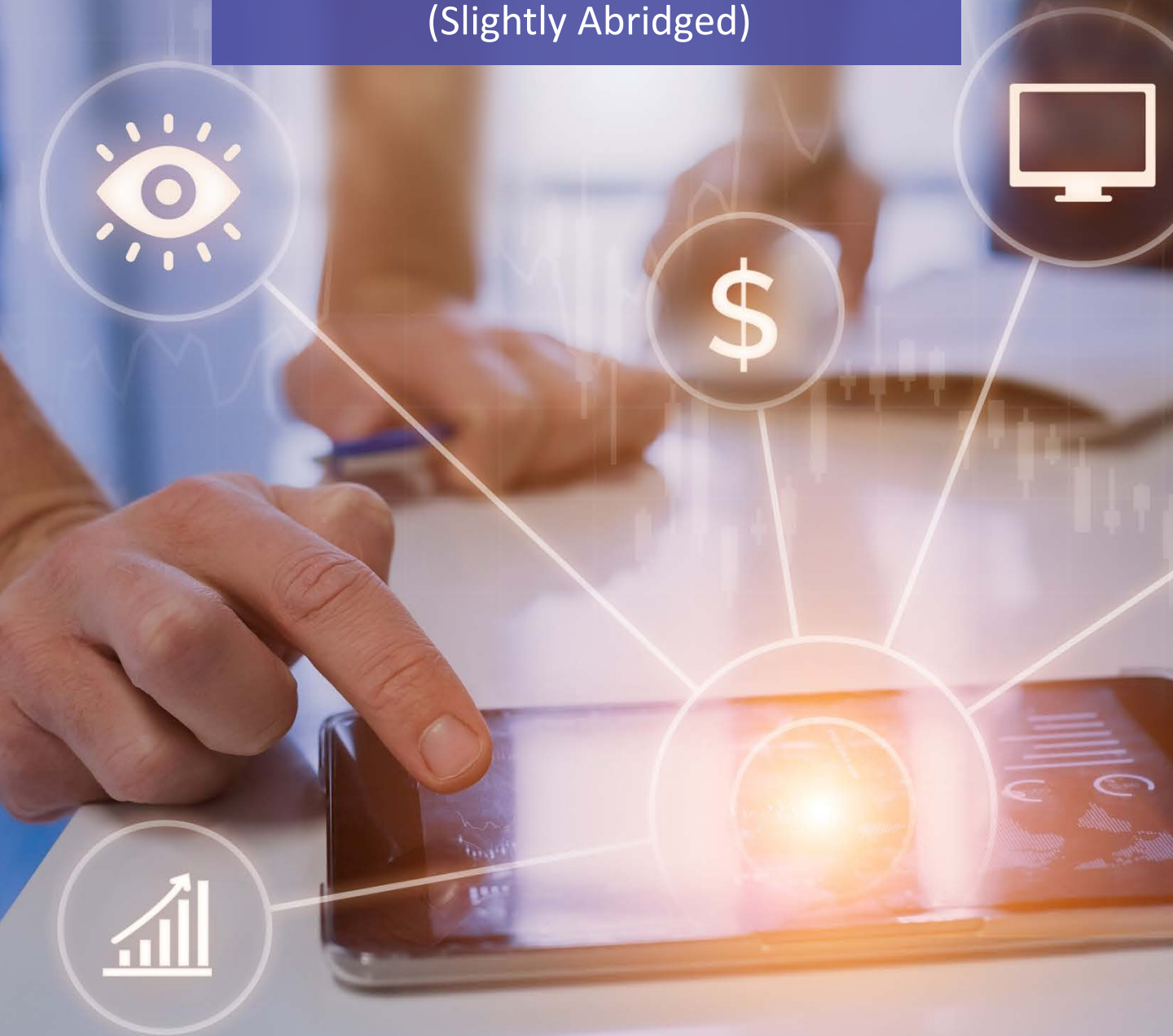


May 2017 | Special Report

# Guide to the Upfronts

(Slightly Abridged)





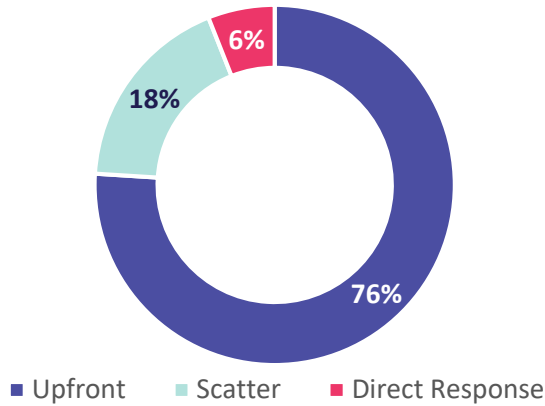
# Table of Contents

National TV & Digital Marketplace	4
<ul style="list-style-type: none"><li>• National TV Market – Summary</li><li>• TV and Digital Share Shift</li><li>• Digital Advertising by Platform</li><li>• VOD/FEP Insights</li></ul>	
The Upfront Market	8
<ul style="list-style-type: none"><li>• Upfront and Scatter Market</li><li>• Top Upfront Networks, Programs &amp; Genres</li><li>• Top Upfront Categories</li><li>• Upfront vs. Scatter Pricing</li></ul>	
SMI About the Report	17

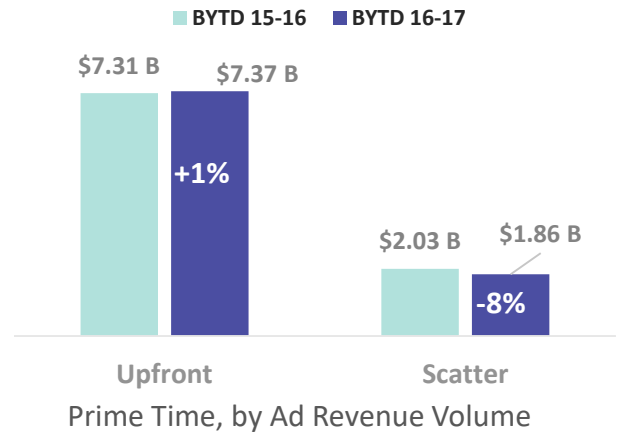
# At-a-Glance: The Current Upfront

Based on Ad Spend  
Oct 2016 to March 2017

## Share of Dollars in the Upfront



## Scatter & Upfront Primetime



## Top 5 Networks

- 1.
- 2.
- 3.
- 4.
- 5.

Prime Time, by Ad Revenue Volume

## Top Sub Genres

1. Drama
2. Reality
3. Comedy
4. NFL
5. NCAA

Prime Time, by Ad Revenue Volume

## Top 5 Programs

1. NFL Football
2. NCAA Basketball Tournament
3. The Voice
4. Big Bang Theory
5. College Football

Prime Time, by Ad Revenue Volume

## Top 5 Categories

1. Automotive
2. Food
3. Telecommunication
4. Entertainment
5. Pharmaceutical – Prescription

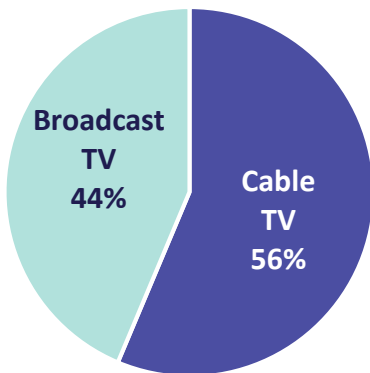
Total Day, by Ad Revenue Volume

## US National Advertising Market

# National TV Marketplace

The National TV ad spend Marketplace continues to show growth as it enters the 2017/18 Upfront market. This growth, based on Standard Media Index (SMI) highly accurate media ad spend data, has been tempered by 1Q 2017 which saw a slow down in ad spend.

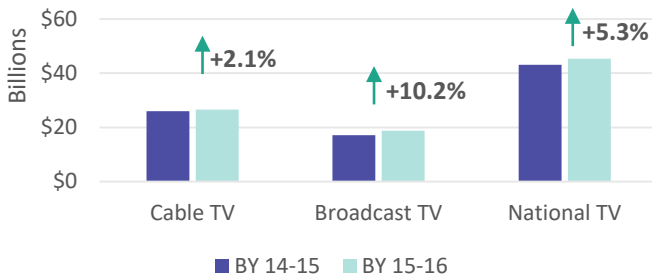
National TV %Share BYTD 16-17



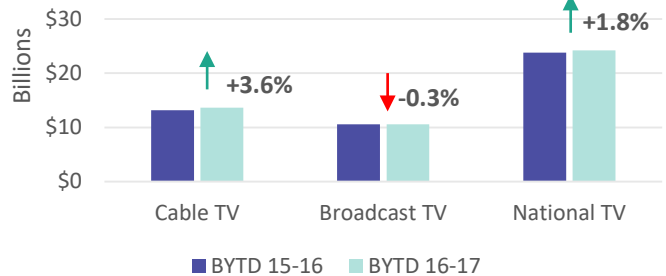
**Executive Summary** - *The National TV market experienced a relatively strong Upfront in the BY 2015/16\* season that saw ad dollars flow into Sporting events (Olympics, Football and Basketball) and long-running TV shows (The Voice, The Big Bang Theory.) The scatter market demonstrated a strong growth powered by advertising dollars flowing into election propelled news programming.*

*In the most recent quarters, (BYTD 16-17)\*\* a softening of the market is starting to trend as advertising spend starts leveling off. The overall implications of this on the upcoming Upfronts cannot be fully determined as yet.*

National TV Performance BY (14-15 vs 15-16)



National TV Performance BYTD (15-16 vs 16-17)

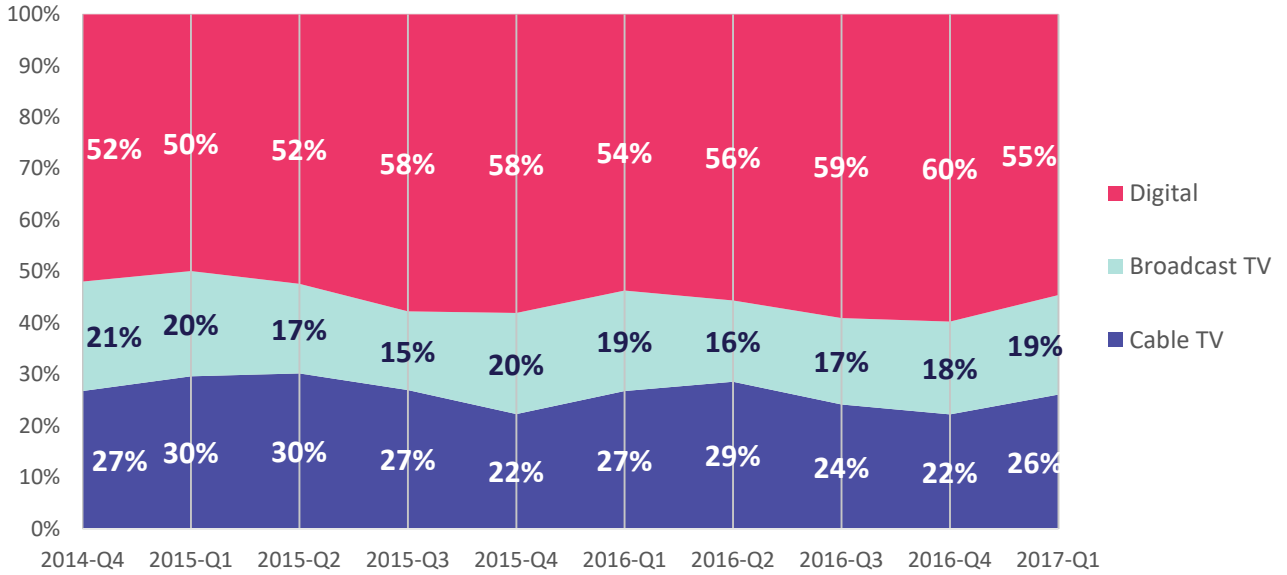


The Broadcast networks maintained equilibrium (with a nominal decrease) in Broadcast Year to Date (BYTD) 2016/17 after experiencing strong growth in BY2015/16 due to Olympics and political dollars. This season's Cable ad revenue growth of +3.6% in BYTD 2016/17 is attributed to ad dollars flowing into Cable news, post-election.

\*BY= Broadcast Year – Oct. to Sept. \*\*BYTD = Broadcast Year to Data – Oct to Mar

# TV and Digital Share Shift

Digital\* vs TV Share - Quarterly Trend



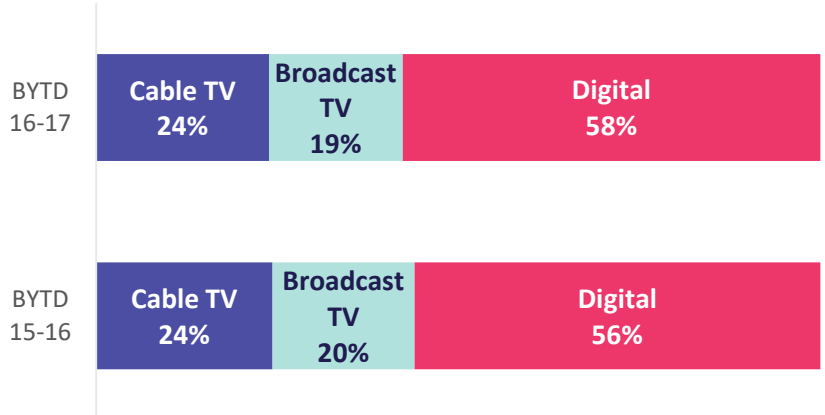
Digital ad spend (all platforms,) is over half of total media share when compared to National Broadcast and Cable TV.

Over the past ten quarters there has been some ebb and flow in share with Digital ad spend share peaking in Q3 and Q4.

The most recent quarter of Digital ad spend may be a reflection of advertisers’ concerns of Digital effectiveness (questionable content, ad fraud, viewability and measurability) which saw major advertisers move ad dollars out of Digital and back into television.

Digital\* vs TV Share - BYTD (Oct-Mar)

For the most recent period, Broadcast Year to Date (BYTD) Oct 2016 - Mar 2017, Digital share accounted for more than half of the total National TV ad dollars, exhibiting minimal growth from the previous year and a further indication of the slowdown in Digital ad growth.

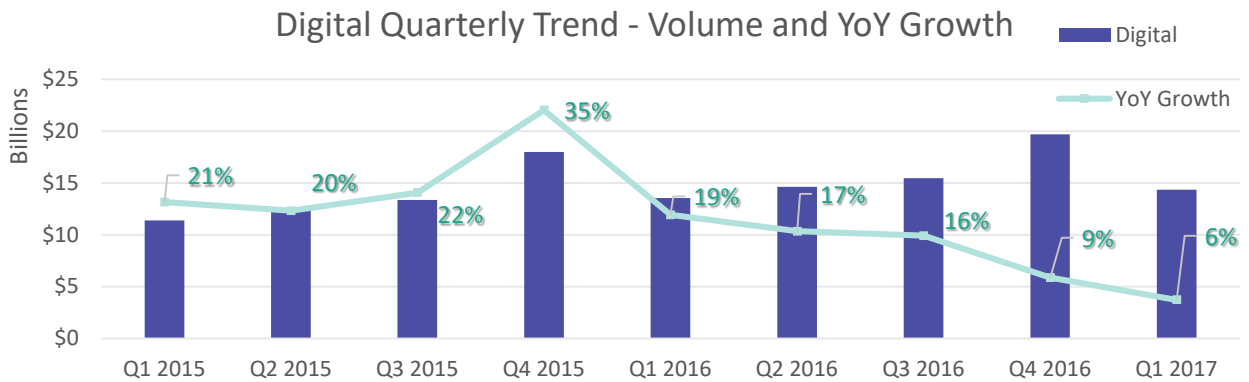


\*Please note that Digital spend data excludes Ad Tech Fees (which SMI also reports).

# Digital

Q4 2016 presented the first glimpse of a flattening Digital market. That said, in a highly controversial election year that also included the Olympics, there were questions about whether or not some advertisers just “ran out of spend,” which contributed to this decline. The even lower single digit growth of +6% in Q1 2017 proves that the slowdown in growth is not a fluke. Q1 2016 saw +19% over the previous year, which further drives home how much growth on the medium has decelerated.

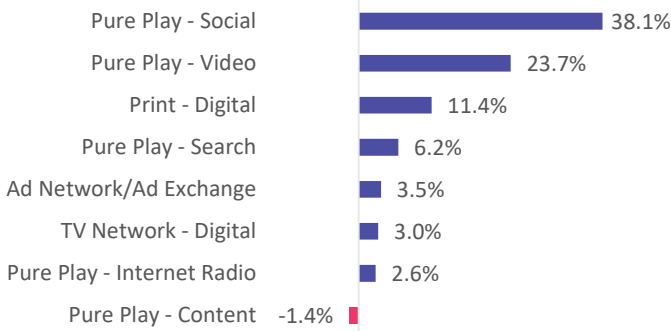
While prevailing conjectures are correct that Digital is surpassing TV in terms of volume of spend, with some large advertisers like P&G questioning its success, and many luxury brands focusing on traditional media like print, it’s clear Digital isn’t going to trump all other platforms to the extent predicted.



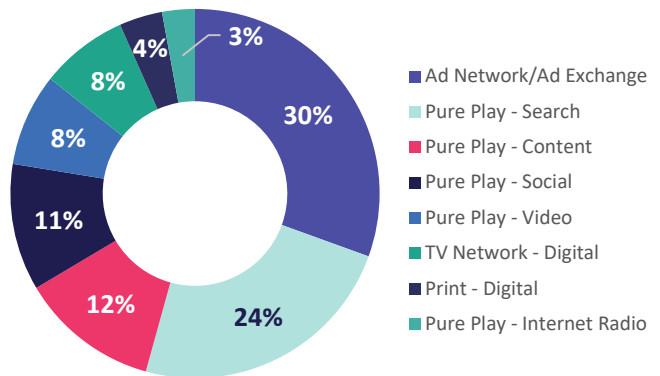
## Digital Activity by Platform

Social and Video Platforms experienced strong revenue growth in the past six months. Much of this growth has been driven by Facebook and Google, which saw 33% and 11% increases respectively in 1Q of 2017. These two Digital goliaths continue to capture a large share of Digital ad growth.

Digital Subtypes YoY Growth - BY (Oct-Mar) 16-17



Digital Subtypes % Share - BYTD 16-17

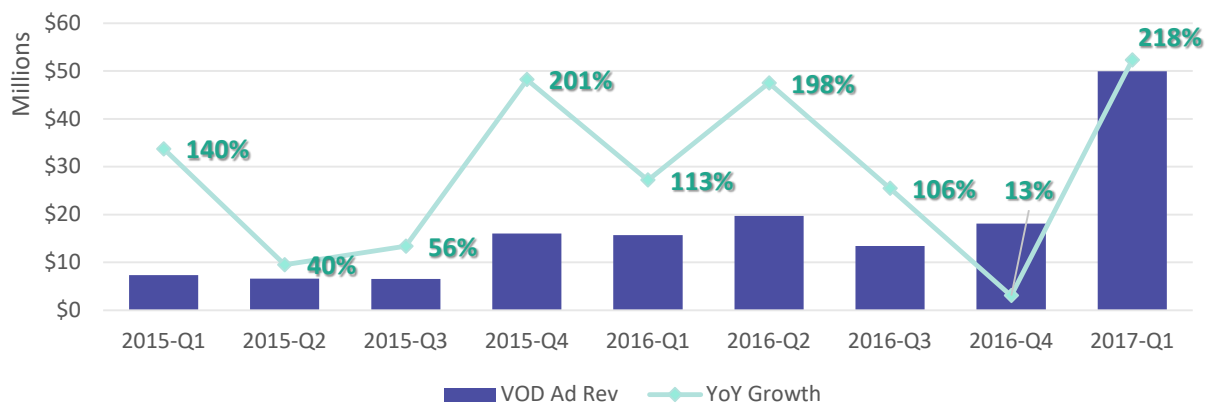


When looking at the Digital mix by ad spend volume, we can see Content platforms (e.g. BuzzFeed) declining in the last two quarters. This loss may be a result of major companies scaling back from sites over concerns of questionable content and/or the proliferation of “fake news.” Pure-Play Social and Pure-Play Video were the only 2 platforms gaining share over the year, stealing revenue not only from Pure-Play Content as well as from the online TV platforms.

# Video On Demand

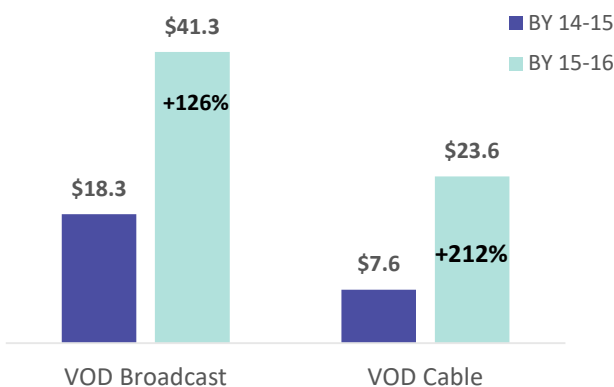
Advertisers are increasing their investment in non-linear (Set Top Box based VOD or full episode player/FEP with ad loads) to reach consumers outside of traditional, scheduled linear TV programming. This growth can be observed in the 218% increase in Q1 2017.

VOD Monthly Trend - Volume and YoY Growth

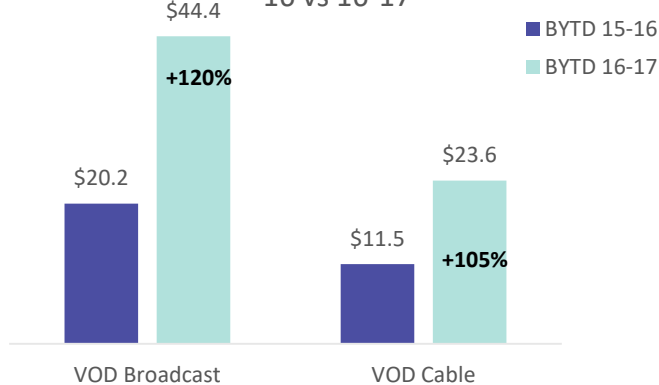


For BY 15-16, Broadcast VOD revenue grew +126% while Cable VOD went up +212% YoY. With only 6 months of the current Broadcast season (Oct-Mar), Broadcast VOD has already surpassed (\$44M) its total revenues in BY 15-16 (\$41M). Cable VOD is already on par with its previous years' total.

VOD Performance (\$Millions) - BY 14-15 vs BY 15-16



VOD Performance (\$Millions) - BYTD 15-16 vs 16-17



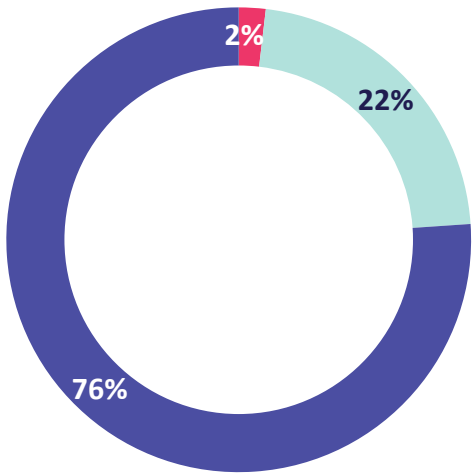
SMI's VOD data represents specific purchases sourced from the TV systems, and reflect the purchase of the on demand platforms 7 days after the original linear airing.

Note: Due to the absence of standardization in VOD billing, the above represents SMI's conservative VOD market view



# Last Year's Upfront – Primetime - BY 15-16

Buy Type Breakout - BY 2015-16

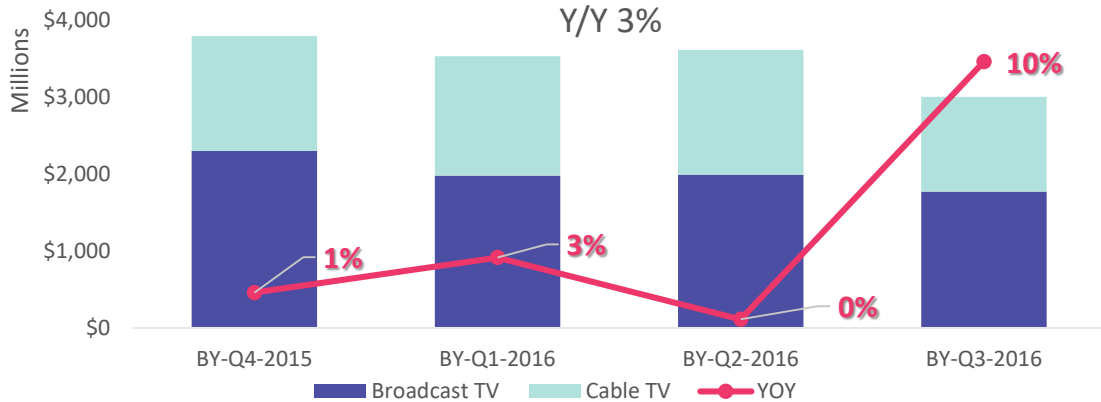


■ DirectResponse   ■ Scatter/Other   ■ Upfront

- For BY 15-16, the Primetime Upfront market represented 76% of National TV dollars at \$14.5B, a -4% decrease from the previous year
- Despite the loss of share to Scatter, Upfront ad spend still saw some growth at +3% compared to the previous Broadcast year. (BY 14-15)
- Scatter, on the other hand, grew significantly with a +25% YoY thanks to a strong Q4 2015 and Q3 2016
- When looking at the quarterly trend, Upfront peaked to +10% on Q3 2016 attributed to Olympic advertising
- Note that all information includes both Cable & Broadcast for the BY 15 -16

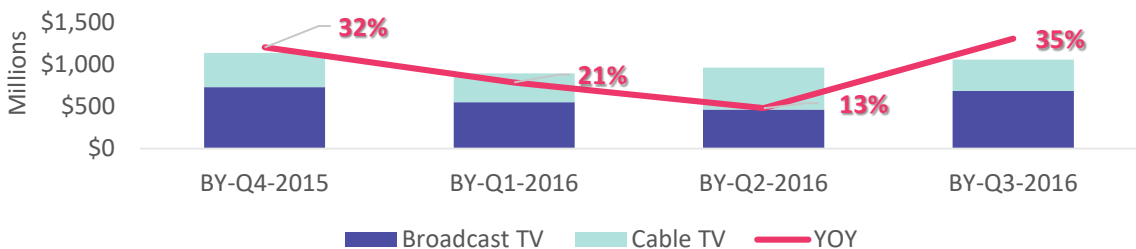
Upfront Primetime - Quarterly Trend BY 2015-16

Y/Y 3%



Scatter Primetime - Quarterly Trend BY 2015-16

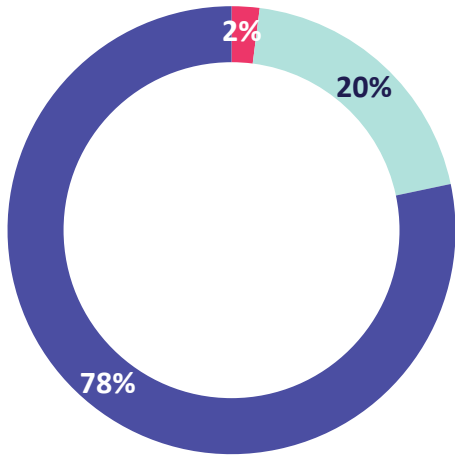
Y/Y 25%





# The Current Upfront – Primetime - BYTD 16-17

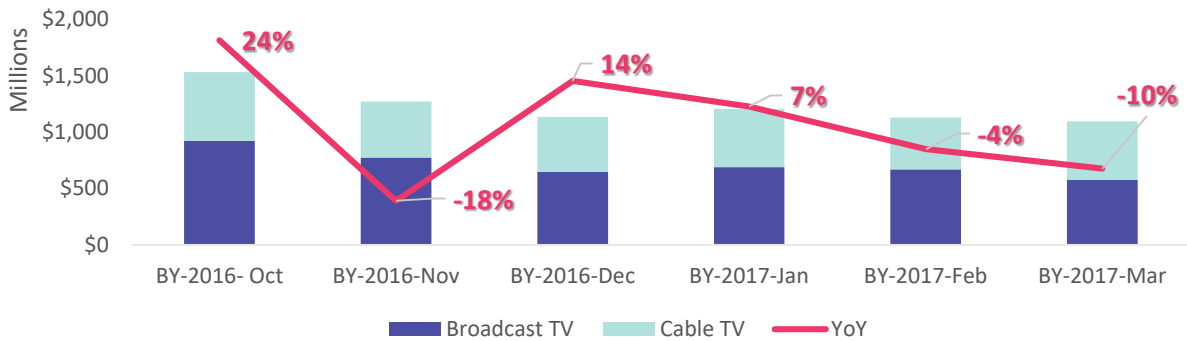
Buy Type Breakout - BYTD 16-17



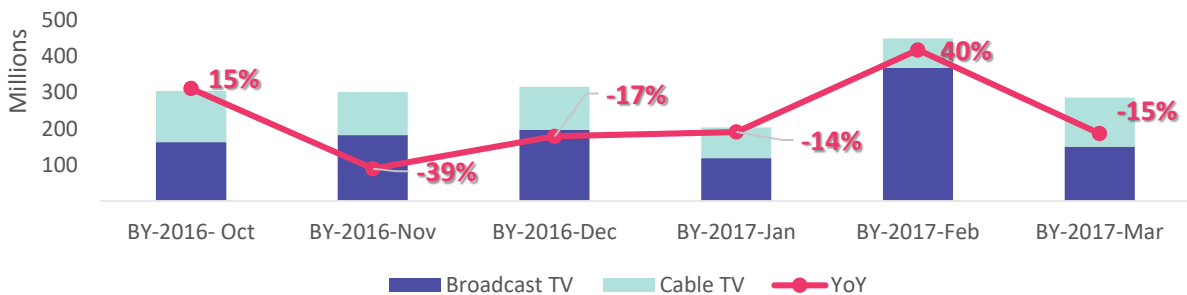
■ DirectResponse   ■ Scatter/Other   ■ Upfront

- For BYTD (Oct-Mar) 16-17, Primetime Upfront market represents 78% of the National TV dollars, +1% more than the previous year
- Upfront dollars grew YoY thanks to a positive monthly trend, particularly a strong October 2016. Only the month of November saw a decline YOY
- Scatter, on the other hand, went down by -8% YoY. When looking at this trend on a monthly basis, we see only 2 months growing compared to last season: October (+15%) and February (+40%). The other 4 months saw double-digit declines
- Note that all information includes both Cable & Broadcast for the BYTD 16-17

Upfront Primetime Monthly Trend BYTD  
Y/Y +1%



Scatter Primetime Monthly Trend BYTD  
Y/Y -8%



# Top Networks in Upfront - BY 15-16, BYTD 16-17

- NBC has led share for ad revenue over the past two Upfront markets, with CBS owning the second largest share of Upfront ad spend
- NBC's high ad spend share of Upfront advertising revenue in 2015/16 can be partially attributed to the Rio Olympics
- Looking at the first two quarters of the current Upfront (BYTD 4Q16 - 1Q17):
  - NBC and CBS continue to battle it out for the top spot in Upfront ad dollars
  - CBS' decline in share in 1Q 2017 is due to the Super Bowl, which aired on CBS the previous Upfront season (and inflated ad reserve)
  - Fox's growth in share is due to its airing of the Super Bowl in Feb 2017

Networks	BY 15 -16 Share of Upfront Adv. Spend
NBC	17.4%
CBS	13.3%
ABC	13.0%
FOX	7.6%
ESPN	4.0%
TBS	3.8%
Univision	2.7%
TNT	2.6%
USA Network	2.0%
AMC	1.9%
Food Network	1.8%
History	1.5%
HGTV	1.7%
CW Television Network	1.5%
A&E Network	1.2%
MTV	1.3%
Telemundo	1.3%
Lifetime	1.3%
Bravo	1.3%
Freeform Network	1.2%
Discovery Channel	1.1%
FX	1.0%
BET	0.9%
Comedy Central	0.9%
E!	0.9%
TLC	0.7%
Spike TV	0.8%
FOX News	0.8%
Adult Swim	0.6%

Network	BYTD 16/17 Share of Upfront Adv. Spend
NBC	17.3%
CBS	13.2%
ABC	12.1%
FOX	9.3%
ESPN	4.9%
TBS	3.8%
TNT	2.5%
Univision	2.2%
AMC	1.6%
CW Television Network	1.8%
HGTV	1.8%
USA Network	1.6%
Food Network	1.7%
History	1.2%
Lifetime	1.3%
Freeform Network	1.3%
Bravo	1.2%
Discovery Channel	1.2%
Telemundo	1.2%
A&E Network	1.0%
FX	1.0%
MTV	0.9%
BET	1.0%
E!	0.8%
Comedy Central	0.8%
FOX News	0.8%
NFL Network	0.7%
Spike TV	0.7%
TLC	0.6%

# Most In Demand Programs - BY 15-16

Sports and proven ratings favorites like “The Voice”, “Big Bang Theory” and “Modern Family” garnered the most advertising demand in the Upfront market. These shows continue to draw audiences and advertisers alike.

- The Rio Summer Olympics in 2016, proved to be a major advertising opportunity for NBC and its’ sister networks
- Excluding Olympics, Upfront ad spend in Sports is derived from Football and College Basketball
- Established marquee shows that have been on the air for multiple season are key revenue generators for Upfront advertising dollars

Rank	Program Name	Network
1	NFL Football	NBC, CBS, ESPN, FOX
2	Rio Olympics	NBC, NBC Sports, Bravo
3	2016 NCAA Basketball Tournament	TBS, CBS, TNT
4	The Big Bang Theory	CBS
5	NBA Basketball	TNT, ESPN, ABC, NBA
6	The Voice	NBC
7	Super Bowl 50	CBS
8	College Football	ESPN, ABC, FOX, ESPN2, CBS, NBC
9	Modern Family	ABC
10	Empire	FOX
11	America's Got Talent	NBC
12	NCIS	CBS
13	2016 NBA Finals	ABC
14	Shark Tank	ABC
15	Dancing With the Stars	ABC
16	Law & Order: Special Victims Unit	NBC
17	The Walking Dead	AMC
18	Criminal Minds	CBS
19	MLB Baseball	ESPN, TBS, FOX
20	Scandal	ABC

Includes Cable & Broadcast - Primetime, All Programs, BY 15-16. Only primary networks for programs are being shown.

# Current Upfront Programs - BYTD 16-17

- The first two quarters of the present Upfront market show Football and Basketball dominant, with long running programs and two new shows, “This is Us” and “Lethal Weapon” topping out the list
- Major sports programs like the Super Bowl and NCAA Tournament are still top ranked program for Upfront ad spend

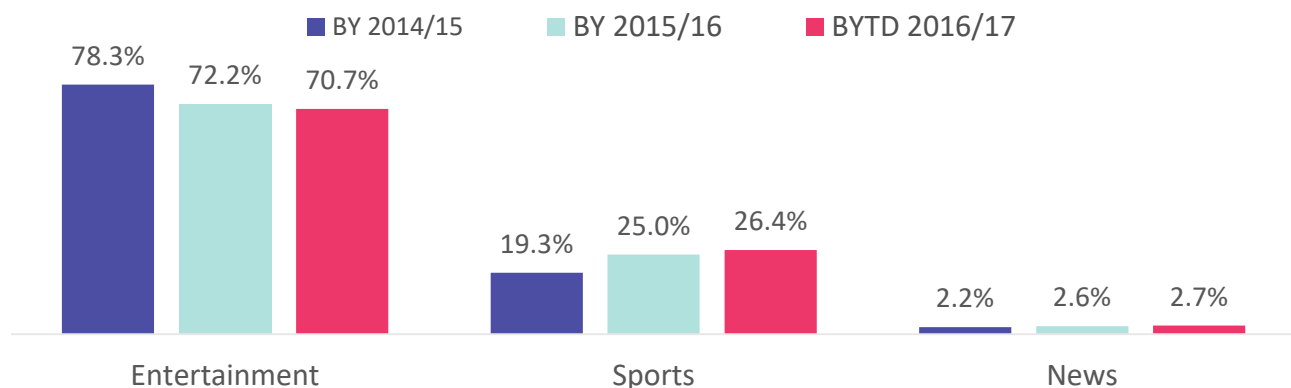
Rank	Program Name	Network
1	NFL Football	NBC, CBS, ESPN, FOX, NFL, ABC
2	2017 NCAA Basketball Tournament	TBS, CBS, TNT
3	The Voice	NBC
4	The Big Bang Theory	CBS
5	College Football	ESPN, ABC, FOX, CBS, ESPN2, NBC, FOX S2
6	NBA Basketball	ESPN, TNT, ABC, NBA
7	Super Bowl LI	FOX
8	2016 World Series	FOX
9	The Walking Dead	AMC
10	NCIS	CBS
11	Law & Order: Special Victims Unit	NBC
12	Grey's Anatomy	ABC
13	This Is Us	NBC
14	The Bachelor	ABC
15	Empire	FOX
16	Modern Family	ABC
17	Shark Tank	ABC
18	Criminal Minds	CBS
19	Dancing With the Stars	ABC
20	Lethal Weapon	FOX

Includes Upfront advertising for Cable & Broadcast - Primetime, All Programs, BYTD 16-17. Only primary networks for programs are being shown. Shows are ranked by revenue.

# Top Genres

Entertainment and Sports are consistently top genres for ad spend in the Upfront. That said, a trend appears to be showing the gradual shift of ad revenue from entertainment to sports (and, to a lesser degree, News – no doubt due to the election year.)

Top Genres by Share of Upfront Ad Dollars



Includes Upfront advertising for Cable & Broadcast – Primetime Only, BY 14-15, 15-16, BYTD 16-17

# Top Subgenres by Share of Upfront

The overall decline of the Entertainment genre may be attributed to a shift away from reality programs (e.g. conclusion of Season 15 of American Idol in April 2016.) Sports increases have largely been drawn from Basketball and Football. News, courtesy of the recent election cycle, is seeing positive growth into the current Upfront season.

Top Program Sub Genre in the Upfront	BY 15-16	BYTD 16-17
Drama	27.3%	29.1%
Reality	22.7%	18.4%
Comedy	14.8%	14.7%
NFL	9.1%	14.0%
NCAA Basketball	3.1%	3.9%
NCAA Football	1.8%	3.0%
News	2.6%	2.7%
Other	2.6%	2.7%
Special/Awards	2.4%	2.3%
NBA	3.2%	2.1%

# Top Categories in Broadcast & Cable BYTD 15-16, 16-17

Categories (\$ in Mill)	Broadcast TV - Upfront (\$Mill)		Broadcast	Cable TV - Upfront (\$ Mill)		Cable	Overall Growth
	BYTD 15-16	BYTD 16-17	Growth	BYTD 15-16	BYTD 16-17	Growth	
Automotive Vehicles & Dealerships	\$1,169.1	\$1,103.7	-5.6%	\$846.8	\$752.6	-11%	-7.9%
Food, Produce & Dairy	\$439.3	\$406.1	-7.6%	\$715.8	\$763.9	7%	1.3%
Telecommunications	\$711.4	\$704.3	-1.0%	\$409.5	\$488.0	19%	6.4%
Entertainment	\$510.2	\$450.3	-11.7%	\$676.6	\$604.8	-11%	-11.1%
Pharmaceuticals - Prescription	\$504.5	\$652.6	29.4%	\$355.5	\$404.2	14%	22.9%
Quick Serve Restaurants	\$374.7	\$411.3	9.8%	\$440.9	\$569.9	29%	20.3%
Insurance	\$352.4	\$370.1	5.0%	\$430.8	\$464.3	8%	6.5%
Retail - Specialty Retailers	\$351.8	\$314.9	-10.5%	\$333.4	\$358.6	8%	-1.7%
Beauty, Grooming & Personal Care	\$291.4	\$283.2	-2.8%	\$318.5	\$318.7	0%	-1.3%
Household Supplies	\$266.2	\$266.2	0.0%	\$297.3	\$319.7	8%	4.0%
Financial Services	\$297.5	\$308.5	3.7%	\$256.8	\$257.4	0%	2.1%
Consumer Electronics	\$347.2	\$433.5	24.9%	\$149.1	\$178.4	20%	23.3%
Retail - Department Stores	\$273.7	\$254.9	-6.9%	\$186.1	\$188.7	1%	-3.5%
Retail - Other	\$205.0	\$222.4	8.5%	\$198.5	\$192.8	-3%	2.9%
Alcoholic Beverages	\$191.6	\$169.4	-11.6%	\$211.1	\$210.9	0%	-5.6%
Toys & Video Games	\$64.1	\$60.3	-5.9%	\$326.7	\$322.4	-1%	-2.1%
Travel, Tourism & Hospitality	\$237.5	\$158.8	-33.1%	\$202.1	\$169.0	-16%	-25.4%
Pharmaceuticals - OTC	\$183.2	\$217.3	18.6%	\$165.0	\$181.4	10%	14.5%
Non-Alcoholic Beverages	\$152.8	\$169.8	11.1%	\$167.5	\$189.0	13%	12.0%
Business Services & Recruitment	\$111.9	\$108.6	-3.0%	\$193.4	\$166.8	-14%	-9.8%
Casual Dining	\$91.3	\$105.2	15.2%	\$149.2	\$162.6	9%	11.4%

## Top Ad Spend Categories in the Upfront Market

Automotive, Food, Produce & Dairy (CPG), Telecommunications, Entertainment, Pharmaceutical – Prescript.

## Key Ad Spend Growth Categories:

Consumer Electronics, Pharmaceutical – Prescription, Quick Serve Restaurants, Pharmaceutical – OTC, Beverages Non-Alcoholic (CPG)

## Notable Declining Ad Spend Categories:

Travel, Entertainment, Business Services, Automotive, Alcoholic Beverages

## Categories Shifting to Cable

Food, Produce & Dairy (CPG), Telecommunications, Retail- Specialty (e.g. Wal-Mart, Target, Amazon), Retail- Department Stores

# Upfront & Scatter Unit Rate -Scatter Inflation - BY 15-16

Simply comparing the weighted average unit rate for select programs in the 2015/16 Upfront and Scatter market, we can discern a definite cost advantage to investing in the Upfronts

Select Programs	Network	Scatter Premium (Rate Diff - Scatter Vs. Upfront)
Empire	FOX	+39%
The Big Bang Theory	CBS	+34%
Scandal	ABC	+33%
Modern Family	ABC	+35%
How to Get Away With Murder	ABC	+20%
The Voice	NBC	+17%
Grey's Anatomy	ABC	+13%
Blindspot	NBC	+34%
Survivor	CBS	+78%

Data includes Upfront Advertising – Broadcast, Primetime, Entertainment programs only, New episodes (no repeats), Avg. Unit rate. exclude ADUs- Equivalized :30. It reflects Primetime, regularly scheduled programs. The unit rate is a weighted average based on SMI’s pool and does not include category related premiums.



# SMI's Observation

Television networks have had to adjust to the new normal, fragmented ratings, proliferation of screens, and content delivery technology, for consumer eyeballs. As networks face these pressures, SMI expects to see more creative media solutions in the form of omnichannel deals, Digital extensions (through partners like Twitter, YouTube, SnapChat) and data-driven targeting. Pricing will be a factor in negotiations, as brands will continue to want more for less.

On the Cable front, Cable networks have evolved due to pressures from skinny bundles and cord cutters. SMI sees niche Cable networks as vulnerable in the coming years. In the past, Cable networks like Cloo, Esquire, Pivot and Al Jazeera America have turned off their lights, or switched to alternate distribution models. Other Cable networks are rebranding themselves or changing their focus, like Oxygen (to a crime format) and Spike TV (which will be rebranded as Paramount). In the next few years, we may see fewer Cable network options for consumers.

As we enter the 2017-2018 Upfront season, SMI expects to see sports programming, due to the immediacy and live-viewing of the genre, become even more important. In Feb. 2018 NBCU will be airing the Super Bowl and the Winter Olympics. Fox has announced they will be focusing on Sports with their slate of sports programs include The Big Ten Conference, World Series and FIFA Men's World Cup. The FIFA World Cup will also be broadcast by Telemundo for the first time, after winning the rights away from long-time rights holder Univision. Sports and its live viewing audiences are becoming more important for the TV business; whether this starts to wane as consumers become oversaturated with sporting events, is to be determined.

# About the Report

Standard Media Index has developed this report to provide a full overview of the Upfront Marketplace – a unique perspective, given our highly accurate ad spend data.




All National TV ad spend reporting comes from SMI AccuTV. This platform combines true ad spend from the SMI pool, which captures 70% of total National agency spend, with the best occurrence level data in the marketplace, to model the remaining 30%. The result is a powerful tool with the most accurate 360-degree picture of the US National TV market landscape.

Ad spend from local television and other media including Digital, Print, Radio and Out-of-Home, is sourced from SMI Core platform. SMI Core tracks the flow of advertising dollars across six major media types and 40 media subtypes, and is sourced directly from the booking systems of the world's largest media agencies.

Together, SMI Core and SMI AccuTV, provide the largest pool of real advertising spend, creating decision grade market insights, based on real, accurate and timely trends-

This information helps with understanding the market, competitive benchmarking, category targeting and sales strategy.

Some adjustments were made to networks affected by NCAA discrepancies in this report

-  All spend figures are gross
-  Time Period: Section views cover Broadcast Year (Oct to Sept.) unless otherwise noted
-  Dayparts: Reports include Primetime, unless otherwise noted


# Appendix

SMI defines Digital Subtype based on groups of similar online properties. Examples of Digital Subtypes:

Media Sub Type	Definition	Example
Pure Play – Content	Digital media properties where the core business is its content offering.	BuzzFeed, Amazon
Pure Play – Search	Digital media properties where search engines are the core business.	Google, Yahoo
TV Network - Digital	The Digital arm to TV Network properties that fall under the SMI Television media type.	NBC.com; ABC.com; MTV.com
Pure Play - Video	Digital media properties where the core business is its stand alone video offering.	YouTube; Hulu; VEVO
Pure Play Social	Digital media properties where the core business is its social media offering.	Facebook; Twitter; Snapchat, Instagram
Print - Digital	The Digital division of legacy print media (magazine, newspapers, etc.) properties that fall under the SMI Print media type.	Forbes.com; NYTimes.com; USAToday.com
Pure Play – Internet Radio	Streaming music/audio properties and the Digital arm to radio properties.	Spotify; Pandora; iHeartRadio
Ad Network/Ad Exchange	Properties that aggregate inventory and audiences from numerous sources or provide a technology platform for automated auction based pricing and buying in real-time.	Agency Trading Desk; Rocket Fuel; TubeMogul

## May 2017 Upfront Report

 [infous@standardmediaindex.com](mailto:infous@standardmediaindex.com)

 646-461-2333

This document contains the confidential and proprietary information of SMI Media Inc. (SMI). Except with written permission of SMI such information shall not be published and this document shall not be duplicated, in whole or part, to any other party.