MEDIACOM

REPORTS

Investment Update – July 2019

CINEMA DIGITAL SEO TELEVISION

11 JUL 2019

Cinema:

2019 is off to a truly great start, with revenue forecasts up 1% year on year in a media market that will most likely be down this year. Jan-April were -13% compared to last year's figures, however May and June's admissions are looking to uplift this figure dramatically. The fluctuations in admissions are primarily driven by a shift in engagement from upmarket and younger (16-34) audiences and new technology that enhances viewing experiences (ScreenX) and a plethora of new films/re-makes of the classics.

Recent studies found that 80% of the U.K. are cinemagoers, with 59% of them ABC1. 16-44s make up 61% of the market and react most positively to the ads shown (85%), compared to TV which currently sits at 64%. Gen Z & Y, the first generation to have grown-up in the online, on-demand and ad-blocking world are proving challenging for brands to

positively reach, so cinema seems to be the best place to engage and entertain them.

Technology – far from being just an enabler – can help cinemas to drive big operational efficiencies, add incremental revenue and indeed improve their overall profitability all whilst enhancing the movie-going experience for the consumer. From an advertiser perspective, the recent development in cinema technologies such as 4DX, ScreenX and integrations with social platforms (e.g. Facebook's new cinema ticket booking feature), allow a more immersive experience when viewing the adverts on the big screen, along with being able to target consumers on the journey of purchasing the tickets, to watching the ads 'pre-movie'. Both 4DX and ScreenX are the latest technological advancements that create a fully immersive experience, offering 270-degree panoramic viewing and appealing to 4 out of the five human senses (smell not included); enhancing moviegoer's cinema experience like never before.

Regarding this year's new movie line up; the 2019 film slate looks as strong as ever. Aladdin continues to cast its magical spell over UK audiences by finishing top of the U.K. Box Office for a fourth week in a row, adding another £2.8M to push the film across the £30M mark to £30.4M gross. Aladdin is the third film to reach the 30M mark this year, following 'Captain Marvel' and 'Avengers: Endgame'. The up-and-coming films this year are set to perform extremely well and include the likes of 'The Lion King' (£73M Predicted Box Office), 'Star Wars: Episode IX' (£68M Predicted Box Office), 'Toy Story 4' (£55M Predicted Box Office) and 'Downtown Abbey' (£30M Predicted Box Office).

To summarise, cinema is having a great year in 2019 so far, due to the many factors listed here and is predicted to increase the engagement of views/admissions over the remainder of the year. We cannot wait to see how technology, changing audiences and new films will shape the ever-adapting world of cinema.

Display:

Amazon Acquires Sizmek Ad Server and DCO (Dynamic Creative Optimiser)

Amazon have secured a deal to buy Sizmek's ad server and dynamic content optimisation for an undisclosed amount, a move which takes Amazon one step further to Google's 'full stack' offering.

Over the last few years, Amazon have been an attractive option to clients due to their DSP having the unique capability to use Amazon's customer data for targeting – the only DSP in the market that has access to such rich, highly scalable audiences. However, their lack of ad-server places them at a disadvantage to the likes of Google, who offer the full package – not only hosting advertisers' creatives, but also deliver to selected inventory, measure, and attribute with sophistication through their proprietary analytics tool.

Following the acquisition of Sizmek, advertisers will be able to use Amazon's rich 1st party data to target audiences outside of Amazon's owned and operated network, as well as Amazon advancing their current attribution methods, which have been criticised in the past, with concerns raised around Amazon marking their own homework. The main reason for this is that ad-servers are considered a 'source of truth' when it comes to attribution, as ad server data could now be used to attribute actions to ads, as opposed to using internal DSP reporting systems.

So how much of a threat to Google would Amazon be after the acquisition of Sizmek is finalised?

Google's DoubleClick Campaign Manager (DCM) is considered the most widely used ad-server amongst advertisers, so Amazon's first task is to convince those who already have their infrastructure in place that they are worth the switch. Aside from the benefits around Amazon's first party data and attribution, a key advantage and one that is becoming more and more appealing for advertisers is the DCO technology available through Sizmek. Advertising is becoming more personalised for consumers, with a study by Accenture showing that 75% of consumers surveyed were more likely to purchase from retailers who knew their name and purchase history, in order to and use that data to give recommendations. This bodes well for Amazon, as they will offer the opportunity to pair their customer shopping data with Sizmek's DCO capabilities, and show consumers

customised versions of each ad.

Amazon's partnering with Sizmek comes with clear benefits; in theory, however the proof will be in the pudding when the acquisition is complete. Amazon will need to prove their worth for advertisers and agencies, with most clients likely to be hesitant to make the move until there have been success stories from other advertisers who have adopted Sizmek as their ad-server. Questions around the experience for agencies who will be using the platform will also come into play, so there is a lot to consider before making such a decision. Only time will tell whether Amazon's latest move will make them a true rival to the already established Google.

OOH:

OOH Pushes Creative Boundaries

It's hard to ignore that the awards season has started in earnest, and this time of year provides a great opportunity to reflect on how advertisers are using creativity to elevate their media placements beyond the mundane. OOH (Out of Home) is one of the last media channels that delivers a true broadcast message and yet a quick look down your local high street will show that while OOH at its best is unbeatable, at its worst it's just forgettable.

Brands understand that they need to develop different creative messages for other channels depending on the environment – your digital creative copy is going to be different on *YouTube* than it would be on *Facebook*. But too often OOH creative has been repurposed from other channels and shoehorned into an outdoor space. It's important to consider the huge investment in recent years from all the OOH media owners, bolstering the infrastructure. However, in many cases, there has been a lack of thought in filling that space.

Instead of developing OOH creative copy based on what can be amended from existing assets, we should be looking to create bespoke content for OOH; be it classic paper formats or the more flexible DOOH (Digital Out of Home) assets. The unique strength of this medium is being able to deliver a specific message in a specific location – how can

brands enhance the everyday in this specific location? Is it about delivering a more relevant message, or is it about delivering something creative that disrupts the daily journey? It's important to remember that creativity doesn't have to be delivered digitally. In fact using classic OOH, where brands don't have to share space with other brands, will allow you to own a space and make a statement about your brand. It's a pure broadcast format with no editorial, no ad-blocking, and no brand safety issues so this truly is the one channel where brands should dare to be different.

The advertisers who are delivering the most standout executions are those who are building bespoke activations that align with their branding – for example Universal's The Mummy using lenticulars on buses to recreate an iconic moment from the film, Celine using Alufoil to recreate the look and feel of their new campaign in a mural, or our Head of OOH Gill Reid's favourite, the Sky 'Pets' billboard that attracted dogs (and their owners!). By being authentic to the brand, whilst developing the right kind of content that uses OOH to the best of its capability – these campaigns really stand out.

Have a think back to your local high street and how many of those messages are creatives that have been repurposed for OOH, versus something developed to take advantage of its unique position. If your messaging is bespoke to OOH, you are automatically going to stand-out versus the competition. Everyone wants their advertising to spark a conversation and live beyond the immediate message delivery. Therefore, using something a little bit disruptive and a little bit different is the best way to make sure that in an increasingly busy world, the consumer is paying attention to what you're saying.

Press:

The Daily Mirror Invites Teens to Take Over for the Day

The Daily Mirror recently handed control of their print and online editions (including their social media channels) to a group of adolescents from all over the UK, for a special "gen Z" edition. According to Alison Phillips, editor of the Daily Mirror, the aim was to get them "to tell us what the issues are that they really care about. The news brand has a long history of

giving a voice to those who may otherwise go unheard. So often nowadays, teenagers are dismissed as not doing much beyond staring at their phones. For one day, we handed over our keys- or keyboards- of the Daily Mirror to let them run our news and features coverage in print and online".

The teenagers oversaw the entire process, from designing the front page and masthead through to editorial creation. They were involved in choosing which interviewees to feature in the issue, including Jeremy Corbyn, Prince William and 2018 Love Island's Megan Barton-Hanson, amongst others.

This handing of control to a group of young people is unprecedented across such an established British news brand. Across the magazine market, Stylist had a similar initiative in 2018 for the UN's International Day of the Girl Child, with their 'Made by Girls' issue. However, doing so across a national news brand is a completely different proposition, given Daily Mirror readers are loyal and some also pay for content. Giving free rein to a group of youngsters reinforces the self-held belief that the Daily Mirror are a pioneer in the evolution of traditional print media and shows real belief in the insight and opinions that can be gained from younger generations. It's been received positively across the market, providing a breath of fresh air.

The Daily Mirror takeover also ran the results of an insightful piece of new research they had carried out. Involving 1,050 people across the UK, 286 of whom were aged 16 to 19, the research demonstrated that contrary to popular belief, this younger 16-19 audience not only engage with news and current affairs but are also highly influential within this space. Young people were found to be 30% more likely to have signed a petition they believed in than the overall UK population; and 80% more likely to be involved in projects within their local community.

Seat UK saw this as a great commercial opportunity to associate themselves with the takeover issue which allowed the brand to potentially access a different audience via the Daily Mirror. However, whilst the paper had been produced by younger writers, it's debatable whether the content really differed from the norm. Rather than creating the sorts of stories and points of view the Daily Mirror usually publish, should they have written

content that was in line with what these youngsters were interested in? Perhaps that's even more arguable considering the Daily Mirror's research emphasising the extent to which young people are involved in CSR across their towns and schools. Potentially they could have made use of this research to inform the end-product. It will be interesting to see whether this takeover resonated with their current readership and or if it brought new audiences into the mix. Hopefully this example of the Daily Mirror's inclusivity and opportunity will pave the way for other publishers

Radio:

Q1 2019 RAJAR & The Chris Evans Affect

The latest RAJAR release marked the first opportunity to view listener data for Virgin Radio – in particular the newly launched Chris Evans' Breakfast Show. Virgin Radio's weekly reach stood at a modest 150,000 adults, however Evans' appointment has led to an increase of nearly 700% to 1,048,000. His loyal following has garnered impressive results and has seen the station's reach figure increase threefold from 480k to 1.3m. It's interesting to note that the BBC (Evans' former employer) has seen it's share of all live radio listening drop from 18.1% to 17.4% quarter on quarter. It wasn't just the BBC who felt the effects of Evans' debut though, as other London commercial breakfast shows such as Kiss (17%), Heart (10%) and Magic (10%) all experienced negative quarterly performances.

Unsurprisingly, listenership has grown across all Wireless Networks' platforms. Virgin is up 171% and Talksport has seen a 3% increase. Virgin's competitor Radio X has since seen its listenership decrease by 6.7%. It hasn't affected Absolute Radio though, as Dave Berry's breakfast show helped to increase its listenership by 1.6%.

Virgin Radio's increase isn't the only big news amongst the breakfast line up. Heart, a station that's traditionally run regional breakfast shows across the country, are moving to ONE national breakfast show with current London presenter Jamie Theakston taking up the mantle alongside BGT's Amanda Holden. This is not the first instance of Global streamlining network shows as they've recently made a similar shift across Capital. We

won’t see the results of these changes until at least Q3 2019 RAJAR, but the move to making a consistent message with greater audience share is the focus for the Global executives moving forward.

Podcasting on the rise

Meanwhile, the rise of Podcast listeners in the UK is showing little sign of slowing down. The latest MiDAS Data has indicated that reach has increased 2% QoQ, with podcasts now being consumed by 14% of the population (just over 7 million adults). It continues to be a medium that indexes well against younger audiences, with a quarter of all listeners aged 25-34. In addition, it continues to do particularly well with a male audience (59% vs 41% female) whilst live radio demonstrates a more equal gender split. It remains a channel that is consumed individually rather than with other people (92%) and surprisingly, according to the data the highest levels of listening happens at home (44%) rather than whilst travelling (19%).

With the market continuing to grow, more and more companies are looking to grab a slice of this lucrative pie. Sony Music Entertainment are the latest to move into podcasting. The major label has entered a joint venture with two podcast veterans — Laura Mayer and Adam Davidson — to find and develop original programming and talent. The as-yet-unnamed company will create and distribute original podcasts, both scripted and unscripted, across a range of genres and topics. The venture will combine Sony Music’s content creation expertise with the experience of Mayer and Davidson (Source: Rain News). Whilst podcasting is an expanding medium, it is still a long way off the levels of consumption that live radio and music streaming currently hold. We’ll continue to monitor its rise and the consequential impact on the UK’s audio consumption.

Search:

Google Hopes to Slow Amazon Down with a More ‘Shoppable Experience’

At the annual Marketing Live Summit, Google announced key updates to its shopping experience with features allowing consumers to make purchases directly from searches,

images and YouTube videos.

This move has come about primarily because of Amazon's gains within the digital advertising space. Five years ago, approximately 54% of product searches started on Google and 46% on Amazon. However, with online shopping synonymous with Amazon this number has now flipped. Unsurprisingly, advertisers are now spending more money across Amazon ad platforms, and in some cases shifting budget from Google Search, which has contributed to a slowdown in Google's ad click growth.

MediaCom's Search clients are seeing huge year-on-year CPC (Cost per Click) inflation. As a result, advertisers with limited budgets and an ecommerce offering should be questioning whether Amazon Ads can deliver higher sales growth for a similar budget. Google will need to prove that the new shopping experience can deliver both scale and efficiency to keep budgets away from Amazon and increase its ad revenue growth.

The redesigned shopping destination was first introduced in France earlier this year, moving to the US, and finally on to a global roll-out. The personalised Google Shopping homepage features shopping recommendations based on a user's shopping histories, search histories and lists. There will also be an option to filter products by favourite brands and features, as well as read product reviews and watch videos.

In addition, a universal cart will be introduced across Google's platform of services, including Search, shopping, images and YouTube. Users can add products with a blue shopping cart button to a universal cart where the purchase is backed by a Google guarantee, customer service and returns. Google Express, which was originally founded between Google and traditional retailers to compete against Amazon, will now merge into the Google Shopping app and new shopping product features.

Local shopping is a key differentiator of this product versus Amazon. Users will be given the opportunity to buy online or locally. This online shopping experience will provide a more streamlined experience, enabling click-through to buy from a shopping ad, followed by an easier way to purchase items for in-store collection; a system which is fuelled by local

product inventory listings.

To participate in local shopping, retailers must use *Shopping Actions* which enables shoppers to view their products across Google via the merchant centre. This system follows a commission-based model from a retailer's sale of products sold. Merchants who already participate will be automatically included in the new Google Shopping Experience.

For years Google's network of sites such as YouTube and Images have been used for product discovery. However, until recently these were not fully monetised with the option to purchase. Through this new shopping experience Google can now bridge this gap with frictionless discovery, shopping and purchasing.

This development has come at a very opportune moment for Google, as traditional high-street brands and those relying on a retailer channels have begun to transfer into the ecommerce space themselves. This movement could result in advertiser budgets being shifted away from 'discovery' spend in Search to a focus on ecommerce, or the introduction of additional spends to ensure both are covered. Either way, Google will need their new shopping experience to be a success to maintain its growth expectations and slow down the rate at which Amazon is eating into share of digital advertising budgets.

Social:

Facebook Introduces "Off Facebook Activity" Feature

Formerly referred to as "clear history", Facebook is introducing an "off Facebook activity" (OFA) feature.

Once live, with the roll-out in June, users are now able to navigate their OFA settings and see a count of the number of businesses they have interacted with who have a pixel, SDK or login connection with Facebook. For each business, this will be segmented into events that occurred in the preceding 180 days, and the date of the interactions.

Once the user has been through a verification process, they will be presented with two

options for action:

1. Clear history for all companies who tracked them using the Facebook pixel, SDK, or Facebook login in the past 180 days. This can be controlled at an individual company level.
2. “Disassociate” information, thereby preventing any company tracking any information off Facebook in perpetuity. This will automatically clear the user’s history and will not automatically switch back on.

Media Considerations and potential impact:

OFA offers more transparency, but users’ ability to control advertising remains relatively unchanged.

Post GDPR, Facebook introduced the ability for users to opt-out of advertiser’s using 3rd party data to target them with adverts. OFA will offer greater transparency on what data is being collected and where; but the decision as to whether users want it used for advertising purposes is already available and those who were going to exercise this opportunity may have already done so.

Facebook are optimistic that when people are informed about exactly how their information is collected and used it will improve the way they feel about ads and the businesses they interact with online. As such, further uptake in opting out would be minimal.

Impact scenario no. 1 – There is no impact to measurement or analytics

As Facebook reserve the right to collect data using pixels, SDKs and login connections in aggregate, any actions which are taken after being exposed to an advert will still be tracked and able to be reported on; even if a user has opted to clear their history retrospectively or going forward.

Impact scenario no. 2 – Targeting and retargeting options will be affected

When a user clears their history or disassociates information, it can no longer be used for targeting. This includes targeting options powered by Facebook's business tools, such as Custom Audiences built from visitors to websites or those who have took a specific action such as purchasing.

If the uptake in opting out via OFA is minimal, there will be little impact as the above is somewhat of a moot point, but if a significant number of users opt out behavioural targeting options on Facebook will be weaker, and cost-per-actions will likely increase. Similarly, lookalike audience performances will drop as the seed data audience will be smaller.

Impact scenario no. 3 – The press will play a significant role in the adoption of OFA

It is likely that the way in which OFA is reported by the press will have a significant influence on how users view it as a solution, and how they act.

Facebook are empowering users to control how their data is collected and used, and if reported as such Facebook's outlook that there will be minimal output will likely be proven. We may also see perceptions of Facebook, which have been damaged by a series of scandals, improved.

Alternatively, the press may decide to highlight the number of apps and websites which collect data on users (of which there are many) as a negative, and stress that Facebook will still collect data and omit that it cannot be used for targeting. If this is the case and the story gains traction we may see several users clearing their history and disassociating in reaction, and the potential impact on advertising will be greater than expected.

TV:

HFSS Products May Face Further Advertising Restrictions.

As childhood obesity continues to rise in the UK, the Government have decided to review options for stricter TV restrictions on HFSS products (i.e. high in fat, salt or sugar). The

aim of the consultation is to discuss how to reduce children's exposure to HFSS advertising and in turn, help reduce childhood obesity. There have been three proposals put forward to the Government.

Option 1: Introduce a 5.30am – 9pm HFSS restriction on broadcast TV

Option 2: Either a partial or full restriction on TV programming before 9pm depending on the measurement of NPM (nutrition profiling model) to incentivise reformulation

Option 3: Maintain existing restrictions, introducing no programming watershed.

Following the submission deadline of the 10th June, the consultation of proposed amendments to HFSS advertising on both TV and online is now being reviewed by the *Department of Health and Social Care* (DHSC) and the *Department for Digital, Culture, Media & Sport* (DCMS).

Opinions:

It is essential that we outline the existing UK market regulation for HFSS advertising scheduling today. Since 2007, HFSS advertisements have been banned from all children's TV channels and from programmes with a high children's audience (indexing over 120, Children TVRs vs Individual TVRs). Although the existing ban is in place, the continued prevalence in obesity has resulted in the DHSC and DCMS proposing to extend the restrictions that broadcasters already have in place. In June 2019, the IPA responded against further restrictions in stating that the restrictions in place 'have already proven to be an effective and flexible means of reducing children's exposure to HFSS advertising and further intervention is unnecessary'.

The foreword from the Prime Minister in *Childhood obesity: a plan for action* (June, 2018) states that we 'all have responsibility to work together to support young people in meeting this challenge. Whether we are parents, teachers, businesses, local leaders or health professionals, we must all play a role in helping to improve the health of our children', and that the aim of calling the consultation is to set 'a national ambition to half childhood obesity

by 2030'. In the same document the DHCS stated that 'whilst they want any future advertising restrictions to be focused on HFSS products that are linked to childhood obesity, they also want to encourage brands to make their products healthier', thus suggesting that the result of an extended ban would force the food industry to reformulate some of its products to make sure they are eligible for advertisement. *(Source: Enders, Jun 2019).*

This report went on to claim that limiting the visibility of HFSS foods on TV would disproportionately damage broadcasters and advertisers' businesses, without any prospect of success in abating obesity. It also stated that the multifaceted nature of the obesity epidemic means regulation such as the existing HFSS TV restrictions have proven to be ineffective in negating the proliferation of obesity.

Potential impact/outcome:

Options 1 & 2 listed above would significantly impact current plans should tighter restrictions come into effect.

The new ban would require HFSS restricted clients to evolve their current strategies, as they would only be able to access a limited TV programming schedule. The IPA have stated that 'the proposed restrictions would lead to significant costs to agencies, risk investment in advertising and threaten the continuing success of the UK's ad industry'. Richard Lindsay, Director of Legal and Public Affairs, IPA said recently,

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"We support the Government's aim of tackling the problem of childhood obesity and wish to help Government achieve that aim, however we do not believe that further advertising restrictions, over and above those already in place via the self-regulatory system, would be proportionate or have any effect. They will, however, damage advertising – a hugely successful UK industry that ought to be championed by Government."

Assuming non-HFSS clients are not going to make up the shortfall of reduced HFSS spend, market revenue could decline significantly, resulting in cheaper TV costs for advertisers. However, it is likely the TV broadcasters will mitigate a large proportion of the lost revenue by adding larger premiums for highly sought-after programmes in late peak.

VOD:

Finecast- Utilising Key Data Partners at MediaCom

Finecast have an array of data partners which offers clients new, exciting and innovative ways to target their audiences and resonate their message to the right people. They have negotiated exclusive access to key broadcaster segments which include: behavioural targeting based on programme viewing habits, as well as age and gender demographics from registered user data. Through Experian, access can be gained to a full suite of Mosaic products such as Financial strategy segments and Consumer Expenditure. This segmentation divides the UK into various socio-demographic groups and types, that Finecast can target at full postcode level. Additionally, they're also partnered with Mastercard, providing access to data consisting of anonymous transactional information collected from both in-store and online points of sale.

Finecast work closely with the data provider CACI's premium audience segmentation data for both Acorn and Fresco models across the whole UK population. The segments offer consumer socio-economic status and behaviours, providing categories and groups.

A great example of the data partners utilisation is highlighted by a recent Milward Brown study. By using Mastercard, Axciom and Experian data, Finecast built a bespoke audience targeting 18-44 women. The study showed that alongside TV, Finecast gained an incremental reach of 4%, and in particular a greater reach for both young consumers and light TV viewers. A further brand study was performed on this campaign by Kantar, showing that brand familiarity, favourability and recommendation was higher for those exposed to Finecast.

In a second brand study, Finecast's segmentation was assessed in relation to purchase intent. Key data partners FFS, Axciom and Mosaics were used to create a bespoke targeted audience for 35-54 men. As a minimum requirement, participants needed to agree with four or more segments. The study showed that brand awareness, consideration, favourability, purchase intent and recommendation was higher vs Finecast exposed viewers.

As indicated in the above studies, the use of Finecast data partners can provide the opportunity to create bespoke audience segments that can be tailored to a client's specification. These segments benefit client through providing an uplift in both brand metrics and additional reach across TV buys.

All4 – Project Agora

Channel 4 announced some exciting news at their recent upfronts in June, declaring that last year saw their highest growth in platform viewers since 2008, achieving over 900 million views. As a result, the channel is now reaching over 60% of adults aged 16-34, and over half of all ABC1s in the country. They plan to increase investment within VOD using a custom audience tool codenamed 'Project Agora'. This will enable brands to match their audience segments across broadcasters for the first time, allowing advertisers to create custom audience segments. As a result, they are hoping this will evolve into new cost-effective targeting for younger audiences and create additional scale. The new technology has been developed in-house and is expected to be released in the autumn so watch this space!