

Media Industry Update – October Media Topics**Christopher H. Ensley**
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The last few weeks have been very busy meeting with clients and attending advertising events in New York City and Philadelphia such as the TVB's annual Forecast Conference, Advertising Week, and the NAB Radio Show. We were fortunate to meet with many of you at each of these events, and we'd like to offer a few observations.

Incorporating Narrowcasting into the Broadcast Model

Not surprisingly, we found Advertising Week to be focused mostly on new media while the TVB and NAB Radio Show focused more on old media. Both events involve enabling advertisers to more effectively reach consumers in order to make "cash registers ring". Yet, listening to companies talk at these new and old media events is like trying to understand two completely different languages: broadcasting and narrowcasting.

Regardless of the language, the goal of reaching consumers is no longer enough for advertisers given their newfound insistence on understanding exactly which medium in their media mix works best, and how best to optimize spending across mediums. Both broadcasters and narrowcasters understand that the new ante to play this game requires quantifiable data, accountability, measurability, and proof of performance, all of which feeds into a more tangible ROI for clients.

I applaud both broadcasters and narrowcasters in improving their metrics. Both parties understand the importance of not just delivering *an* audience, but delivering the *right* audience. However, when you hear how new media companies are using sophisticated algorithms to provide advertisers with not just demographic data, but geographic, psychographic and behavioral data, you suspect that narrowcasters (with their "cookies") might have a distinct advantage over their broadcast counterparts, given the granularity of their data.

Nevertheless, I continue to believe that broadcasters still have time to compete effectively with their online counterparts by offering the best of both worlds: the reach of the broadcast medium combined with the targetability of the online medium.

In my prior life at Bear Stearns, I spent several years analyzing radio audience data. My conclusion was that radio listening was a zero sum game, with 1.5% annual listener declines offset by consensus updates that showed population increases. The result, radio continues to reach 235 million listeners each week. What radio broadcasters ought to be talking about is how they are in the "audio content" business, and if you add online listening and mobile phone listening to over-the-air listening, the "audio content" business has a real *growth* story to tell advertisers.

Ando Media provided compelling audience growth metrics at the RAIN Summit East, hosted by Kurt Hanson of AccuRadio. Their data, which excludes Pandora, one of the largest and fastest growing internet radio companies, showed that internet radio had 238 million listener hours in August, up from 204 million

listener hours in May, and this has been increasing by 1 million listener hours per day in recent weeks. Meanwhile Pandora has achieved 9 million downloads since launching their first “app”, including 2 million in the last month alone.

With this kind of growth, it is disappointing that traditional broadcast companies did not attend the RAIN Summit East. As audio listening continues to migrate to newer (computers) and newer (mobile phones) platforms, I would hope that broadcasters realize that there is a compelling opportunity in narrowcasting....even if it does require learning a new language.

Final Thoughts

TVB Forecast Conference - The TVB’s forecast for next year calls for revenue growth of 4%-6%. I sensed a little more optimism from senior executives than I expected, based upon the return of political advertising, the Winter Olympics, and the possibility of auto advertising recovering. Others noted that September was tracking to be the best month of Q3 2009 (presumably ex-political). The Auto Dealers Association provided an outlook of 12 million automobiles to be sold in 2010, a 20% increase compared to 2009, and TNS Media provided data that showed how well correlated auto advertising is to auto sales. Yes, there is reason for optimism, notwithstanding last Thursday’s release of bleak September auto sales.

NAB Radio Show: The mood at the NAB Radio Show was significantly better than I expected. Perhaps operators are feeling that the worst is behind them. Maybe companies have come to grips with the current economic environment, at least more so than at April’s NAB show, when trends were close to the trough. We remain concerned about pricing power in the local markets, but we also believe that the demise of local newspapers in some markets could provide a near-term lift to TV or radio operators. However, anecdotal evidence suggests that some local newspapers and TV stations are pricing inventory at levels below that of radio stations, which is a concern. We suspect that as TV begins to strengthen next year, it should provide an umbrella under which radio can begin to raise rates too.

It is understandable that with 90% of broadcast TV and radio advertising coming from their over the air signals, the theme at both conferences was the impact of key ad categories on current sales trends. However, in the future, newspapers, TV stations and radio stations will all have some of the same tools in the tool shed to compete with each other. Newspapers and radio stations are and will incorporate full motion video into what was once a static print message or an audio only message. We suspect that those companies that best marry their traditional platform with new media platforms will be the companies that prosper most in the coming years. We applaud company efforts to build or buy (for example, LIN Television’s acquisition of RM Media, or Triton Media’s acquisition of AndoMedia) their way to becoming better equipped to succeed in today’s more demanding advertising environment.

We appreciated the opportunity to meet with many of you over the last few weeks. We remain interested in discussing how we can help your company grow and evolve and welcome the opportunity to share ideas in this regard. As the broadcast industry shows increasing signs of recovery, the capital and M&A markets will also respond constructively. We are increasingly confident that 2010 will mark a new beginning for growth and change in the industry.

Sincerely,

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