

2012 Broadcast Revenue Review and 2013 Forecast

By all accounts 2012 was an exceptional year for the television broadcast industry. The combination of a slow but continuous economic recovery, the Summer Olympics, and record political advertising combined to allow television revenues to exceed most analysts' forecasts.

The National Association of Broadcasters/Bond & Pecaro *2013 The Television Industry: A Market-by-Market Review* estimates that television advertising revenue increased by 14.2% in 2012, well above analysts' estimates from earlier in the year. Bond and Pecaro estimates that core advertising, excluding political, increased by 3.5% for the year. Kantar Media estimates that Spot TV was up 10% for 2012 and up 12% in the fourth quarter of 2012.¹

While Olympic/Election years always bring in big dollars for the U.S. television industry, 2012's revenue growth was exceptional, propelled by record-setting levels of political advertising spending. SNL Kagan estimates that local TV political spending soared to \$2.9 billion in 2012, up 38.4% over 2010.² Bond and Pecaro estimates that television political spending was even higher than this estimate, at over \$3.2 billion.

Magna Global estimates that the Olympics generated \$640 million in additional non-recurring advertising spending while political generated \$2.8 billion. They further estimate that without the effects of political and Olympic advertising, core local television advertising would still have grown by 1.5% fueled by a recovery in automotive advertising.

For 2013, Bond and Pecaro forecasts core TV advertising revenues to increase by 0.6%. Overall television advertising revenues are projected to decrease slightly more than 9.0%. While 2013 is an off-year election cycle, we believe increased spending on political issues and advocacy will slightly mitigate this loss. Magna Global estimates that local TV advertising, net of political, will

¹ "US Ad Spending Up 3% in 2012 as Broadcast TV Growth Outpaces Cable", SNL Financial March 13, 2013.

² "2012 Political Revenues Shatter Records for TV, Radio Broadcasters," Pieter Leitzing, SNL Kagan Broadcast Investor, March 28, 2013.

increase 1.4% year-over-year and decline 9.1% overall with the inclusion of political advertising.³ Other analysts are also cautiously optimistic about core advertising growth. Michael Nathanson of Nomura Equity Research sees advertising sales net of political and Olympics, growing 3.6% at big media companies in 2013. He does, however, cite caution in his forecasts, noting the weak recovery, unknown effects of cuts in government spending, targeted advertising campaigns, and the unlikelihood of automotive advertising budgets increasing at the same pace as last year.⁴

The nearly unprecedented advertising growth that television broadcasters experienced in 2012 was primarily a result of record political advertising and continuing recovery in the automotive segment. While political dollars will be much diminished in 2013, the consensus from Bond and Pecaro and other analysts is for a small incremental increase in core advertising revenues over 2012 as the economy and advertising spending continue their slow recovery. If the country continues to be politically polarized, 2014 has the potential to set new political advertising records on the strength of local, regional, and state races.

For more information on the outlook for broadcasting revenues in 2013 and beyond, please see www.nabstore.com/the-television-industry-a-market-by-market-review-2013.html, or feel free to contact any of the principals of Bond & Pecaro.

³ “2013 Forecast: TV Ad Revs To Dip, More Digital Growth”, Wayne Friedman, Media Daily News, January 18, 2013.

⁴ “TV Advertising is “Surprisingly Weak” Due to Internet and Economy: Analyst”, David Lieberman, Deadline Hollywood, March 11, 2013.