



Looking over the precipice

The potential impact of COVID-19 on
B2C & B2B Media – Initial perspectives

17 April 2020



OC&C
Strategy consultants

uncommon sense

Agenda

Executive Summary

A Crisis Like No Other

The Potential Impact on Consumer Media

The Potential Impact on Business to Business Media

Appendix: Introduction to OC&C



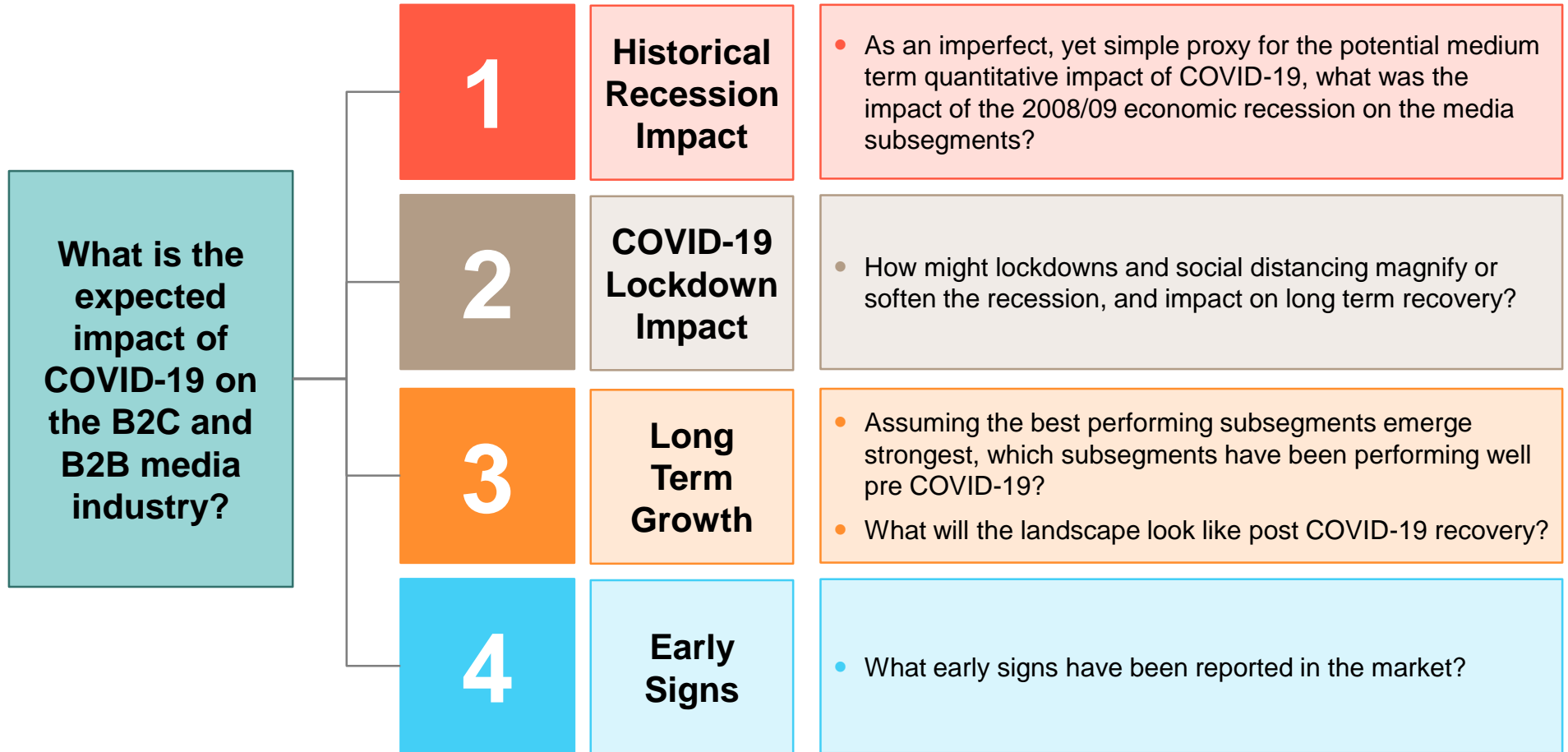
Many B2C and B2B media sectors face challenging times ahead but interesting investment theses remain

- For the sake of simplicity, this deck uses the 2008-09 global economic recession as a start point to assess the potential impact of COVID-19 on B2C and B2B media sectors
- The impact of the 2008-09 recession on media overall was severe – media stocks were down c.55% and took 3 years to fully recover
- However, the 2008-09 proxy for recession may actually underestimate the scale and duration the potential recession resulting from COVID-19, even in case of the optimistic U-shaped recovery scenario
 - COVID-19 uniquely combines the challenge of social-distancing in the short term, along with the threat of contraction of the global economy
 - In addition, many media industries are going into this upcoming recession with less healthy balance sheets and weaker operational metrics
- Based on the latest scenario from the IMF, global GDP recovery from COVID-19 is estimated to stay c.2ppts behind the 2008-10 recovery trajectory and c.3ppts behind a no-recession growth scenario even in 2021
- Within media, the present headlines paint a challenging picture so far ...
 - Ebiqity estimates adspend budgets will decrease by 16% in 2020 due to Covid-19
 - Numerous leading media companies have made public announcements about their recent financial challenges
 - Media share prices have dropped significantly and are down approximately ~30% so far
- ... but despite this overall macro context, there remains a series of interesting investment theses for potential investors within the B2C and B2B media space



This paper presents some initial perspectives on the potential impact of COVID-19 on B2C & B2B media structured around 4 key questions

Purpose of Document



Context

This document evaluates the impact of COVID-19 on several B2B and B2C media verticals and the sub-sectors across their value chains

Media Taxonomy

		Content Creation	Publishing	Distribution	Monetisation	Global Rev. 2019 (\$bn)	Global 2008-09 Growth %	Global 2015-19 Growth %
Business to Consumer (B2C) Media	TV & Film	Content Production – including film & TV 	Pay TV TV Advertising SVOD	HBO itv 4 Disney N		c.\$400-500bn	-c.1% ²	c.3% ³
	Media Agencies	Media agencies	Excludes cinema, but covered in OC&C doc on leisure impact		PUBLICIS GROUPE WPP	c.\$80-90bn ⁷	-c.4%	3%
	Sport	Sports media rights Other (sponsorship, merchandise & gate rev)	Excludes classifieds, but a core subsector for OC&C		NFL Premier League J.J. Watt	c.\$170-200bn	-7% ⁴	4% ⁴
	Digital Advertising	Digital Advertising (incl display, online video, social media, search)			Google f	\$268bn	14%	17%
	Print Media	Content creation, circulation & ads for newspapers & consumer magazines			NATIONAL GEOGRAPHIC Daily Mail The New York Times	\$183bn	-11%	-3%
	Gaming	Games (incl dev studios, publishers, distributors and platforms)			R* EA PlayStation Network	c.\$125bn	6%	11%
	Music	Talent	Music Publishers 	Live Music Digital Music Physical Music	 hmv	c\$55bn	-3%	5%
	OOH	OOH Advertising			JCDecaux VEC TOR	\$40bn	-10%	4%
	Other B2C	Radio, consumer books				\$107bn	-4%	2%
	Business to Business (B2B) Media	Business Information ⁶	Includes financial & credit, marketing & research databases, and industry information (incl scientific, technical, regulatory & legal information)			S&P Global Market Intelligence	\$111bn	-8%
Publishing ⁶		Education Publishing Professional Publishing Trade Magazines			PEARSON Education EE EDWARD ELGAR PUBLISHING The Engineer	\$79bn	-4%	1%
Events and Exhibitions		Physical B2B Events & Exhibitions			PACK EXPO ITB	\$34bn	-13%	4%

1. UK, China, USA and France for Film, TV and SVOD content – 2018 figure. Global for rest 2. -2% for production and channels, but +9% for cinema 3. 2014-2018 4. US and Canada only
 5. Totals don't sum to all media due to some overlap between categories 6. Segmentation per description commented on qualitatively 7. Sum of top 5 Media Agencies' net revenues
 Source: PWC Global Entertainment and Media Outlook, IBIS World, OC&C analysis COVID Impact on Media_PE_20200417_vFinal | © OC&C Strategy Consultants 2020



Summary

'Safe' short term and long term sectors for investment remain; COVID-19 is also revealing opportunities for under-valued assets in the short term

Sub Sector Performance and Attractiveness

3 Long Term Growth Post-Recovery

Growth Sectors Catalysed by Covid-19

(long term pre-COVID growth >10% CAGR and likely accelerated)

Maturing Sectors Accelerated by Covid 19

(long term pre-COVID growth >5% CAGR and likely accelerated to maturation of growth)

Long Term Stable

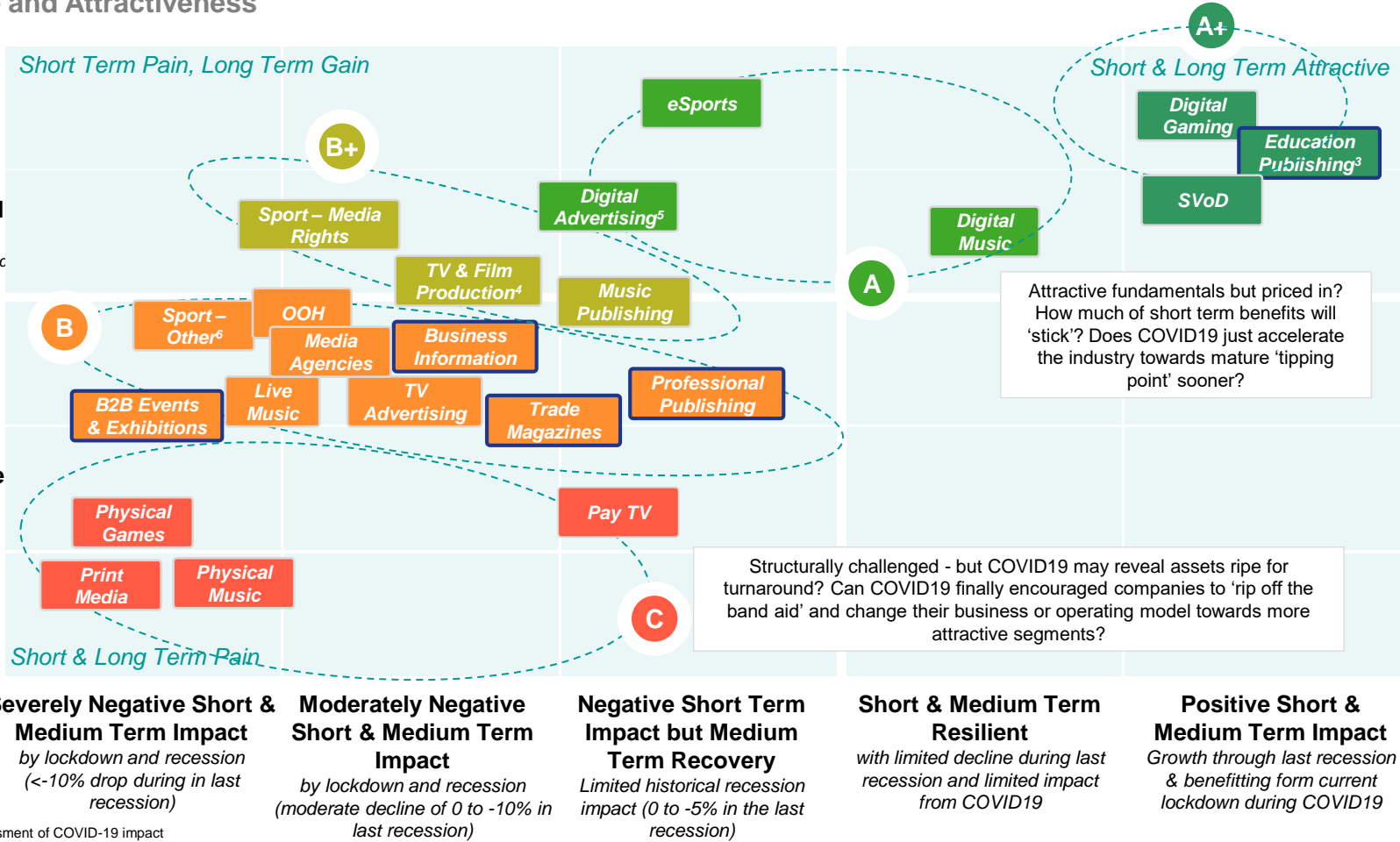
(long term pre-COVID growth of 0-5% CAGR with neutral impact post recovery)

Stagnant Sectors With Covid-19 Accelerated Decline

(long term pre-COVID decline of 0 to -10% CAGR with acceleration towards stagnation of decline)

Declining Sectors with Covid-19 Accelerated Decline

(long term pre-COVID growth <-10% CAGR and exacerbated further)



Attractive fundamentals but priced in? How much of short term benefits will 'stick'? Does COVID19 just accelerate the industry towards mature 'tipping point' sooner?

Structurally challenged - but COVID19 may reveal assets ripe for turnaround? Can COVID19 finally encouraged companies to 'rip off the band aid' and change their business or operating model towards more attractive segments?

1. Last 4Y Market CAGR overlaid with OC&C assessment of COVID-19 impact
 2. Based on 08-09 crisis overlaid with OC&C assessment of COVID-10 impact
 3. 2015-19 growth significantly lower, but expected to get a major boost from lockdown
 4. Expected to grow faster going forward due to SVoD demand
 5. Historically recession resilient, but now maturing and makes up 52% of all ad revenue, making it more vulnerable to recession impact
 6. Sponsorship, merchandising, gate revenues

Source: OC&C analysis

Short & Medium Term Resilience²

1 2

 B2B Subsectors B2C Subsectors

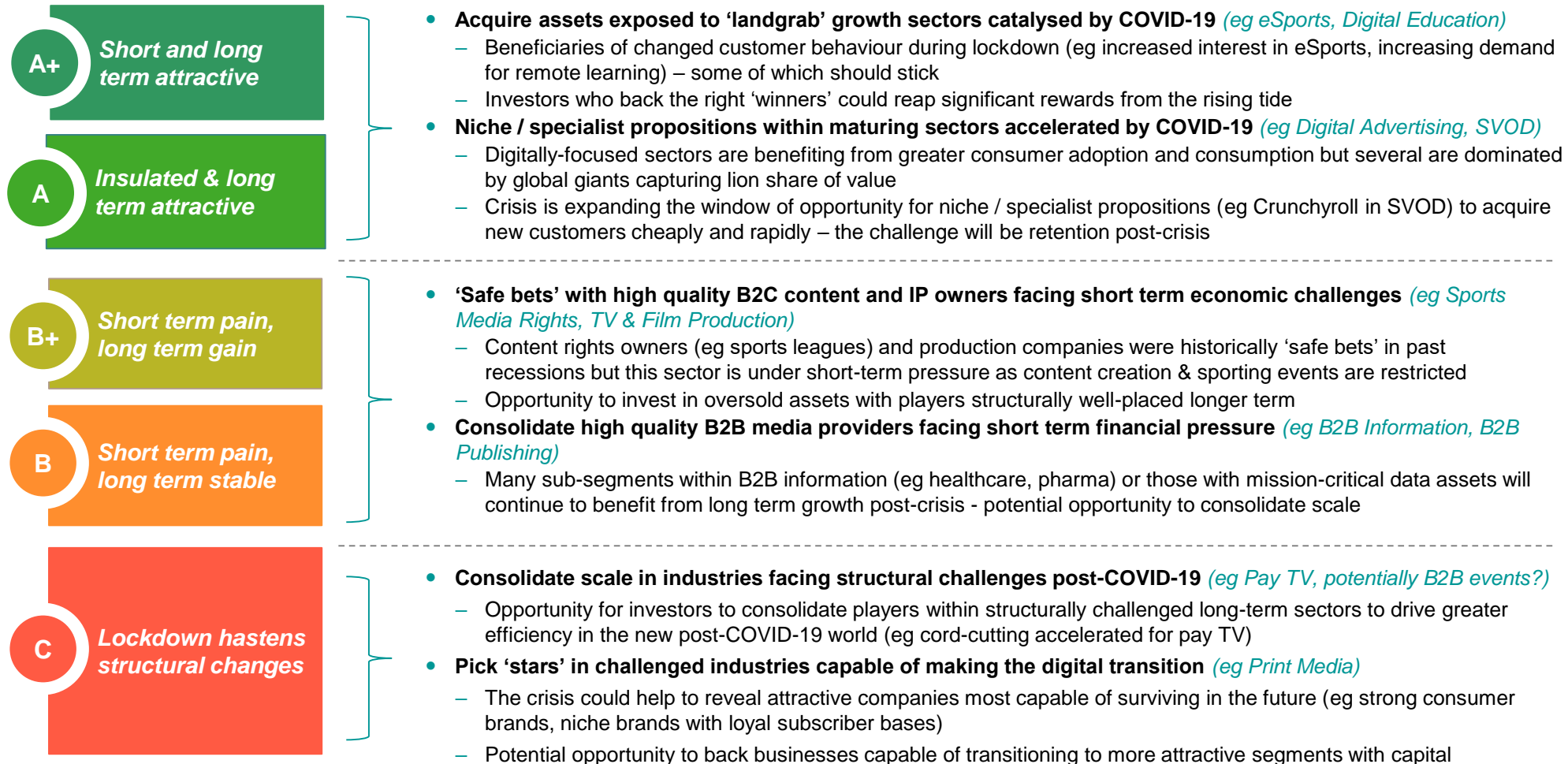


Beyond the immediate impact of COVID-19, a number of broad investment theses are relevant and attractive for investors

Potential Investment Themes

Not Exhaustive

Example Investment Theses



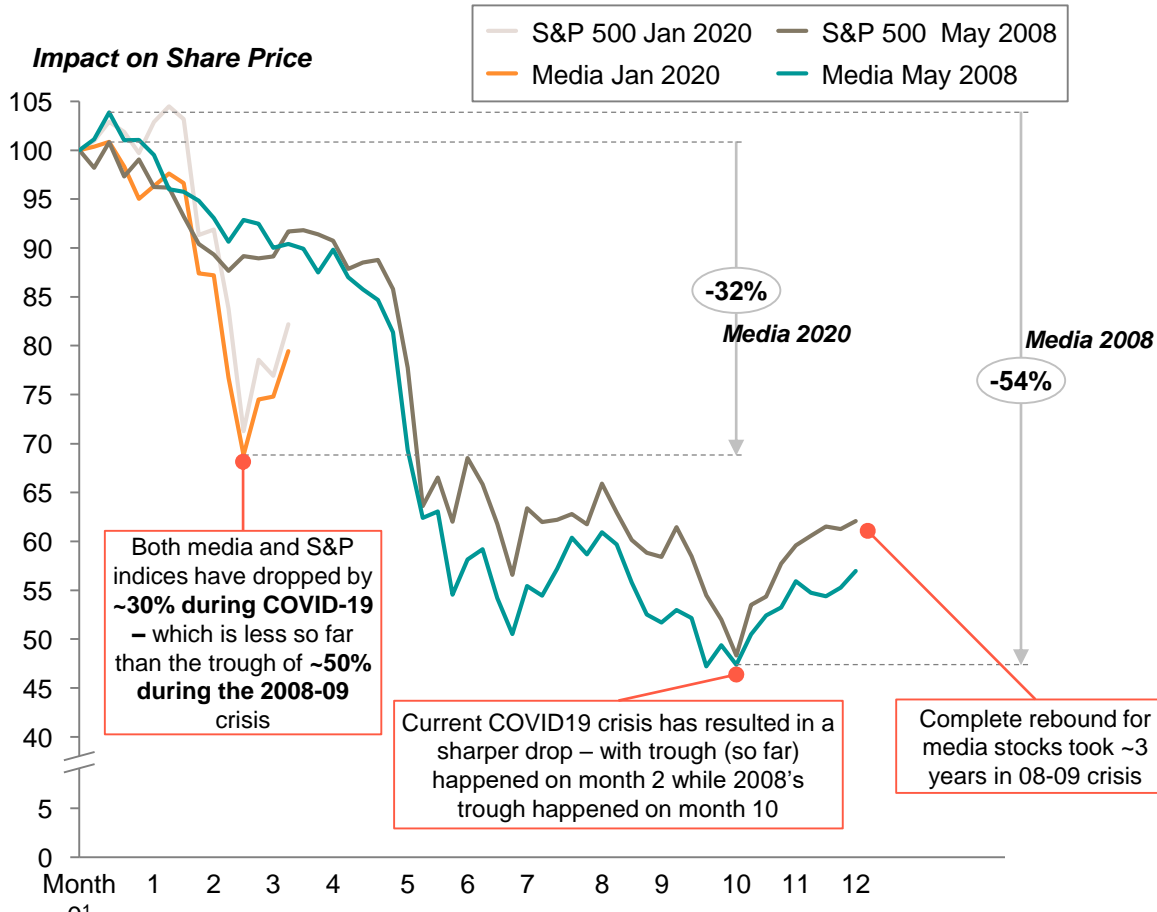
Summary

2020 media shares have declined sharply in recent months but have fallen 20ppts less than in 2008-09 – indicating possibility of further decline

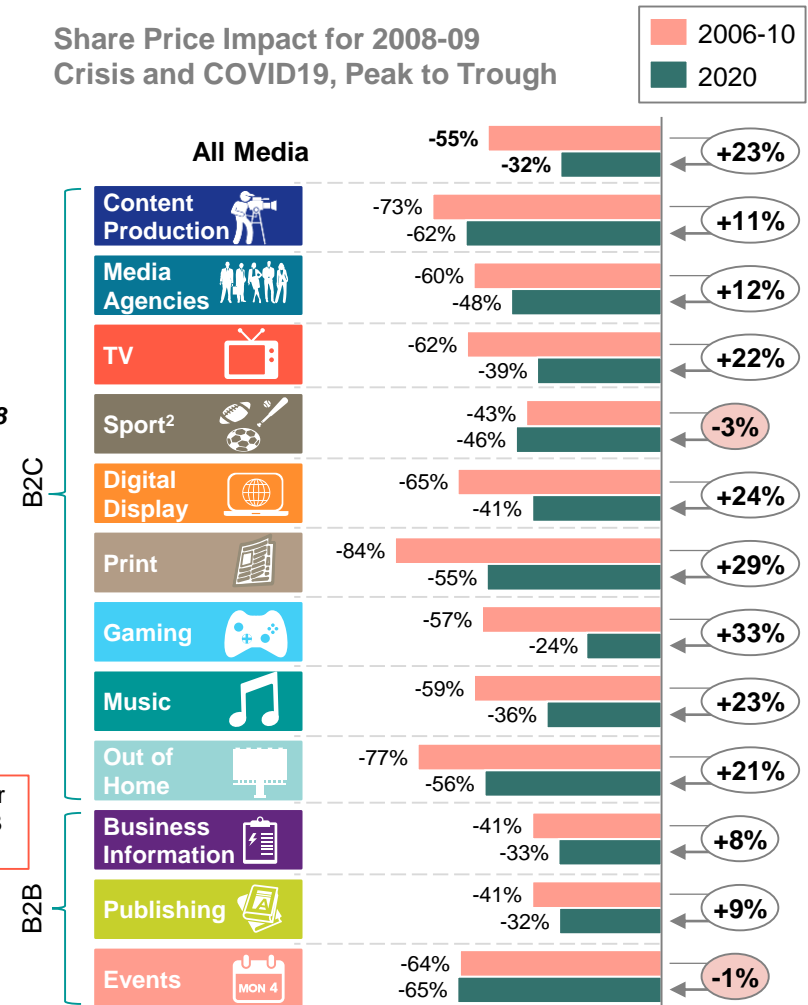
Impact of COVID-19 on Media Share Prices vs 2009 Crisis and Current State of Recession

Indicative

Share Price Performance by Media Sub-sector



Share Price Impact for 2008-09 Crisis and COVID19, Peak to Trough



1. Jan-20 for Covid-19 and May-08 for 2008 crisis

2. Media rights & other

Source: Capital IQ, OC&C analysis



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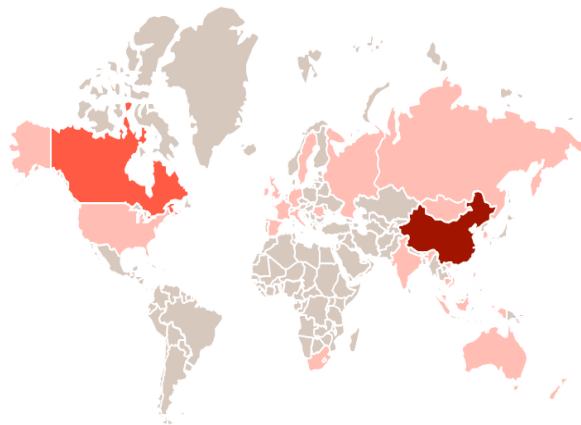


The impact of COVID-19 on the world is unprecedented, reaching 184 countries, with number of cases already over 150x the 2003 SARS outbreak

Geographic Distribution of SARS vs. COVID-19

Latest as of April 9th 2020

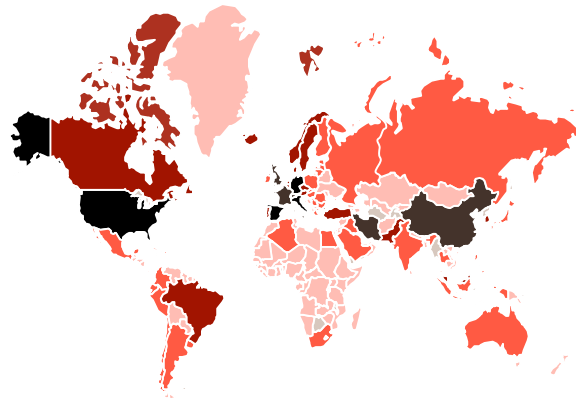
SARS Outbreak, 2003-2004
(# of infections by country)



Total Countries = 29

Total Confirmed Cases = 8,404

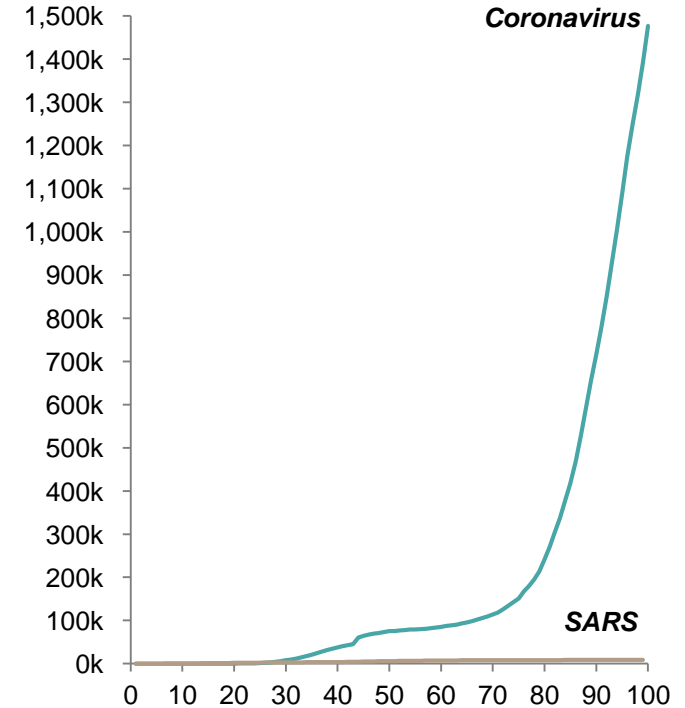
COVID-19 Outbreak
(# of infections by country)



Total Countries = 184

Total Confirmed Cases = 1,476,819

Proliferation of Coronavirus and SARS
(# of infections worldwide,
of days since start of outbreak¹)



1. Latest day (Day 100) recorded as 09 April 2020

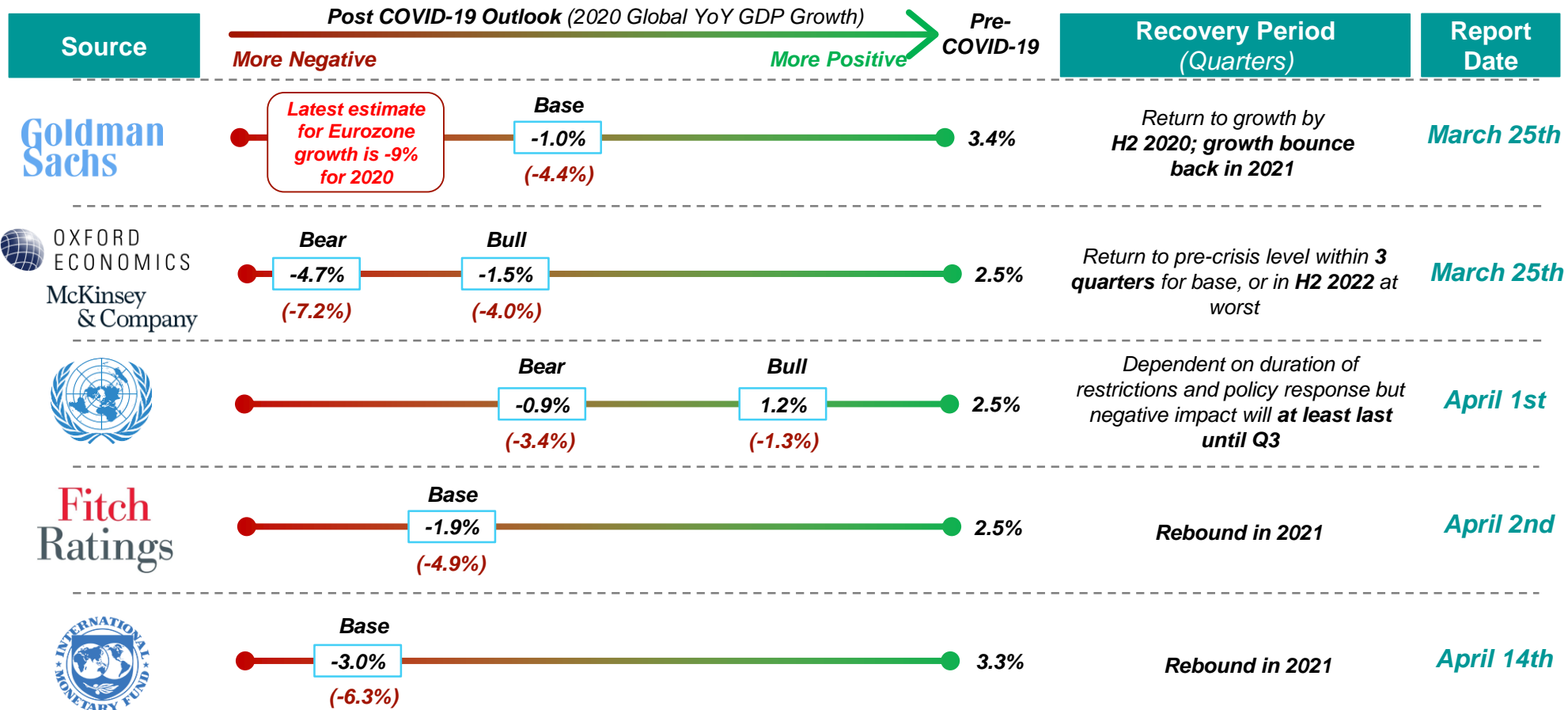
Source: Johns Hopkins University CSSE, European Centre for Disease Prevention and Control, WHO, OC&C analysis



In terms of prolonged economic impact, a set of recent forecasts predict a c.2-7 ppt hit to global GDP growth in 2020

Global Economic Forecasts

Selected 3rd Party Forecasts
Latest as of April 16th 2020



Other sources were reviewed (Deutsche Bank, Morningstar) however these reports were last updated 10+ days ago so are not considered representative

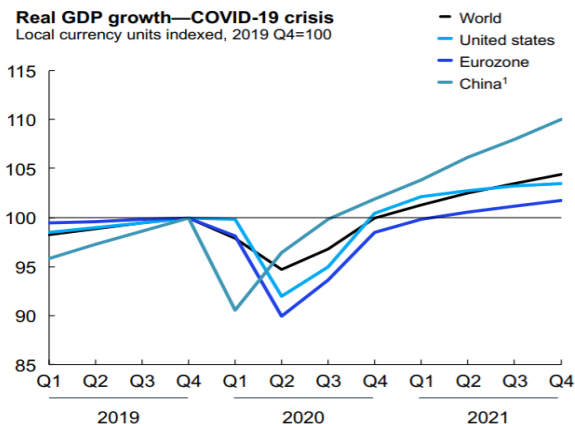


The latest predictions focus around a recovery in GDP growth by 2021 although the 2020 GDP growth will be significantly worse than 2008-09

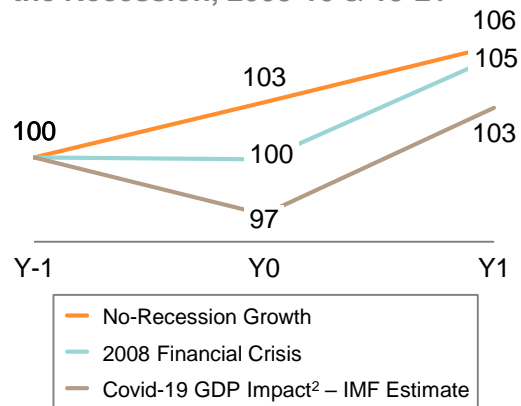
Global GDP Growth Impact Phasing

Latest as of April 15th 2020

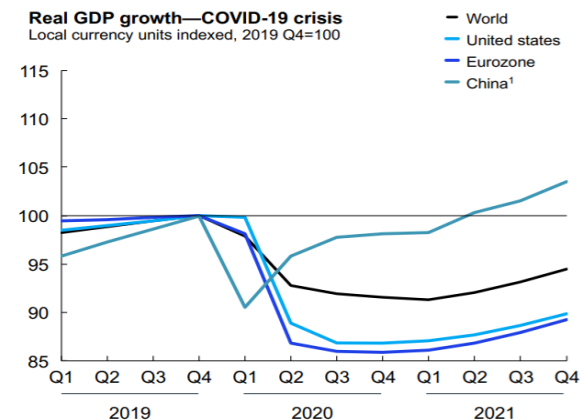
Scenario 1 - U: Virus Contained Real GDP Growth Indexed to Q4 2019



Global GDP Indexed to a Year Before the Recession, 2008-10 & 19-21



Scenario 2 - L: Muted Recovery Real GDP Growth Indexed to Q4 2019



- Most common base case scenario suggested by prominent economists so far - IMF, UN DESA and Oxford Economics all predict a **U shaped recession with strong recovery in 2021**
- This scenario suggests a sharper decline than the 08-09 recession but recovery at a similar rate
 - IMF recently estimated 2020 global GDP to contract by **-3%** before recovering by **5.8% in 2021**
 - 3% contraction is more severe than -0.1% observed globally in 2008-09, but the recovery (5.8% vs 5.4% in 2009) path is similar
- It took 3 years for media share prices to recover to pre-recession levels in 08-11 – indicating full recovery can take longer than then the predicted period for GDP growth
- **IMF estimates suggest GDP will surpass pre-recession levels by 2021, but won't catch up to normal growth levels as it did in 08-09**
- The **2008-09 proxy for recession might underestimate the scale and duration of the recession**, even in the U shaped scenario
 - In this scenario, Covid GDP recovery stays **2ppts behind the 08-10 recovery trajectory** and **3ppts behind a no-recession growth scenario** even in 2021

- **Scenario 2** is less expected by economists than scenario 1
- This scenario could imply significantly longer lasting impacts and recovery periods than the 08-09 crisis
- Although it's not a consensus scenario at the moment, it is dependent on COVID19 coming back in further waves
- Under scenario 2, taking 2008-09 performance as a proxy, media share prices could take over ~4 years to recover to pre-crisis levels

1. Seasonally adjusted by Oxford Economics

2. IMF estimates

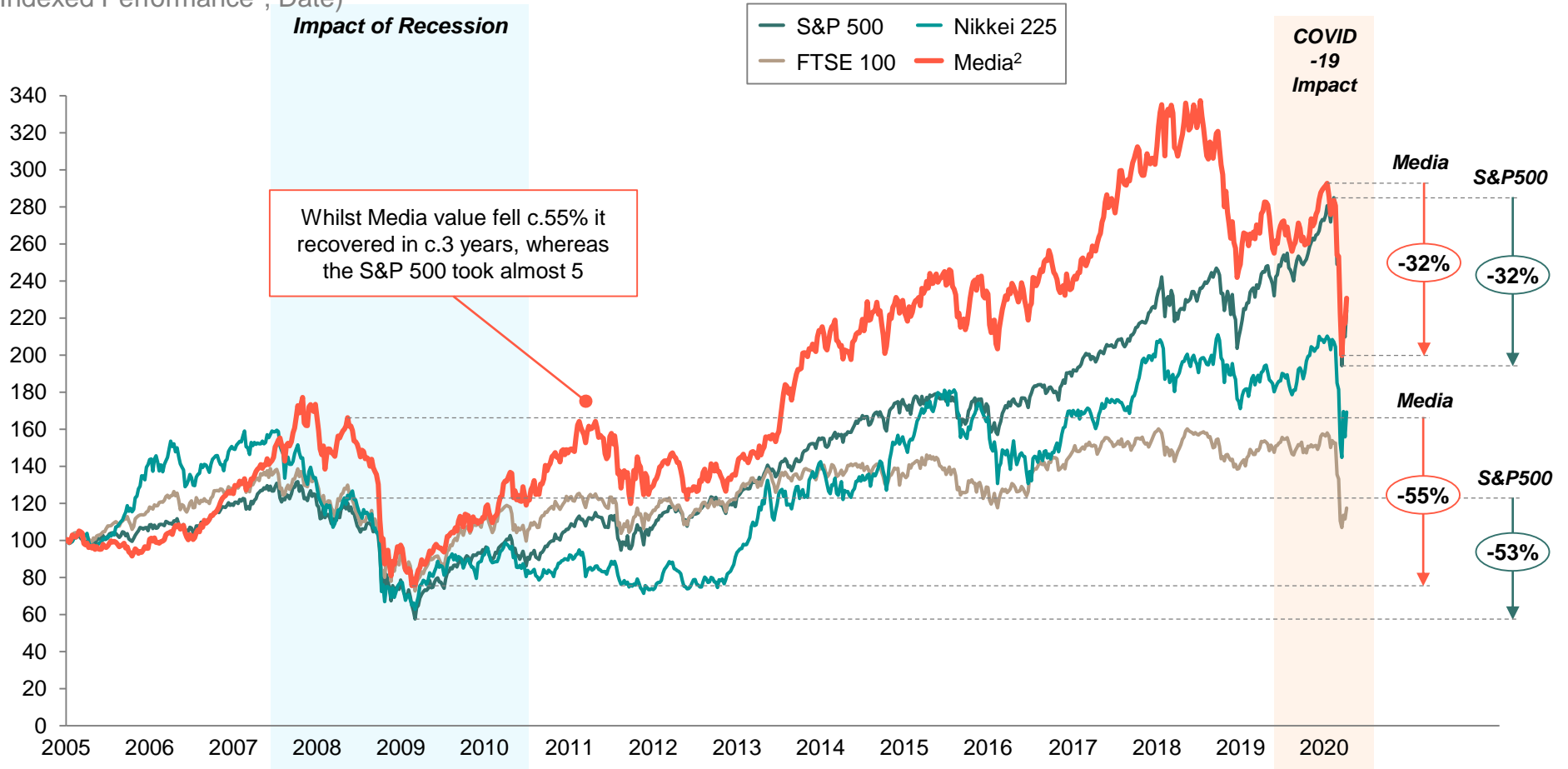
Source: IMF, MGI Oxford Economics, UN Department of Economics and social Affairs, OC&C analysis



This has had knock on effects on the global stock markets; despite much commentary on the expected severe recession, media stocks (on average) are down only 30% vs 50% in 08/09

Latest as of April 8th 2020

Weekly Stock Market Performance Over Time
(Indexed Performance¹, Date)



1. Indexed to average closing values of first week of trading in January 2005

2. Media Index composed of 31 OC&C selected media stocks detailed in this report – does not include companies with market cap > \$100bn on 09/04/2020 e.g. Netflix, Amazon, Google

Source: CapitalIQ, OC&C analysis



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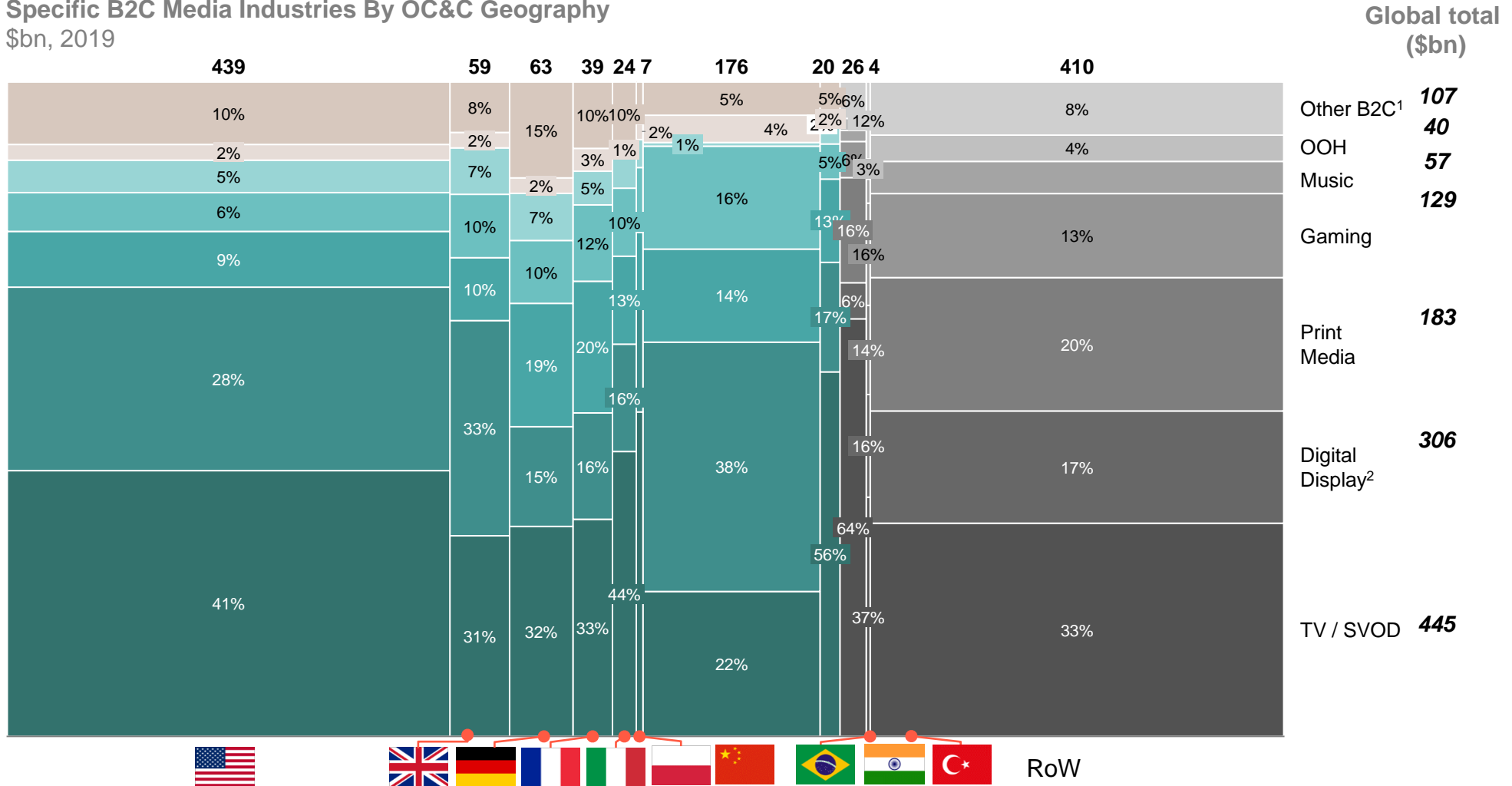
The Potential Impact on Business to Business Media

Appendix: Introduction to OC&C



We have focused on 8 key B2C media markets with different characteristics. Globally TV (inc SVOD) remains the largest category of B2C media

Specific B2C Media Industries By OC&C Geography
\$bn, 2019



1. Other B2C includes Consumer Books and Radio

2. Digital advertising (e.g. AVOD) included in Digital Display and has been removed from other categories to avoid double counting – in subsequent parts of the document it will be added back into these segments

Source: PWC Global Entertainment and Media Outlook, OC&C analysis



Remotely-consumed digital media has been resilient to COVID-19; content focused sub-sectors are attractive long term but facing short term pressures

Impact on B2C Industries (1/2)

Lockdown Legend ✓✓ Very Positive ✓ Positive - No incremental impact on recession ✖ Short term neg impact ✖✖ Long term neg impact
Early Signs Legend ✓✓ >20% Rev Increase ✓ 5 to 20% Increase - 5 to 5% Change ✖ 5 to 20% Decrease ✖✖ > 20% Decrease

			1	2	3	4	
		2019 Global Mkt (\$bn)	Historical Recession Impact ²	COVID19 Lockdown Impact	Long Term Growth ³	Early Signs	Commentary
Short and long term attractive	SVOD	37	11.5%	✓	36.2%	✓	<ul style="list-style-type: none"> Increased demand for home entertainment during lockdown and price advantage over pay TV make SVoD a clear winner in this pandemic – but business models may need to evolve post-COVID as the industry accelerates towards maturity
	Digital Games	109	23%	✓	13.9%	✓	<ul style="list-style-type: none"> Strong tailwinds due to lockdown and increased console sales show increase in gamer penetration...however delays on big name titles may see growth start to flatten (albeit relatively few big name titles launching on current gen consoles given next gen consoles launches in 2021)
Insulated, long term attractive	Digital Music	19	6.6%	-	21.2%	✖	<ul style="list-style-type: none"> The industry has seen consistent double digit growth with large tech companies including Apple and Amazon entering the market While streaming has seen an initial decline, this has largely been attributed to stores / restaurants no longer open – at home streaming appears broadly resilient
Short term pain, long term gain	TV & Film Content Production	36 ⁴	-4.2%	✖	3.1%	✖✖	<ul style="list-style-type: none"> Long term stable market with continual year on year growth Recession impacted due to producers wanting to conserve cash – under lockdown, also further impacted by shutdown of studios and filming locations
	eSports	c.1	na	✖	36%	✖	<ul style="list-style-type: none"> Many cancellations of eSports (physically attended) events. However, reduced impact due to ability to have online tournaments Post-lockdown, eSports is well placed to benefit from the increased interest towards gaming
	Music Publishing	7 ⁵	-2.1%	-	3.3% ⁵	✖	<ul style="list-style-type: none"> Recession had a relatively small, one-off impact on publishing due to slowdown of TV production related music, a drop in consumer spend on music and less public performance royalties Major album releases such as Chromatica by Lady Gaga put on hold due to lockdown
	Digital Advertising	268	14%	✖	17%	✖	<ul style="list-style-type: none"> Digital now accounts for 59% of total ad spend vs 12% in 2008 Early signs suggest advertisers significantly cutting budgets across all media types Market also dominated by 3 players making investment opportunities rare
	Sport - Media Rights	c.50	-9%	✖	7%	✖	<ul style="list-style-type: none"> As live sport events are cancelled, media rights see a strong short-term decline Long-term, the market remains attractive and will recover quickly as the lock down ends

1. Market considered too nascent in 2008/09 for a view on recession impact to be considered 2. 2008-09 Mkt Revenue Change 3. 2015-19 Market CAGR 4. 2018 Figures 5. IBIS World
 Source: PWC Global Entertainment and Media Outlook, IBIS World, OC&C analysis COVID Impact on Media_PE__20200417_vFinal | © OC&C Strategy Consultants 2020



Physical media (incl. print) and advertising (particularly OOH) have been the most negatively impacted by the COVID-19 pandemic so far

Impact on B2C Industries (2/2)

Lockdown Legend ✓✓ Very Positive ✓ Positive - No incremental impact on recession * Short term neg impact ** Long term neg impact
Early Signs Legend ✓✓ >20% Rev Increase ✓ 5 to 20% Increase - 5 to 5% Change * 5 to 20% Decrease ** > 20% Decrease

		1	2	3	4	Commentary	
		2019 Global Mkt (\$bn)	Historical Recession Impact ²	Covid19 Lockdown Impact	Long Term Growth ³	Early Signs	
Short term pain, long term stable	TV Advertising	166	-7.4%	*	0.7%	**	<ul style="list-style-type: none"> Quick recovery after the last recession, which saw a c.7% drop in advertising revenues Ad-funded TV will benefit from higher viewership, but the financial impact is severe due to reduced ad spend resulting from economic uncertainty associated with COVID-19 However, thinning out of schedule with less new commission and less live content will impair the proposition in consumers' eyes
	Sports – other ⁶	c.130	-6%	*	3%	**	<ul style="list-style-type: none"> Suffered through last recession with merchandising decreasing by 20%, along with lower sponsorship revenues - did not recover until 2012 Major events like Olympics, Euro2020 and Wimbledon have been cancelled or postponed
	Live Music	28	-6.1% ⁴	*	3.3%	**	<ul style="list-style-type: none"> Last recession had a limited impact and the market recovered by 2011 Major festivals and tours have been cancelled because of the lockdown
	OOH	40	-7.3%	*	5.3%	**	<ul style="list-style-type: none"> Advertisers cut budgets in the last recession by 7% as they looked to save costs Out of home advertising is severely impacted by lockdown due to fewer impressions
	Media Agencies	82	-3.6%	*	2.9%	**	<ul style="list-style-type: none"> Advertising budgets suffer during recessions as they are easy to cut quickly Risk of accelerate move to digital where agencies (on average) are less important
Lockdown hastens structural challenges	Physical Music Sales	7	-14%	**	-14.6%	*	<ul style="list-style-type: none"> The 2008-09 recession hastened the physical sales decline and it flatlined post-recession Physical music sales have suffered a decline due to limited movement and closed shops
	Physical Gaming	14	-8%	**	-3.3%	-	<ul style="list-style-type: none"> Saw a c.8% decline during the recession as non-essential leisure spend was cut down and digital gaming was becoming more prominent Physical game sales impacted by store lockdowns, but home deliveries reduce impact
	Pay TV	203	-0.3% ⁴	**	-1.4%	*	<ul style="list-style-type: none"> Pay TV facing cancellations of key content packages such as sports, resulting in increased propensity for cord cutting – offset by increased viewing and importance of children's content
	Print Media	183	-11.0%	**	-2.6%	**	<ul style="list-style-type: none"> The 11% market decline in 2009 due to advertising reduction never recovered Print media's structural decline will be further impacted by recession as ad sales suffer

1. Market considered too nascent in 2008/09 for a view on recession impact to be considered
 4. 2009-10 data rather than 08-09
 Source: PWC Global Entertainment and Media Outlook, IBIS World, OC&C analysis

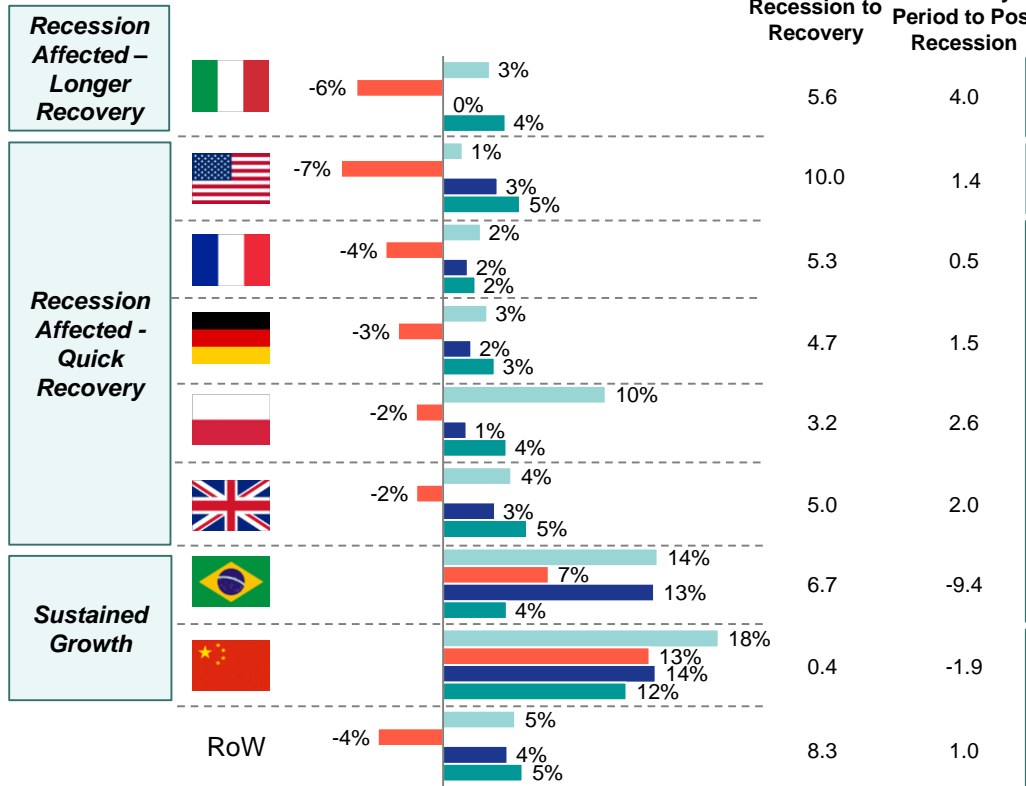
2. 2008-09 Mkt Revenue Change 3. 2015-19 Market CAGR



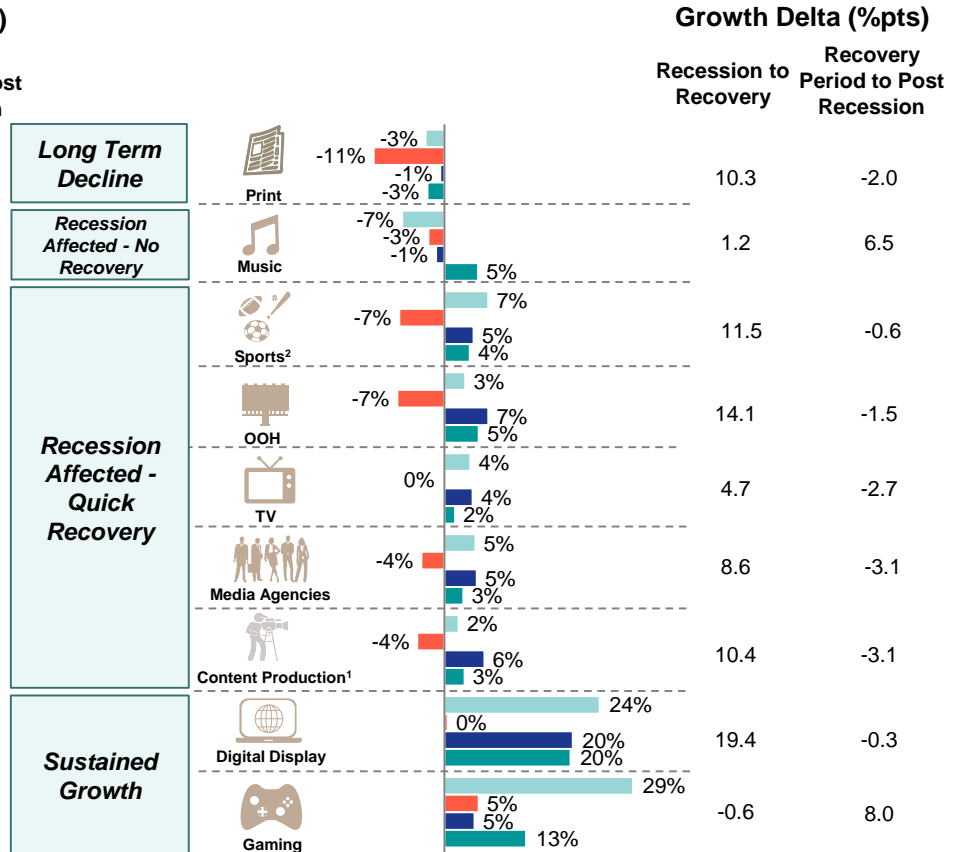
Within this global picture, some countries performed well through the last recession and have continued sustained growth

Market Growth Rates (% CAGR)

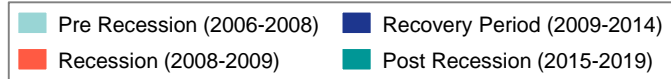
Media Growth by Geography



Media Growth by Industry (OC&C Markets)



1. USA television production only
 2. 15-19 growth based on North American growth as a proxy
 Source: PWC Global Entertainment and Media Outlook, OC&C analysis

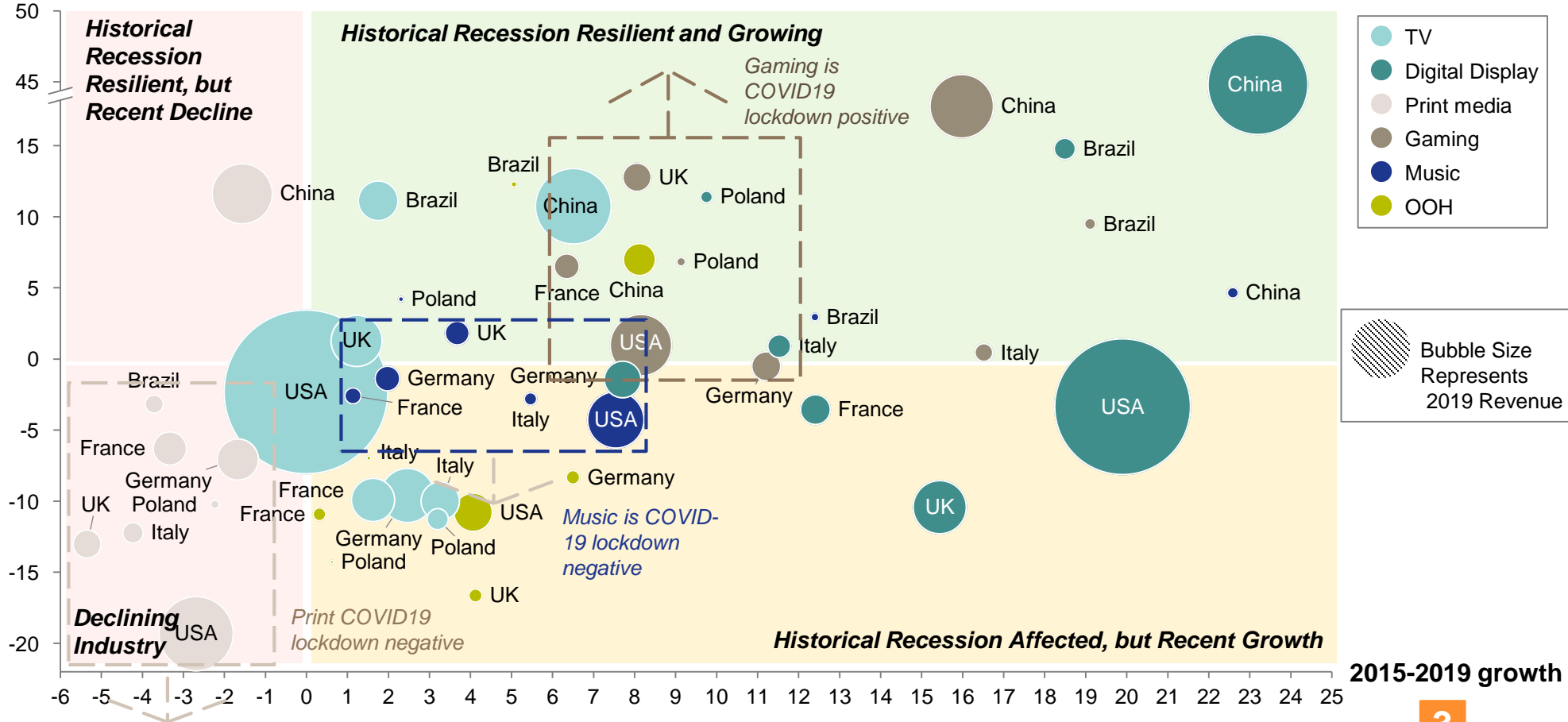


Print media has seen significant headwinds recently following the last recession, while Gaming has continued its growth across all markets

B2C Media Impact of Historical Recession and Recent Growth (%)

2008-9 growth

1
2



2015-2019 growth

3

1. UK 2008-9 growth rates boosted by inflationary pressure, 2008 UK inflation rate 3.6% (ONS)

Source: PWC Global Entertainment and Media Outlook, OC&C analysis

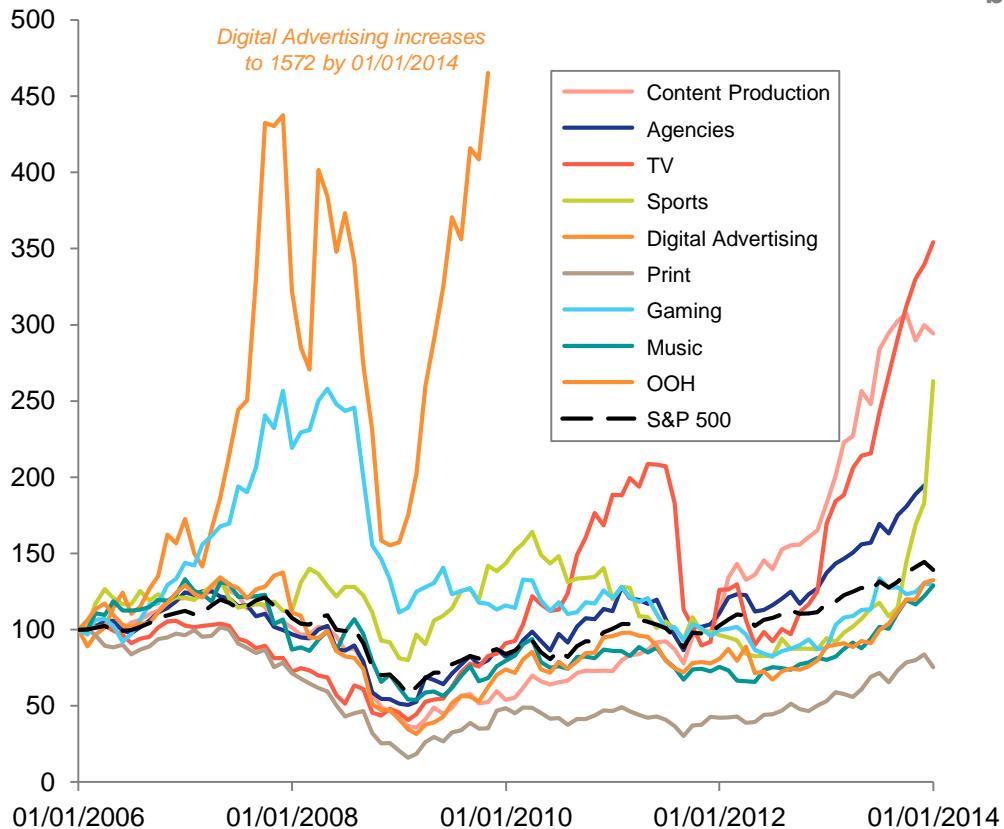


In the last recession, overall media fell by 55% and took 3 years to recover; digital saw a quick recovery while print was hit hard and never bounced back

Historical 2008-09 Recession Impact

Indicative

B2C Media Stock Market Performance by Industry¹
(Indexed Performance², 2006-2014)



B2C Media Average EBITDA Margin by Industry¹ (%)



Margin Delta (%pts)

Industry	Recession to Recovery	Recovery Period to Post Recession
Content Production	6.7	1.7
Media Agencies	0.6	1.1
TV	2.5	0.8
Sport	0.7	8.8
Digital Advertising	3.3	-8.3
Print	0.4	-0.7
Gaming	1.8	8.2
Music	0.4	0.9
Out of Home	0.6	0.8

1. Categories are averages of the following companies for each sector: TV (Netflix, ITV, ProSiebenSat1, Atresmedia, M6, TF1, E.W.Scripps), Digital Advertising (Google, Baidu), Print (Gannett, New York Times, Meredith), Gaming (Activision Blizzard, Ubisoft, Nintendo, EA, Take-Two), Music (Live Nation, Vivendi (Universal Music Group EBITDA used)), OOH (JCDecaux, Clear Channel Outdoor, Stroer (EBITDA only))

2. Indexed to 100 on 01/01/2006

Source: Yahoo Finance, Capital IQ, OC&C analysis

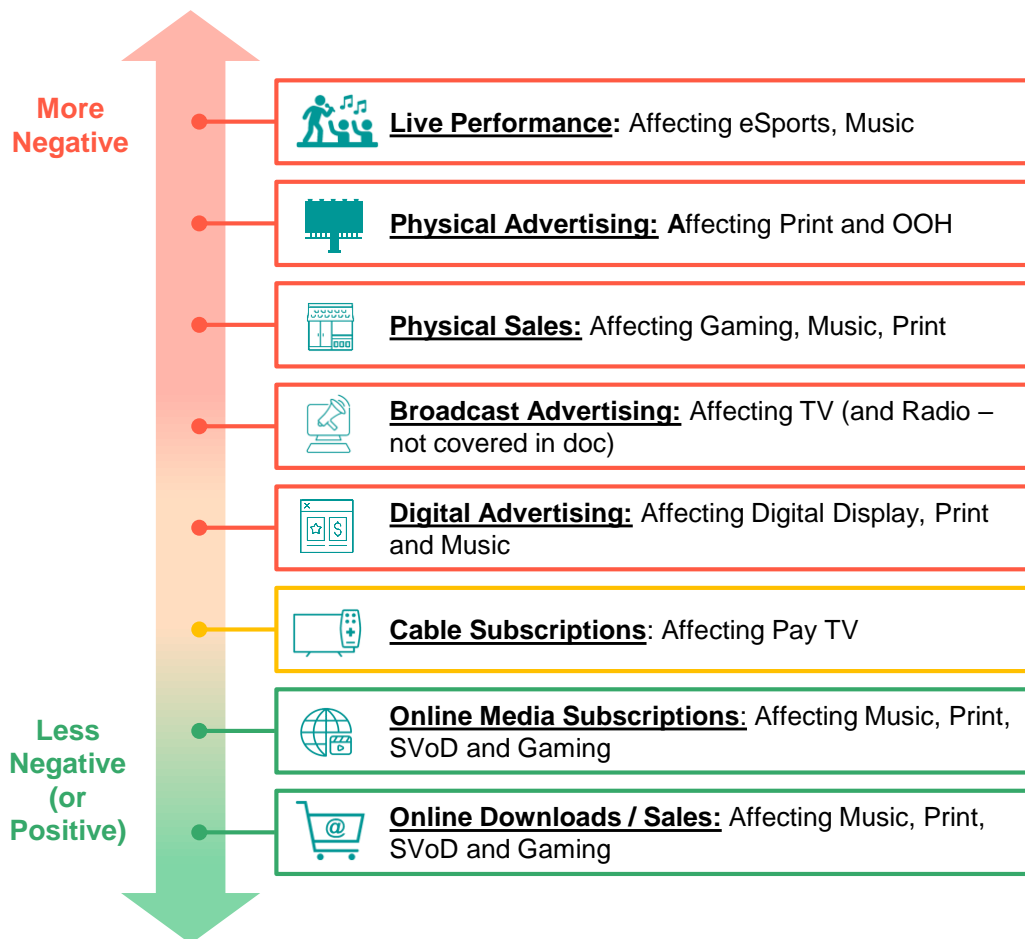


The lockdown from COVID-19 will exacerbate challenges for live and physical revenue models, but help online and digital sales

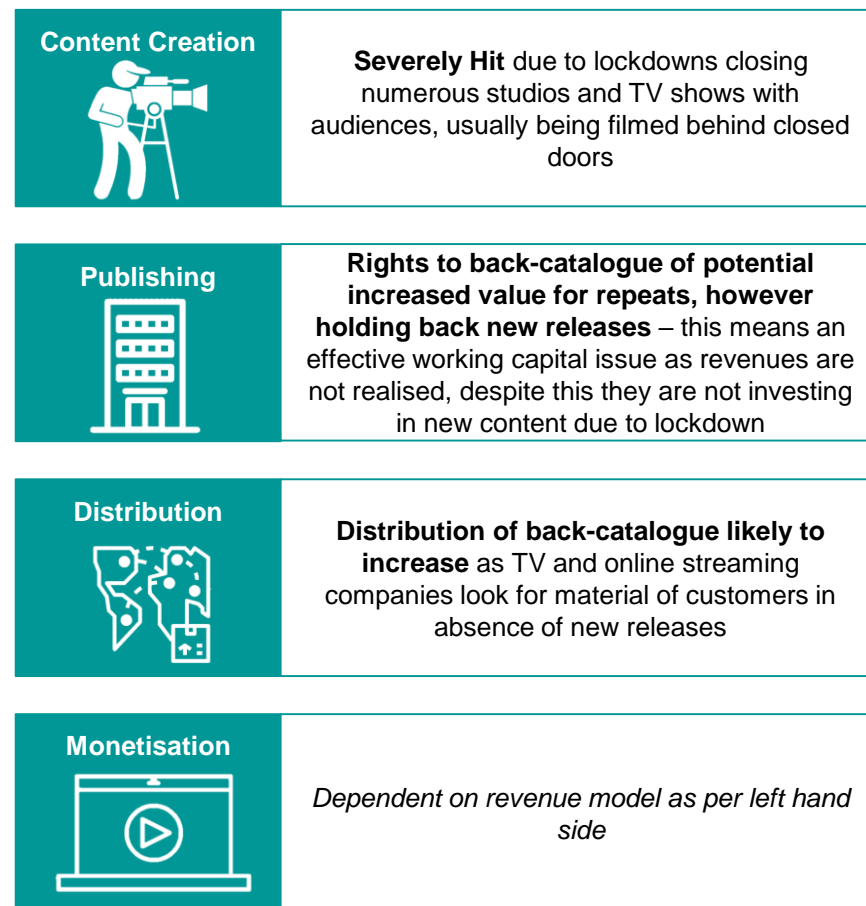
COVID-19 Impact

Illustrative

Short Term Impact on Revenue Models

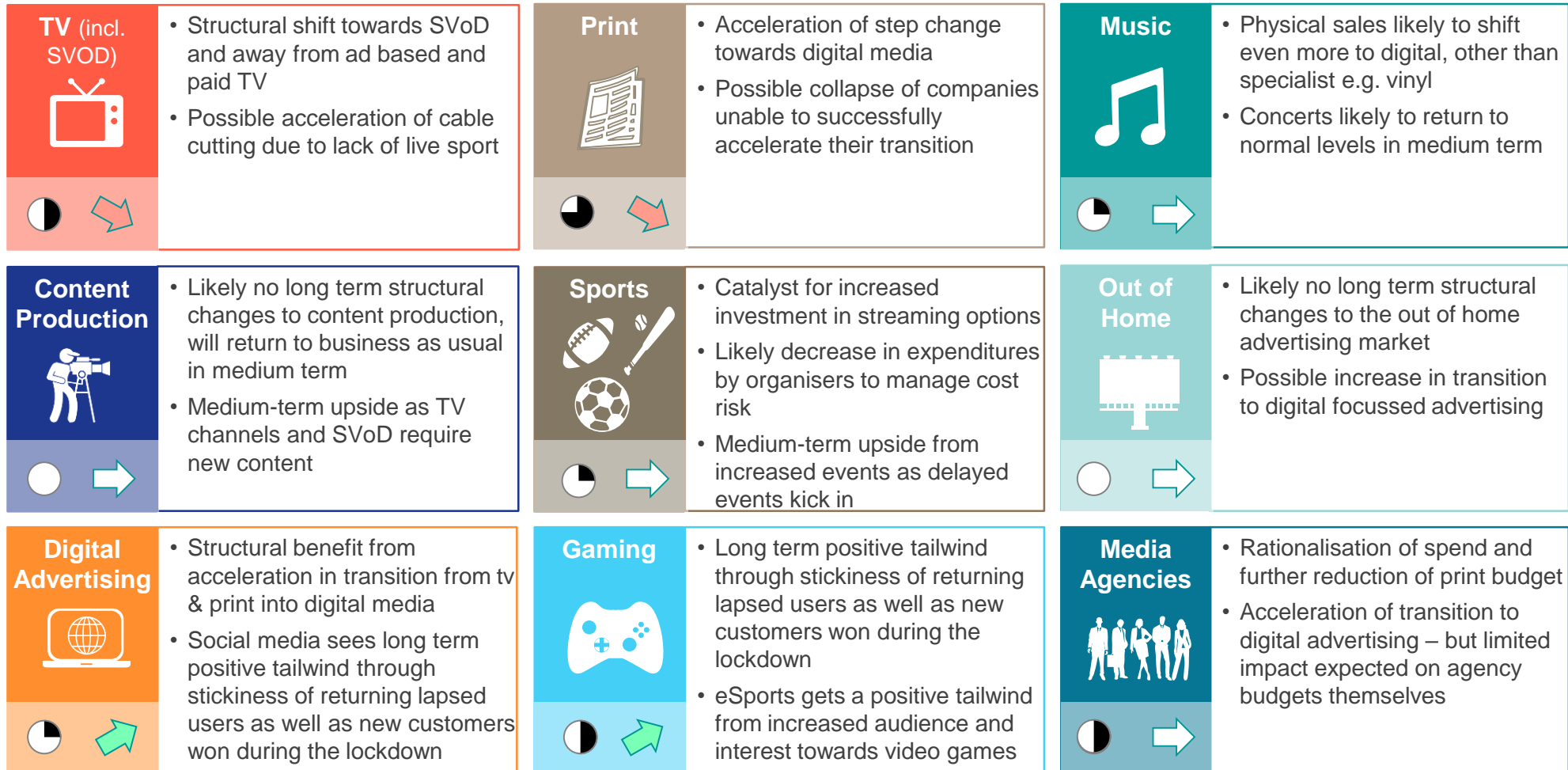


Impact on Value Chain



Similar to the previous recession, the impact of COVID-19 will accelerate long-term structural shifts towards digital in the B2C media landscape

Long Term Structural Impact of COVID-19 to B2C Media Sectors



1. Neutral direction can mean there are structural changes within the sub-category where balance is shifting, but the industry as a whole is not winning or losing
Source: OC&C analysis



Ebiquity’s recent survey of 200 advertisers representing \$200bn of media spend suggested a 16% fall in advertising spend in 2020

Media Budget Changes by Type of Media

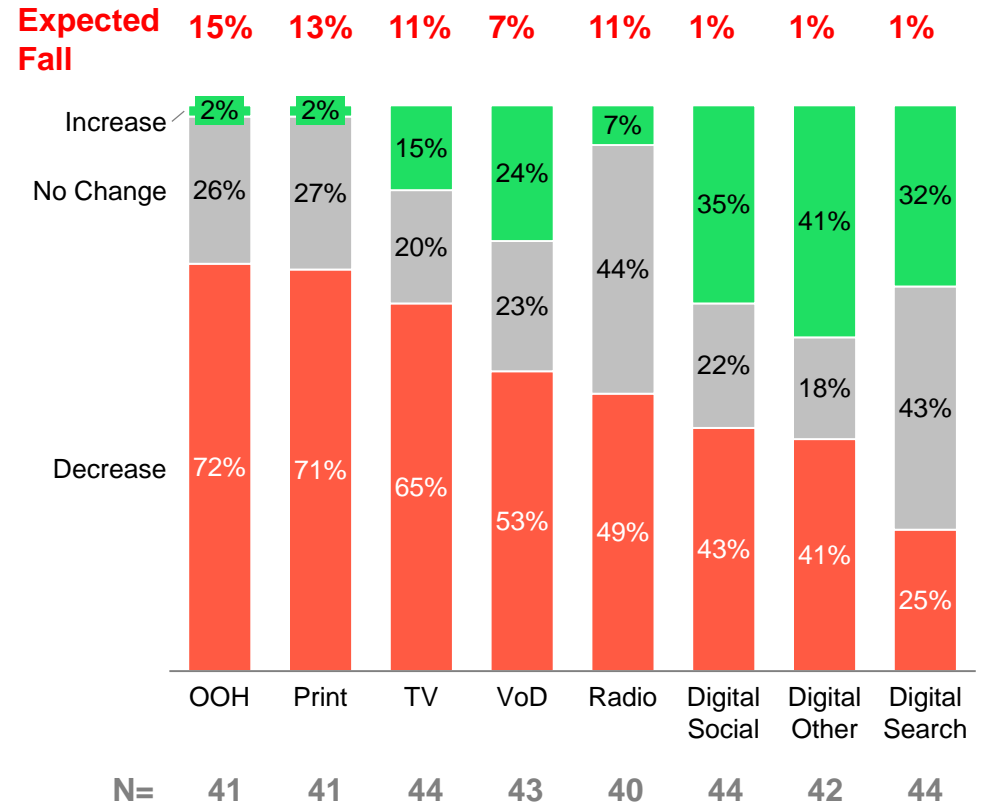
How Do You Expect Your Media Budgets Will Change For The Rest of The Year? (%)

N = 43



Weighted average decrease of **16%**

How Do You Expect Your Media Budgets Will Change For The Rest of The Year?¹ (%)



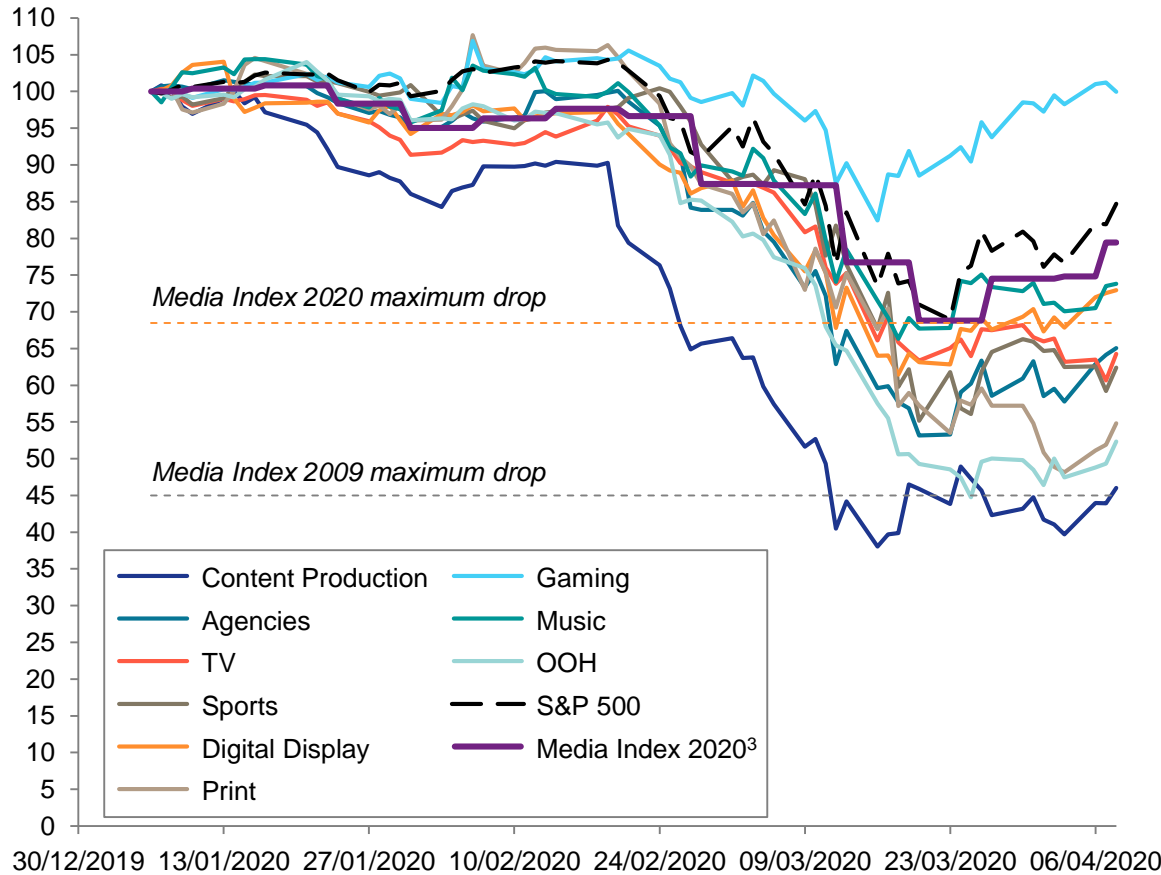
1. Only selected categories shown
Source: Ebiquity, OC&C analysis



Share prices have declined by ~30%, but considerably less than the ~50% decline during 08-09 crisis; gaming is significantly outperforming

Updated: 9 April, 2020

B2C Media Stock Market Performance by Industry¹
(Indexed Performance², 06/01/2020-08/04/2020)



1. Categories are averages of the following companies for each sector: TV (Netflix, ITV, ProSiebenSat1, Atresmedia, M6, TF1, E.W.Scripps, RTL), Digital Display (Google, Baidu, Facebook, Criteo), Print (Gannett, New York Times, Meredith, News Corporation), Gaming (Activision Blizzard, Ubisoft, Nintendo, EA, Take-Two), Music (Live Nation, Spotify, Tencent Music), OOH (JCDecaux, Clear Channel Outdoor, Ströer SE & Co. KGaA)

2. Indexed to 100 on 06/01/2020

3. Shown in weekly intervals, includes B2B










Source: Yahoo Finance, OC&C analysis



These findings are echoed in public announcements from media companies to date

Public Announcements about Covid-19 by Media Sector

Not Exhaustive

		Date	Commentary / News Headlines
Content Production 	Netflix	13 th March	Netflix halted production of all TV and film content e.g. 4th season Stranger Things halted production of all TV and film content e.g. 4th season Stranger Things
	Disney	13 th March	Disney halting filming on leading franchises, e.g. Star Wars, Jurassic Park and The little Mermaid
Media Agencies 	IPG	26 th March	Withdrawal of financial targets
	WPP	31 st March	Dividends and share buyback programme suspended
TV 	ITV	30 th March	Ad revenues will be down 10% in April; ITV offering 23% discounts on March and April bookings
	Channel 4	8 th April	Channel 4 cuts content budget by £150m as virus hits ad revenue, facing advertising slump of 50% over April and May
	NBC Universal	24 th March	Actively working with advertisers on Olympics' delay with \$1.25B in ad sales at risk
Sport 	Olympics	24 th March	Olympics postponed over covid concerns
	Sky Sports	7 th April	Replaces live sports with analysis, talk shows, repeat
Digital Advertising 	Baidu	29 th February	Coronavirus brings traffic, but not revenue, to Baidu
	Facebook	24 th March	Despite increased engagement, Facebook's ad business is declining – with weakening in ads business in countries hit by Covid-19
	Twitter	23 rd March	Twitter removes first quarter revenue and profit forecasts amid COVID concerns
Print 	New York Times	2 nd March	Online traffic has soared but Q1 digital ad income to still drop 10% - with slowdown in international and domestic ad bookings associated with uncertainty and anxiety about the virus
	Playboy	19 th March	publishes last-ever print edition due to coronavirus
Gaming 	Naughty Dog	3 rd April	One of the most anticipated releases of the year, Last of Us 2 delayed due to logistical issues
	Mojang	3 rd April	Minecraft Dungeons delayed to 26 th of May
Music 	Glastonbury	20 th March	Glastonbury could experience revenue losses of over £100 million as a result of being axed
	UK Music	16 th April	£50 million already lost by artists affected by the live industry shutdown, and the 70% dip in income for producers and sound engineers
Out of Home 	JC Decaux	5 th March	Lower Q1 sales and profit margin predicted due to Covid with Q2 forecast warning
	Clear Channel Outdoor	25 th March	Clear Channel draws down \$150m under revolving credit facility to increase liquidity

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Executive Summary

A Crisis Like No Other

The Potential Impact on Consumer Media

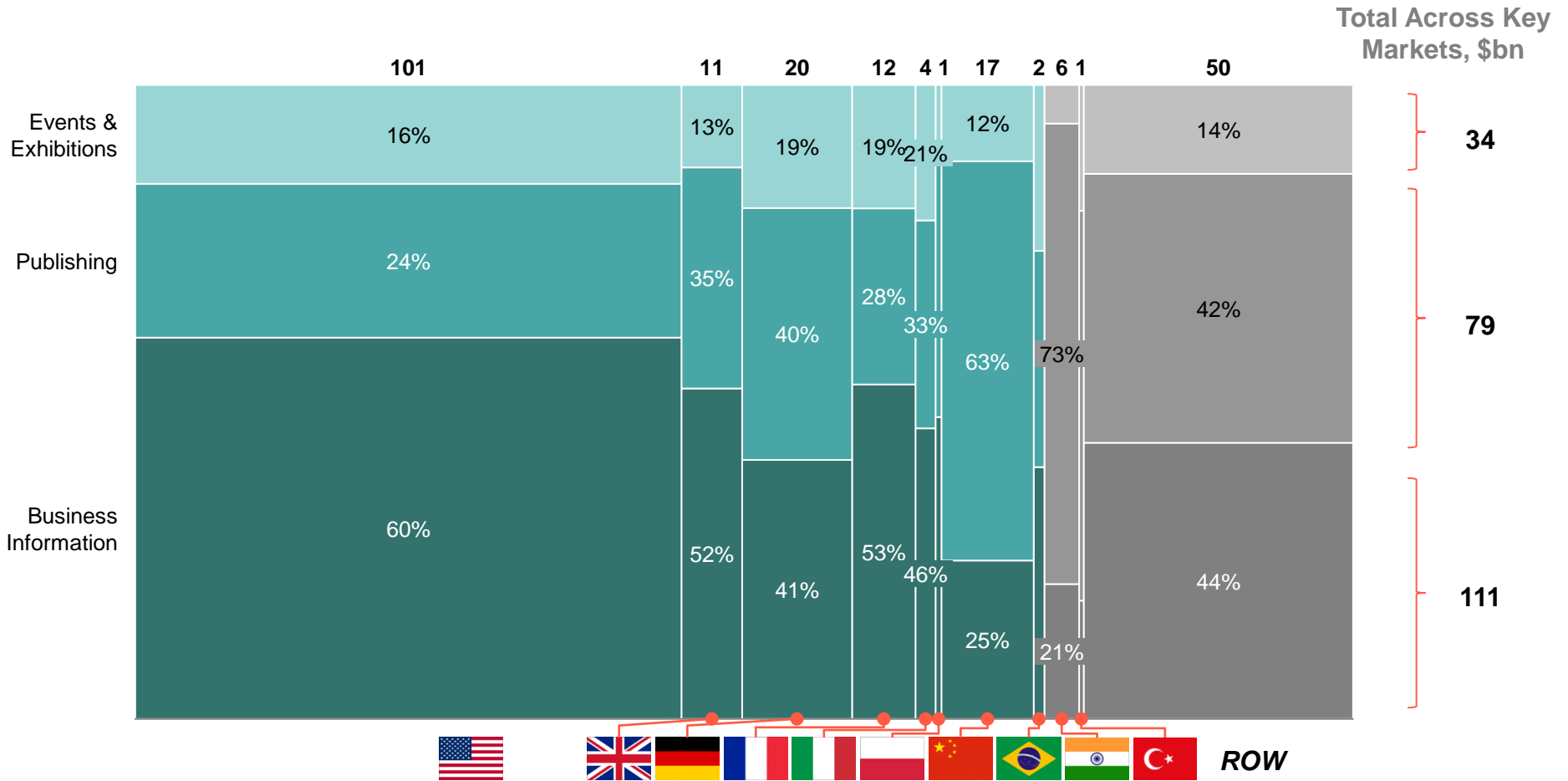
The Potential Impact on Business to Business Media

Appendix: Introduction to OC&C



Business Information is the largest category of B2B media, accounting for over half of the total market

Specific B2B Media Industries By OC&C Office Geography, 2019 (\$bn)



1. Other B2C includes Music (Live and Recorded) and Video Games. Other B2B includes Directory Advertising, Professional Books and Trade Magazines

Source: PWC Global Entertainment and Media Outlook, OC&C analysis



Events & Exhibitions have been massively affected by the COVID-19 lockdown although education is expected to do well with school closures

Impact on B2B Industries

Lockdown Legend ✓✓ Very Positive ✓ Positive - No incremental impact on recession * Short term neg impact ** Long term neg impact
Early Signs Legend ✓✓ >20% Rev Increase ✓ 5 to 20% Increase - 5 to 5% Change * 5 to 20% Decrease ** > 20% Decrease

		1	2	3	4		
		2019 Global Market (\$)	Historical Recession Impact ¹	COVID-19 Lockdown Impact	Long Term Growth ²	Early Signs	Commentary
Business Information		\$111bn	-8.4%	*	4.1%	*	<ul style="list-style-type: none"> The market was hit in the recession as investors shied away from acquisitions and corporate research spend was cut The lockdown and subsequent recession has caused global deal volumes to be down 28% in Q1 2020 leading to lower BI spend – in addition, hard hit corporates (e.g. retail and leisure companies) are holding off on non-essential spend
B2B Publishing	Education	\$41bn	-0.5%	✓✓	1.3%	✓✓	<ul style="list-style-type: none"> Education publishing remained flat in the last recession (-1% decline) but recovered quickly (4% growth 2010-11) Mass closures of schools internationally has saw an increased need for material for students working from home – analysts predict a c.\$8bn increase in spend globally in 2020
	Professional Publishing	\$22bn	-1.6%	*	1.0%	*	<ul style="list-style-type: none"> Professional publishing remained flat in the last recession (-1% decline) although digital publication grew – the market has remained flat since Lockdown has seen mass increases in unemployment internationally which may affect the # of available customers
	Trade Magazines	\$16bn	-6.7%	*	0.7%	**	<ul style="list-style-type: none"> Saw significant declines in the last recession (c.6%) and has continued to decline since with similar trends to broader print media (advertising down, circulation down etc) People working from home will have severely affected overall viewership and subsequent advertising spend – long running subscriptions may partially mitigate this however in the short term
Events & Exhibitions		\$34bn	-13.2%	**	4.5%	**	<ul style="list-style-type: none"> Events and exhibitions were reduced drastically in the recession as companies looked to conserve cash – some markets are still to hit pre recession values (e.g. Italy and UK) Lockdown has caused mass cancellations / postponements which will have a major short term effect – there may be a mid term boost as postponed events get rescheduled

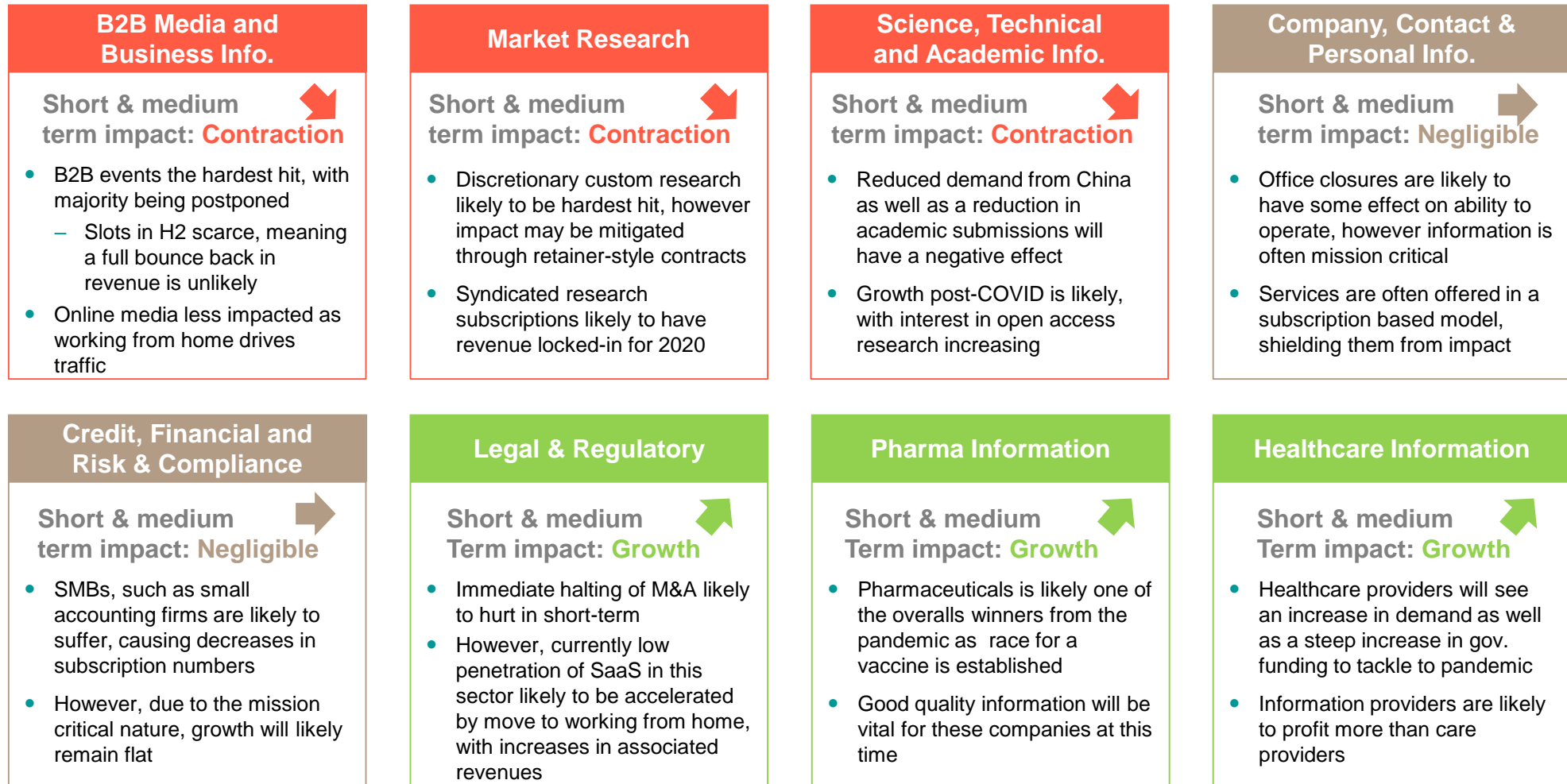
1. 2008-09 market value
Source: OC&C analysis

2. 2015-19 market value



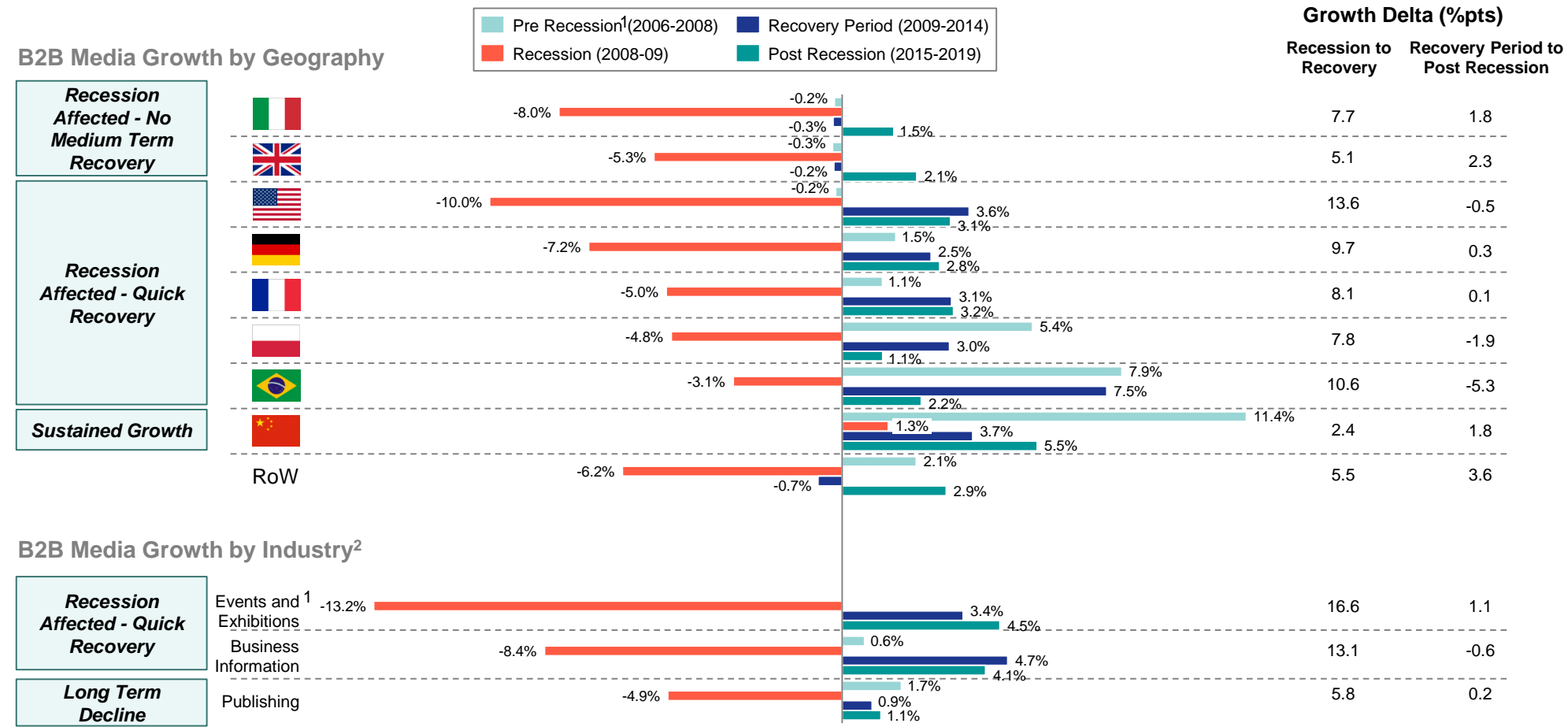
Healthcare, pharma and legal & regulatory info are most resilient to COVID-19; business & company info negatively impacted by threat from recession

B2B Media Effect by Sub-Segment



Industries and geographies responded differently during the last recession – Events and Exhibitions and the US markets were impacted especially badly

B2B Media Market Growth Rates (% CAGR)



1. No Pre- Recession data for Events and Exhibitions- Country totals comprised of Business Information and Publishing

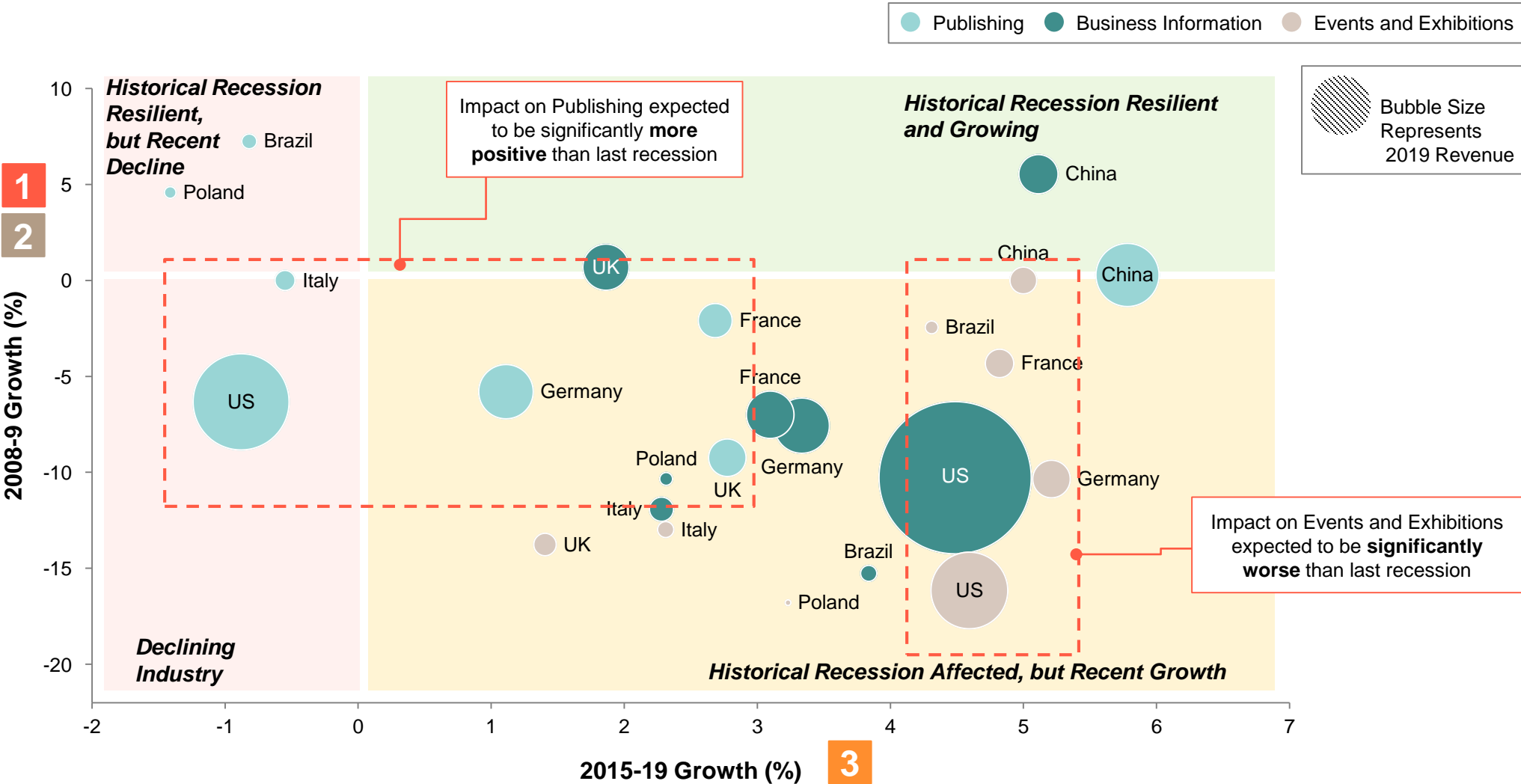
2. OC&C geographic markets only

Source: PWC Global Entertainment and Media Outlook, OC&C analysis



Business information and trade shows were hit hard in the last recession but recovered afterwards; in contrast B2B publishing has been in secular decline

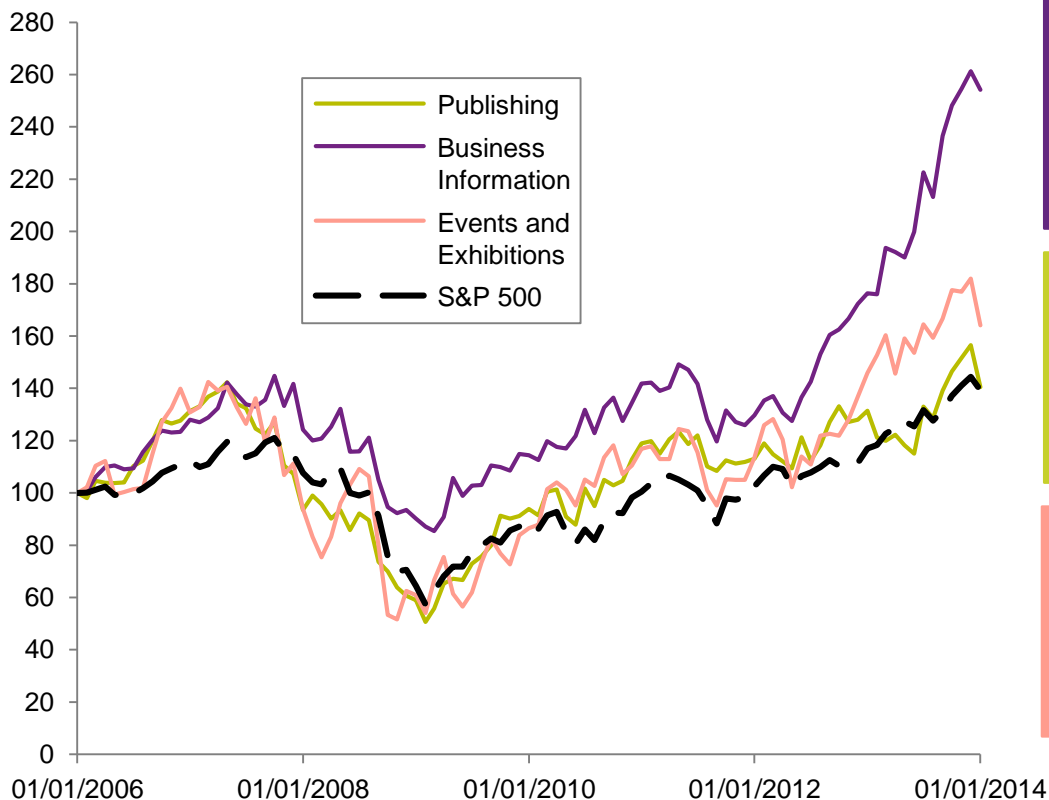
B2B Media Impact of Historical Recession and Recent Growth (%)



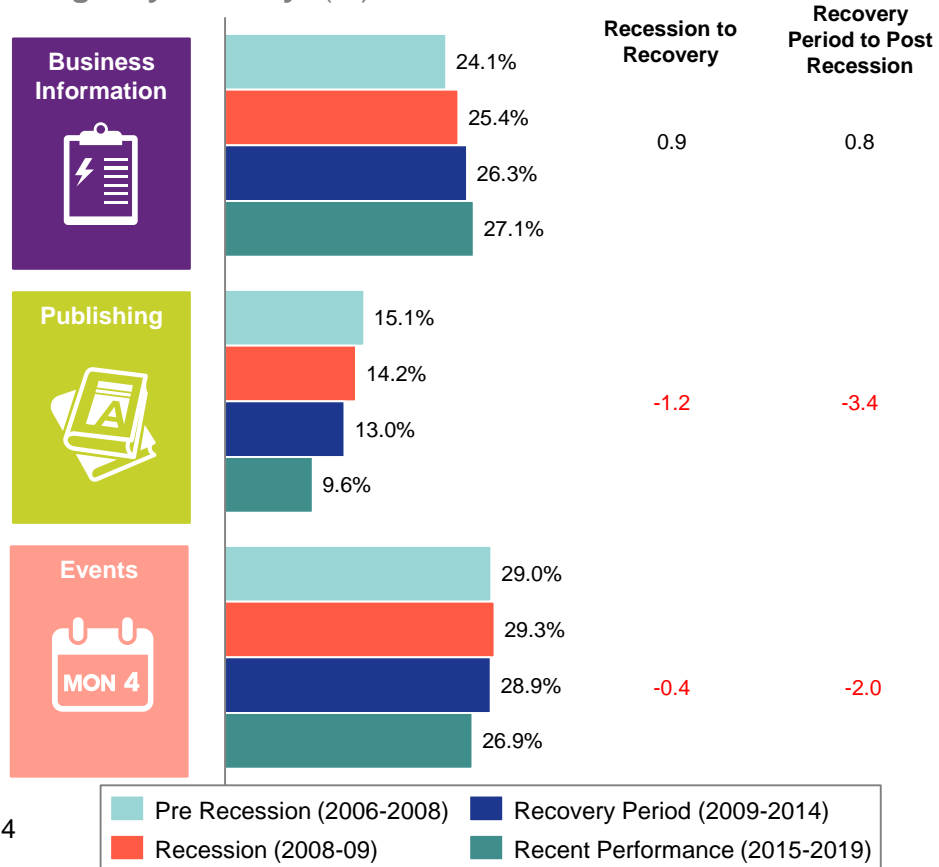
In the last recession, market valuations recovered relatively quickly in most sectors and margins followed long-term industry trends

Last Recession Impact

B2B Media Stock Market Performance by Industry¹
(Indexed Performance², 2006-2014)



B2B Media Average EBITDA Margin by Industry¹ (%)

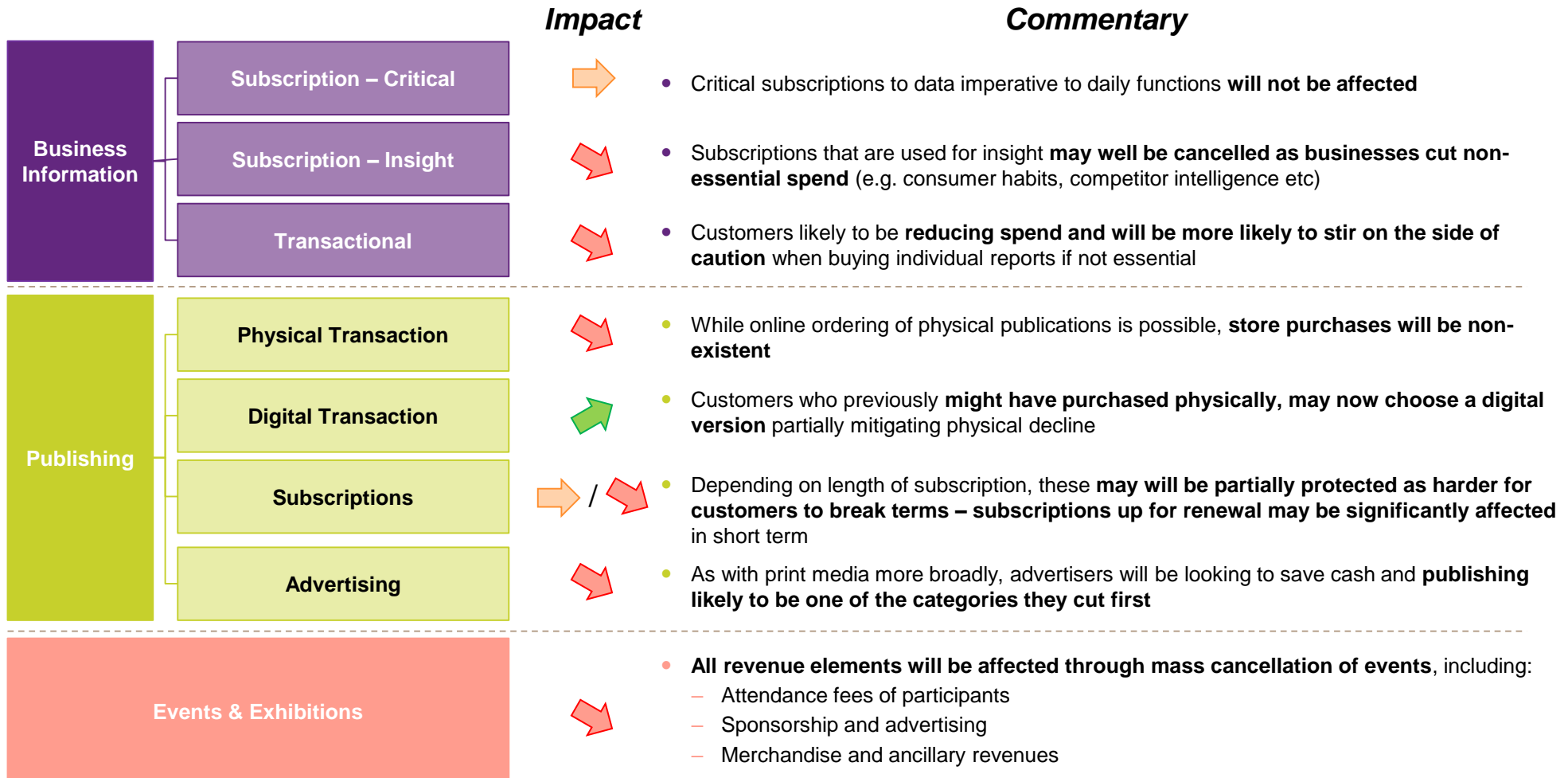


1. Industries are averages of the following: Business Information (Thomson Reuters, Experian, RELX (Business Information only for EBITDA), Wolters Kluwer), Publishing (Pearson, Centaur, K12 (EBITDA only)), Events (Informa (Stock Market only), Hyve, Tarsus Group (EBITDA only), RELX (EBITDA only and Events only))
 2. Indexed to 100 at 01/01/2006
 Source: Yahoo Finance, OC&C analysis



The pandemic will affect varying business models differently; mission critical info and digital publishing models are most resilient

COVID-19 Impact on Revenue Streams




Most markets should not have drastic long term impacts but trade magazines could see tough times ahead

Long Term Structural Impact of COVID-19 to B2B Media Sectors




Business Information



- Limited lockdown impact, and macro-economic fallout might squeeze specific end-industry creating procurement pressure on information providers...
- ... however, recovery should be supported by structural growth in adoption of data and technology solutions to improve business outcomes ... and efficiency

○ ➡


Events



- Industry recovery from lockdown could be significantly hampered by mediocre economic growth...
- ... and either revert to its historical structural trends, or be durably impacted by change of business behaviour ('it is OK to travel')

◐ ➡


Publishing - Education



- Limited short or mid term impact, apart from localised squeeze on public finance creating procurement pressure
- More fundamentally, event likely to be a significant trigger to adoption of educational technology and distance learning

◐ ➡


Publishing - Professional Books



- Limited short term impact beyond delays in spend and of digital alternatives for remote and collective consumption...
- ... that might further accelerate the well-in-train digital migration and 'kill off' some of the last standing categories

◐ ➡

Publishing - Trade Magazines



- While not yet fully clear, there may be severe impacts on the trade magazine market with recent declines accelerated by recession and habit changes
- Advertisers who walk away are unlikely to ever come back in same numbers
- Subscription renewals are likely to drop – publishers will have to think carefully about how they use digital channels to mitigate this

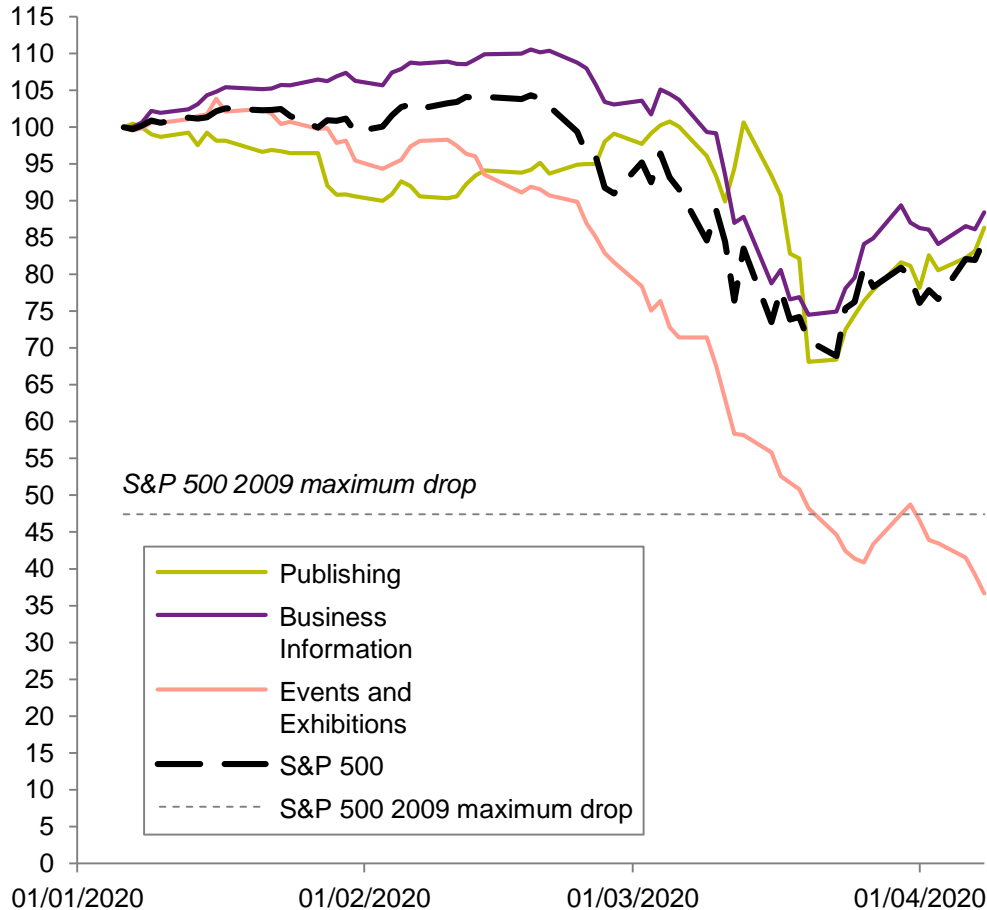
◑ ➡

1. Neutral direction can mean there are structural changes within the sub-category where balance is shifting, but the industry as a whole is not winning or losing

Early market signals have been particularly worrying for events and exhibitions, other B2B media have performed on par or above the market

B2B Media Stock Market Performance by Industry
(Indexed Performance², 06/01/2020-08/04/2020)

Updated: 9 April, 2020



Largest Drop (Max-Min)
2006-10 2020

Business Information

-41%

-33%

Publishing

-41%

-32%

Events

-64%

-65%

1. Index comprised of the following: Events and Exhibitions (Informa, Emerald Exhibitions, Hyve) Business Information (Experian, Thomson Reuters, RELX Group, TransUnion) Publishing (Centaur, Pearson, K12, TAL Education)
Source: Yahoo finance, OC&C analysis



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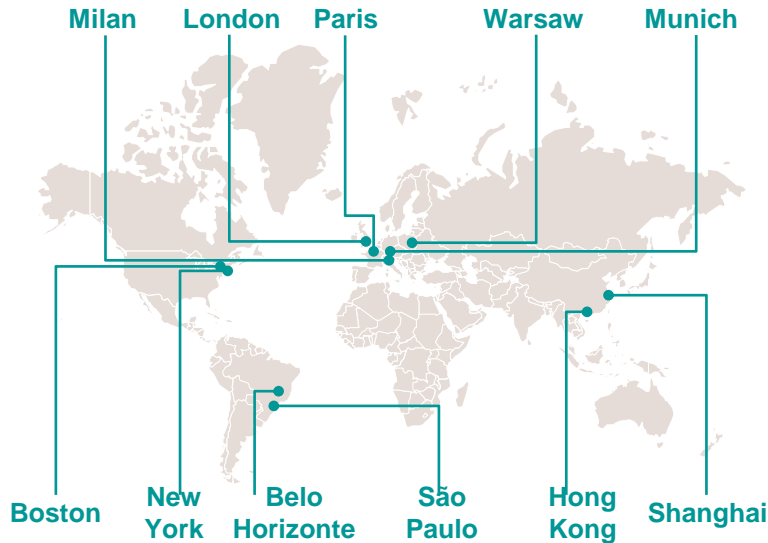
The Potential Impact on Business to Business Media

Appendix: Introduction to OC&C



OC&C is a sector-focused strategy consultancy with global coverage

OC&C's Global Reach



Coverage

- This document focuses on Covid-19's impact on media...
- ...However, OC&C has looked at our other adjacent sectors, including comms and tech, retail and leisure
- Please contact us on the website and email on media@occstrategy.com for questions on this document or other sectors

Background

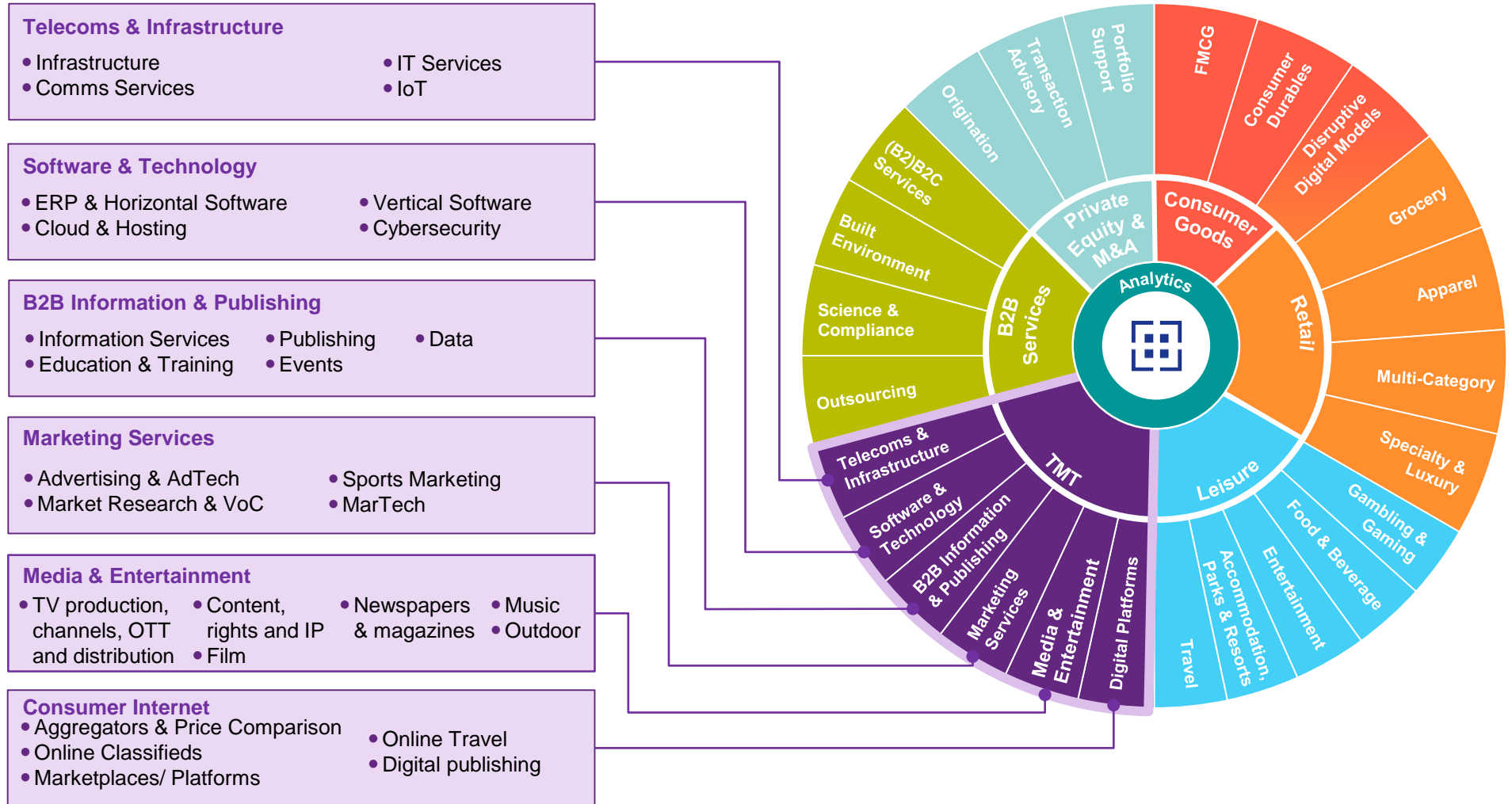


OC&C's success has translated into consistent growth for our business

- Founded in 1987
- 11 offices worldwide
- Global coverage through our hubs
- Client roster includes some of the largest corporations and most innovative challengers in the world

We don't cover all sectors, but specialise in selected sectors where we believe we excel; TMT is the largest of our 5 sectors

OC&C Areas of Expertise



We are the leading TMT strategy and transaction consultancy in our markets

OC&C Selected Recent Experience

Media Software & IT Comms & Cloud IT

Media, Entertainment and Consumer Internet			B2B Media	
TV & Film	Other Media & Entertainment	Consumer Internet	Education & Training	Information Services & Publishing
Software & Services	IT & Infrastructure Services	Comms Infrastructure	Comms Services	Hosting & Cloud IT



We have extensive experience across B2C Media & Entertainment globally

Clients or Targets Reviewed

TV & Film			Other Media & Entertainment		Consumer Internet		
Broadcast & Channels	Production, Content & Rights	Video Platforms & Tech	Consumer Publishing	Music, Cinema, Outdoor	Online Classified	Online Lead Generation	Online Portals & Travel



We have deep knowledge of B2B Information & Marketing Services across a range of industries

OC&C Relevant Credentials

Academic & Scholarly	Automotive	Commodities & Energy	Financial & Economic	Healthcare & Life Sciences	Legal, Tax & Regulatory	Real Estate	Credit, Risk & Compliance	IP / Tech	Marketing Services & Research
ProQuest Information and Learning THOMSON REUTERS Springer Van Dijk Educatie LEESMIDDELEN ICT ADVIES Wolters Kluwer informa American Chemical Society SAGE WILEY CENGAGE Learning PEARSON Harcourt	AutoCheck From Experian hpi a Solera company Autodata EUROTAXGLASS GROUP Audatex CAP BCA AutoTrader epyx RAC INFOPRO digital cartrawler with you all the way	IHS GENSCAPE SEE THE ENERGY EnvaPower Healthcare Power Market Intelligence DIGITALGLOBE THOMSON REUTERS Energy Aspects Wood Mackenzie argus	CAPITAL ECONOMICS CEIC EUROMONEY MERGERMARKET EMIS An IQ Group Advisen Transforming Insurance S&P Global BANKERS Almanac LEWTAN™ Let the Data Speak DATAMONITOR BUREAU VAN DIJK dataexplorers BUSINESS MONITOR International THOMSON REUTERS Wilmington	CLINICAL KEY TRUVEN HEALTH ANALYTICS UpToDate MEDai A LexisNexis Company EDIWatch A LexisNexis Company enclarity Decision Resources Group ascend HEALTHCARE SOLUTIONS MASSACHUSETTS MEDICAL SOCIETY Every physician makes, each patient counts. informa	LexisNexis™ Legal & Professional THOMSON REUTERS Westlaw LAW360 taxanalysts™ The experts' experts Bloomberg BNA PRACTICAL LAW COMPANY Kroll Ontrack Wolters Kluwer CCH ATX™ ZyLAB™ VERITEXT™ National, International & Litigation Services BETTER IN EVERY CASE RECOMMIND™ Cloud Analytics Platform LBR KARNOV	dmg::information Groundsure LOCATION INTELLIGENCE CoSTAR GROUP COUGAR DOCU nordic REIS PPR EDR® REIS Land Registry	Experian Bisnode asiakastieto.fi altares TLO complinet Wolters Kluwer ACAMS™ Altegrity WORLD-CHECK™ Kroll. incisivemedia Callcredit Information Group	Copyright Clearance Center LexisNexis™ Applied Discovery Bisnode THOMSON REUTERS Callcredit Information Group DATAMONITOR asiakastieto.fi altares La Consultance Inter-entreprises VERITEXT™ National, International & Litigation Services BETTER IN EVERY CASE Knovel® Anaqua CPA GLOBAL	upstream dunnhumby DATAMONITOR HARTE HANKS Ipsos nielsen dentsu AEGIS network synovate Research reimagined GfK tns Top Right Group



Outside of PE, we focus on projects in just a few areas where we have substantial experience and credentials

OC&C's fields of expertise

Group Strategy and Decision Making

- Portfolio and group strategy
- Business unit strategic planning and War-Gaming
- Value creation planning

Driving the Top Line - Growth Strategy

- Marketing effectiveness
- Proposition, pricing
- Innovation, diversification and new proposition development
- Salesforce optimization and go-to-market

Building a Leaner, Fitter Organisation

- Operating model and organisation
- Digital transformation
- Content economics and RoI
- Profit improvement, strategic sourcing & workforce optimisation
- Post-merger integration

Transaction Management

Corporate M&A and Private Equity

- Acquisition search, screen and evaluation
- Strategic and commercial due diligence
- Synergy evaluation
- Post acquisition planning
- Alliances, JVs and partnerships

Analytics

- Advanced customer analytics (inc loyalty, segmentation)
- Analytics capability building

