

Radio's Unequal Relationship with Music

MIRA Conference

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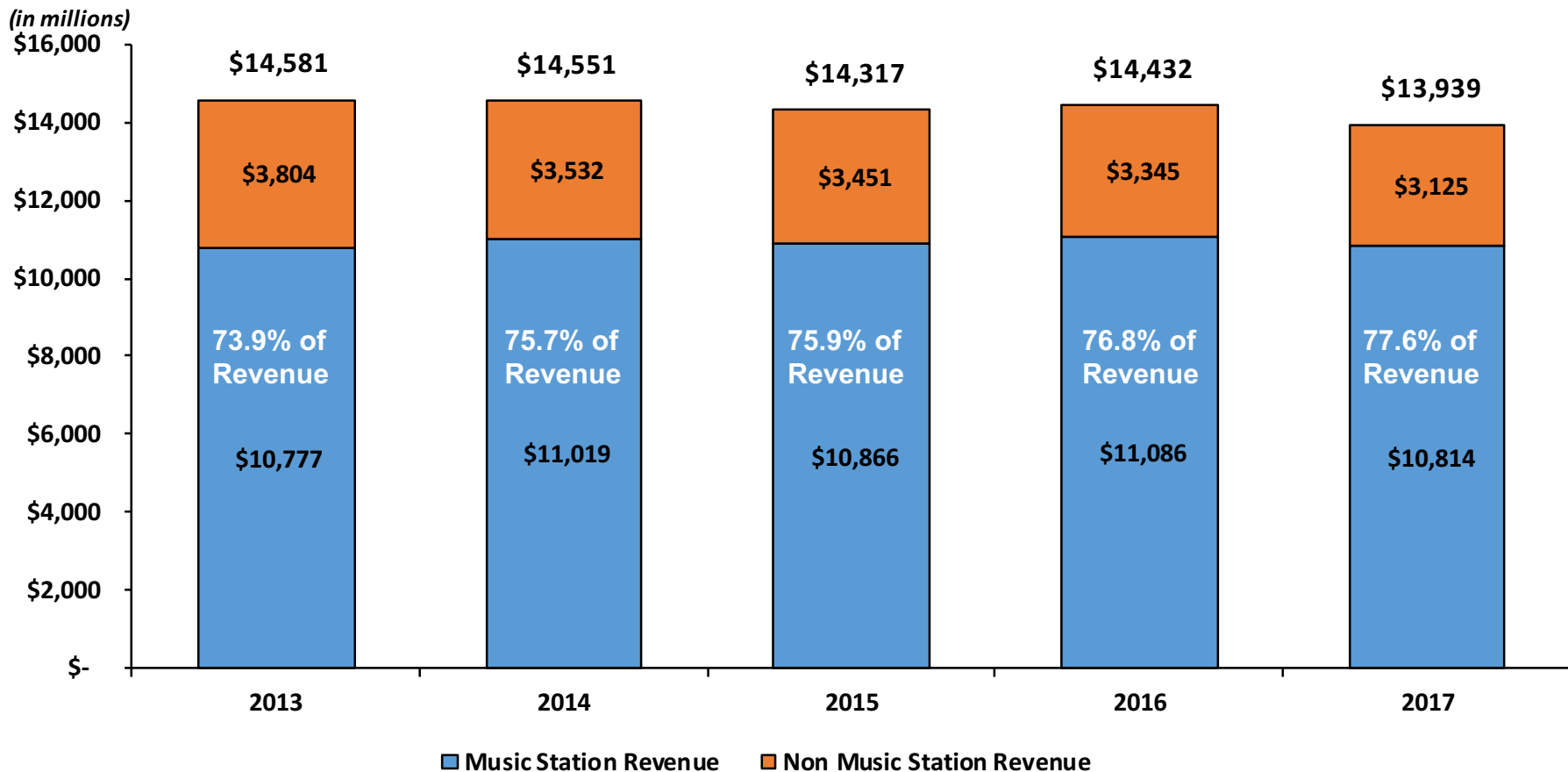
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- *On an earned revenue basis, music, as a format, is actually more vital to radio than ever while news, weather & sports formats are fading as prominent content values.*
- *Radio broadcasts more back catalog than current music, defeating the notion that radio serves as a promotional vehicle for music.*
- *Conversely, music is actually promoting radio!*
- *A great disparity is evidenced when comparing radio's reliance on music as its chief program input against its willingness to pay for music rights.*
- *Radio's prominence in the vehicle is declining and it inevitable that it will eventually be forced to broadcast music digitally.*

MUSIC STATION SHARE OF REVENUE

Since 2013, total radio industry revenue has fallen due to the continued decline in non music revenue. Music station revenue, however, has increased over the same time period.

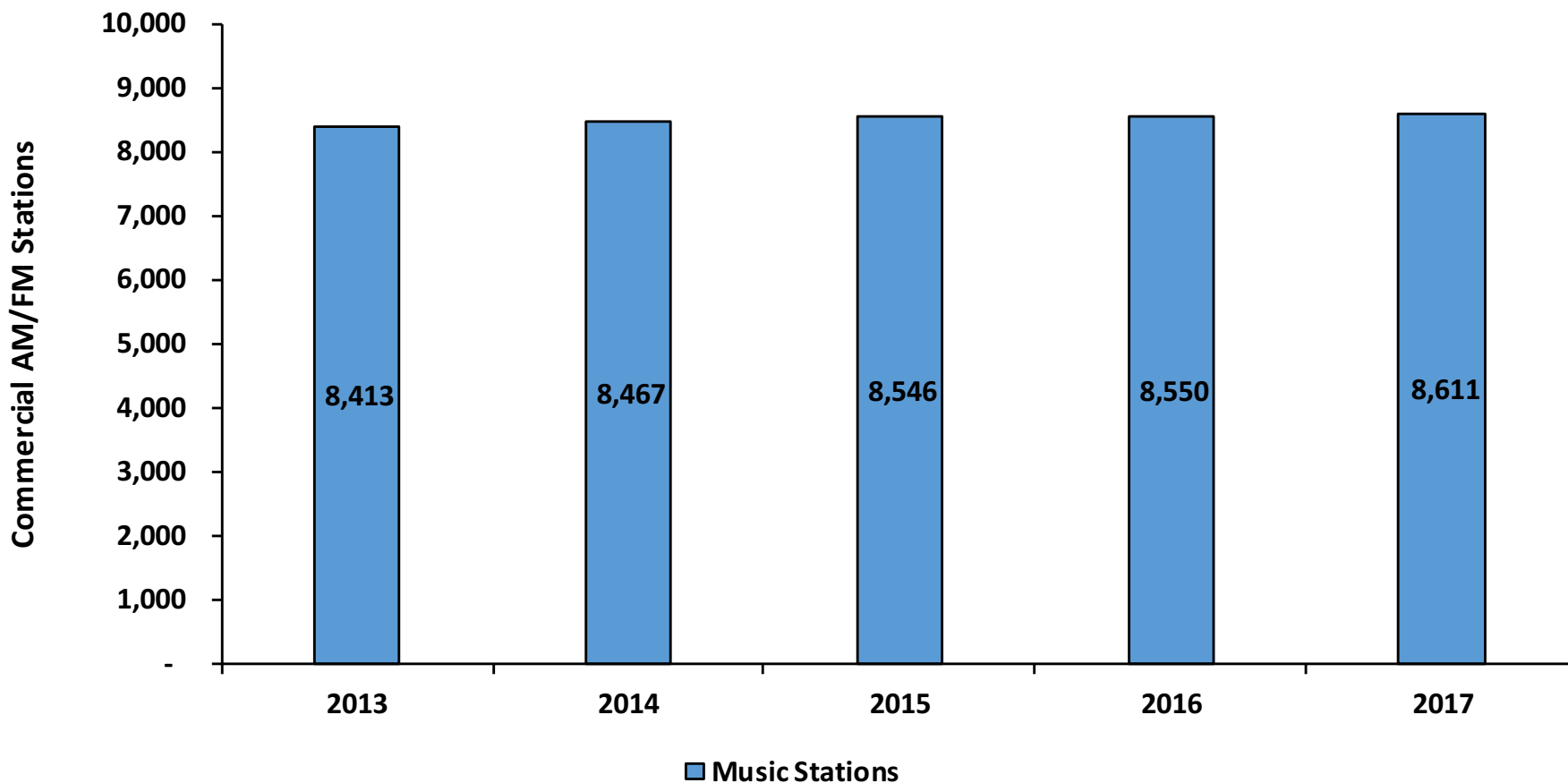
Station Revenue: Music vs. Non Music¹



¹ Using the BIA/Kelsey database of over 11,000 commercial AM/FM stations, we classified each station's format as music or non-music. We also allocated revenue to non-reporting stations based on a methodology corroborated by BIA/Kelsey. Note: We are awaiting 2017 non-reporting station allocation data, and currently use the 2016 amount as a proxy for 2017.

Radio's reliance on and usage of music has been consistently growing year over year.

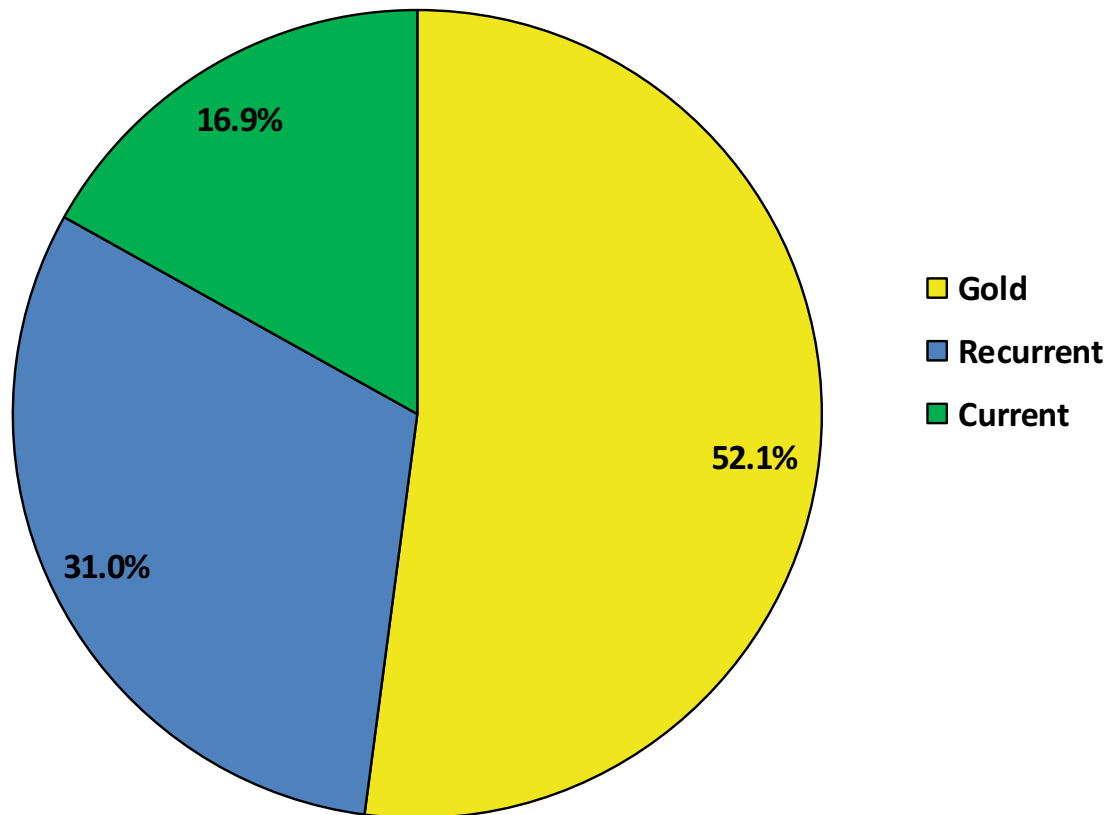
Number of Music Stations¹



¹ BIA Media Access Pro 2013-2017

Across all music formats, radio broadcasts more Gold music than any other music type.

Average Spin Share Across All Music Formats¹



Definitions:

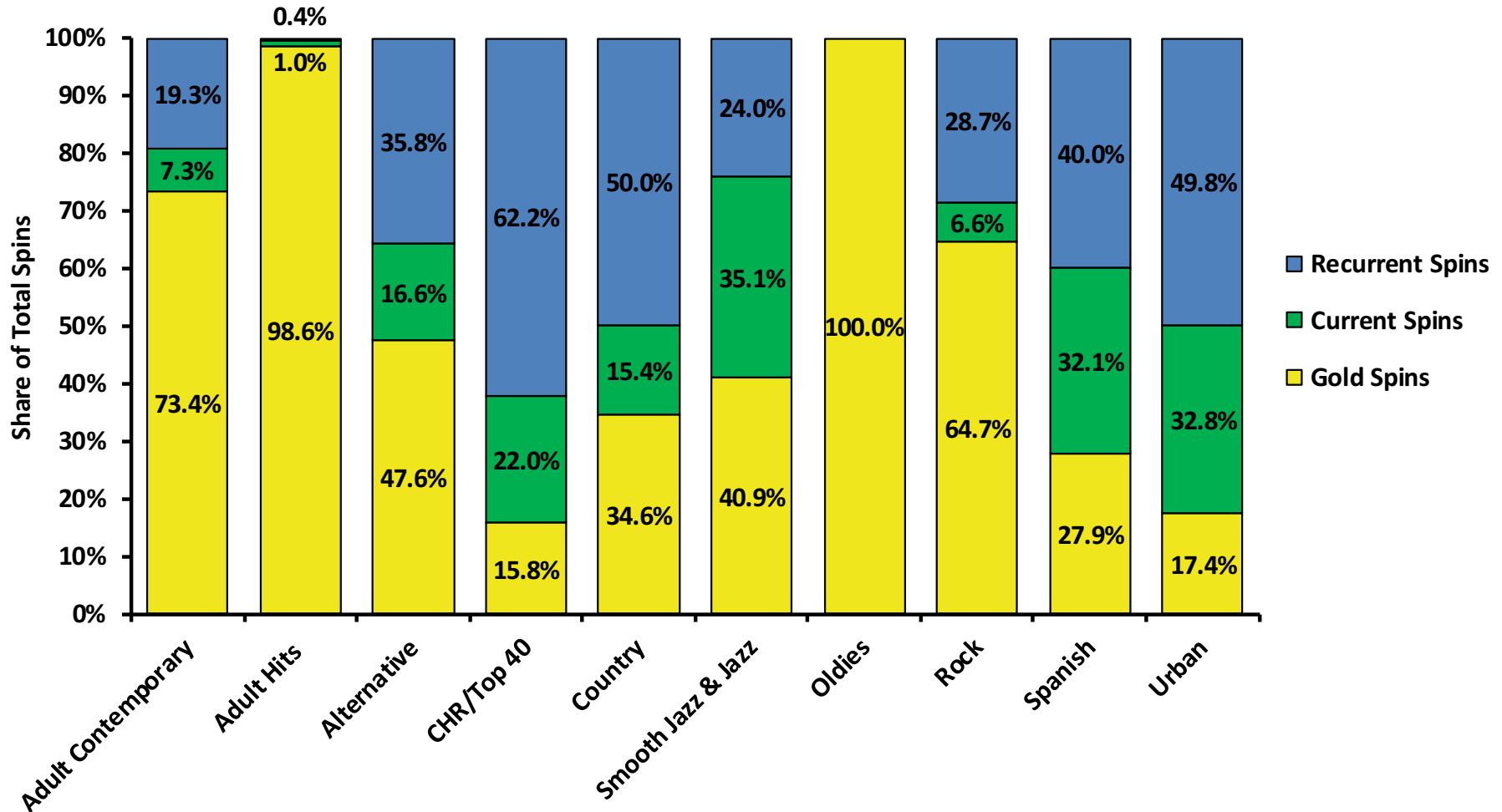
- Current – Title is still on the chart, or is less than 2 years old.
- Recurrent – Fell below the chart threshold within the last year.
- Gold – Older than 2 years, or is no longer recurrent or current.

¹ Nielsen BDS. Spin data is a sample of the top 1,000 songs in each format (top 2,000 in Smooth Jazz & Jazz because those are 2 formats combined) across all stations monitored by BDS in these selected formats during 1H15.

SUMMARY OF MUSIC USAGE BY FORMAT

Gold music is more frequently played than Current music by all formats but three: CHR/Top 40, Spanish, and Urban.

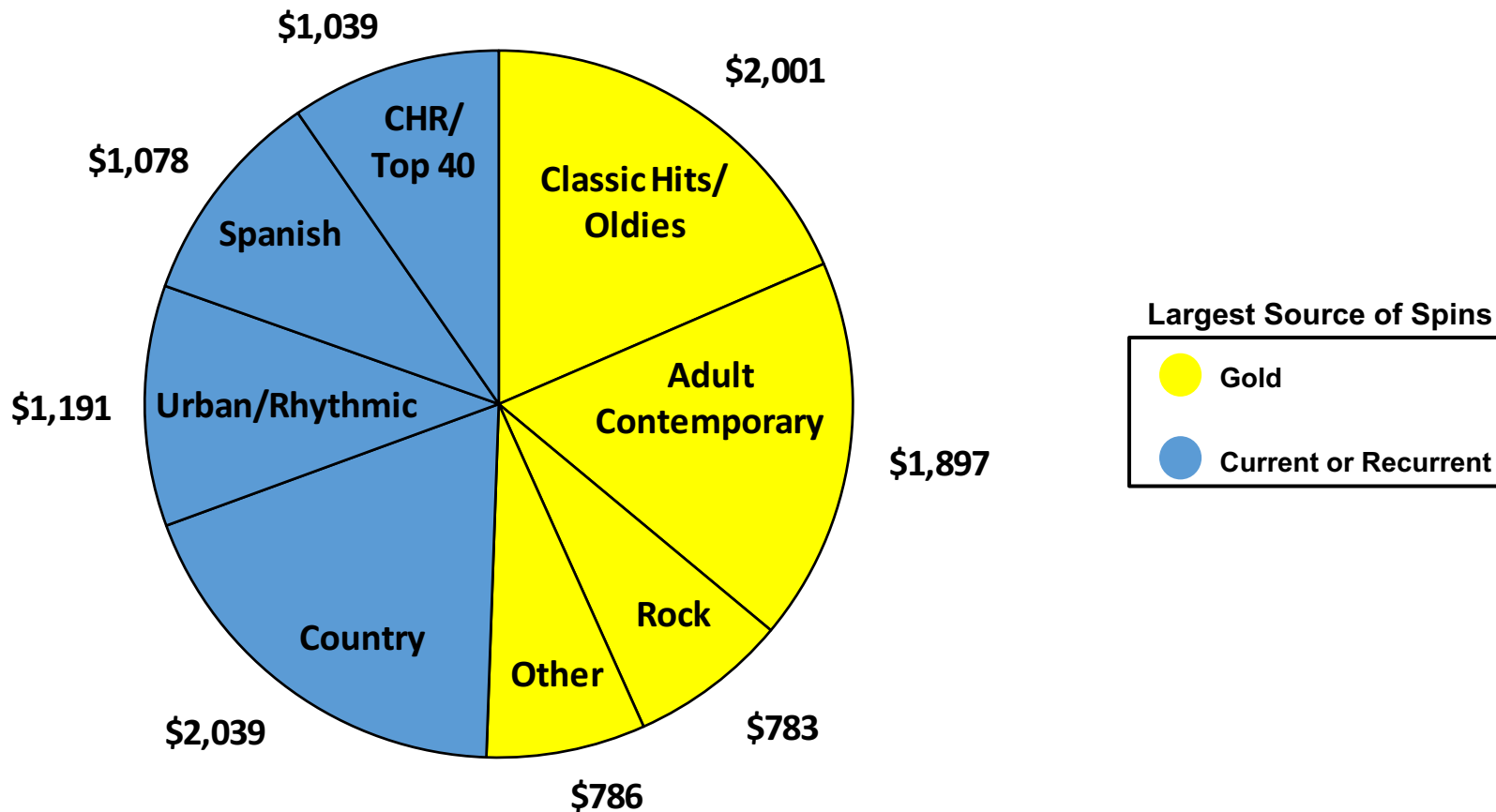
Current, Recurrent and Gold Spins¹



¹ Nielsen BDS. Spin data is a sample of the top 1,000 songs in each format (top 2,000 in Smooth Jazz & Jazz because those are 2 formats combined) across all stations monitored by BDS in these selected formats, during the period Jan 1, 2015 to June 30, 2015.

Those music radio formats that predominantly broadcast back catalog music generate a little over half of total music station revenue (\$10,814B).

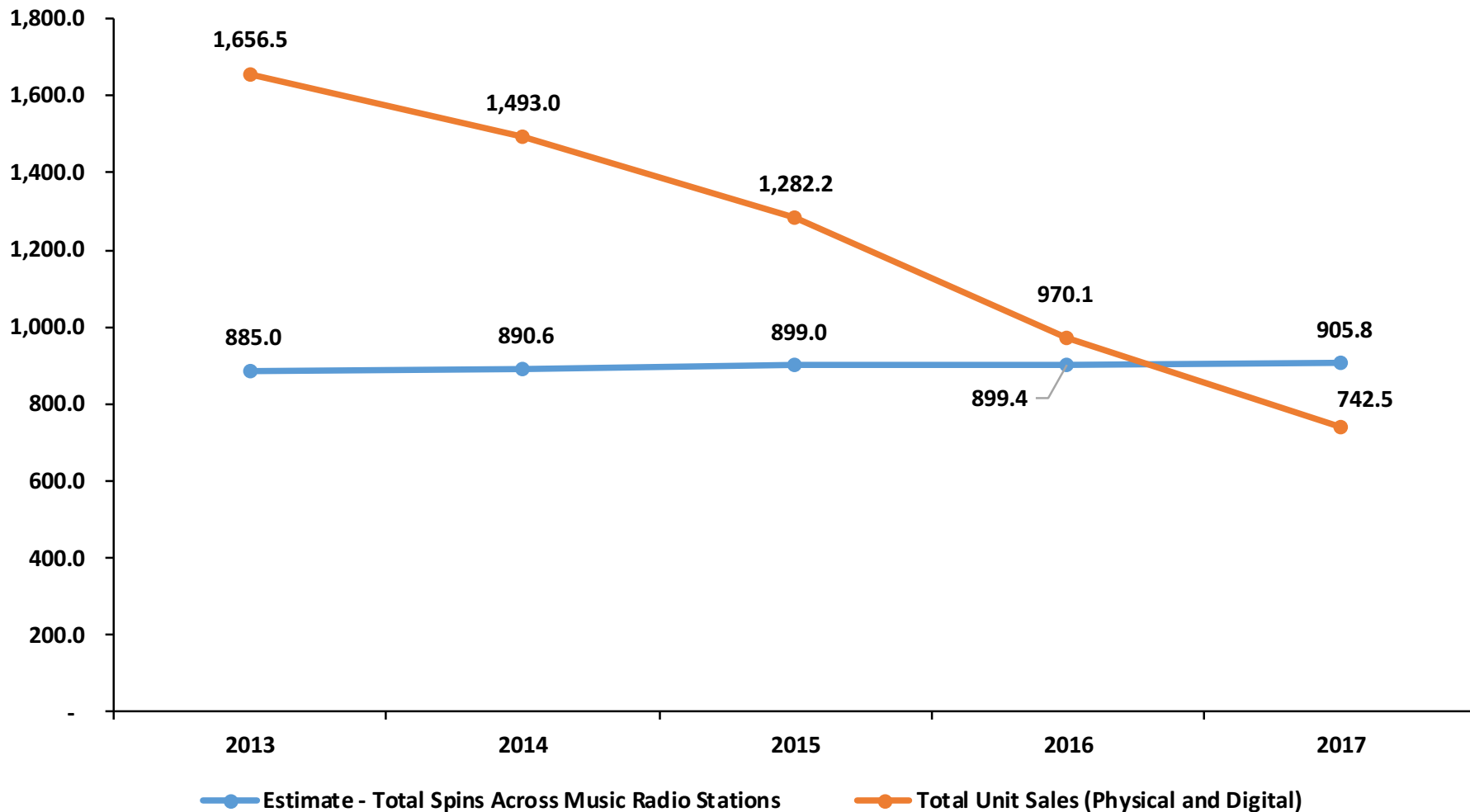
2017 BIA Station Revenue By Format (\$MM)¹



¹ The BIA/Kelsey database has over 600 specific format designations. We have grouped them into the 8 categories in this chart. Note: Other includes formats such as blues, classical, jazz, religious, variety, family hits, easy listening, ethnic and full service.

RADIO SPINS AND MUSIC SALES OVER TIME¹ (MM)

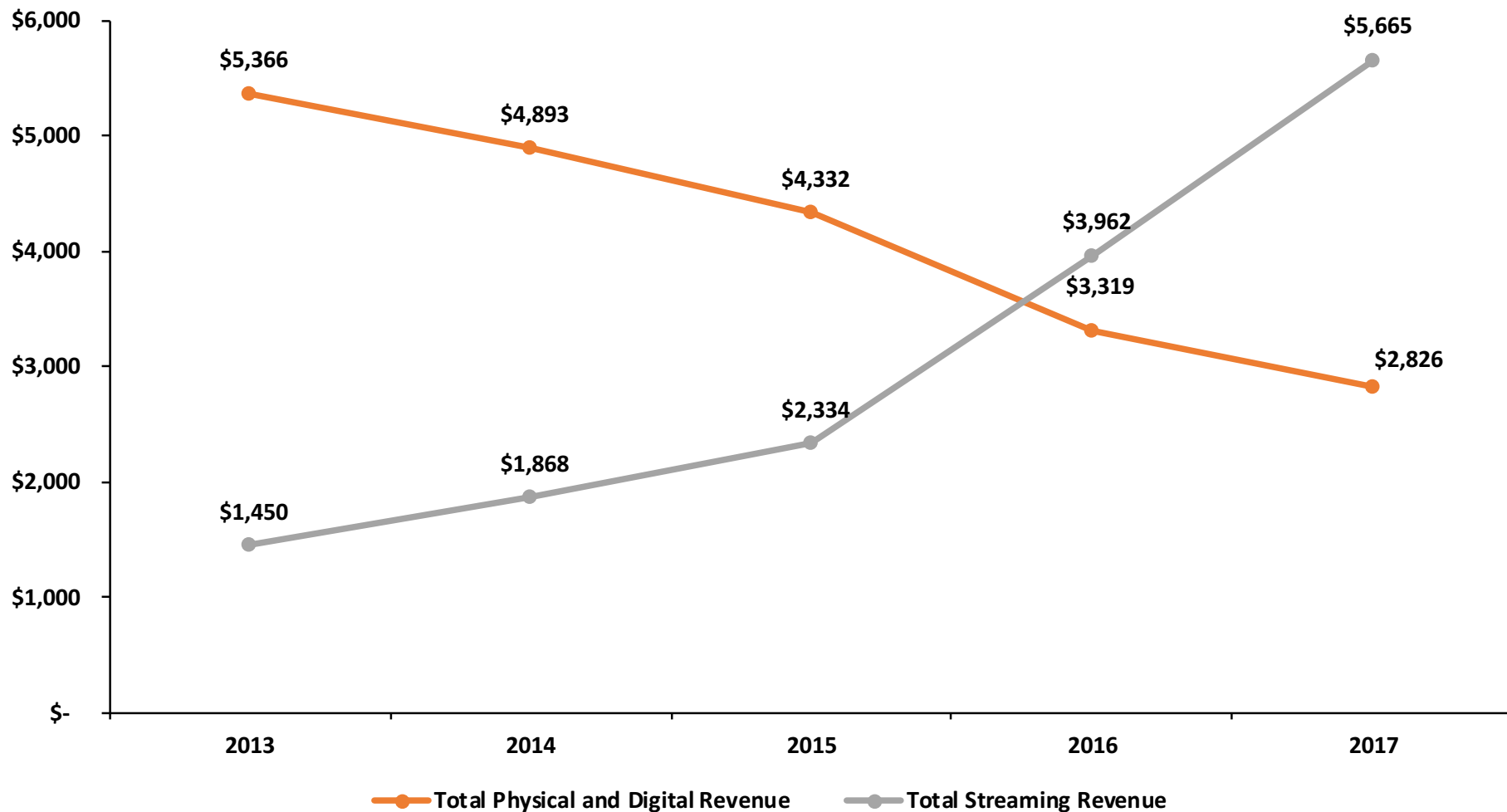
Music usage has been increasing, but music sales have been declining. Where's the promotional value?



¹ BIA Media Access Pro 2013-2017, Nielsen BDS Data, & RIAA Year-End Industry Shipment and Revenue Statistics

PHYSICAL & DIGITAL VS STREAMING REVENUE¹ (MM)

Streaming revenue has been increasing rapidly, but streaming competes with radio!



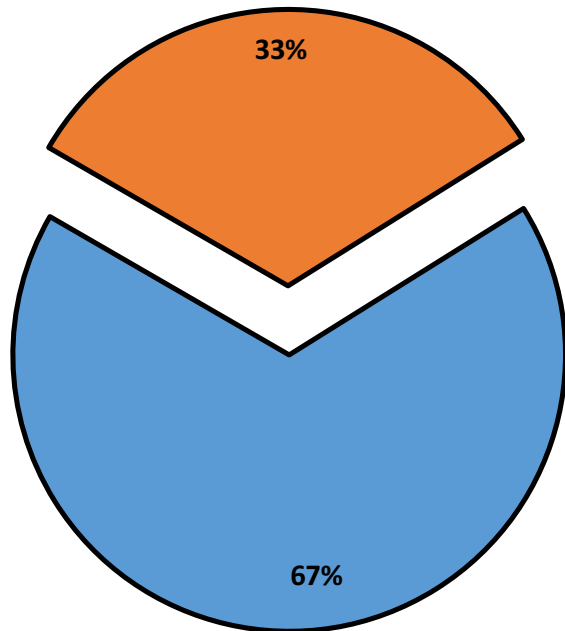
¹ RIAA Year-End Industry Shipment and Revenue Statistics

It's clear that radio doesn't promote music, but that music promotes radio!



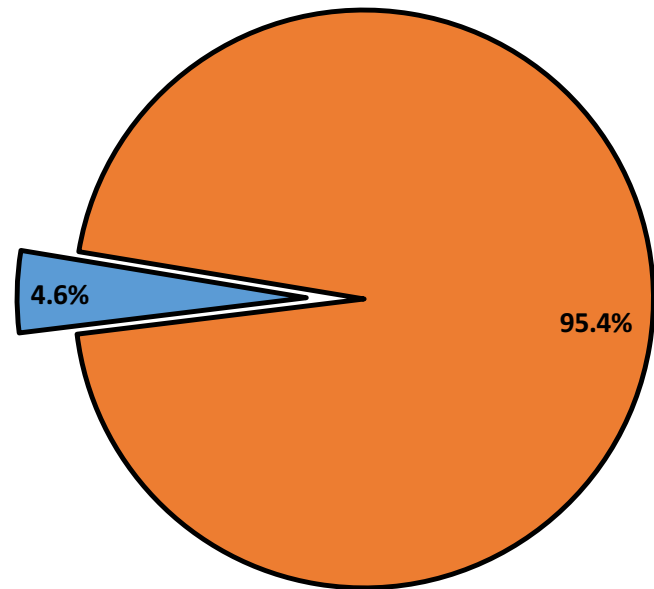
The largest content input on music radio stations is, predictably, music. However, music is only a minor cost to terrestrial radio.

Distribution of One Broadcast Hour¹



■ Music ■ Other
(commercials, radio personality, etc.)

Distribution of Station Operating Expenses²



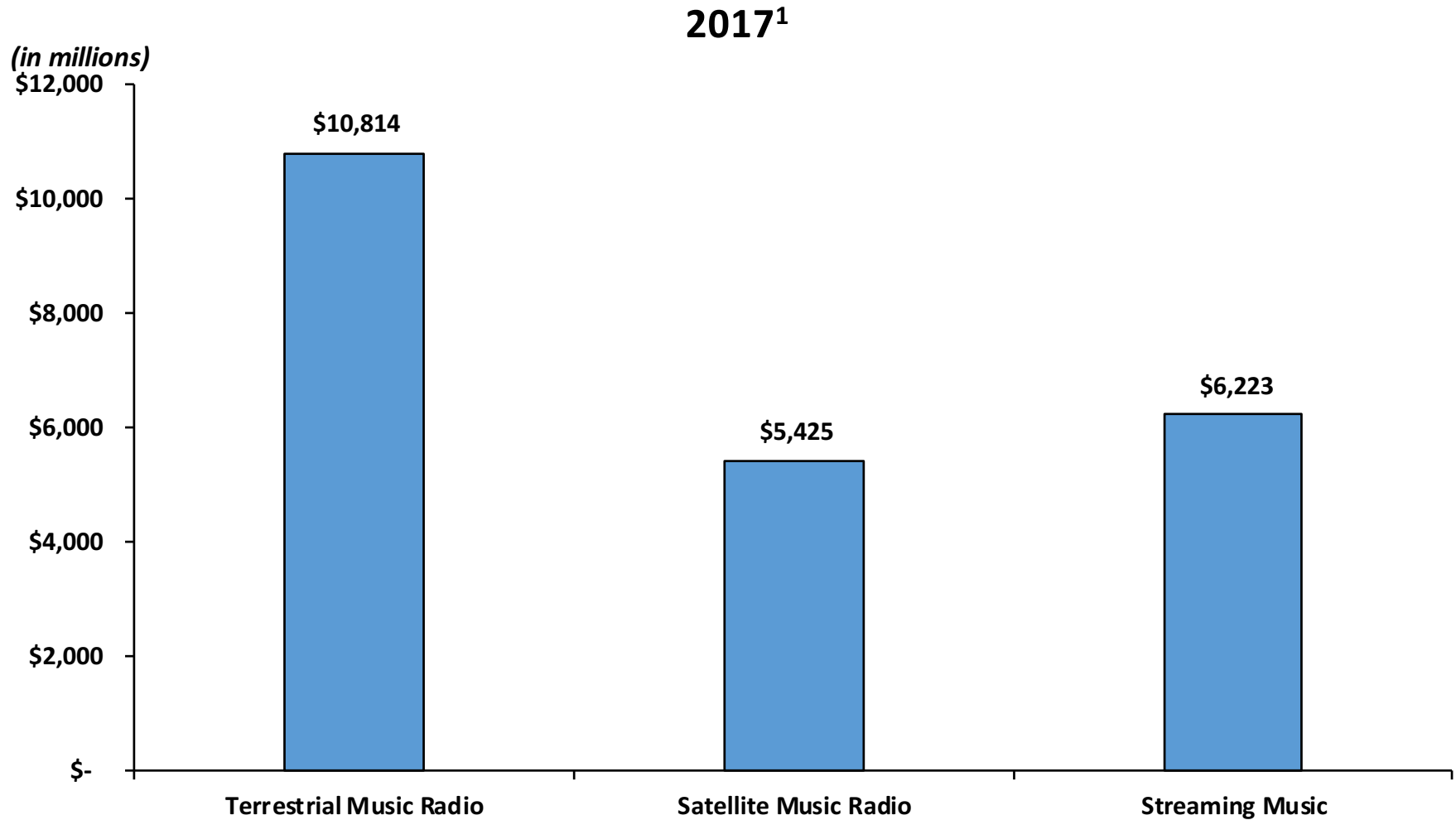
■ Music ■ Other

¹ Nielsen BDS - Average of 12 songs per hour based on data from Jan. – Jun. for 2013-2015 times a Nielsen calculated average song duration of 3 minutes and 21 seconds.

² Operating expenses estimated using the EBITDA margin of the broadcasting industry (NYU Stern).

Music calculated using 2017 licensing rates: ASCAP – 1.73%, BMI – 1.70%, and SESAC – 0.2557% (less a 12% deduction).

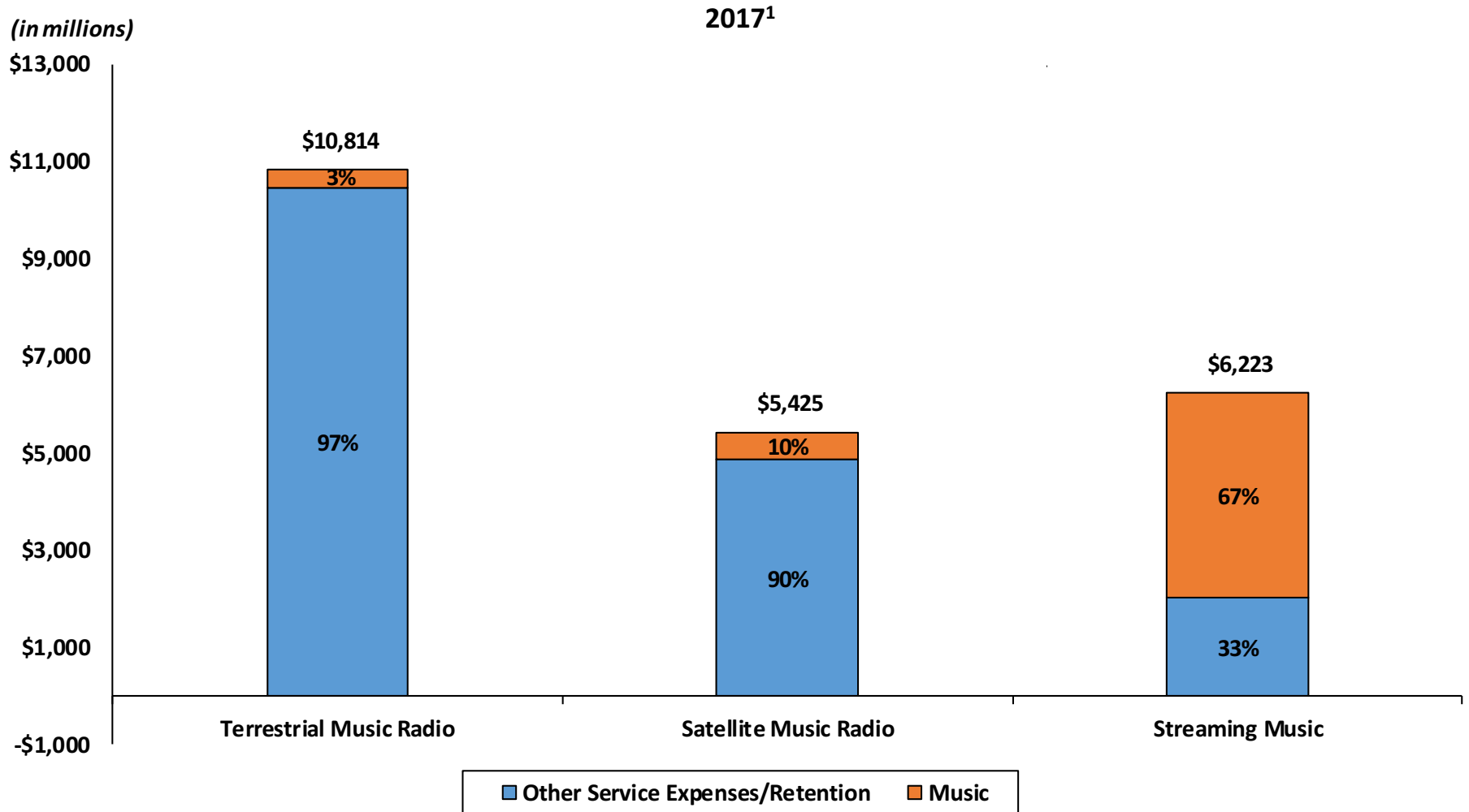
The markets below all offer access to recorded music listening.



¹ BIA Media Access Pro 2017, Sirius XM 2017 Annual Report, Pandora 2017 Annual Report, and RIAA Year-End Industry Shipment & Revenue Statistics 2017.

MUSIC'S SHARE OF REVENUE BY MARKET SIZE

However, music licensing fees as a percentage of revenue across these markets is widely different.

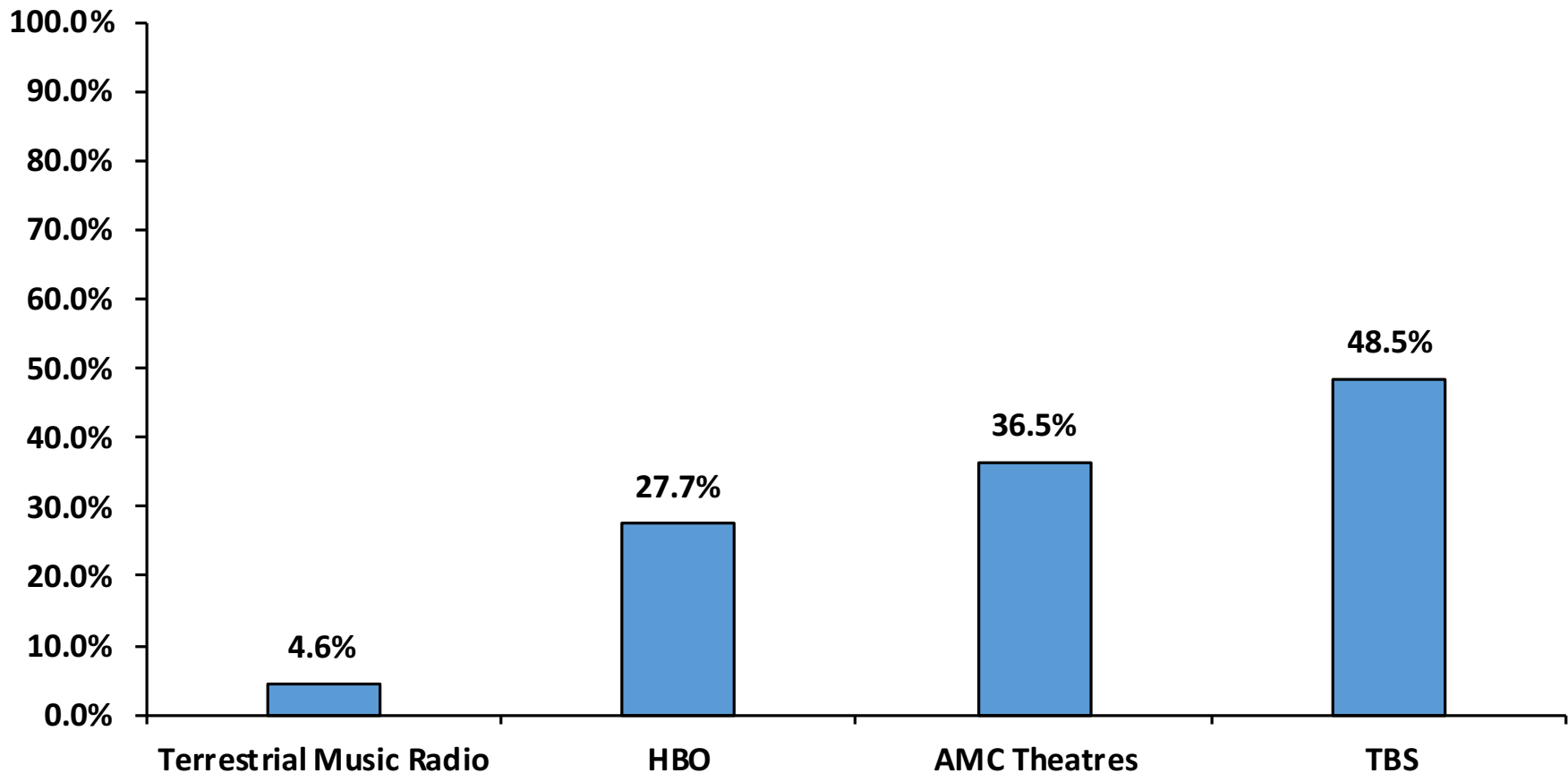


Note: Licensing rates presented are effective rates, not headline rates.

¹ Terrestrial Music Radio: calculated using 2017 licensing rates (see slide 11), Satellite Music Radio & Streaming Music: Massarsky Consulting Internal Analysis.

Music licensing costs for radio stations are much lower than equivalent content costs for other media companies.

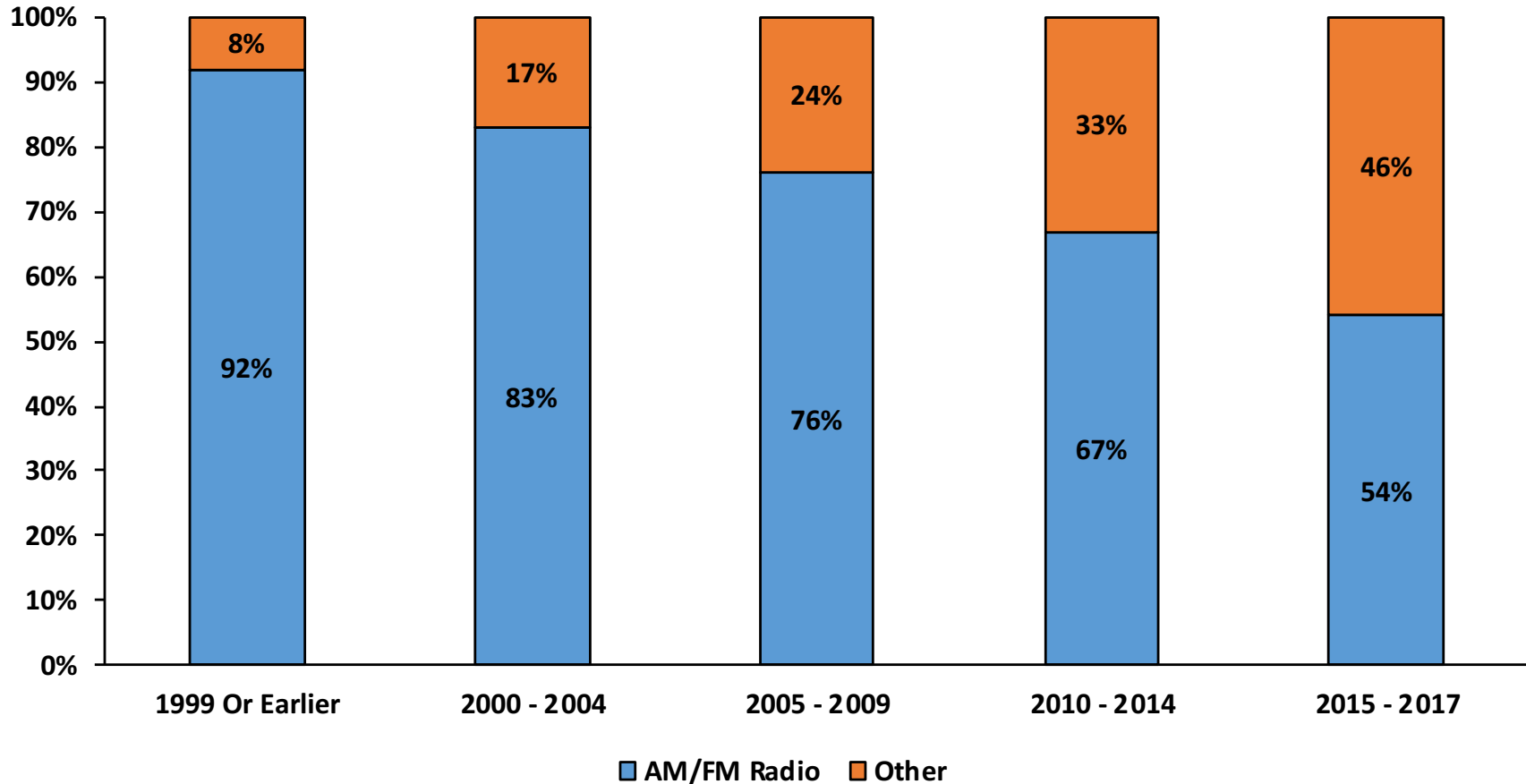
Procured Content Costs as a % of 2017 Operating Costs¹



¹ Operating costs do not include depreciation, amortization, and impairment costs.
Sources: Terrestrial Music Radio: calculated using 2017 licensing rates (see slide 11),
HBO/AMC/TBS: 2017 Annual Reports.

SHARE OF IN-VEHICLE TIME SPENT LISTENING BY MODEL-YEAR¹

Radio is facing an increasing amount of digital competition in the vehicle.



¹ Pandora 2018 Definitive Guide To Audio citing Edison Research Share of Ear study, Q2 2017 data.
Note: Other includes: Satellite Radio, Owned Music (CDs, MP3s, etc.), and Streaming Digital Audio Sources.