Review: Looking Back at 2020
Outlook January 2020: High Probability for Solid Growth

- **U.S. GDP growth is estimated at 1.9%**, continuing growth slowdown
- **Fed tightening on hold** for the election year and fear of contraction
- Below-target **inflation**
- Limited tailwinds indicate that **growth must be earned or bought**

**Outlook Dependencies:**
- Global macro-economic risk
- Election cycle ($10BB of spend)
- Negative earnings growth (-2%)
- Tariffs - reduction?


<table>
<thead>
<tr>
<th>Year</th>
<th>Spend ($BB)</th>
<th>YoY Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$307.4</td>
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<td>2018</td>
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Reality 2020: COVID, More COVID and Digital Acceleration

The COVID economy drove GDP negative and then a “K” rebound; current forecasts at –3.6% for the year, the 2H recovery mitigated the worst (-10%)

Unemployment rate hit historic highs (14.7% April 2020) in a dramatic turn from 1Q20; losses continue, but as of Jan 6th weekly claims were down 89% from peak

Stock market divergence from the economy with the S&P 500 up (+16.5% YoY); technology and WFH related shares boomed, COVID-impacted sectors lagged

The stories that we watched:

• The political story was election cycle madness with a big boost to political ad spend and denial
• The economic story was the downturn and a massive increase in ecommerce
• The media story was dominance of the tech platforms, streaming and privacy
• Online spend caught up to offline in 2020, not expected until 2023


U.S. Annual Advertising and Marketing Spend, 2018 – 2020 ($BB)

- 2018: $360.6
- 2019: $379.0
- 2020: $340.3

YoY Change 2018 – 2019: 5.10%
YoY Change 2019 – 2020: -10.21%

Review 2020: Offline Media Spend $171.9BB, Down $51BB
Experiential ~1/2 of Decline; Addressable TV Was Up!

U.S. Offline Media Spending, 2020 ($BB)
Total: $171.9

- Shopper Marketing: $19.8 (down 33.2%)
- Experiential/Sponsorship: $24.2 (down 49.4%)
- Traditional Outdoor: $6.8 (down 21.9%)
- Direct Mail: $34.9 (down 17.2%)
- Magazine: $8.8 (down 18.5%)
- Addressable TV: $2.1 (up 4.0%)
- Radio: $10.1 (down 27.2%)
- Newspaper: $9.2 (down 28.9%)
- Linear TV: $56.1 (down 12.8%)

Note: Shopper Marketing was categorized as "In Store" in 2019; includes merchandising, in-store displays, sampling, retailer-specific coupons/offers and in-store events. Drop in 2019 spending projected by Cadent Consulting Group due to cuts in shopper marketing departments, the transformation of shopper agencies into digital agencies and price reliance. The category is expected to recover slightly in 2020, and then continue to decline forward.
Direct Mail: Volumes Significantly Impacted in 2Q, Though Steady Rebound off the Lows in 2H20

Review 2020: Online Media Spending Gained $12.5BB as Budgets Accelerated Shift Towards Digital Channels

U.S. Online Media Spending, 2020 ($BB)
Total: $168.4BB

- Digital Video (OTT/Streaming) $8.1 (+27.1%)
- Digital Audio (Radio/Podcasts) $4.5 (-13.4%)
- Digital Out-of-Home $2.6 (-19.3%)
- Search $58.0 (+5.9%)
- Paid Social $41.4 (+14.5%)
- Influencer $7.5 (+15.4%)
- Email/SMS $5.1 (-0.2%)
- Display $41.0 (+6.8%)

U.S. Data and Data Services Spending, 2020 ($BB)
Total: $22.1BB

- Digital Media (Data, Analytics, Data Technology) $8.5 (+9.5%)
- Email Data, Database, Analytics, Hygiene $2.9 (+0.1%)
- Offline Data (Data, Database, Analytics, Hygiene) $8.1 (-10.0%)
- TV Data, Analytics $2.6 (0.0%)

Note: Digital Media includes display, video and paid social; TV includes linear, addressable and OTT
2020 M&A: 2,855 M&A and Investment Transactions, Totaling $150.3BB in Value, Down YoY

Total deal value declined 39.1%, down from $246.9BB in 2019

Activity decreased 17.7%, down from 3,468 deals in 2019

M&A and Investment Activity, 2020 ($BB)
Marketing, Media and Technology Industries (# of Transactions)

- Digital Media/Commerce: $80.8 (1,071)
- Marketing Technology: $38.2 (1,032)
- Agency & Marketing Services: $13.0 (423)
- Digital Advertising: $5.2 (153)
- Traditional Media: $62.2 (176)

Source: CG/Petsky Prunier (202)
2020 Themes: Identity, Tech, Performance and Scale

Data and Data Technology
Consolidation starts again after a break in 1H20; strategic buyers dominate M&A landscape

Oct 12, 2020  twilio
Acquired
for $3.2BB

Oct 22, 2020  TransUnion
Acquired
Segment

Nov 19, 2020  experian
Acquired
TAPAD

Oct 17, 2020  dun & bradstreet
Acquired

Oct 22, 2020  Bisnode
for $818MM

Performance Marketing
Focus on performance, commerce and global expansion; agency deals return in 4Q20

July 28, 2020  F PARTNERIZE
Acquired
pepperjam

July 29, 2020  MIGHTYHIVE
Merged with
digodat
& ORCAPACIFIC

Jan 2, 2020  MDC Partners
Merged with
STAGWELL GROUP

Dec 2, 2020  NMC
Acquired
tinuiti

July 28, 2020  New Mountain Capital LLC
Merged with
Macro Trends to Watch in 2021
The Experience Economy: Consumers Value Trust and Superior Service from Brands

Evidence
More than half (55%) of shoppers state brand trust is their primary motivator when choosing who to shop with online.

Evidence
49% of U.S. consumers switched companies in 2020 due to poor customer service; 69% of consumers say customer service is very important when it comes to their loyalty to a brand.

Marketer Implications
Brand response to the pandemic and social justice movement among the most impactful influencers of consumer behavior and customer loyalty in 2020.

Marketer Implications
Brands are striving to achieve Amazon-levels of customer service; 76% of executives say improving customer experience is a high or critical priority.

88% of B2B and B2C customers said that a brand’s trustworthiness mattered more in 2020 than it did in 2019.

Highly-engaged customers buy 90% more often, pay 60% more per transaction and are 5X more likely to stick to the same brand in the future.

The Shift to Streaming: Data-Driven Shift From Linear to Digital

Evidence

Explosion of Connected TV: 80% of U.S. households have at least one CTV device, 81% increase YoY in CTV viewership in 2020; more than 50% of TV viewing time among adults is now devoted to streaming.

Evidence

Proliferation of devices generating greater online TV and video viewership: mobile digital video viewers accounted for 61.1% of the U.S. population in 2020 and are expected to grow to 64.5% by 2024.

Marketer Implications

Focused investment in digital formats and data to optimize consumer experiences on CTV.

Marketer Implications

While advertisers are now buying CTV audiences at scale, they remain highly invested in Linear TV: Media buyers spent 85.2% more on Linear TV advertising compared to OTT/CTV channels in 2020.

In 2020, U.S. CTV ad spending will total $8.11 billion; by 2024 it is projected to reach $18.29 billion.

Disney+ beat Netflix 45.2m to 44.7m as the most downloaded entertainment app.
From DTC to Retail: Marketplace Growth Driven By The Shift to Online Shopping, Accelerated by COVID

Gross merchandise value across the top 100 global online marketplaces reached $2 trillion in 2020, accounting for more than 95% of sales across marketplaces worldwide.

With an estimated 57 marketplaces now based in the U.S., marketplaces sales have grown by 15% since 2019.

Evidence
A majority (63%) of consumers are starting their online shopper journey on Amazon

Evidence
13% of consumers tried a new marketplace after COVID-19 began; traffic to U.S.-based marketplaces increased 9.2% between January and April 2020

Marketer Implications
Media fragmentation continues with retail marketplaces capturing digital advertising dollars; brands focus spend where they have the products and buyers together

Marketer Implications
Social commerce increases as across Instagram, Pinterest and TikTok; influencers increase their role beyond brand value and deeply into performance metrics

Ecommerce share of retail grew from 16.1% to 20.7% in 2020 and is expected to reach 23.2% in 2021 leading marketers to follow the money with their advertising dollars

Performance Media: ROI Matters More Than Ever as Brands Shift Spend to Performance Channels

Evidence
Performance captured greater share of spend vs. brand advertising in 2020; over 2/3 of marketers believe that their marketing budgets will continue the shift towards performance

Evidence
With marketer shift in spend to performance, 50% of U.S. advertisers surveyed cite ‘increasing ROI’ as the primary objective of their performance marketing efforts

Marketer Implications
The rise of marketplaces is driving spend from offline promotions to online; combine that with enhanced data driven targeting (as evidenced by Amazon) and measurement improvements

Marketer Implications
Re-allocation of ad spend to performance agencies who support paid social, search, local CTV/TV and affiliate; holdcos add commerce agencies to capture shifting budgets

B2B Marketing Catching up: Digital Marketing Accelerated Among B2B Firms

Evidence

Heighted buyer expectations for B2C levels of personalization and services:
62% of B2B buyers are likely to switch vendors if a company does not personalize communications

Evidence

B2B digital spend grew from $6.6 BB to $8.1BB in 2020, forecasted to reach $9BB in 2021; at the same time, the U.S. trade show market is expected to drop to $5.6 billion this year and not recover until at least 2025

Marketer Implications

B2B marketers prioritizing digital marketing investments (e.g., programmatic, display, Advanced TV, ABM) to meet buyers on their preferred channels

Marketer Implications

Greater reliance on first-party data and increasing spend on identity solutions to fuel B2B martech platforms including CDPs and ABM platforms in 2021 and beyond

Between April 2019 and 2020, B2B online purchasing increased 22% YoY, with 48% of B2B purchases now being conducted online

B2B commerce forecasted to reach $1.49 trillion in 2021, up 12.2% from 2020

Spotlight on In-Housing: Will There Be a Pause or a Marketing Model Evolution?

Evidence

In-housed agencies have continued to surge due to COVID-19; 82% of in-house teams report that their workloads increased significantly throughout 2020

Evidence

In recent years, a new hybrid-model provider subset has emerged, supplying contracted teams that work in-house and are embedded within brand marketing teams

Marketer Implications

Demand expands for evolving hybrid models of outsourced (but embedded/in-housed); digital campaign execution, content creation/production and other creative and media services the focus

Marketer Implications

Cookie/IDFA deprecation, rise of marketplaces, large “gardens” add layers of complexity to digital media—a pause on in-housing of planning and buying a likely outcome as the transition occurs

According to a 2020 survey, 57% of brands reported their company had an in-house agency

Regulation and Legislation: From Privacy to Big Tech Breakups; What’s on the Horizon?

Social Platforms—are they too big to fail?

Antitrust action against Big Tech is ongoing; most marketers surveyed believe that there will be policy changes or fines; less than 10% believe that actual breakups will occur.

Evidence
Facebook under investigation due to concerns over anticompetitive tactics, especially around third-party advertising.

Evidence
Antitrust action has commenced in the U.S. to diminish Google’s influence; Facebook and Amazon face similar government action, both in U.S. and EMEA.

Marketer Implications
Dealing with what they can, marketers focus on CCPA compliance and consent management; shift of spend out of tech platforms is not anticipated.

Marketer Implications
With no early outcomes on regulation or legislation expected, privacy (outside of owned properties) open to browser interpretations; restriction of identifiers, cookie deprecation only sure outcomes.

Source: AdProfs (2020)
Organizations Focus on Data Preparedness to Manage Regulatory Impact

“How has your organization responded to recent privacy regulation passed in the U.S. or UK (e.g. GDPR, CCPA) and its impact on the ability to leverage data for marketing?”

Source: WG Collaborative Data Solutions Survey (2020)
Spotlight on M&A: After a Drop in M&A Volume Due to COVID, A 4Q20 Deal Surge Carries Over into 2021

“The healthy fundraising environment, adding to the existing $1 trillion in dry powder, will prompt GPs to write larger checks and encourage novel structures such as SPACs and GP stakes”

–Pitchbook PE Outlook

**Evidence**

PE fundraising will surpass $330 billion in 2021, setting an all-time high; equity markets rapid return from March lows have led investors to seek alternative returns

**Evidence**

Low interest rate environment and addition of alternative investment vehicles including SPACs lead to multiple expansion; economic recovery provides tailwind for growth forecasts

**Supplier Implications**

The strong financial markets fuel strategic interest in M&A expansion, new competitors from alternative investments and more aggressive PE activity; volume and value expand

**Marketer Implications**

Supplier landscape consolidates among scaled providers, especially in fast-moving markets such as CTV; investment for innovation drives growth investments to capture share, not cost reduction

Source: Pitchbook Private Equity Outlook (2021)
Spotlight: Identity, Data Collaboration and Decisioning Solutions
Spotlight on Identity: Getting Ready for Transformation

**Regulation and browsers** are finally forcing change in the identity market
- GDPR/CCPA/CPRA
- Cookie deprecation from Google expected by 2022

Increased demand to **scale first-party data** is driving **enterprise market and publishers**
- Increased adoption of first-party identity graphs

The number of approaches in Europe and the U.S. for **identity post-cookie is increasing**
- Scaled platforms from social and retail marketplaces have their IDs
- Universal IDs and collaborative data solutions are coming to market

The tech, data and media fragmentation across three ecosystems; **personalization on owned properties, programmatic media and advanced TV** (addressable, OTT and CTV) will lead to a **blended approach to identity** that mixes individual and household solutions
Despite Regulatory Anxiety, To Date, Few Organizations Have Reduced Spending on Data

“Which of the following actions has your company taken to address new/potential data privacy regulations?”

- Strengthened and/or clarified our consumer opt-in policies and disclaimers: 56%
- Revised policies governing how we use and share data internally: 43%
- Revised policies governing how we source data from third parties: 42%
- Extended our legal and/or data governance teams: 36%
- Developed (and/or revised) central data-use strategies: 35%
- Invested in new technology to support compliance requirements: 24%
- Reduced our spending/reliance on certain kinds of data: 16%

Source: IAB-Winterberry Data Centric Org (2020)
The 2020-2021 Focus Will Be Building and Executing a First-Party Strategy

“How advanced would you estimate your first-party data strategy to be?”

- We don’t have a first-party data strategy
- We are early in development of a first-party data strategy
- Our first-party data strategy is developed, and we are in the process of implementing it
- We are expanding the implementation of our existing first-party data strategy across business units and channels
- We have a comprehensive first-party data strategy that we have implemented across business units and channels

Source: WG Collaborative Data Solutions Survey (2020)
Spotlight on MarTech: Proliferation Continues and COVID Slowed Neither Growth Nor Long-Term Transformation

Source: Chief MarTech (2020)
Spotlight on Collaborative Data Solutions: Making the Most of Permission in Advertising and Marketing

In the post-cookie landscape, brands, media owners and technology solution providers are focused on providing permission-based collaboration solutions:

- Partnering by and between brands either directly or through trusted third parties
- Partnering between brands, data and technology providers and publishers to find audiences

What are the solutions? What are they based upon?

- Data Cooperatives
- Data Exchanges and Marketplaces
- Technical Data Environments

What are the use cases that these solutions will address?

- Partnering to create scalable PII-based IDs and enable targeting/activation for media buying
- Partnering to deepen insights, enable better planning, provide measurement and attribution

Where are we on the adoption curve?

- Time is not on the side of those who wait—IDFA changes are in progress, deprecation is due December 2021 and CPRA will go into effect in 2023
As Collaboration Expands, Marketers Turn to 2\textsuperscript{nd} Party Relationships? But What is 2\textsuperscript{nd} Party Data?

**“What does 2nd party data mean to you?”**

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Another brand's first-party data acquired through an intermediary service or platform</td>
<td>41%</td>
</tr>
<tr>
<td>Another brand's first-party data acquired directly from that brand</td>
<td>39%</td>
</tr>
<tr>
<td>PII customer/prospect data shared between brands and publishers/media companies</td>
<td>39%</td>
</tr>
<tr>
<td>Data about customers/prospects that two organizations have in common</td>
<td>37%</td>
</tr>
<tr>
<td>Third-party data by another name</td>
<td>29%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: WG Collaborative Data Solutions Survey (2020)
A New Definition of 2nd Party Data is Emerging

2nd Party:

*Data that is shared in a dedicated environment with a clearly defined set of permissions and rights set between each of the parties, frequently with a third-party provider managing the environment*

Combining first-party data assets into a 2nd party data set is directly affected by the use cases for which the second party data set will be used. The act of licensing the asset results in a change of state from second party to third party.

First-party is data that an entity (brands & media owners) have collected with permission from the consumer. The permissions determine the rights of the entity for the use of the data.

Third-party is data collected by an entity that does not have a direct relationship with the end user (data subject) that the data is being collected upon.

Source: WG Collaborative Data Solutions Survey (2020)
Technical Data Environments Designed to Manage Collaborative Data Include “Clean Rooms”, Safe Havens, Bunkers and Exchanges

“What does a “clean room” mean to you?”

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>A platform where data is exchanged without exposing it directly to either party or the clean room provider</td>
<td>45%</td>
</tr>
<tr>
<td>A controlled environment used in science and manufacturing where pollutants can be minimized</td>
<td>40%</td>
</tr>
<tr>
<td>A platform where users can securely match to commercially provided data sets</td>
<td>36%</td>
</tr>
<tr>
<td>A platform where data sharing is facilitated by a third-party who may have access to the data</td>
<td>31%</td>
</tr>
<tr>
<td>A data marketplace where data is shared between two or more parties</td>
<td>24%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: WG Collaborative Data Solutions Survey (2020)
Though By Any Name, the Course of Adoption Is Clearly Moving up, With High Utilization for an Immature Market

“Which of the following collaboration solutions has your organization utilized or participated in to support advertising and marketing efforts?”

| Clean room or other secured, shared environment | U.S. 62% | U.K. 52% |
| Data exchange | U.S. 60% | U.K. 30% |
| Digital data marketplace | U.S. 48% | U.K. 48% |
| Data co-op | U.S. 48% | U.K. 42% |
| None of the above | U.S. 7% | U.K. 0% |
| Other | U.S. 0% | U.K. 0% |

Source: WG Collaborative Data Solutions Survey (2020)
Longer Term, the Outlook Is for Permission-Based Partnering Extending Across Markets, With Compliance and Transparency

Source: WG Collaborative Data Solutions: Data and Identity in the Era of Permission (2020)
Spotlight on Analytics: Decisioning and Orchestration, the Brain in the Stack

What is Decisioning?

- The people, processes and technology(ies) that **determine the who, what, where and how a brand communicates with its customers**
- Fueled by data & analytics, decisioning acts like the ‘**brain**’ of the marketer’s technology stack
- **Decisioning engines automate the process of determining the next appropriate action in a customer journey** (including next-best content, offer or channel)

What is Orchestration?

- The people, processes and technology(ies) that **move analytics outputs and insights through the martech and adtech stack, informing activation in the application layer**
- **Orchestration**, the partner to Decisioning, refers to the coordination and delivery of next-best actions determined by the decisioning engine.
- This is the ‘**central nervous system**’ within a marketer’s technology stack

Source: WG Demystifying Decisioning & Orchestration (2020)
Decisioning Provides the Customer Intelligence Layer for Orchestration and Optimization Across Touchpoints

At the data layer, customer and prospect data is ingested, consolidated and standardized with the end goal of using the data for analysis and activation.

At the intelligence layer, marketers and advertisers leverage customer profiles to drive insights, gain audience intelligence and inform a range of marketing and advertising decisioning-related use cases.

At the activation layer, marketers and advertisers use applications and platforms to communicate across outbound (email, display or Advanced TV) and inbound (website, app, or customer service) channels.

Source: WG Demystifying Decisioning & Orchestration (2020)
There Are Four Primary Categories of Decisioning and Orchestration Use Cases

**Content Optimization:** Focus on creating and delivering content in a way that is optimized for the end user

**Journey Optimization:** Focus on identifying, acquiring, connecting and mapping all of the key touchpoints across a customer’s journey to determine the appropriate content to send them based on where they are in their lifecycle

**Media Optimization:** Focus on identifying and prioritizing the best channel and ‘spot’ to send messages and communications to audiences and segments

**Operations Optimization:** Focus on improving the efficiency of internal operations to enhance customer experience and service

Source: WG Demystifying Decisioning & Orchestration (2020)
Few Firms Have Successfully Achieved Optimized Decisioning, Indicating Immaturity in The Market

Marketers and advertisers are struggling to deliver on the mandate: in our survey of practitioners, only 14% of respondents indicated that they are ‘very satisfied’ with the contribution and value that their decisioning solutions have brought to their organizations.

“To what extent are you satisfied with the contribution and value that your decisioning solution(s) have brought to your organization?”

Average Response: 2.45

Source: WG Demystifying Decisioning & Orchestration (2020)
Advertising and Marketing Spend: Outlook 2021
Outlook 2021: High Probability for Solid Growth With Digital Surpassing Offline for the 1st Time

- **U.S. GDP growth is estimated at 4.2%,** continuing growth slowdown
- **Fed continues low interest rate environment,** expected low inflation
- **Vertical growth still a mixed bag through at least 1H21**

Outlook Dependencies:
- COVID-19 vaccine roll-out
- Global macro-economic risk post-election
- Stimulus and tariff reductions
- Return to sanity

### U.S. Advertising and Marketing Spend 2018 – 2021E ($BB)

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Outlook 2021: Most Offline Channels Are Expected to Rebound Following Steep 2020 Declines

U.S. Offline Media Spending, 2021E ($BB)
Total: $175.9BB

- Linear TV: $52.9 (−5.6%)
- Addressable TV: $2.9 (+38.9%)
- Radio: $10.4 (+3.7%)
- Newspaper: $7.9 (−13.7%)
- Magazine: $8.0
- Traditional Outdoor: $7.7 (+14.5%)
- Direct Mail: $36.5 (+4.8%)
- Shopper Marketing: $23.8 (+20.1%)
- Experiential/Sponsorship: $25.6 (+6.1%)
Outlook 2021: Digital Channels Stand to Grow the Most With an Economic Recovery

U.S. Online Media Spending, 2021E ($BB)
Total: $198.3BB

- Search: $66.2 (+14.1%)
- Display: $48.9 (+19.1%)
- Influencer: $9.9 (+32.4%)
- Email/SMS: $5.6 (+9.9%)
- Digital Out-of-Home: $3.1 (+19.4%)
- Digital Audio (Radio/Podcasts): $5.3 (+17.4%)
- Digital Video (OTT/Streaming): $11.4 (+40.1%)
- Paid Social: $47.9 (+15.5%)

Outlook 2021: Projected Spend on Data and Data Services Continues Growth

U.S. Data Spending in Support of Offline, Email, Digital Media and TV, 2021E ($BB)
Total: $24.7BB

- Digital Media (Data, Analytics, Data Technology) Spend: $10.0 (18.3% growth)
- Offline Data Spend (Data, Database, Analytics, Hygiene): $8.5 (16.2% growth)
- Email Data, Database, Analytics, Hygiene: $3.2 (9.1% growth)
- TV Data, Analytics Spend: $3.0 (4.8% growth)

Note: Digital Media includes display, video and paid social; TV includes linear, addressable and OTT
Outlook 2021: Adaptations Resulting From COVID Have Accelerated the Shift From Offline to Online

U.S. Advertising and Marketing Spend, 2018 – 2021E ($BB)

<table>
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<tr>
<th>Year</th>
<th>Offline</th>
<th>Online</th>
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<tr>
<td>2018</td>
<td>$232.6</td>
<td>$128.0</td>
</tr>
<tr>
<td>2019</td>
<td>$223.1</td>
<td>$155.9</td>
</tr>
<tr>
<td>2020</td>
<td>$171.9</td>
<td>$168.4</td>
</tr>
<tr>
<td>2021E</td>
<td>$175.9</td>
<td>$198.3</td>
</tr>
</tbody>
</table>

CAGR:
- Offline: $128.0 to $175.9 = -8.9%
- Online: $155.9 to $198.3 = +15.7%

Thank you.

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