



WHITEPAPER:

MARKETING AND ADVERTISING SERVICES OVERVIEW & OPPORTUNITIES

PHOENIX MERCHANT PARTNERS

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Abstract

This report aims to provide an overview of the Advertising and Marketing Services industry, while outlining Phoenix's strategic considerations and approach for identifying investment opportunities within the sector. It covers:

- Phoenix's industry thesis, focusing on the impact of 'digital transformation' within the sector and the rise of data-driven, omnichannel business models.
- An overview of the sector, emphasizing the widespread shift to digital across nearly all publishing media and identifying relevant growth segments.
- A selection of data and analytics service models related to digital marketing deployment, presenting opportunities for growth financing.
- A review of the out-of-home ('OOH') advertising channel and the investment opportunities arising from the growth of digitally enabled solutions.
- An evaluation of cable TV and video streaming advertising revenues as collateral for bespoke secured lending structures.

Our analysis suggests that the digital transformation of marketing and advertising creates significant opportunities for middle-market and asset-based lending. Specifically, we emphasize the potential of data and analytics business services and the growth financing opportunities in Digital OOH.

Phoenix's Sector Thesis

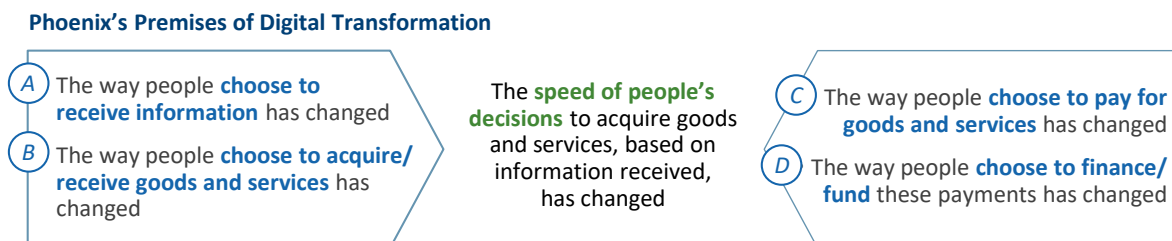
The Advertising and Marketing industry offers promotional strategies and execution, allowing brands and businesses to purchase and manage advertising space effectively, thereby engaging target audiences. Media companies – the publishers - and advertising agencies focus on raising awareness, generating interest, and persuading consumers to take specific actions. The market covers a diverse range of customer interactions and technologies, distinguishing between two categories.

- **Traditional Advertising**, referring to above-the-line media that delivers messages to broad audiences. This includes broadcast TV and radio, print ads, direct mail, telemarketing and out-of-home formats.
- **Digital Advertising**, referring to online channels that deliver messages to internet users in various forms. This includes digital video, search placement, digital banner and social media advertising.

The dominant trend of the past decade, which we expect to continue into the foreseeable future, has been the shift to digital across nearly all media (*Appendix – Figure A*), along with a significant increase in customer data availability and analytic capabilities.

To evaluate 'digital transformation' across industries and its impact on consumer preferences, and the businesses that support them, Phoenix established the following premises.

Figure 1 – For Illustrative Purposes Only



The transformation of Advertising and Marketing is primarily addressed by premise A: the evolving ways in which information is generated and delivered¹.

As such, our sector thesis focuses on investments that aim to capitalize on:

- The sustained **growth of customer data**, created and processed across channels², including
 - Data-driven marketing analytics, combining aggregate and user-level data for campaign design and performance measurement;
 - AI-powered value chain, driving innovation in predictive targeting, voice integration (e.g. chatbots), dynamic creative optimization and performance marketing
- **Advancements in media technology**, including
 - Physical displays such as dynamic digital outdoor screens, augmented reality, and interactive features (e.g. QR codes with web links),
 - Asset connectivity, allowing for real-time content adjustment and integrated messaging across media (e.g. digital signage, mobile devices, computer screens, and internet-of-things).
- **Expansion of media formats** available for advertising, including
 - Decentralisation of content creation, particularly user generated material on digital platforms (e.g. social media, online video)
 - Fragmentation of viewership, driven by wide channel landscape - both traditional and digital - catering to specific themes and communities

Our sector thesis includes an evaluation of investment risks, with key risks identified as follows:

- **Sensitivity to economic cycles.** Advertising budgets are often cut during economic downturns and recessionary conditions, while ad spending during periods of growth tends to outpace GDP growth³. Advertising revenue follows a cyclical pattern, with even years benefiting from heightened spending due to U.S. elections and the Olympic Games.
- **Regulatory factors.** Changes to privacy protection laws and restrictions to online ad targeting can present risks for certain digital segments. Municipal rulings, such as bans on the expansion of digital signage may affect outdoor advertising operators.
- **Revenue volatility.** Advertising revenue is rarely covered by long-term contracts making it vulnerable to shifts in consumer media preferences. When combined with the fragmented and competitive market landscape, this presents challenges for revenue forecasting.

Advertising and Marketing is a highly dynamic and continually evolving industry. Emerging technology trends such as artificial intelligence, virtual environments, and advancements in customer measurement hold potential to disrupt the sector, driving innovation and reshaping the landscape. Phoenix believes that these shifts create multiple opportunities to deploy capital across a broad value chain.

¹ Please refer to 'Phoenix Merchant Partners: "U.S. Payments Industry – Overview & Opportunities" Oct-2023', for an analysis of Premise C

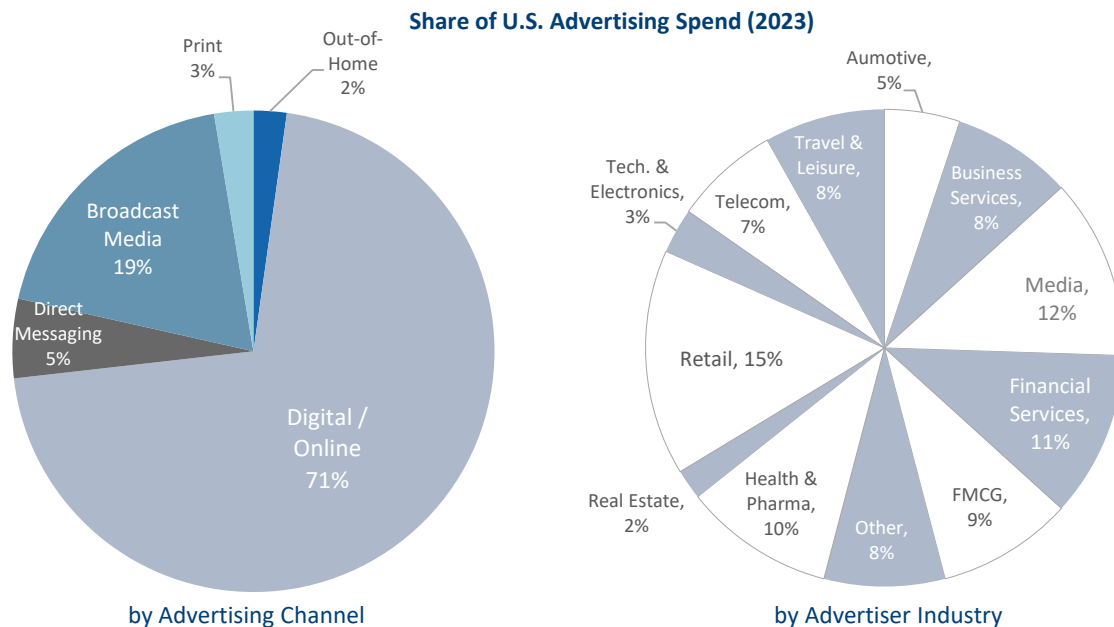
² Phoenix Merchant Partners: "Data Infrastructure – Overview & Opportunities" Jul-2024

³ J.P. Morgan: "Media – Advertising Primer", Mar-2018

Market Overview and Target Segments

Total advertising spend in the United States amounted to \$395bn in 2023 and is projected to grow at a CAGR of 5.5%, to reach \$544bn in 2029⁴. Spending is well-diversified across industries, led by Retail (15%), Media (12%), Financial Services (11%), Health & Pharma (10%), and FMCG (9%).

Figure 2 – For Illustrative Purposes Only



Source: Statista

The market share of digital channels is expected to grow to ~80% of total advertising spend by 2029, doubling from ~40% in 2017. Out-of-home advertising is the only traditional channel to keep a stable share at ~2%, growing in line with the market to \$12 billion in 2029E (Figure 3).

Digital advertising spend is projected to surpass \$440 billion by 2029, with an ~7.8% CAGR over the next five years. The primary revenue drivers in online advertising are the "search" (46%), "video streaming" (27%), and "digital banner" (19%) channels. Although traditional broadcast media, incl. cable TV and radio, is expected to continue losing market share ~by 2029, it will still represent a significant advertising revenue pool, estimated at \$62 billion⁴.

In the remainder of this report, we will examine investment opportunities across three target areas.

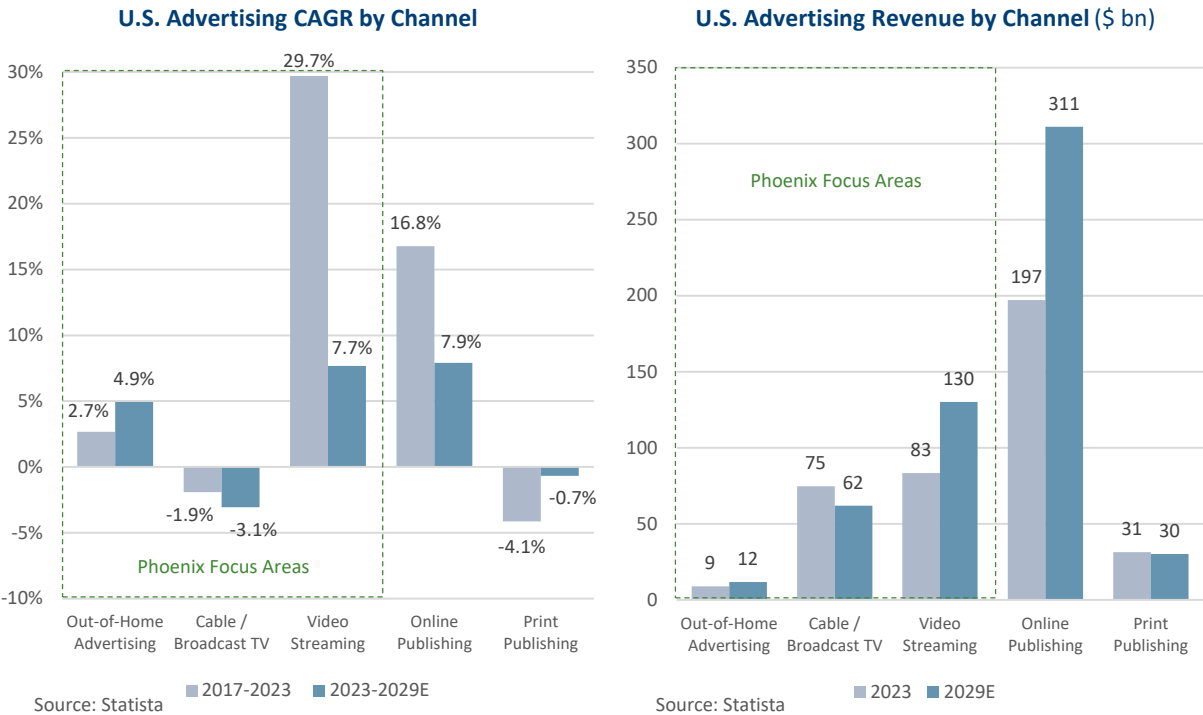
1. The rapidly growing 'Marketing Data & Analytics Services' segment, which supports the execution of digital strategies across a wide range of advertising activities.
2. The 'Out-of-Home Advertising' sector, driven by the adoption of digitally enabled solutions.
3. The 'Cable TV and Video Streaming' market, emphasizing asset-focused financing⁵ secured by advertising revenues from specialist channels

Even though 'Online Publishing' - comprising search result ad placement, digital banners, and social media marketing – is the industry's largest revenue pool, it is controlled by a few major search (e.g., Alphabet) and social media platforms, which limits the potential for middle-market lending.

⁴ Statista: "Advertising – United States", Jul-2023

⁵ Phoenix Merchant Partners: "Asset Focused Finance" Mar-2024

Figure 3 – For Illustrative Purposes Only

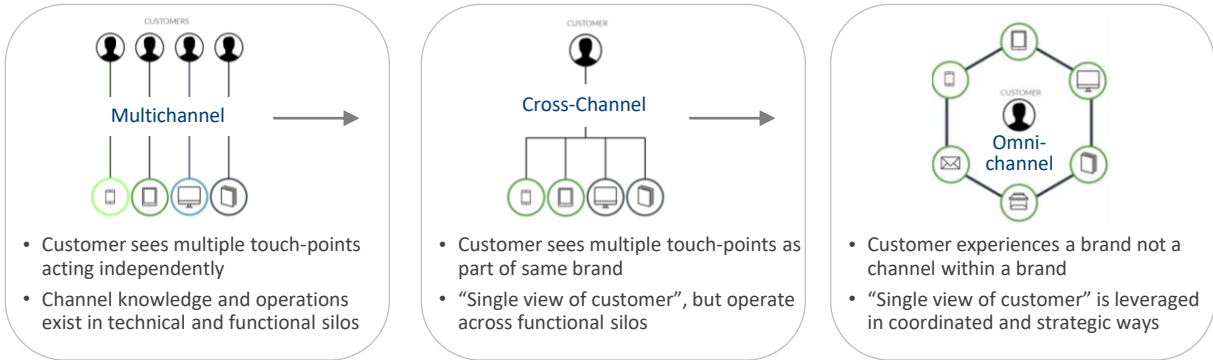


Target Segment: 'Marketing Data & Analytics Services'

Technological advances have provided businesses with a growing array of devices (e.g., cellphones, desktops, connected TVs) and channels (e.g., web, email, social media, mobile) through which they can advertise. As these channels continue to multiply, tracking the overall customer journey becomes increasingly complex, often resulting in fragmented and inconsistent experiences.

Figure 4 – For Illustrative Purposes Only

Evolution of Marketing Channels



We believe this complexity drives a need to leverage customer data, and develop a holistic, or "omnichannel," view enabling deeper insights into buying behaviors and client relationships. Unlike single,

multi, or cross-channel strategies, omnichannel approaches provide a unified experience across multiple customer touchpoints, allowing businesses to create personalized experiences

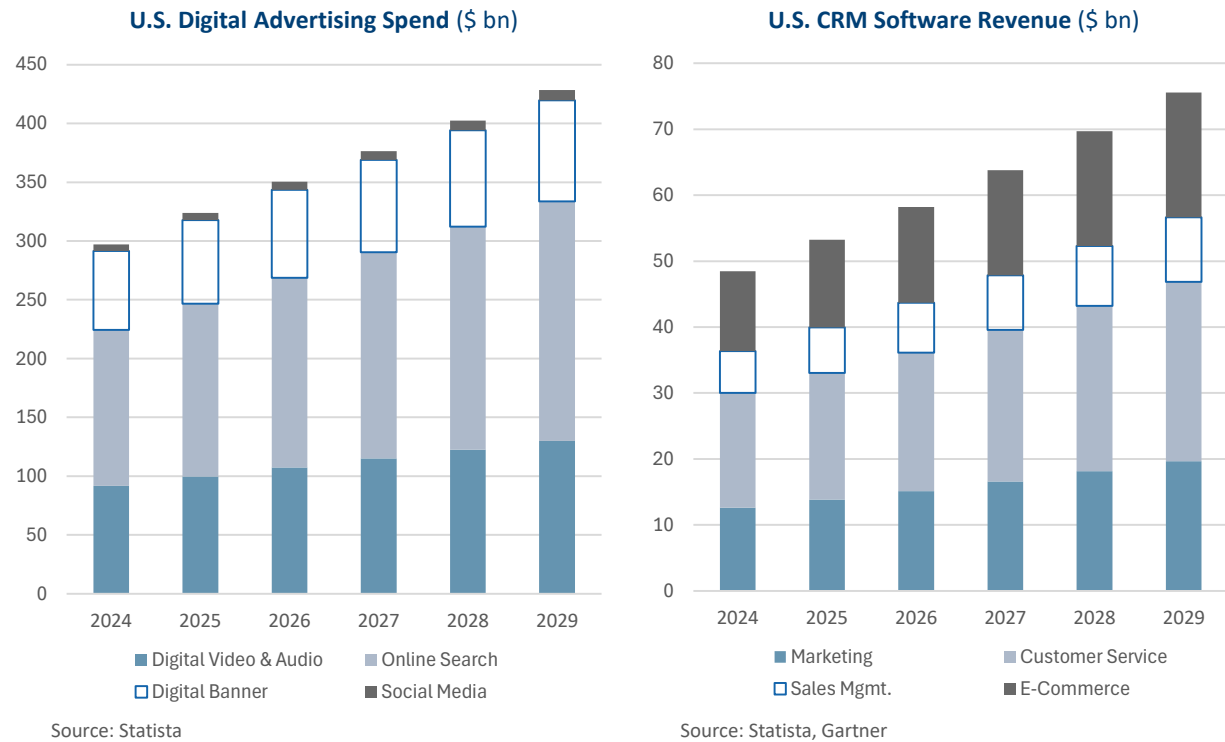
Establishing a Customer Relationship Management (CRM) framework is crucial for an effective marketing strategy. This typically involves dedicated software tools that cover customer service, marketing, sales, and e-commerce applications. There is currently significant demand for omnichannel capabilities, along with corresponding support services for CRM and unified marketing data analytics.

Growth Driver - Digital Transformation

The ongoing expansion of e-commerce, projected to grow at approximately 9.0% and reach \$1.88 trillion by 2029⁶, combined with the shift towards digital advertising (*Figure 5*), emphasizes the need to develop differentiated customer experiences. Go-to-market strategies are increasingly data-driven, incorporating mobile and social media channels.

The adoption of CRM tools is a key driver of digital business transformation. Of the ~\$48 billion projected for U.S. CRM spending in 2024, around 26% or \$12.5 billion, will be allocated to marketing software and services. Marketing CRM spend is expected to continue growing at ~9.2% CAGR to reach \$19.6 billion in 2029⁷.

Figure 5 – For Illustrative Purposes Only



Industry surveys⁸ indicate that only about 30% of companies consider themselves to be in advanced stages of digital transformation, leaving ~70% in various earlier stages of planning and implementation. Most of

⁶ Statista: "Revenue of the e-commerce industry in the U.S. 2019-2029", Aug-2024

⁷ Statista: "Customer Relationship Management Software - North America", Jul-2024

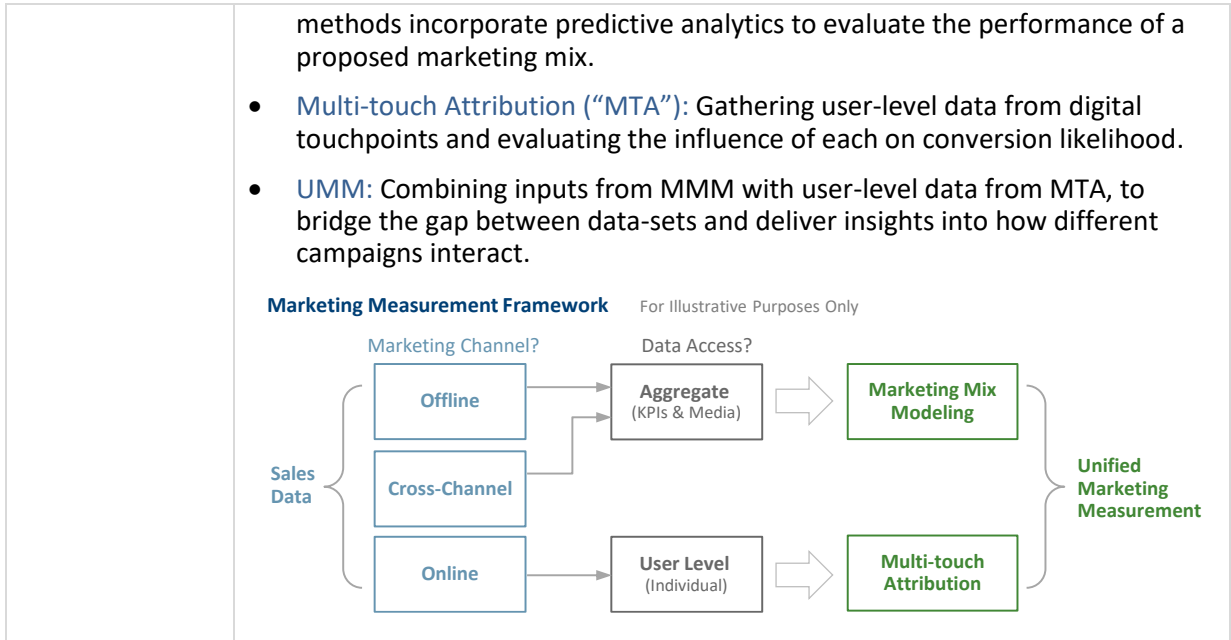
⁸ Forrester: "2022 Global Digital Process Automation Survey", Oct-2022

these organizations are not equipped with CRM systems featuring omnichannel data platforms and/or unified measurement.

Accordingly, the total addressable market for marketing-focused digital transformation services in the United States, can be estimated at ~\$8.8 billion in 2024 and growing to ~\$13.7 billion by 2029⁸. Given such demand, we highlight two specific opportunity areas.

CRM Data Services	
Business Model	<p>Definition: Data/software services specialized in marketing CRM systems, supporting enterprises with vendor selection, system design, deployment, technology migration, platform integration, and managed services after installation.</p> <p>Revenue: Under SaaS+ models, (i) upfront fees for advising on software implementation and (ii) recurring fees for system maintenance and evolution.</p>
Phoenix Focus	While marketing CRM encompasses a wide range of software components, we highlight Customer Data Platforms (CDPs) due to their critical role for omnichannel strategies and the expansion of traditional CRM systems.
Background: Customer Data Platform (CDP)	<p>CDPs are foundational systems for digital marketing. They create a unified customer database that integrates with other systems, ensuring accurate data for both analytical and operational systems.</p> <p>CDP Lifecycle For Illustrative Purposes Only</p> <pre> graph LR A[Data Collection] --> B[Unification] B --> C[Segmentation] C --> D[Prediction*] D --> E[Activation] </pre> <ul style="list-style-type: none"> Data Collection <ul style="list-style-type: none"> Inputs across sources Centralized storage Unification <ul style="list-style-type: none"> Associate ID to person/profile Append external data Segmentation <ul style="list-style-type: none"> Create and manage client segments Prediction* <ul style="list-style-type: none"> Predictive model simulation Determine optimal strategy Activation <ul style="list-style-type: none"> Instructions to engagement tools to activate strategy <p><small>*incl. advanced (AI driven) models</small></p>

Marketing Analytics	
Business Model	<p>Definition: Business services specialized in customer data management and analytics creating an individual customer view through their purchasing journey. These services provide insights for omnichannel campaigns.</p> <p>Revenue: Marketing analytics providers typically charge a retainer or fixed fee for their services.</p>
PMP Focus	Our assessment emphasizes the quality of the analytics platform, driven by the provider’s approach to Unified Measurement and proprietary technology.
Background: Unified Measurement	<p>A Unified Marketing Measurement (“UMM”) framework provides an integrated evaluation of marketing activities across channels and touchpoints, typically covering.</p> <ul style="list-style-type: none"> Marketing Mix Modeling (“MMM”): Assessing the contribution of each marketing component to sales via regression analysis on historical data. Such



Target Segment: 'Out-of-Home Advertising'

OOH advertising refers to promotional messages displayed in public spaces, and reaching a broad audience across platforms. It is a powerful medium, as consumers cannot easily skip, fast-forward, or ignore it. With a CPM (cost per 1,000 impressions) ranging from \$4 to \$9, OOH advertising provides significant value compared to other channels⁹ and achieves some of the highest rates of brand and ad recall among consumers, even surpassing online ads (Figure 6).

The market is subdivided into the billboards, transit, street furniture and place-based segments (Appendix – Figure B). In the U.S. it is projected to grow from \$8.8 billion in 2023 to \$11.8 billion in 2029¹, outpacing other traditional channels and in-line with the growth rates of some digital/online segments (e.g. online banner advertising).

Out-of-Home Business Model	
Revenues	Operators own and maintain portfolios of physical assets, leasing space to advertisers under fixed-fee contracts lasting 6 to 12 months. The digital asset base serves as a revenue multiplier, e.g. contributing 46% of Clear Channel's 2023 revenue ¹⁰ while accounting for less than 7% of its inventory.
Operating Costs	<ul style="list-style-type: none"> – Acquisition: (i) Purchase of asset or (ii) if asset municipally owned, bidding process for right to rent the space to advertisers (multi-year contracts) – Site Lease: Ground or rooftop lease specific to the display (~9 year term) due to underlying property owner – Site Permits: Allowing ad display on the property. Asset may be legal non-conforming, i.e. legislation allows owner to use the site for a purpose (despite current legislation disallowing any further construction)

⁹ Solomon Partners: “2023 Media Trends Report – It’s Media World Chaos”, Mar-2023

¹⁰ Clear Channel Outdoor Holdings: “Form 10-K”, Feb-2024

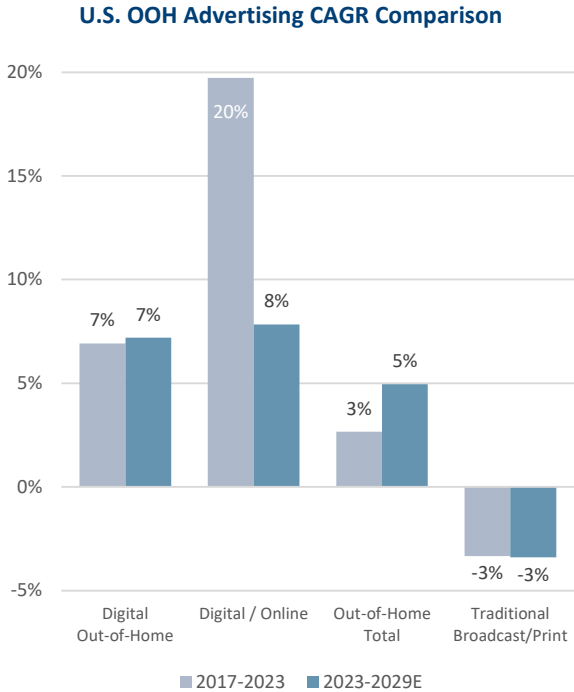
	Unit Economics	Digital	Traditional
	Revenue per Billboard		\$15 - 18k per month
Gross Margin		~85%	~70%
CapEx		\$250 - 325k	\$20 - 100k
Payback Period		~2 years	3 years+

Source: The Appraisal Institute, 2020

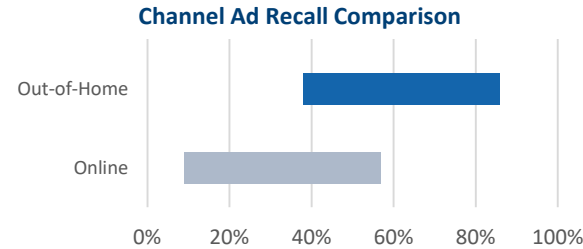
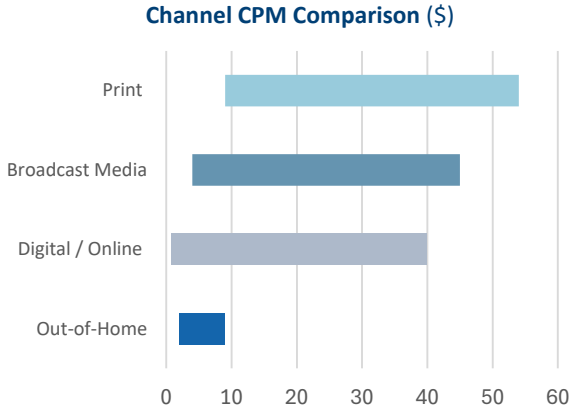
Barriers to Entry	<p>Regulation: OOH is regulated by federal, state and local governments, restricting specific aspects of the advertising structure such as size, spacing, and lighting. A significant portion of billboards are legal but non-conforming, meaning they were legally built under the laws of the time, but do not meet current regulation</p> <p>Switching costs for landowners are high, as operators typically own the physical billboard, and owners bear the cost of removing the structure for a new operator.</p>
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Digital Out-of-Home (DOOH) assets allow operators to leverage display technology features such as video, images, news, and weather, engaging audiences in the context of their daily routines. Unlike static billboards, DOOH cuts through noise with dynamic and interactive displays, allowing contextually relevant advertising. Integration with the digital ecosystem – e.g. data analytics, programmatic buying, and cross-channel re-targeting - enhances the incorporation of outdoor advertising into omnichannel strategies.

Figure 6 – For Illustrative Purposes Only



Source: Statista



Source: Solomon Partners

3rd Party Cookie Deprecation

Third-party cookies are central to personalized advertising, enabling brands to target users based on their online behavior. However, growing concerns over data protection and privacy are challenging the use of cookies.



As a one-to-many channel that doesn't rely on personal data, DOOH offers an alternative for advertisers. Multiple solutions enable tailoring campaigns to specific audiences, including:

- Contextual and situational triggers like location, weather, day/time, events, and proximity to point-of-interest.
- Dynamic creative optimization, interactive experiences such as QR codes, touchscreens and augmented reality

The rise in DOOH screens, combined with programmatic activation, enables advertisers to purchase high-quality inventory as effortlessly as web display or video ads

Competitive Landscape and Strategy

Although four major public operators - Lamar (23%), Outfront Media (21%), Clear Channel (17%), and JCDcaux U.S. (5%) - collectively control ~65% of the U.S. out-of-home advertising market, the industry remains fragmented. In 2022, independent operators, composed of ~125 medium-sized companies, held the largest single share, accounting for ~35% of OOH revenues¹¹. The tables in *Appendix – Figure C* provide an overview of leading companies in the sector, distinguishing between billboard operators (*Table A*) and those focused on transit, street furniture, and place-based advertising (*Table B*).

The majority of billboard operators concentrate on specific regional/local markets, with a long tail of ~150 companies managing between 100 and 1,000 sites¹². Private equity ownership remains uncommon, as a significant portion of these operators are still private or family-owned.

Due to their real estate-based nature, billboards are suited for asset-backed funding, with occasional public securitizations coming to market (e.g. Adams Outdoor Advert. LP, 2023-1). Companies often operate as REITs (e.g. Lamar, Outfront), following the 2014 expansion of the definitions of 'real property'.

Private equity sponsors are more active in the technology and service-driven sectors of outdoor advertising (*see Table B*). Notable examples include (i) Sidewalk Labs, Alphabet's urban technology company, which acquired Intersection, a specialist in transit media and digital urban displays, (ii) Spire Capital's investment in Vector Media, known for its expertise in vehicle formats (buses, shuttles, and taxis) and wallsapes; and (iii) Rockbridge Growth Equity acquisition of GSTV, a digital media platform operating within convenience stores and fuel stations.

The transition to digital is the primary objective for OOH operators, impacting most aspects of the business. Nearly all sector growth is expected to come from DOOH, which is projected to expand in line with the broader digital/online segment, and reach \$5.6 billion in annual spending by 2029 (*Figure 6*).

Common strategic priorities among major operators include expanding their digital asset footprint, enhancing data collection methods and analytics (e.g. anonymized mobile data, AI-supported dynamic targeting), and integrating with smart city initiatives¹³.

¹¹ OAAA: "Annual & Quarterly Revenue Report 2022", Mar-2023

¹² Billboard Insider: "2023 list of 441 US bulletin/poster companies ranked by total faces", Jan-2023

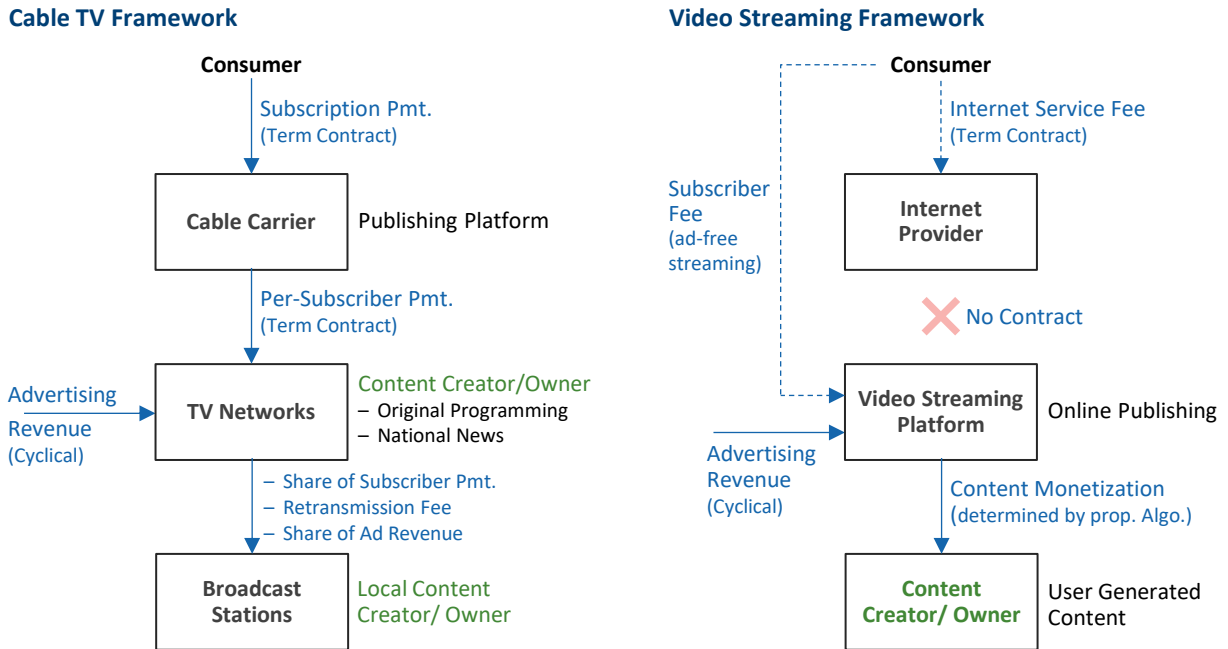
¹³ Phoenix Merchant Partners: "Data Infrastructure – Overview & Opportunities" Jul-2024

Target Segment: 'Cable TV and Video Streaming'

In 2023, advertising spend linked to video media totaled \$158 billion, accounting for ~35% of the industry's total revenue (Figure 3). Despite being relatively cyclical and offering limited contracted annual recurring revenue (ARR), this income stream presents a significant opportunity for secured financing.

Depending on the business model, content ownership, and advertising revenue split (Figure 7), borrower needs vary, creating multiple opportunities to devise bespoke funding solutions.

Figure 7 – For Illustrative Purposes Only



Content creators and owners can pledge future advertising revenue as well as copyrights over audiovisual works to secure financing transactions. We consider two examples of such asset focused borrowing.

Alternative Factoring	
Borrowers	Within the Cable TV framework, TV networks and broadcast station operators, utilizing receivables purchase facilities to meet their working capital needs.
Structure	The collateral consists of earned and billed receivables from aired advertising, owed by large advertising agencies, which are typically IG rated. Accounts receivable (AR) are purchased from network and station operators on a true-sale basis, with funds advanced and repaid through cash collections from the underlying customers, 60-90 days average DSO. Collections are managed via a lock-box account, eliminating credit exposure to the network or station, leaving only the risk associated with AR origination.
Additional Collateral	AR purchase facility can be expanded to include network subscription and broadcast retransmission revenues.

Monetizing Ad Revenues	
Borrowers	Online video content creators, looking to monetize future advertising revenue streams from their video libraries
Collateral Assets	Video libraries with associated advertising revenue, generated via streaming platform’s programmatic add exchange
Structure	<p>A term loan is offered to the content owner, backed by the right to receive proceeds from future ad monetization and a security interest over the respective video libraries</p> <p>Video Content backed Lending For Illustrative Purposes Only</p> <pre> graph TD AS[Advertising Revenue] --> VSP[Video Streaming Platform] VSP --> CMR[Content Monetization Revenue] CMR --> CCO[Content Creator/ Owner] CCO --> PIP[P&I Pmts.] PIP --> L[Lender] L --> LI[Loan Issuance] LI --> CCO CCO -.-> Pledge over Content Rights L </pre> <p>The video inventory is underwritten based on projected future advertising revenues, including those from new video production, along with an analysis of qualitative factors.</p> <p>Content creators commit to maintaining their channels over the life of the transaction.</p>
Portfolio	<p>Typical portfolios are highly diversified, spanning a wide range of creators, streaming channels, and individually designated videos.</p> <p>The libraries cover many major content categories, including kids & family, music & entertainment, gaming, health & fitness, food & cooking, and more.</p>

Conclusion

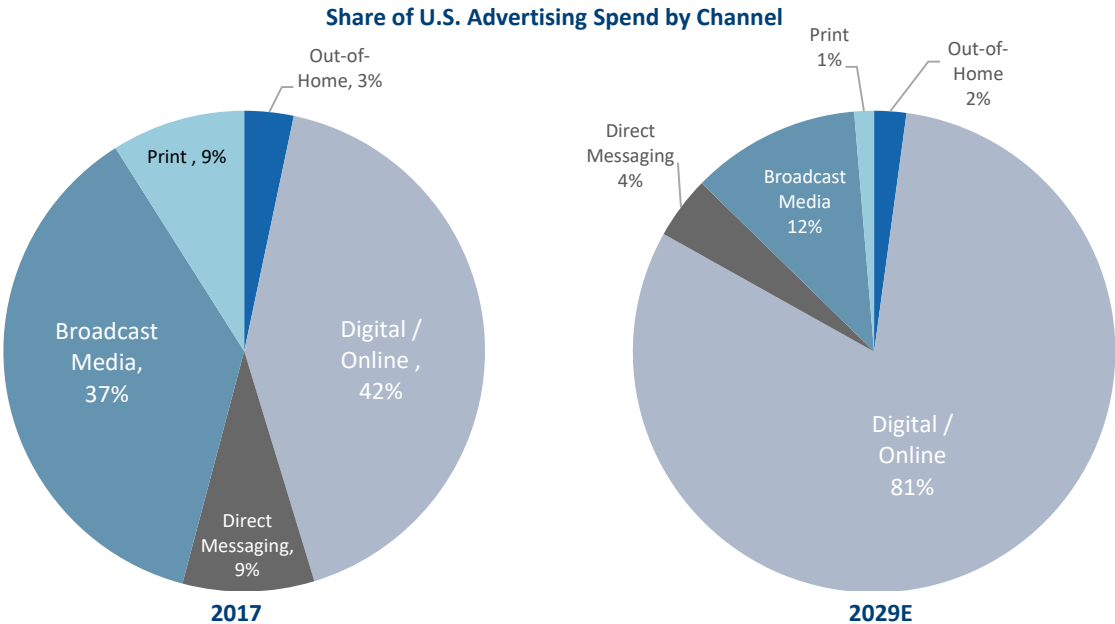
The analysis in this report reinforces Phoenix’s investment thesis for the Marketing and Advertising sector, emphasizing opportunities for capital providers, across a broad value chain undergoing digital transformation.

Specifically, we evaluate service models for marketing data and analytics, which are central to the evolution of digital customer experiences. We review outdoor advertising as a 'traditional' channel experiencing a surge in digital innovation, and lastly, we assess opportunities for asset financing, secured by advertising revenue streams and copyrights in Cable TV and Video Streaming.

In summary, we conclude that Marketing and Advertising, as a fundamental sector of the economy, covers a diverse array of activities and businesses within middle markets and at growth stages. This, along with the imperative for digital transformation, presents several investment avenues that align with Phoenix's strategy.

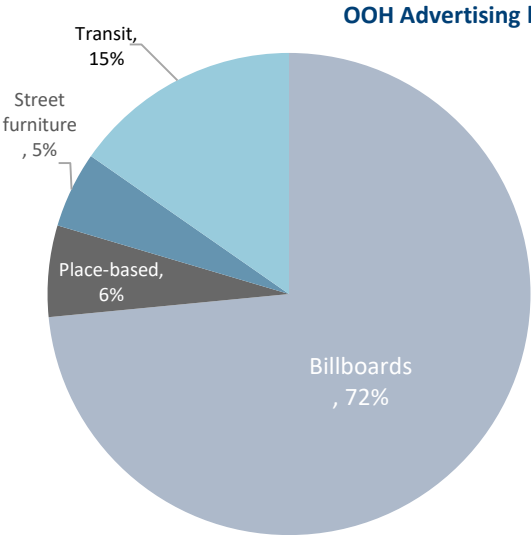
APPENDIX

Figure A – For Illustrative Purposes Only



Source: Statista

Figure B – For Illustrative Purposes Only



Source: Statista

Large Formats: Oversized displays, such as billboards and digital screens, placed in high-traffic areas to maximize visibility and audience reach.

Transit: Advertisement placed on or within public transportation systems, including buses, trains, subways, taxis, and transit stations, targeting commuters and travellers

Street Furniture: Advertisement on public amenities like bus shelters, benches, kiosks, and newsstands, offering high visibility in urban environments to pedestrian and vehicle traffic.

Place Based: Ads displayed in specific, high-traffic locations, such as malls, gyms, airports, and transit hubs, targeting audiences in contextually relevant environments

Figure C – For Illustrative Purposes Only

(Table A) Billboard Operators - Traditional & Digital

Operator	Displays	Ownership	Regional Presence
Lamar Advertising	82,000	Public (LAMR)	Nationwide, strong in Southeast and Midwest
Clear Channel	49,699	Public (IHRT)	Nationwide, strong in large metro areas
Outfront Media	42,125	Public (OUT)	Large Metro areas NY, LA, Boston
Adams Outdoor	10,000	Privately held	Midwest and Eastern, smaller to mid-sized markets
Reagan Outdoor	9,200	Privately held	Southwest and Intermountain West
Link Media	7,659	Boston Omaha Corp.	Rural and mid-sized markets in Midwest and Southeast
Lindmark Outdoor	6,172	Privately held	Southwest (Texas, Oklahoma)
Trailhead Media	3,288	Viking Global	Southeast and Midwest
YESCO Media	3,000	Privately held	Intermountain West (Utah, Nevada, Idaho)
Haedrick Outdoor	2,700	Family-owned	Southeast (Tennessee, Georgia)
Kegerreis Outdoor	2,600	Privately held	East Coast (Mid-Atlantic)
Newman Outdoor	2,556	Family-owned	Midwest (North Dakota, Minnesota)
SignAd Outdoor	2,500	Privately held	Texas, Louisiana
Huntington Outdoor	2,306	Family-owned	Midwest (Ohio, Indiana, West Virginia)
Tyler Outdoor	1,750	Family-owned	Oklahoma
WV Outdoor	1,648	Privately held	West Virginia
Advision Outdoor	1,500	Privately held	Colorado
Lind Outdoor	1,500	Privately held	Midwest (Ohio, Indiana)
Park Outdoor	1,444	Family-owned	Northeast (New York, Pennsylvania)
JR Promotions	1,362	Privately held	Midwest, Southeast (Indiana, Kentucky)

Source: Billboard Insider

(Table B) Transit, Street Furniture and Place Based Operators

Operator	Ownership	Regional Presence	Segment
JCDecaux U.S.	Public (Paris)	Nationwide, strong in urban markets	Street furniture, transit shelters
Vector Media	Spire Capital	Large Metro areas, East Coast	Vehicles (buses, taxis) wallscales
Intersection	Sidewalk Labs	Nationwide transit NY, Chicago,	Transit media, urban panels
Foxpoint	Privately held	Nationwide, strong in urban markets	Street furniture, wallscales, transit
InSite Street Media	Privately held	East Coast, Midwest, suburban	Street furniture, transit shelters
Branded Cities	Shamrock Capital	Large metro areas, NY, LA, Boston	Large-format digital signage
Colossal	Privately held	Large metro areas, NY, LA,	Large-format murals, experiential
Total outdoor	Privately held, (Flexis Cap realized)	West Coast, SF, LA, Seattle	Large-format billboards, wallscales
GSTV	Rockbridge Growth	Nationwide, gas stations	Digital video ads at gas stations
AlloVer Media	Privately held, (Audax realized)	Nationwide, gas stations, convenience stores	Gas pump toppers, convenience store ads
Captivate	Generation Partners	Major U.S. cities, office building lobbies, elevators	Digital office and elevator ads
bMedia Group	Crestline	Puerto Rico, U.S. Hispanic markets	Digital place based, billboards

Source: Out of Home Advertising Association of America

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