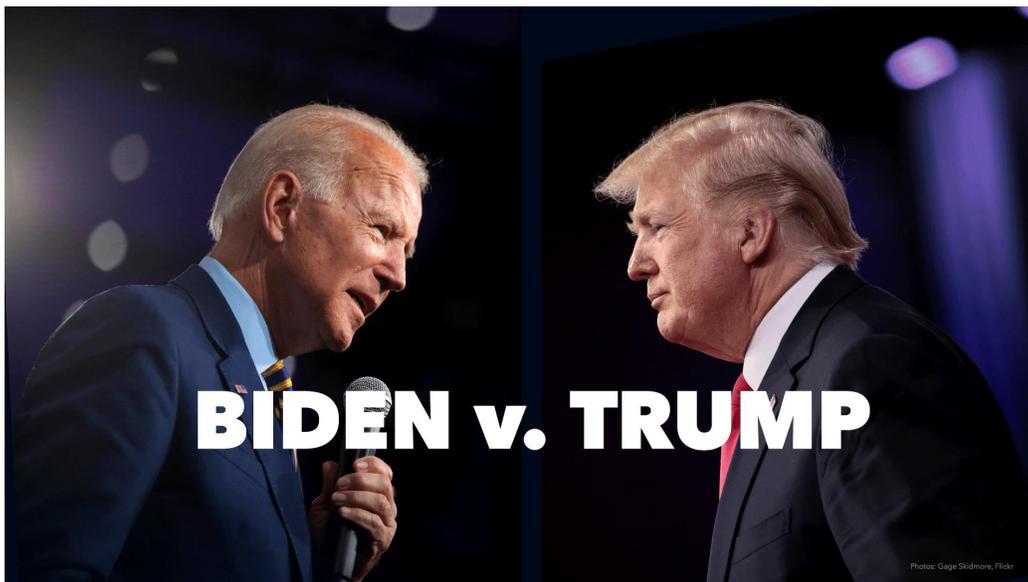




POLITICAL ANALYSIS UPDATE

October 6, 2020

Overview



This is updating the political situation and the advertising impact on the local cable marketplace that had initially been issued 3 months ago. As this is being written, the November election is

less than four weeks away, the first of three Presidential Debates has been held, and it was just announced a short time ago that President Trump has tested positive for the Covid-19 virus. It is unknown at this time how this most recent development may impact spending plans over this final month of campaigning.

As stated in our earlier report, the purpose of this document is not to forecast the election results or discuss the candidates. It is to suggest how political spending will impact the media marketplace, and local cable in particular, in order to help advertisers, establish realistic expectations for the media environment in which their own advertising efforts will be involved.

Battleground Geography

As the election grows closer, there is a little more consensus of which states appear to be the most contested in the presidential race. Both parties seem to be focusing a significant part of their spending across a similar pattern of states.



The states highlighted in yellow have now become the heavy focus of the most recent advertising buys from both presidential campaigns.

According to the Center for Responsive Politics, \$10.8 billion is now the estimate to be spent in political advertising this year, up 50% from 2016. Over \$5.2 billion will be spent on the presidential campaigns (with \$3.7 billion already spent) and will be the highest spending total in history.

More recently, the Wesleyan Media Project has estimated the Biden campaign has spent \$94 million on TV ads in September while the Trump campaign has spent \$41 million.

Both campaigns have also spent heavily in digital advertising. In September, Biden's campaign is estimated to have spent \$32 million on Facebook and Google, more than the \$23 million the

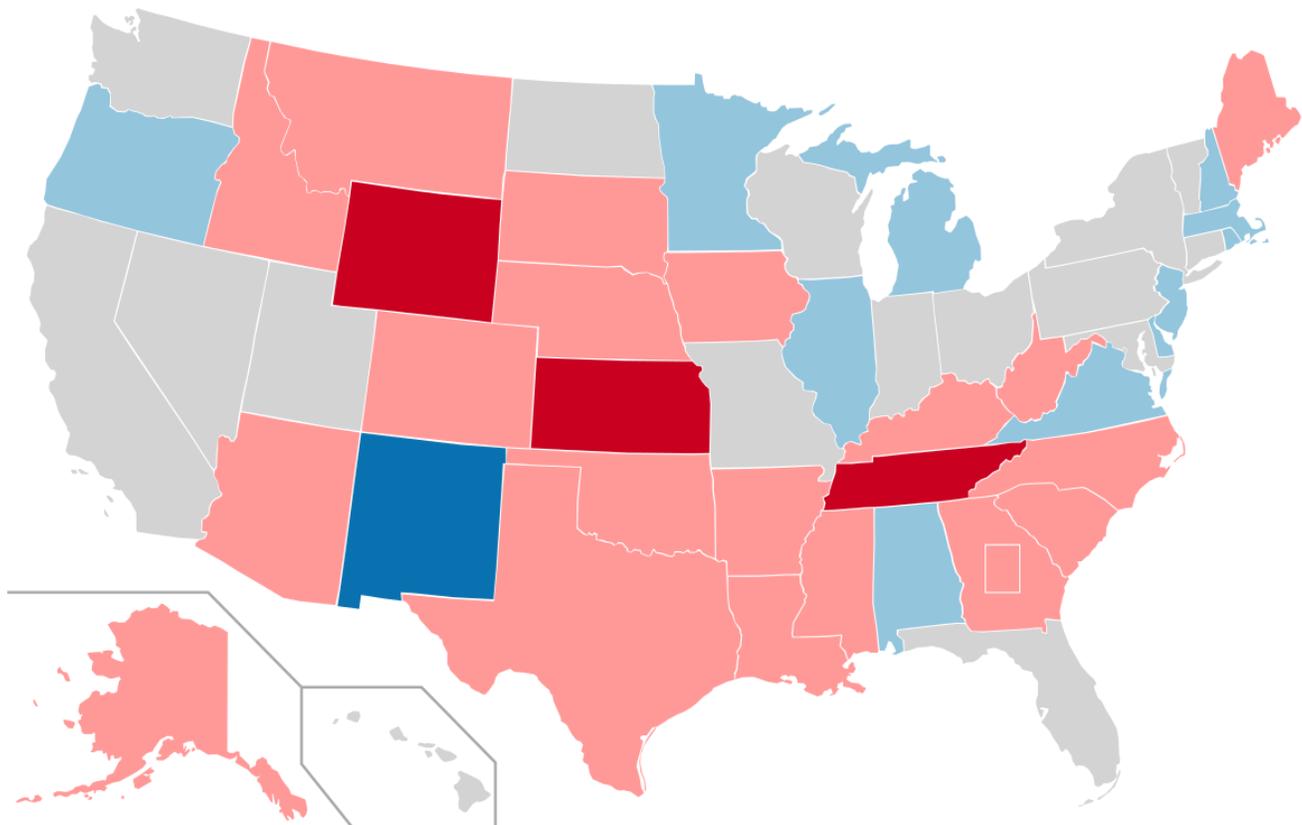
Trump campaign has been estimated to spend for that same period. Since April, the Trump presidential campaign has spent over \$135 million on Facebook and Google compared to \$102 million for Biden's campaign.

One key difference this year compared to 2016 is that the Trump campaign is spending more heavily than it did 4 years earlier. In 2016, the Trump presidential candidacy was viewed with some interest given his lack of political experience and he was able to take advantage of heavy free exposure by the news media. Now that the novelty has worn off, the Trump campaign has had to resort to the more traditional approach of paid advertising to get the message out.

In September, the Biden for President campaign has been in the top ten spenders in spot television spending, beating out Geico Auto Insurance for the top spot in each of the last three weeks. Neither presidential campaign has yet cracked the top 10 in local cable advertisers.

Major markets in the states of Florida, Georgia, Pennsylvania, Arizona, Texas, Minnesota, Michigan, North Carolina and Wisconsin will see a shortage of inventory not only for cable news but also other general audience cable networks over the next month.

There are 33 states electing a U.S. Senator this year. Almost two-thirds will be where the seat is currently held by a Republican (shown in red). The predicted battleground is thought to be six states, AL, AZ, CO, ME, MI, and NC.



As of right now, only New Mexico for the Democrats and Wyoming, Nebraska and Tennessee for the Republicans are considered to be a sure bet to retain the seat.

In case anyone is not thinking in TV DMA terms, the state of New Hampshire is mainly covered by the DMA of Boston, and the southeastern corner of the state falls within the coverage area of Portland, ME. So, Boston should also be considered among major markets being impacted by the increase in political spending.

As stated in our earlier report, all the candidate spending combined will be greatly exceeded in many areas by issue and proposition spending. Led by California, issue & PAC spending is estimated this year to represent 65% versus candidate spending of 35% across the country. Over the past few weeks, advertising behind propositions placed on the ballot have become very visible in markets like Los Angeles.

Impact of Advertising

We have sought input from many of our CPM Network® affiliates for insight into the advertising impact of this upcoming election season and referred to BIA Advisory Services for a projection of political spending in local media across the entire country.

In the BIA Advantage Local Market Political Ad Spend Forecast 2020 (8/06/20 edition), total local market political ad spending is projected to be \$7.3 billion, an increase of 3% from the 5/12/20 projection. The largest categories of spending will be TV OTA (46%), followed by Online/Digital (22%), Local Cable (14%). In selected major markets, Direct Mail is projected to exceed local cable, although across the entire country it will represent about 7% of total local political spending.

Total local cable political spending is projected to be just over \$1 billion, roughly 18% of total local cable advertising spending during this period of time.

Political advertising will be heavily concentrated on the three major cable news outlets (CNN, FXNC, & MSNBC) with a large percentage of the rest spent on the major networks of ESPN, FOOD, HALL, HGTV, HIST, TBSC, TLC, TNT, and USA.

The CPM Network® is able to provide very cost-efficient pricing because it frequently purchases media at the cable MSO level. Because of the projected demand for advertising on these networks, some of the cable providers have considered reallocating inventory between the MSO and their local market systems, pulling some inventory from the markets for the 6 weeks prior to the election, and then returning this allocation of inventory back after November 3rd. If this is treated as borrowing and paying back, it will impact the MSO inventory available over the last two months of the year.

The allocation of spending on the election is expected to be 15% on the Presidential candidates and 35% on all candidates, with 65% from PACs and issue spending.

The highest demand time of day will be M-Sun 7P-12M, so clearance levels in the evening will be especially affected.

Local spot TV will continue to dominate local political spending, representing 46% of total political spending and 20% of all local TV advertising.

We will continue to do everything we can to encourage consideration of cable networks that may offer better clearance and will also manage those buys we do place to maximize their efficient coverage and obtaining your communication goals. The CPM Network® offers the advantage of frequently being able to provide clearance on cable networks that do not have available inventory on their national footprint. We also can provide the geographic flexibility to take advantage of areas not overly bought due to the battleground political situation and still help clients meet their objectives in less competitive areas.

The CPM Network® is a part of the InterMedia Group of Companies®. It is an aggregation of local cable systems covering all 210 DMAs and offering up to 82 million subscribing households to cable provider MSOs and satellite systems with unparalleled media cost efficiency. The CPM Network® provides insertability on over 75 of the top national cable networks at a very affordable cost.