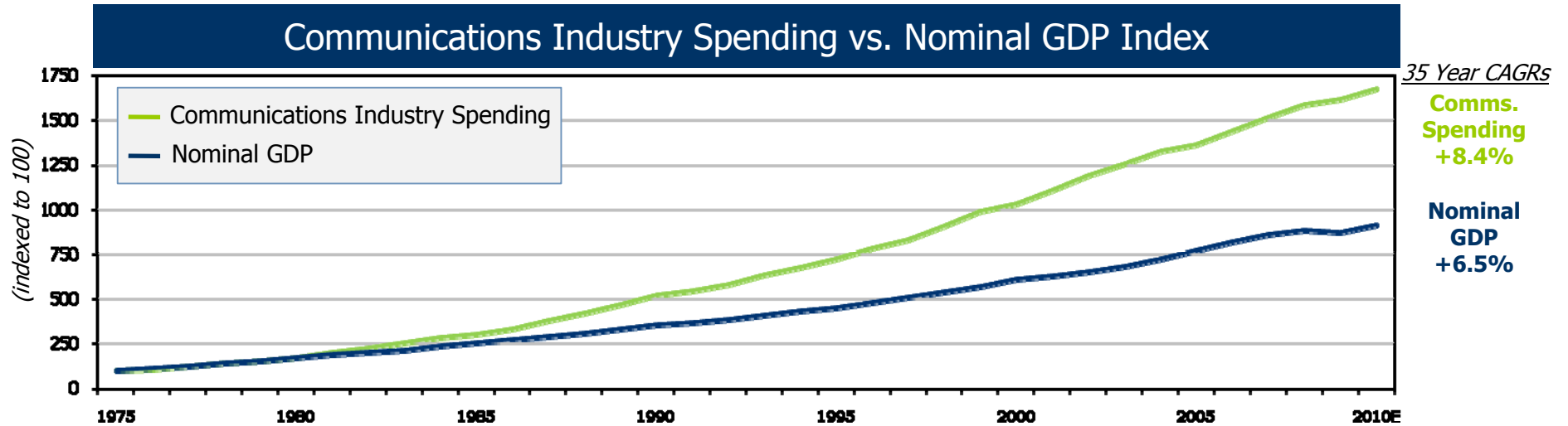
Source: VSS Communications Industry Forecast 2010



Communications Industry Growth Trends

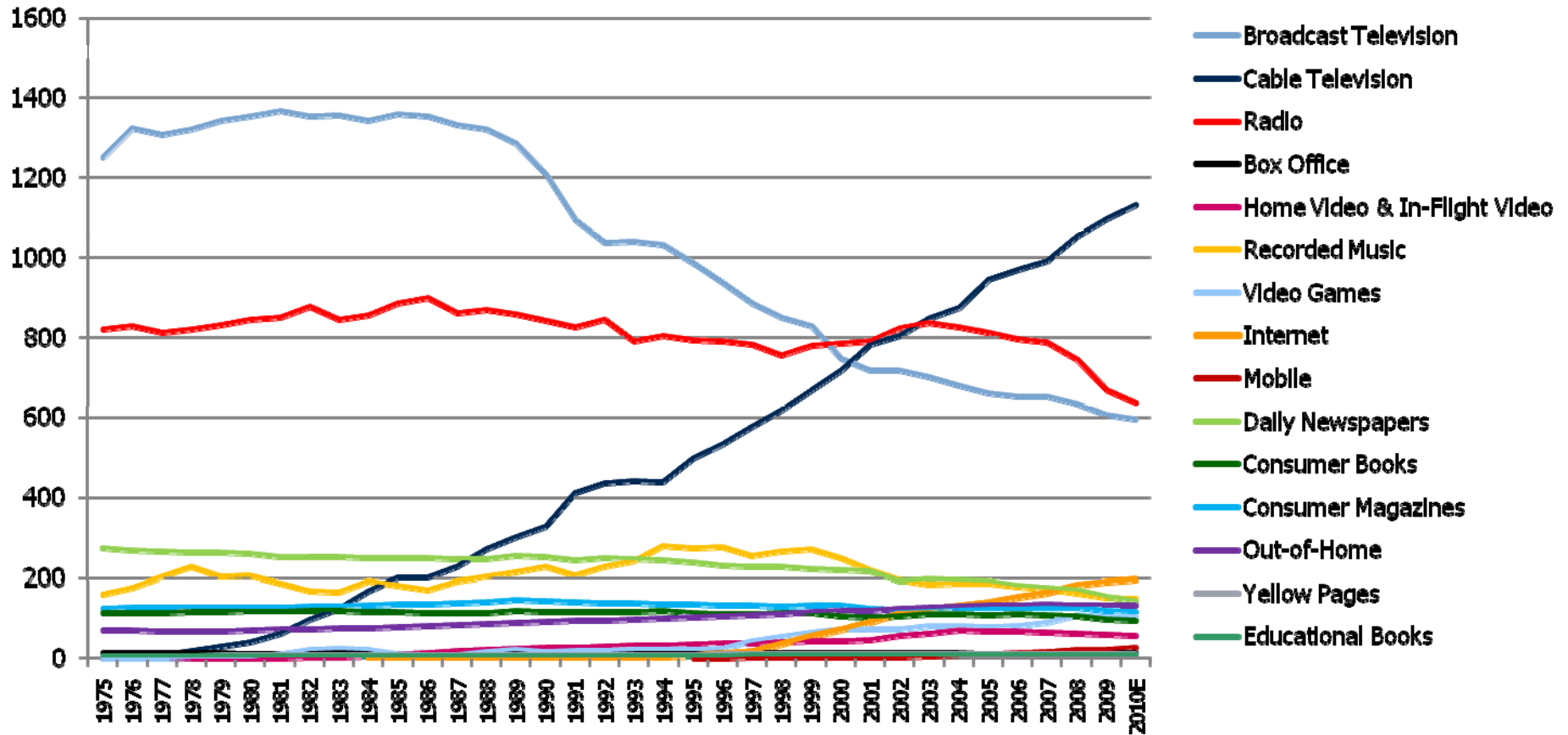
Communications Spending vs. GDP

- Industry-wide spending on communications has well outpaced GDP
 - 2% incremental annual growth due to expanding platforms and increasing consumer engagement



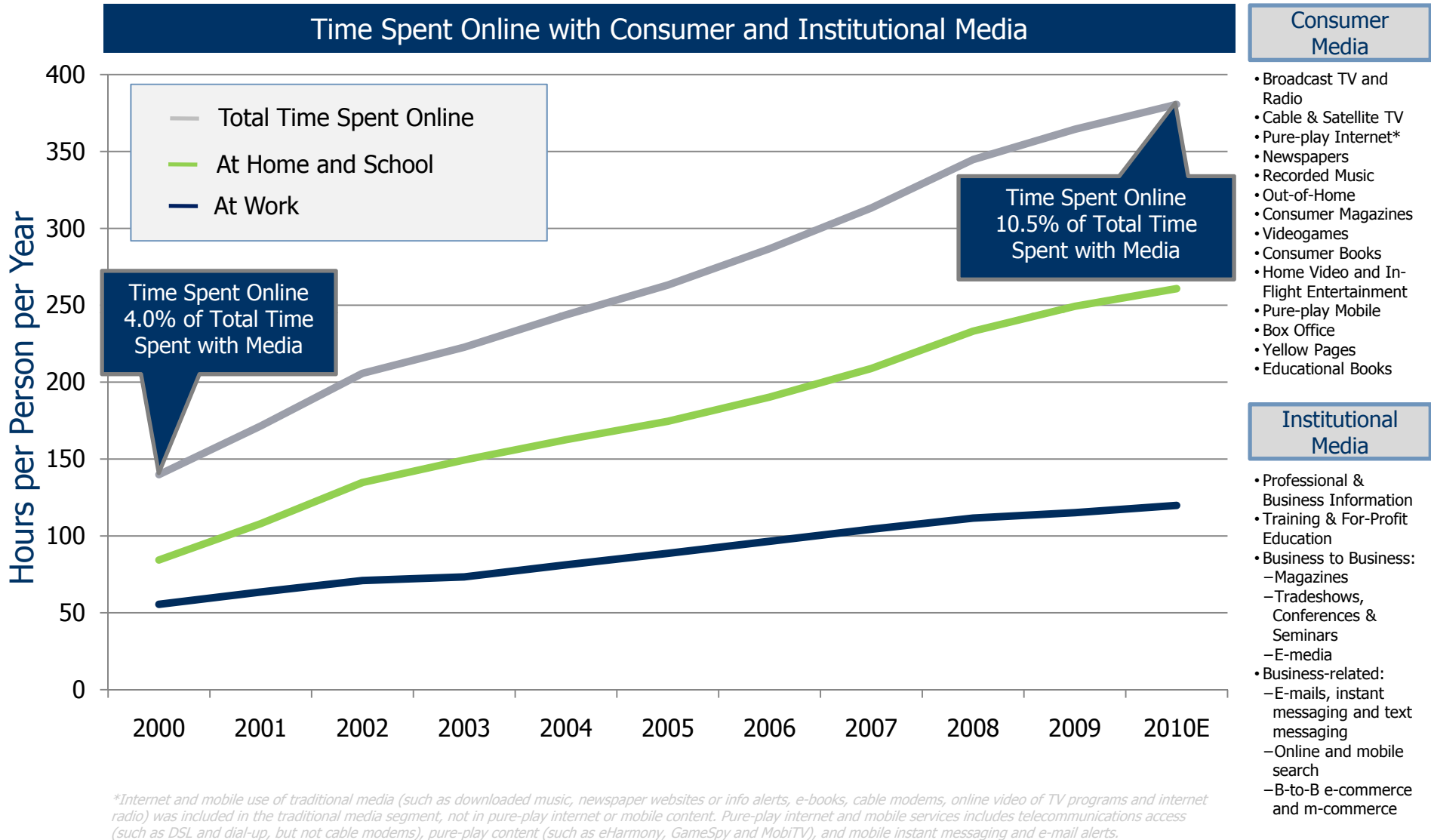
Time Spent with Consumer Media

Time Spent with Consumer Media: Hours per Person per Year



Source: VSS Communications Industry Forecast 2010, VSS Communications Industry Historical Database 1975-2010

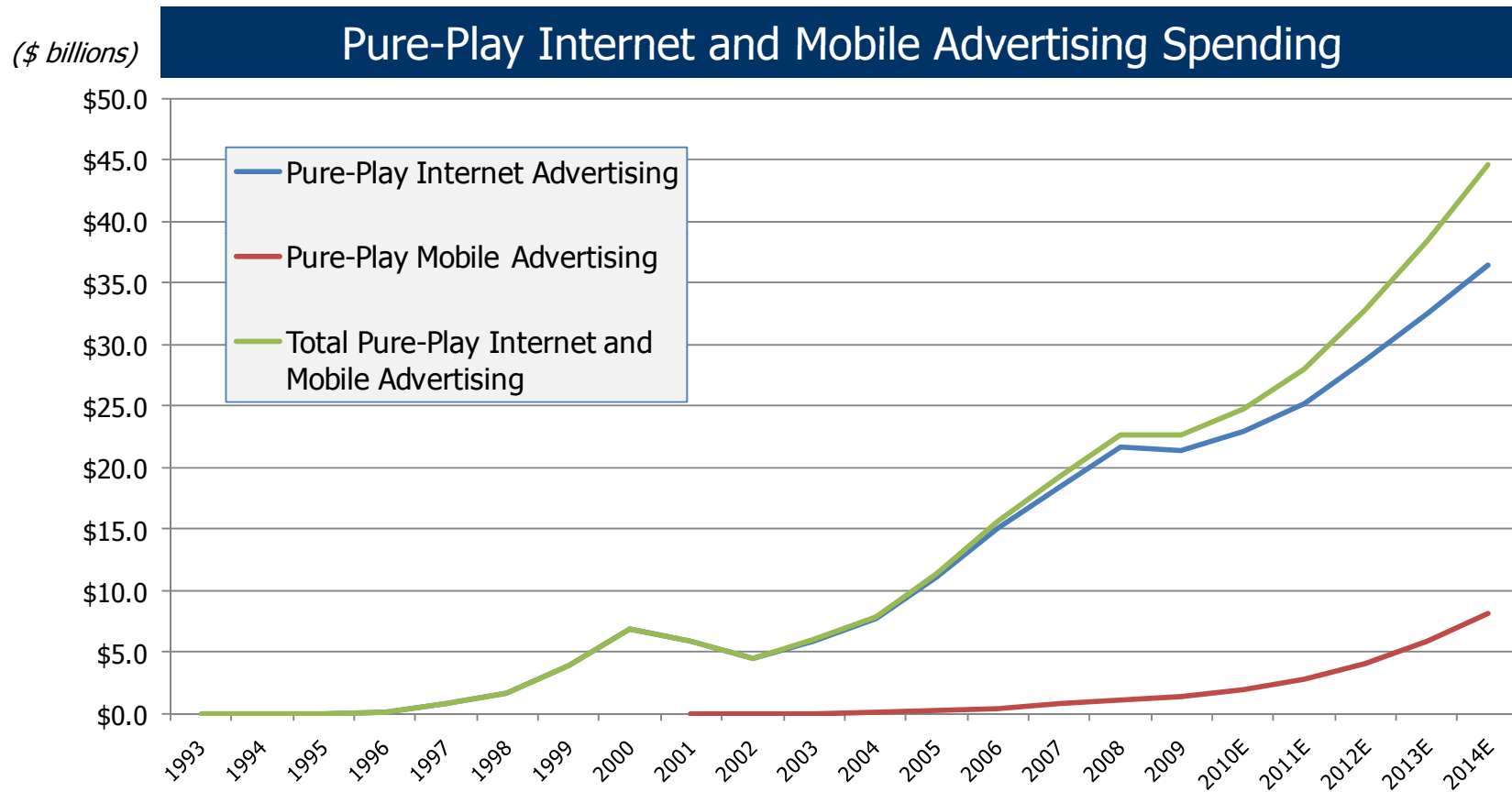
Time Spent Online



Source: VSS Communications Industry Forecast 2010

Spending on Pure-Play Internet and Mobile Advertising

- Resilience in search spending and strong growth in video and social media offset declines in classifieds and display

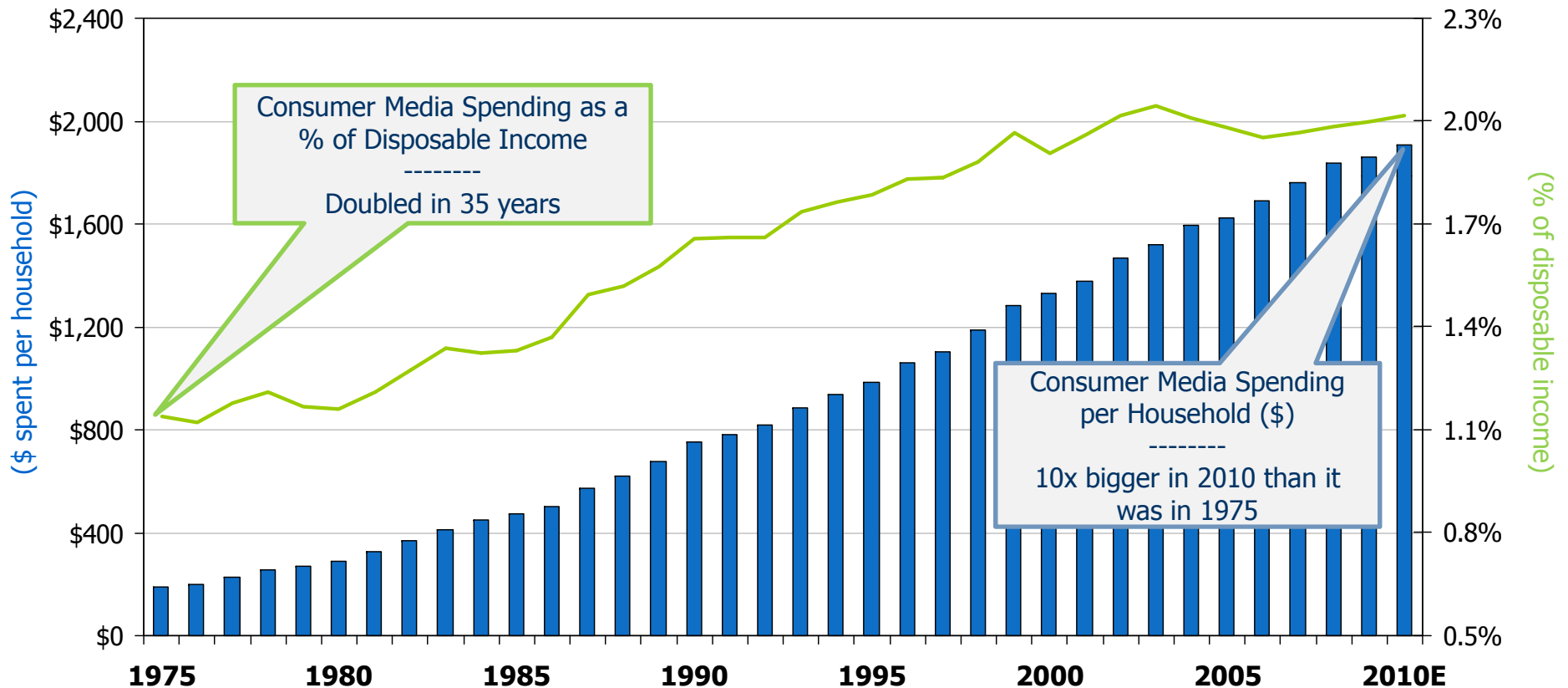


Source: VSS Communications Industry Forecast 2010, VSS Communications Industry Historical Database 1975-2010

Consumer Media Spending & Industry Spend as a % of Disposable Income

- Consumer end-user media spending per household has grown rapidly since 1975
 - Consumer media spending now represents approximately 2% of disposable income

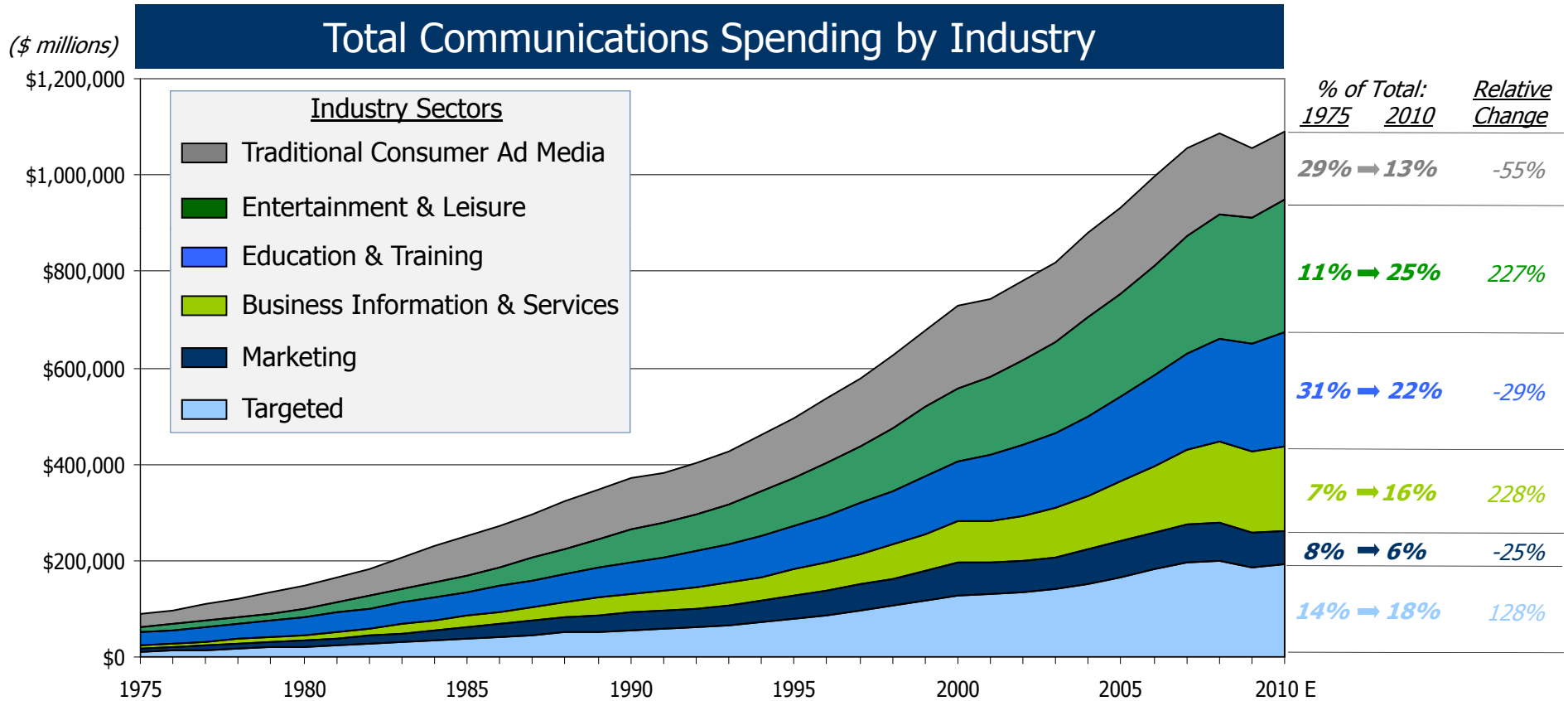
Consumer Media Spending per Household and as % of Disposable Income



Source: VSS Communications Industry Forecast 2010, VSS Communications Industry Historical Database 1975-2010

Communications Spending by Industry

- Traditional Consumer Advertising has lost substantial market share
 - Both Entertainment & BIS have expanded, while Education & Training has contracted as a % of total



Source: VSS Communications Industry Forecast 2010, VSS Communications Industry Historical Database 1975-2010

VSS Communications Industry Forecast

VSS Veronis Suhler Stevenson
COMMUNICATIONS INDUSTRY FORECAST
 2010-2014
 Twenty-Fourth Edition
 www.vss.com

Spending by Industry Sector
 Advertising Revenue Stream
 Consumer & Business Media Consumption
 Direct Marketing, Branded Entertainment Marketing & Endorsed Content Publishing
 Pure-Play Consumer Internet & Mobile
 Business-to-Business Media
 Promotion, PR & Word-of-Mouth
 Business & Professional Information
 Business & Professional Services

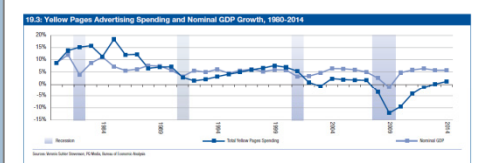
Education & Training Media
 Subscription TV
 Entertainment Media
 Consumer Book Publishing
 Broadcast Television
 Newspaper Publishing
 Consumer Magazine Publishing
 Broadcast & Satellite Radio
 Yellow Pages Directories
 Out-of-Home Media



contact with consumers and relatively high return on investment (ROI). Spending on direct marketing is expected to increase only 1.3 percent in 2010, and grow at a CAGR of 3.1 percent from 2009 to 2014, trailing nominal GDP. The industry is expected to reach \$10.05 billion by 2014, propelled by the development of better ROI metrics and the ability to reach targeted audiences at lower price points.

Branded Entertainment Marketing
 Branded entertainment marketing, which includes consumer events and paid product placements, generated \$24.63 billion in spending in 2009, down 1.1 percent, marking the segment's first decline since VSS began tracking it in 1975. The drop was driven in part by cutbacks in consumer events due to the struggling auto industry and beleaguered financial services industry. Due to stable digit prices earlier in the 2004-2009 period, spending on branded entertainment peaked a 16.6 percent CAGR, outpacing the economy. The weak TV ad market impacted expenditures on paid product placements, as networks sought non-advised value deals, in which a brand committed to purchasing more ad inventory in exchange for a product integration arrangement. On the upside, online and video game paid placements grew as advertisers pursued the youth market via webisodes and adveraging. Branded entertainment marketing spending will increase 5.3 percent to \$25.93 billion in 2010, and grow at a CAGR of 9.2 percent during the forecast period, far outpacing the economy. Spending will reach \$36.16 billion in 2014. Consumer events will post accelerating growth rates, as companies restore marketing budgets. Paid product placements will grow steadily, as marketers identify new ways to integrate products into media due to the increasing penetration of DVRs, which allow consumers to bypass commercials.

Outsourced Content Publishing
 Outsourced content publishing, which includes custom magazines, custom newsletters, custom tabloids and e-custom pubs, rose 9.9 percent to \$3.87 billion in 2009, after falling 25.7 percent in 2008, as brands sought targeted approaches to reaching key audiences. Due in large part to the 2008 decline in spending, outsourced content publishing posted a modest 1.9 percent CAGR from 2004 to 2009. Growth in 2009 can be attributed



to a 15.5 percent decline in advertising to \$2.51 billion. Operating income dropped 20.0 percent to \$741 million, indicating an operating margin of 29.5 percent, down from 31.1 percent in 2008. Dex Inc. Corporation reported a 15.8 percent decline in 2009 revenue to \$2.20 billion. The company posted an operating loss of \$61 million due to a write-down. The company expects ad sales to decline 12 percent to 15 percent in 2010.

To remain viable in the current media environment — in which consumer usage of online solutions, e-mail and mobile devices continues to increase and the functionality of such products and services exceeds traditional, print-based products — yellow pages publishers have endeavored to keep up and to realize their cost structures. Many publishers, particularly the independents, have made significant revenue in developing and/or acquiring technology-enabled solutions, yet they are still confronted with the inescapable economic reality of paying rising dollars for digital ad space. The traditional model benefited from relatively high barriers to entry, which allowed the top publishers to enjoy favorable pricing and

➤ Please contact John Suhler at suhlerj@vss.com for more information about this presentation and for access to our newsletter

➤ More information about the VSS Communications Industry Forecast can be found at www.vss.com/forecast

➤ To order your copy today, visit www.vss.com/orders

➤ As an industry research leader for over 25 years, VSS publishes and distributes various forecasts and reports highlighting trends and projections including the VSS Communications Industry Forecast and the VSS Communications Industry Historical Database

– This research informs not only investment decisions but enables performance monitoring of portfolio companies compared to peer groups

- 6 Industry Sectors
- 4 Revenue Streams
- 20 Segments
- 100 Sub-Segments
- 395 Charts and Graphs



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Table 1: Total Spending on Selected Sectors

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Compound Annual Growth Rate (2004-2014)
Advertising	\$17,333	\$17,440	\$17,547	\$17,654	\$17,761	\$17,868	\$17,975	\$18,082	\$18,189	\$18,296	\$18,403	0.6%
Consumer & Business Media	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	\$11,111	0.0%
Direct Marketing, Branded Entertainment Marketing & Endorsed Content Publishing	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	0.0%
Pure-Play Consumer Internet & Mobile	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	0.0%
Business-to-Business Media	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	0.0%
Promotion, PR & Word-of-Mouth	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	0.0%
Business & Professional Information	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	0.0%
Business & Professional Services	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	\$1,111	0.0%

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Table 2: Total Revenue & Earnings

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Compound Annual Growth Rate (2004-2014)
Revenue	\$17,333	\$17,440	\$17,547	\$17,654	\$17,761	\$17,868	\$17,975	\$18,082	\$18,189	\$18,296	\$18,403	0.6%
Operating Income	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	0.0%
Operating Margin	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	0.0%