NBCUniversal

2023

# Advertising Market Assessment

CLIENT STRATEGY

# Ways to Partner

## Marketplace + Category Knowledge

Leverage CS materials and knowledge to fuel proactive outreach, position NBCU solutions, respond to category challenges etc.

**What this looks like:**
- Category overview strategies & presentations
- Power of Advertising work
- UF Recaps

## Client + Agency Conversations

Partner with CS to create materials that answer client/agency requests and/or help ongoing conversations.

**What this looks like:**
- RFP brainstorms / responses
- New business approaches / brainstorms
- Media / Innovation days
- Spend defense POVs

## Proactive Thought Leadership

Share proactively created thought pieces with clients & agencies or partner to build custom POVs etc.

**What this looks like:**
- Category whitespaces / opportunities
- POVs on macro topics e.g., wellness, sustainability etc.

## Prospecting + Marketplace Analysis

Share macro marketplace POVs, identify clients and agencies with the most opportunity / receptivity etc.

**What this looks like:**
- Prospecting Analyses
- Share Shift Analyses
- Scatter Forecasting

# Contents

01.
Full Year: 2023 in Review

02.
Looking Ahead: Key Industry Trends to Watch

03.
Spend Predictions and Future Projections

04.
Capitalizing on Demand in Q4

# Full Year

2023 IN REVIEW

MACRO-TRENDS PROVIDED

# Unclear indicators, creating advertiser apprehension

With many clients seeking flexibility amidst mixed-economic growth

**Looming Downturn**

Going into **2023, nearly 70% of economists** were predicting a **recession by year end**

**Price Inflation**

While **inflation was cooling**, **prices were** still over **5% higher** than the same time last year

**Consumer Sentiment**

Consumer sentiment hit **near 50-year lows** as main street **remained pessimistic** about the future

**Job Market**

But the job market remained **strong**, with **Q1 hitting a 54-year unemployment** low

**Consumer Spending**

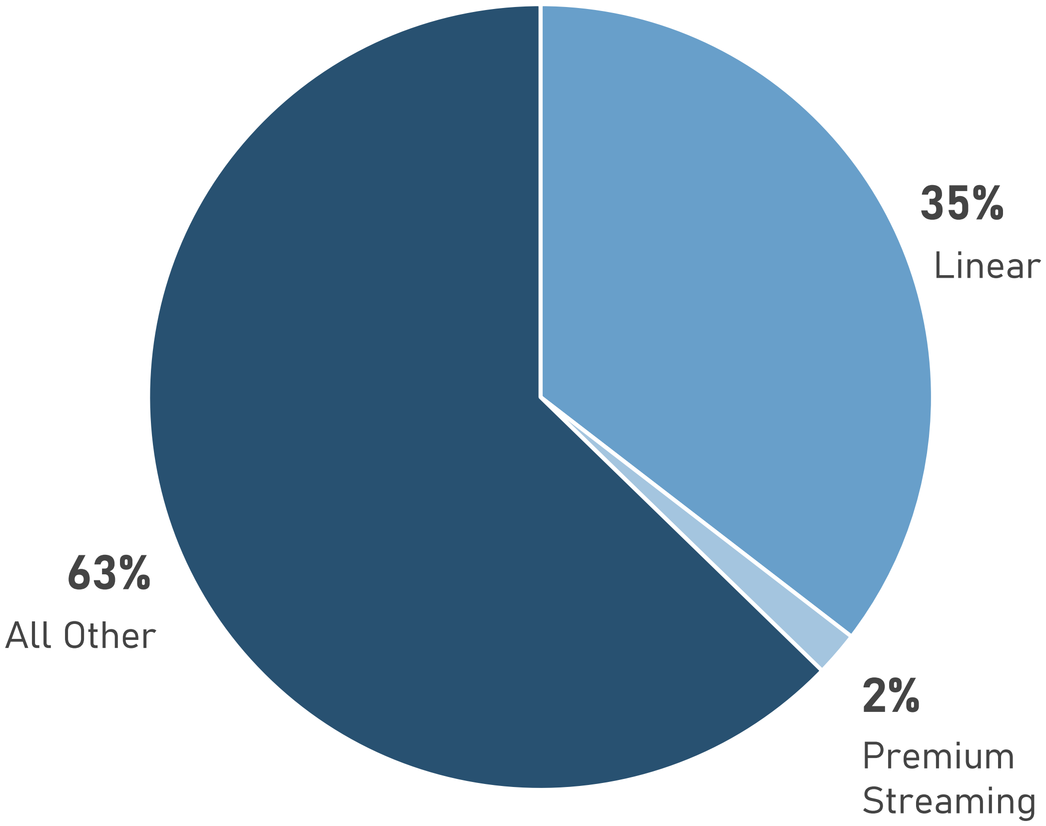
And even with trade downs, **consumer spending stayed elevated** against stubborn inflation

*Sources: 1.CNBC; 2. BLS; 3. University of Michigan 4. BLS; 5. BEA*

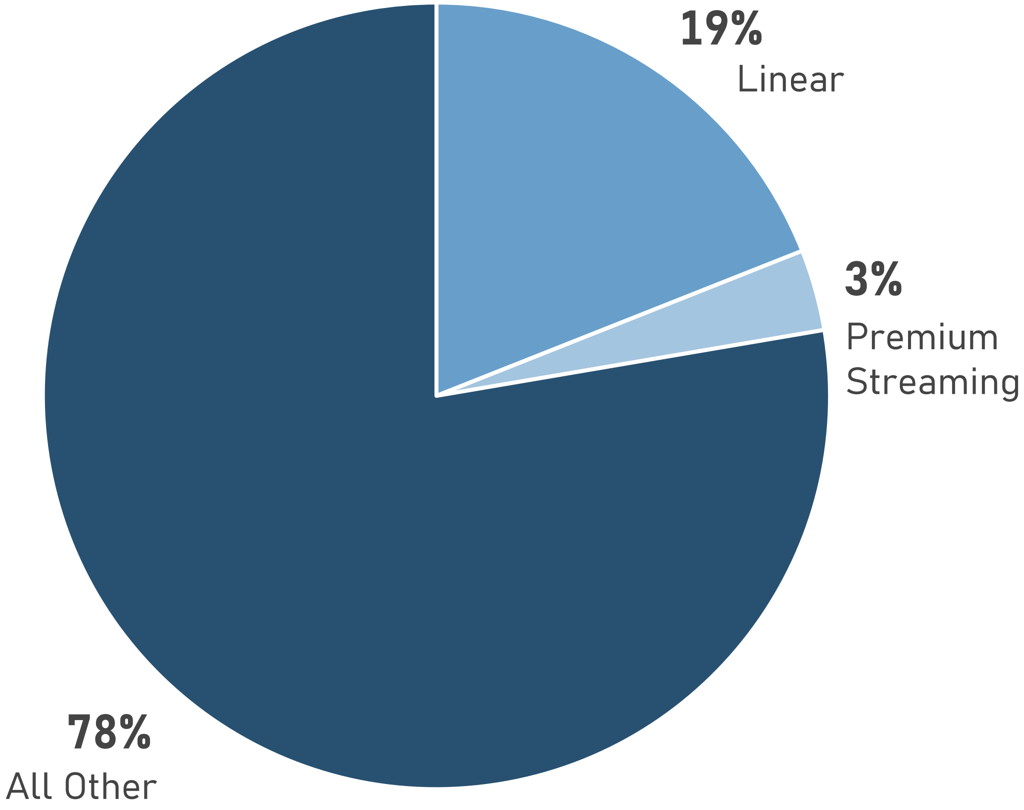
# Evolution of Media Mix

LINEAR HAS SHRUNK BY **16PP** OF THE TOTAL MIX SINCE 2017

**2017**
**Media Mix**




**2023 (P)**
**Media Mix**




**All Other includes Non-premium Digital Video, Search, Social, Print, Out of Home, Radio, and Direct Mail*

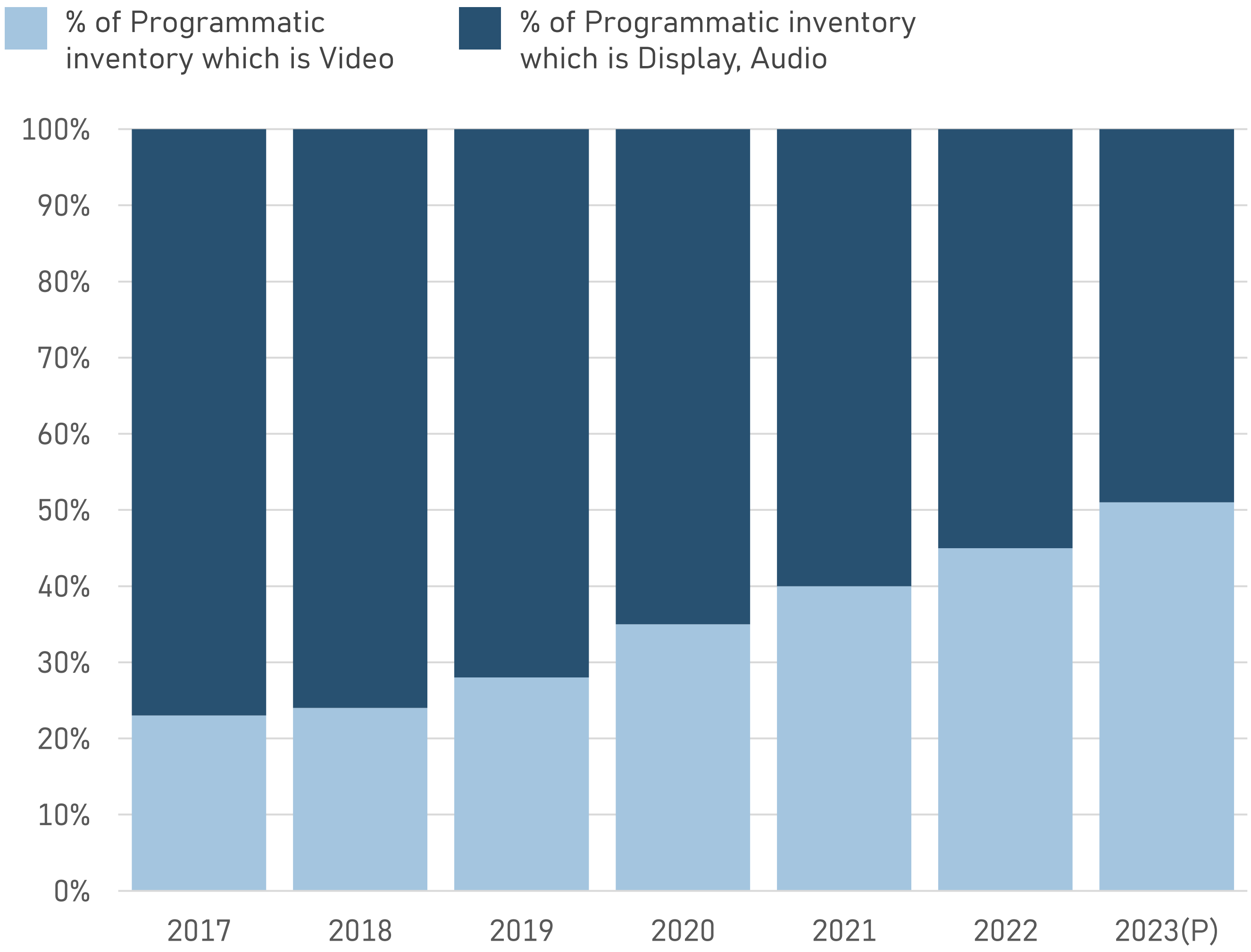
Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

# Programmatic is becoming increasingly video driven

We estimate that premium video will climb to 42% of all programmatic video by 2024, or $27b

## Programmatic Video Share Trends

*(CY 2017 to projected CY 2023)*




Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

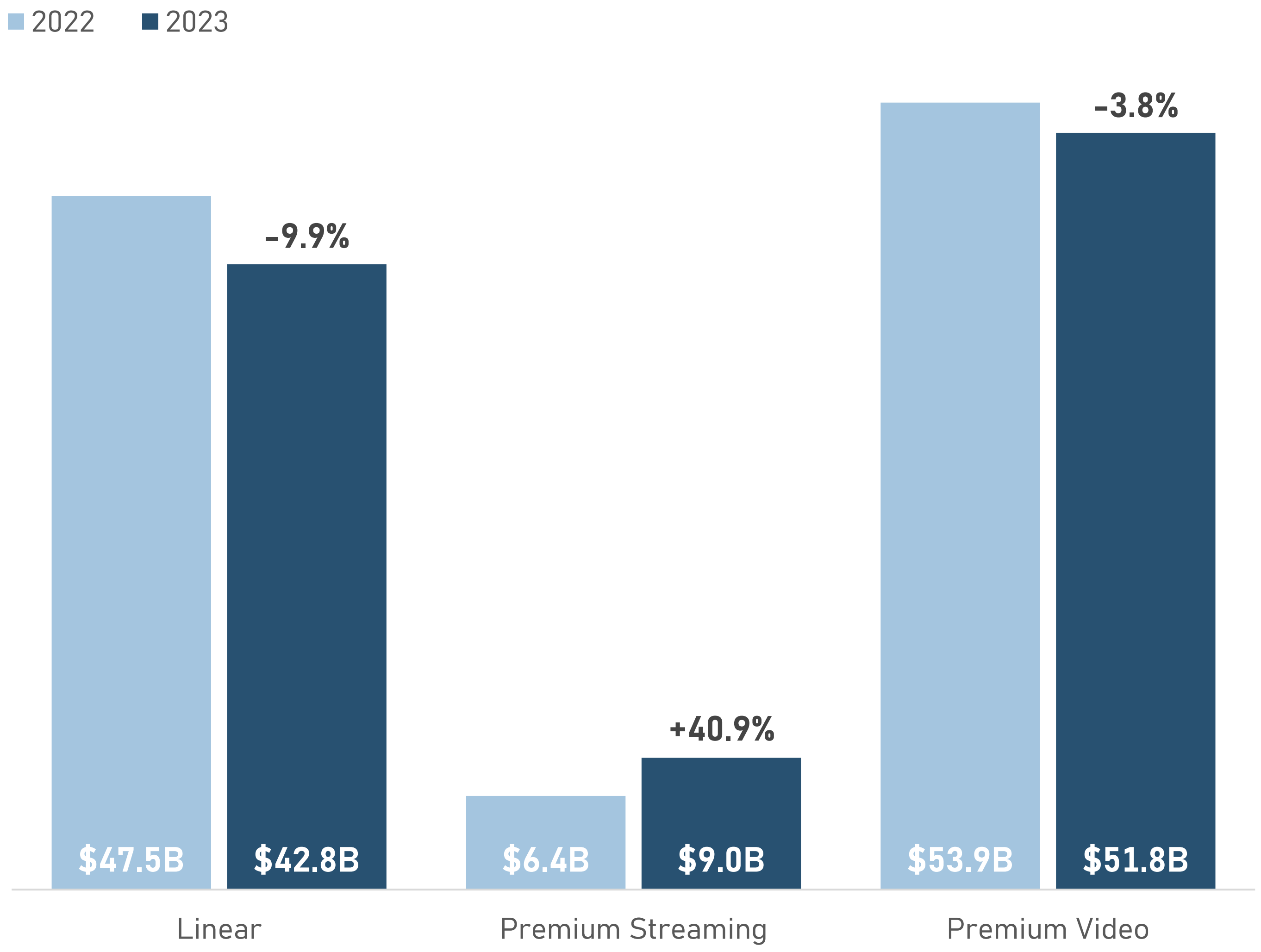
Advertiser apprehensions
hurt linear particularly hard,

# Driving declines in the total premium video market

The overall premium video market likely will decline by ~$2b in 2023, with linear losses offset by growth and shifting to streaming

## Premium Video Market Estimates

*2022 vs. Projected 2023, in billions)*




Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

PREMIUM VIDEO
COMPETITOR VIEW:

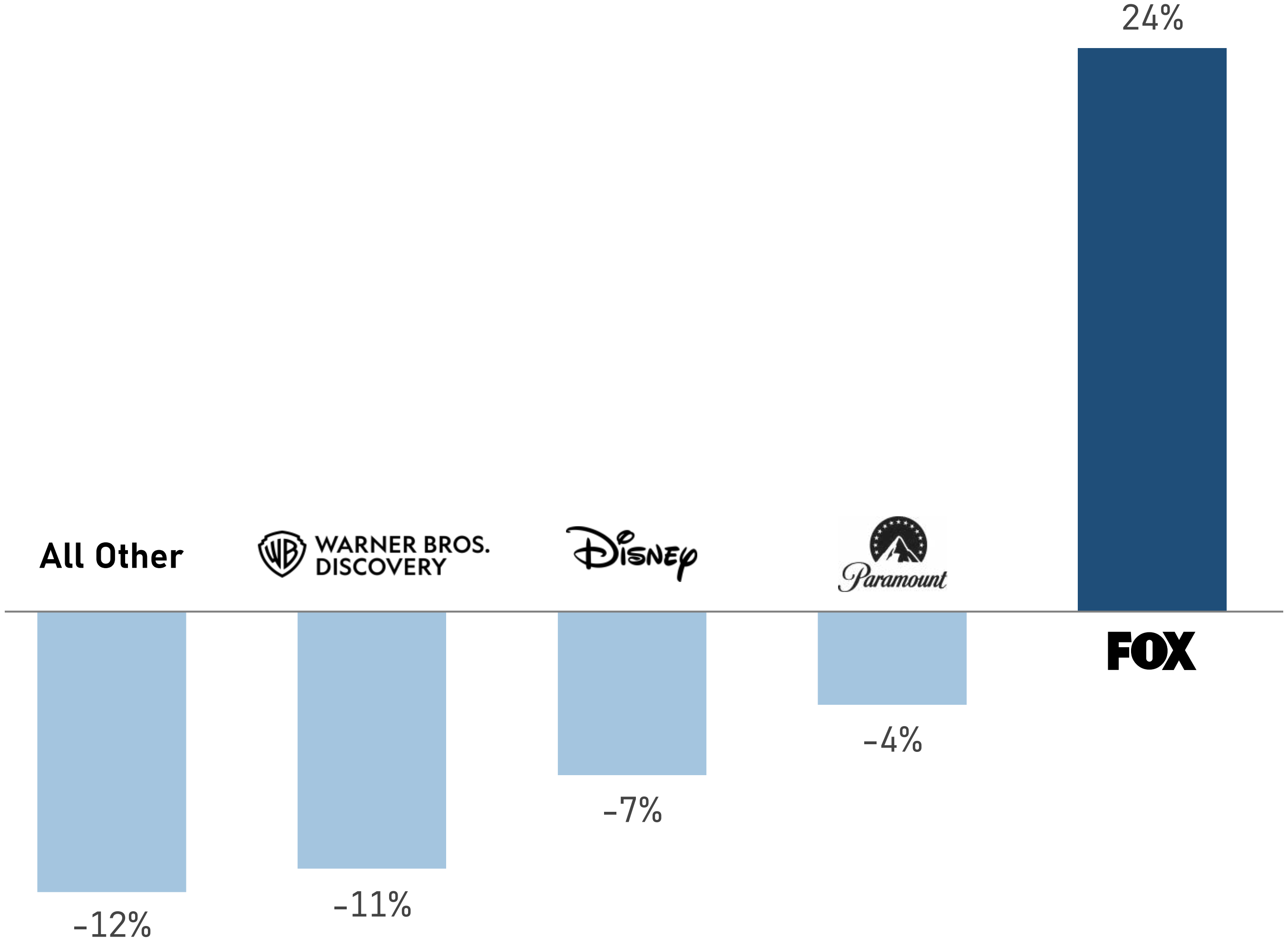
# Expectations for 2023

Peacock is expected to nearly **double in size** while Hulu is projected to decline nearly **20% in CY'23**

All other includes networks like **A&E and AMC**

## Total Video Growth by Competitor

*Projected 2023 vs. 2022*




Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

# Streaming growth largely driven by incremental spend on new entrants

Large dollar increases bolstered by **Netflix, Max and Discovery+**

All other growth is off a small base. Growth was largely driven by targeted streaming services like **Vix and Revolt**

*Source: Proprietary NBCU forecast using economic data and industry specific ad spend data. Consensus forecast used the most recent forecast of each listed industry forecaster from December 2022 to August 1st, 2023. Weighting was conducting using proprietary NBCU analytics*

## Total Streaming Growth by Competitor

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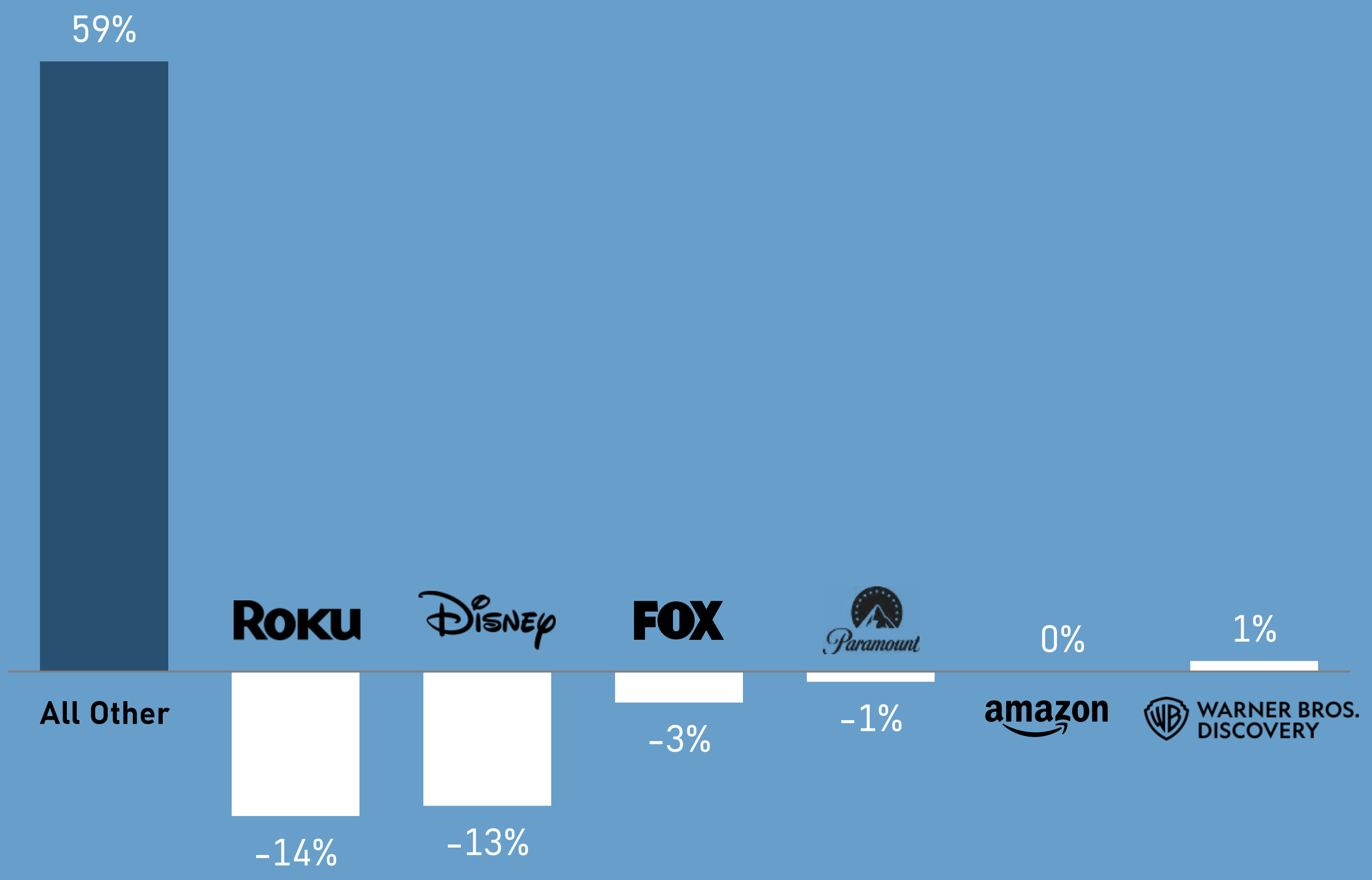


# Looking Ahead

KEY INDUSTRY TRENDS TO WATCH

# Marketplace Outlook in '24

## MARKETPLACE

- Market-cap for Top 100 clients continues to improve & outpace stock indices, strong predictor of future ad growth
- Consumer confidence & economist outlook continues to improve, w/ feelings of 'soft-landing' more prevalent in '24
- While linear continues to decline, streaming to plateau, creating a contraction in premium video in '24
- Our current forecast sees the ad market beginning to improve consistently in mid-Q2

## GROWTH OPPORTUNITIES IN 2024

***Retail Media Networks continue growth***
*Sourced partly by media, much of the growth is coming from below-the-line shopper budgets*

***Premium Video is Increasingly Programmatic***
*We estimate that up to 42% of all programmatic video will be premium inventory (i.e. streaming)*

***Emerging Categories***
*Smaller categories like Education, Non-Profits, etc. are forecasted to have strong growth in '24*

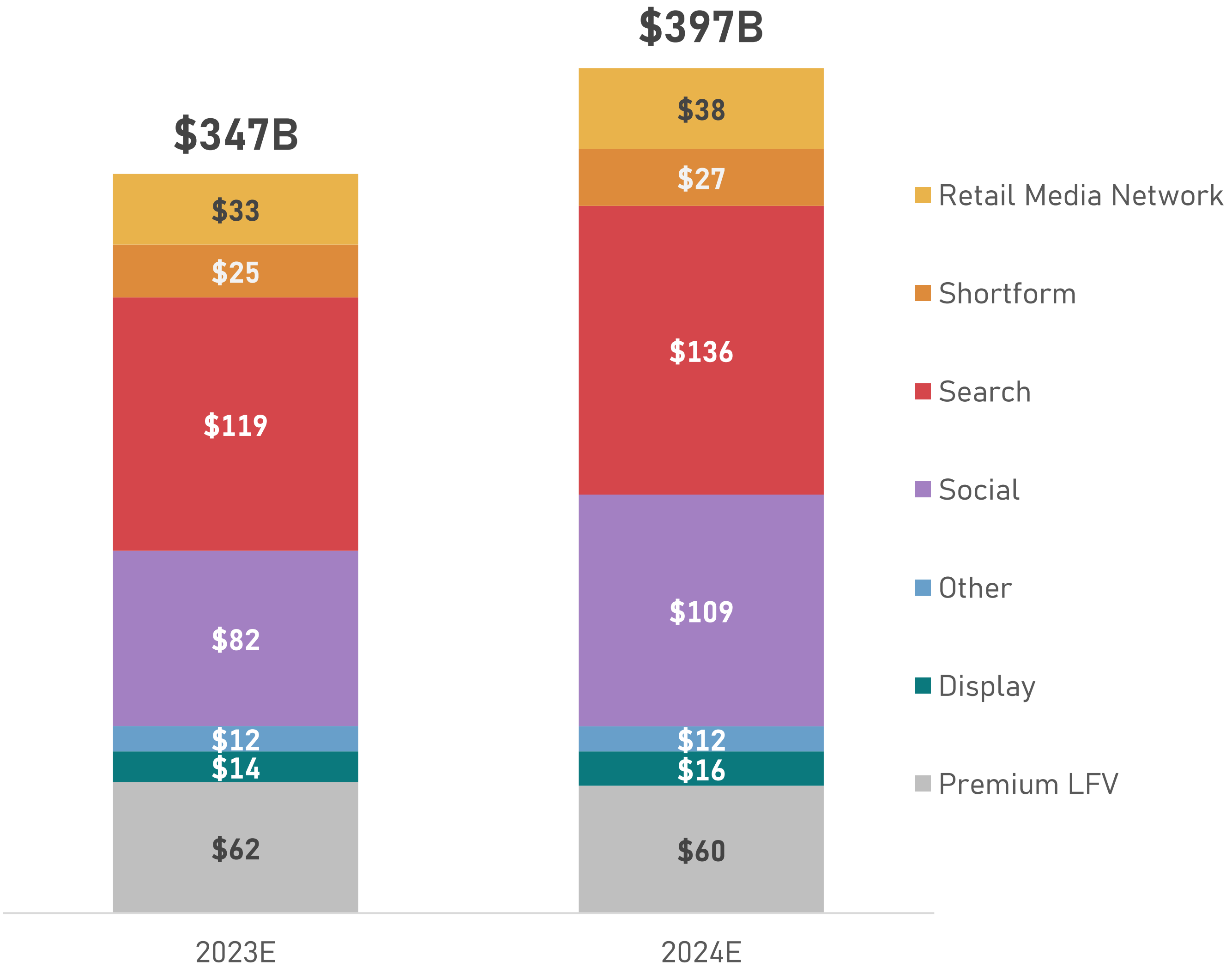
Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

# The total ad market will grow $50b by the end of 2024

Largely driven by continued growth in search as well as emerging markets like Retail Media Networks and newer social media platforms.

## Total Market Estimates

*(Projected 2023 vs. 2024, in billions)*




Sources: NBCU proprietary market projections inclusive of industry sources as well as SMI, S&P Global, advertiser 10Ks, MediaRadar and iSpot

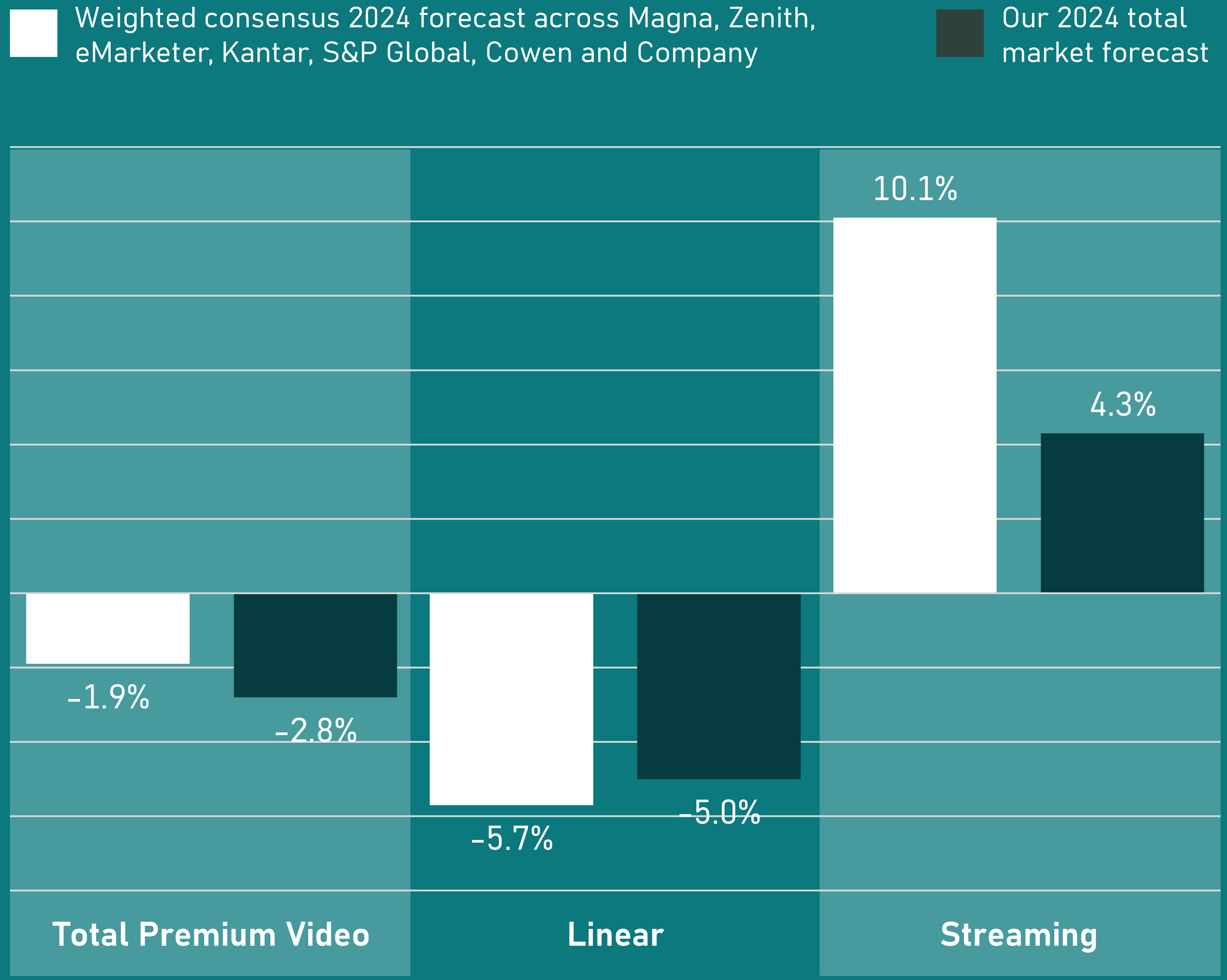
# Our forecast sees current sales trends continuing through next year

While the market remains bullish on streaming, our estimates expect:

- Slower growth on digital video from streaming services, with plateauing on FAST
- The ad market to see consistent improvement starting in mid-Q2'24 due to comps + more optimistic outlooks

*Source: Proprietary NBCU forecast using economic data and industry specific ad spend data. Consensus forecast used the most recent forecast of each listed industry forecaster from December 2022 to August 1st, 2023. Weighting was conducting using proprietary NBCU analytics*

## 2024 Forecast



# Sluggish growth across key categories likely to keep the premium video market flat to down in '24


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

**Forecasted to Grow**
Categories to prioritize

Source: Proprietary NBCU forecast using economic data and industry specific ad spend data

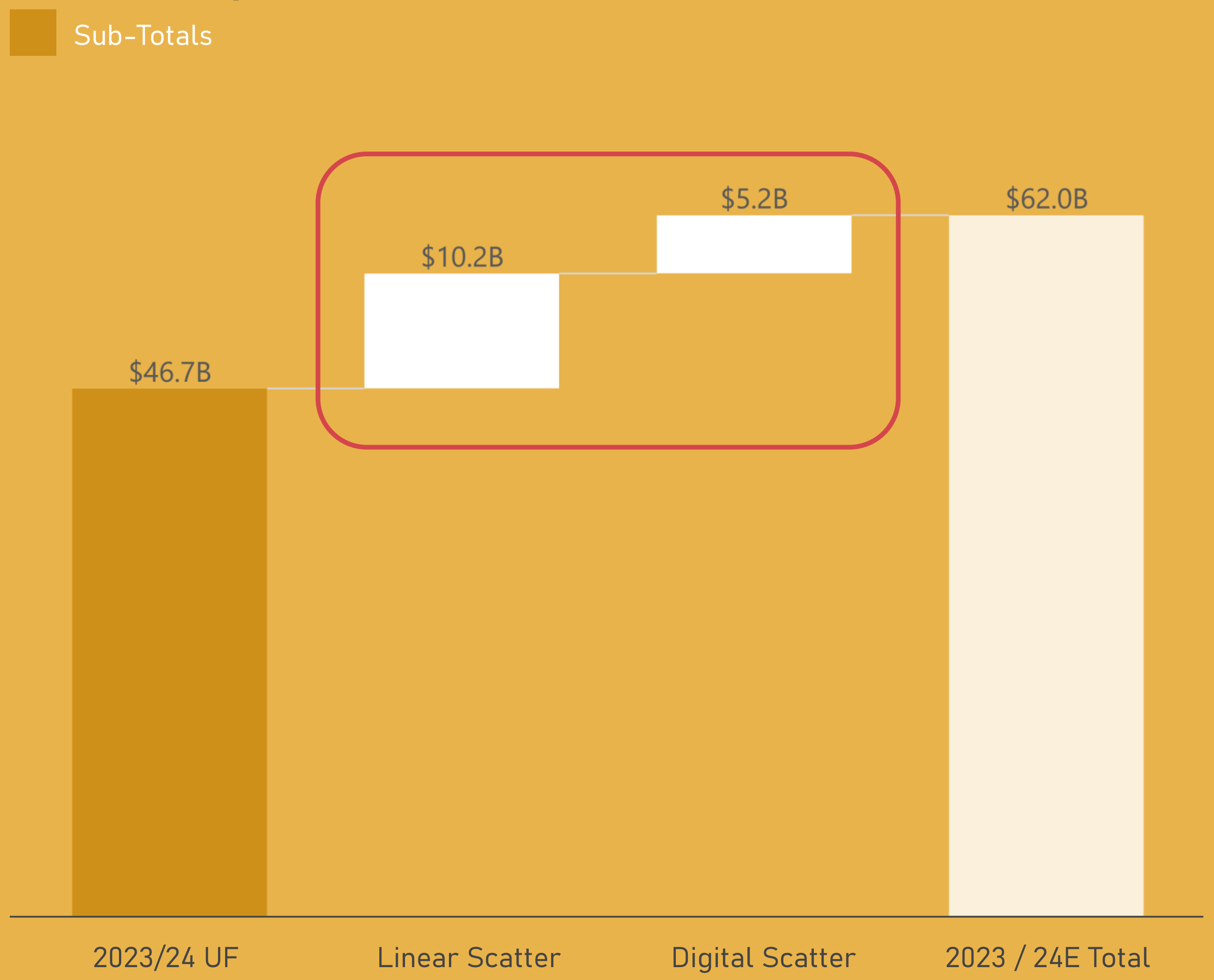
# Capitalizing on Demand in Q4/Q1

FINDING GROWTH

# Tepid UF growth likely to translate to increase in scatter demand

Because of **lower than expected UF Volumes**, we expect **17% growth in digital scatter**

## BY 23/'24 Upfront Estimates and Presumed Scatter




*Source: Proprietary NBCU forecast using economic data and industry specific ad spend data. Consensus forecast used the most recent forecast of each listed industry forecaster from December 2022 to August 1st, 2023. Weighting was conducting using proprietary NBCU analytics*

# Q4'23 scatter demand expected to be up, with sustained growth into Q2'24

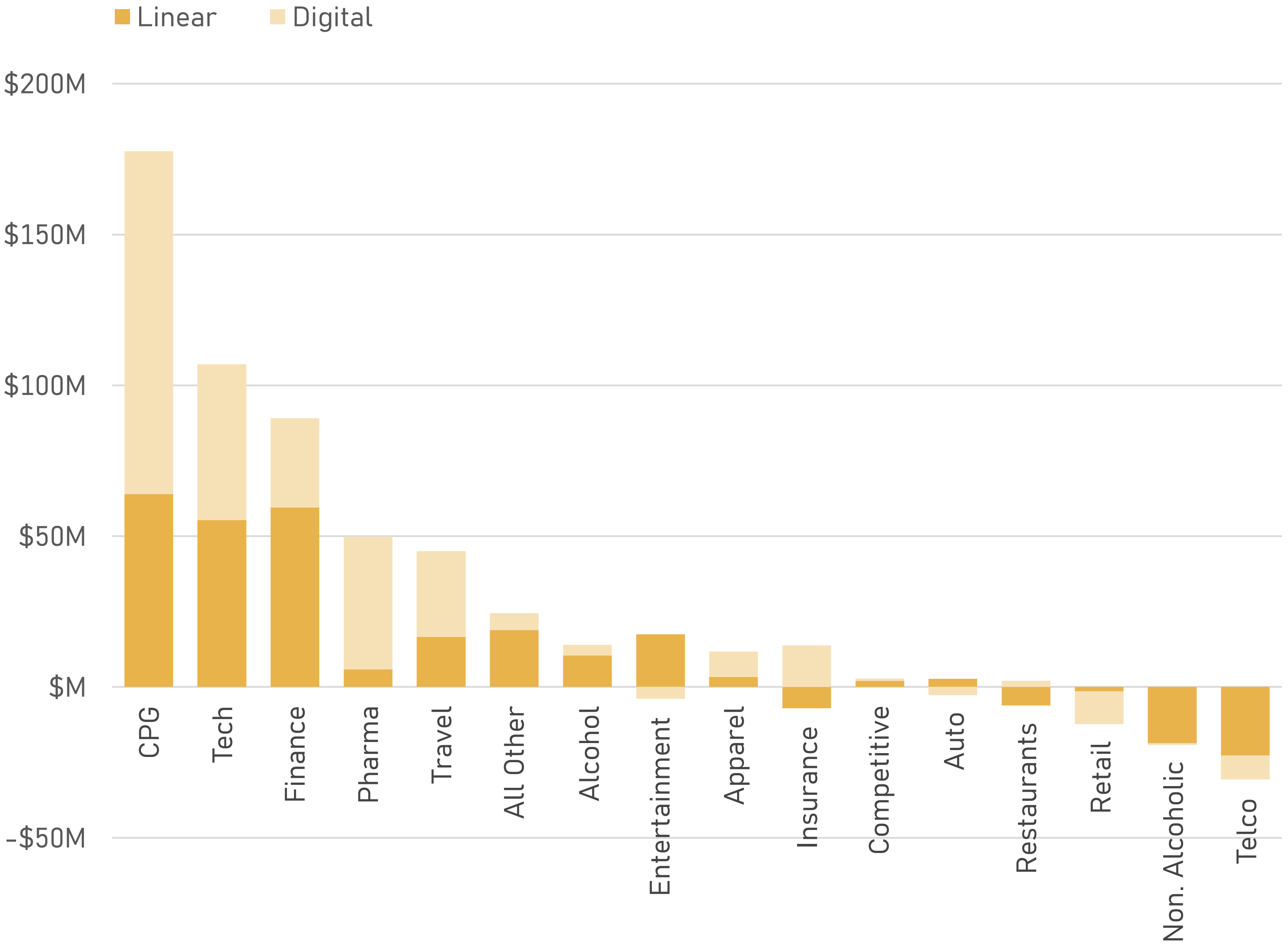
Expected growth from **$1.8B to $2.5B**

Linear incremental growth **~$200M**, with **CPG, Finance, and Tech leading**

Digital forecasted to be **up an incremental $275M**, primarily in **CPG, Tech, and Pharma**

## Scatter Q4'23/Q1'24 vs. Prior Year

Forecasted Digital + Linear Spend Growth by Category




*Source: Proprietary NBCU forecast using economic data and industry specific ad spend data*

# Growth in '24

## IDENTIFYING LONGER-TERM OPPORTUNITIES TO DRIVE GROWTH THROUGH CY2024

MID-TIER + LONGTAIL CATEGORIES EXPECTED TO DECLINE IN 2024

# Mid-Tier + Longtail Categories that flourished during COVID have since diminished & declined representing a $72M threat to scatter business

| | KEY THEMES | THREAT |
|---|---|---|
| **Real Estate Services** | • Real estate services ad spend saw a 38% decline<br>• Unhealthy housing market due to rising mortgage rates and a shortage of available homes<br>• As of June 2023, Texas, Idaho, Washington, Florida and California have the biggest deficit for affordable homes | $44M |
| **Food Subscription Box** | • Food subscription boxes cut ad spend by 40%<br>• Food of the month cancellations outpaced new subscriptions for digital memberships<br>• Many consumers underestimated the total subscription bill for everything (including but not limited to food delivery) | $13M |
| **Legal Consulting Service** | • As the cost to hire lawyers increases, litigants are abstaining from professional legal services<br>• Many states have allowed non-lawyers to represent people in civil court matters<br>• Ad spend declined 89% in H1 | $8M |
| **Mass Transit** | • COVID-19 forced riders to forgo mass transit, as a result transportation agency fares dwindled<br>• Mass transit cut ad spend by 65% | $6M |
| **Medical Testing Services** | • COVID-19 testing took a nosedive globally, falling from 70 – 90% worldwide (Q1'22 vs Q2'22)<br>• Medical testing services saw ad spend decline 69% in H1 | $356K |

*Sources: NBCU Proprietary analysis using industry sources as well as supporting market evidence from sources like: NBC News, Ap News, Vox, WSJ, CNBC*

MID-TIER + LONGTAIL CATEGORIES POISED FOR EXPLOSIVE GROWTH IN 2024

# These longtail categories poised for growth hold more than $239M in scatter opportunity

| | KEY THEMES | OPP |
|---|---|---|
| **Sports Teams / Leagues** | • Legalization of betting, NIL deals and esports have driven up sports revenue in recent years, and is expected to grow through 2027 (+22% growth)<br>• Increased interest in local/niche and youth sports also contributing to growth | $126M |
| **Home Goods / Decor** | • Expected to reach $37B in sales globally by 2028 (+23%) following the pandemic housing boom and renewed focus on transforming home spaces<br>• E-commerce stores and DTC brands to drive bulk of growth for home goods | $52M |
| **Baby / Children Goods** | • Demand and spend on children's goods increase as parents prioritize high-quality and hygienic products<br>• Ad spend already grew 607% in 1H23, totaling $142M | $28M |
| **Pet Retailer** | • Pet retail revenue has risen steadily and is expected to continue, following an uptick in pet ownership ( ~70% of U.S. HHs has a pet)<br>• Growth in category driven by pet retailer e-commerce sales<br>• Ad spend grew 22% 1H23 vs. 1H22 | $24M |
| **Casinos** | • Forecasted to grow by $13.3B in revenue domestically through 2027, with 2022 as the highest revenue grossing year ever<br>• Increase and access to online and sports gambling is helping to drive growth | $9M |

*Sources: NBCU Proprietary analysis using industry sources as well as supporting market evidence from sources like: American Pet Products Association, Statista, Grandview Research, U.S. News & World Report, Shopify*

NBCUniversal

# 2023 Advertising Market Assessment

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