



Radio's Off-Air Posts 3rd Consecutive Quarter of Double-Digit Gains

Spot Slows Down in Second Quarter

New York, New York – August 15, 2014 – Radio's Q2 '14 revenue performance was moderate, down 3% from the same period last year based on diminished Spot activity. Spot declined 5%, tempering respective gains of 13% and 9% from the Off-Air and Digital sectors and flat Network spending. Q2 represents the third consecutive quarter in which Radio has seen double-digit growth in Off-Air revenue

First-Half results were flat (-1% overall) as double-digit increases in Off-Air (+15%) and Digital (+12%) helped offset 3% dips in both Spot and Network.

"Based on pacing and industry insights, we anticipated a relatively flat to down Q2," stated Erica Farber, RAB's President and CEO. "While we don't forecast, a greater percentage of Radio's total annual revenue historically comes through in the second half, and we're anticipating that we'll see better results by the end of this year."

Revenue Comparisons - 2014 vs. 2013				
(In Millions)				
Revenue	\$Q2 '14	% Chg	\$FH '14	% Chg
Spot	3,548	-5%	6,495	-3%
Network	286	Flat	534	-3%
Digital	242	+9%	449	+12%
Off-Air	460	+13%	853	+15%
Grand Total	4,536	-3%	8,331	-1%

Source: Miller Kaplan Arase LLP*

"Among Radio's top 10 advertisers, the standouts are operating in industries where there's intensified competition for top market share. As they spend to solidify their positions or introduce new products, these brands include Radio as a key component of their advertising, tapping Radio's ability to motivate consumers to action," stated Farber.

Q2's "Top 10" list represents the high-volume Spot spenders who consistently maintain a majority share of voice on Radio's airwaves:

Radio's Top 10 Advertisers in Q2 2014

- AT&T
- Comcast XFINITY
- McDonald's
- T-Mobile
- Verizon Wireless
- GEICO
- Coca-Cola Company
- PepsiCo
- JPMorgan Chase
- Toyota Dealer Association

Growth Categories in Q2

While many of Radio's top categories saw slightly diminished Spot spending in Q2, two registered small increases. These were (in rank order based on dollar volume):

Health Care	+ 1%
Professional Services	+ 3%

Taking up some of the slack from the top ten Radio revenue categories, there were many positive stories from next tier categories, including (in rank order based on dollar volume):

Home Improvement	+ 4%
Charitable/Religious/Non-Profit/Government Agencies	+11%
Specialty Retail	+14%
Auto Parts/Service	+14%
Amusement/Theme Parks/Museums	+ 9%
Sporting Events/Expos/Shows	+ 6%
Heating/Ventilation/Air Conditioning/Plumbing	+ 6%
Lawn & Garden	+ 6%
Real Estate/Retirement Communities	+19%
Transportation	+ 7%
Sporting Goods	+10%
Personal Fitness & Weight Centers	+ 6%
Music Stores/Videos/DVDs	+ 3%
Security Services	+10%
Postal & Delivery Services	+86%

"To broaden our overview of the industry, beginning with this release, we will include snapshots of several additional categories that have contributed to Radio's bottom line during the quarter," Farber added.

*Spot Radio, Digital and Off-Air revenues are based on a pool of more than 100 markets as reported by the accounting firm of Miller Kaplan Arase LLP and extrapolated to the entire U.S. Digital Revenue is comprised from activity generated by websites, Internet/web streaming and HD Radio including HD2 and HD3 stations. Network Revenue includes seven major Radio network companies. Revenue data has been randomly verified since 2002.

The lineup of markets/stations may vary from year to year. Percent change is calculated on revenue adjusted to current year reporting.

The Radio Advertising Bureau serves more than 6,000 member Radio stations in the U.S. and over 1,000 member networks, representative firms, broadcast vendors, and international organizations. RAB leads and participates in educational, research, sales, and advocacy programs that promote and advance Radio as a primary advertising medium.

Political Overview

Political spending in Q2 and the First Half filtered in as various states held early primaries and contests on state and local issues; activity continued to build toward a large number of summer primaries and the general election in November. Within the Miller Kaplan markets, total political spending was \$14.8M for the quarter and nearly half (46%) of these dollars were spent by candidates, immediately followed by Issue advertising.

Political Insights from Leo Kivijarv, Ph.D., VP/Research, PQ Media

Has political advertising volume thus far this year developed as expected?

The second quarter, which is normally a slow quarter in political media buying, tracked a little slower than expected with a few exceptions. There have been a number of primaries where the major story seems to be whether the Tea Party is losing momentum in its support among the moderate faction of the party, which does not necessary translate to an increase in media buying compared with the 2012 mid-year elections. In primaries where one candidate is affluent and self-funding the campaign, we have observed sharp increases in media buying, but in most other races media spending is comparable to four years ago. Furthermore, SuperPacs have

become more active, doubling the number of ad placed on television compared with the 2012 election, mainly in states in which the Democratic Senate seat is up for grabs. Six to ten Senate seats are the most vulnerable, with many political pundits predicting that the Republicans will be successful in winning many of them and taking control of the Senate. As a result, we have revised our projections for radio down slightly for the full year by 0.1 percentage point, which isn't really that significant of a change.

Are there any patterns as to what media are receiving the most political ad dollars?

Broadcast TV remains the elephant in the room, garnering a high percentage of the Senate ads referenced earlier. However, many primaries were being fought in smaller DMAs, so cable TV and radio became the media of choice. Although digital platforms, like online and mobile, rose at double-digit rates in these races but they came off small bases. We expect digital media to take on higher importance closer to the election when it will be used to generate word-of-mouth conversations.

How has Radio fared in share of political ad spending to date?

The gains of the first quarter, unfortunately did not repeat during the second quarter. As referenced earlier, many of the contested primaries during 2Q14 were held in smaller markets. Thus, as publicly-reporting broadcasting companies release results, many television station owners are posting strong growth due to the SuperPAC ads (as well as better-than-expected FIFA World Cup audiences), while most radio station operators are registering weaker quarterly rates as political media buying was sluggish.

It seems to be pretty contentious out there regarding candidate races and a number of hot-button issues. What are you forecasting as we head toward the November general election? And looking beyond at some of the states that hold later voting dates?

While there will be contentious House and Gubernatorial races, it's all about the Senate – Democrats want to hold onto it, Republicans want it back. Many see this as a mandate on the Affordable Healthcare Act and whether President Obama will be a lame duck for his last two years in office. SuperPACs will definitely increase spending compared with four years ago, but both national parties are also reporting stronger fundraising efforts, particularly as a result of the Senate races, fueled by recent calls for impeachment from a select group of Republican House and Senate members. As for ballot initiatives, minimum wage, marijuana and same-sex marriage will most likely garner the most press coverage, but there are state-specific issues, like education funding, that might generate the most media buying because of the wide gap between the opposing sides.

Any thoughts on how advertisers might employ Radio to get across their political messaging?

Do what radio does best – provide a large engaged targeted audience outside the home. However, the best audiences to target are most likely already committed to a particular candidate, and thus attempts to sway them to change to another candidate will fall on deaf ears. Rather, the messaging should be to promote voter turnout and driving conversations. For example, it is well known that minorities, like Hispanics and African-Americans, listen to radio on average more than other demographic profiles, and tend to vote for Democrats. Older white males are also heavy radio listeners and lean towards supporting Republicans.



Dr. Leo Kivijarv is a respected source of analysis for more than 100 news and trade sources including Bloomberg TV, NPR Radio, MSNBC, Fortune, Kiplinger's, and Broadcasting & Cable.

PQ Media is a leading provider of econometric data and strategic insights to executives in the global media, entertainment and technology industries. PQ Media employs a proprietary econometric methodology to provide clients with actionable market intelligence necessary to achieve their growth objectives in a fast-changing global marketplace. The PQ Medianomics™ research system relies on comprehensive databases, proprietary algorithmic models and exclusive industry leader panels. We track, analyze and forecast media operator revenues, end-user consumption and consumer spending across more than 100 digital, alternative and traditional media platforms and channels in leading markets worldwide, including the PQ Media Global Digital Media & Technology Research Series, a three-report series that provides the first holistic view of the world's media economies. For more information, contact Dr. Kivijarv at lkivijarv@pqmedia.com or 203-921-0368.

Advertiser Category Analysis

Q2 and First-Half 2014

Auto Dealers/Dealer Groups/Manufacturers

Automotive Spot advertisers drove the category to a dominant #1 position for Q2 despite a 2% decline versus Q2 '13 comps. Category spending was nearly double that of #2 (Financial Services) and virtually equal to combined #2 and #3 (Communications/Cellular).

Leading Automotive spender Toyota Dealer Association was flat (-1%), followed by Honda Dealer Association (-6%); Ford Dealer Association (-24%); Chevrolet Dealer Association (+27%); and Nissan Dealer Association (-4%).

First Half Automotive was down just 1% as # 4-ranked Chevrolet Dealers Association and #5 Nissan Dealer Association were up 23% and 28% respectively, countering negative trending from the three leading spenders (Toyota Dealer Association, -3%; Honda Dealer Association, -18%; Ford Dealer Association, -19%).

Auto Parts/Service

According to a recent stat from Polk, consumers are now keeping their vehicles an average of 11.4 years, which means a lot more car maintenance. Advertisers in this category used Spot Radio to remind drivers where to get their auto aftermarket parts and services, fueling spending increases of 14% for Q2 '14 and 13% for the Half.

O'Reilly Auto Parts, Q2 and First Half top spender, injected their Radio budget with 16% and 14% increases respectively. Advance Auto Parts jumped to the #2 spot due to huge upticks in both periods versus low activity in Q2 and First Half 2013.

Beverages

This category lost its fizz in Q2 (-23%), but there were bright spots as a number of advertisers poured additional Spot dollars into Radio:

Coca-Cola, the top category spender for Q2, sparkled with a 21% increase for the period; building on their Q1 uptick, Coke is up 18% at the mid-year point. Others posting impressive increases for the Quarter were New England Coffee (+372%), Boston Beer/Samuel Adams (+59%), Tecate Beer (+110%) and North American Breweries (+167%)

PepsiCo (#2) was down over 22% for both the quarter and year-to-date. Anheuser-Busch (#3) declined 4% for the Quarter but ended the Half up 2%.

Casinos & Lottery

Players in this category cut back spending 8% in Second Quarter, precipitating a First Half loss of 3%.

The top four category spenders came from both segments – casinos and lotteries – and combined they represent over 19% of total category spending. Radio's activity from these (ranked on Q2 spending):

Casinos		
2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q2 '14	FH '14
Caesars Hotel & Casino	+328%	+248%
California State Lottery	-19%	+33%
New York State Lottery	-12%	-8%
Morongo Casino Resort & Spa	+26%	+27%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Charitable/Religious/Non-Profit

When it comes to supporting a cause, Radio has historically been a foundation for generating awareness leading to increased donations. Advertisers that help serve their communities used Radio to remind listeners of the importance of contributing to those in need by increasing Q2 and First Half spending 11% and 10% compared to same period '13 comps.

Kars4Kids, with their catchy jingle, revved up their presence 28% in Q2 and 20% at mid-year making them the #1 category spender.

Other advertisers with increases:

Charitable/Religious/Non-Profit 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q2 '14	FH '14
Goodwill Industries	+15%	+12%
Salvation Army	+17%	+4%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Communications/Cellular

With 2nd Quarter spending down 14% from last year's level, this category ranks third in Spot for the period, down from second in Q1 this year. Declines came mainly from #2 T-Mobile (-17%) and #6 Sprint Nextel (-73%, ranked 4th Q2 '13). AT&T (-6%) remains the leading spender for the category. MetroPCS increased spending 20% to take the #4 spot, followed by Tracfone Wireless in #5 off a 17% increase.

This category grew 6.5% based on year-to-date expenditures and retains the second rank position for First Half. Four of the top five for the period added to their share of radio voice; in rank order: AT&T (+12%), Verizon Wireless (+44%), T-Mobile (-4%), MetroPCS (+135%), Cricket Communications (+2%). Sprint Nextel again drops to #6 from 4th last year, down 77%.

Concerts/Theaters/Movies

An 11% drop in spending in Q2 moved this category down one rank slot to #13 (vs. 12th in Q2 '13), but last year's First-Half ranking of 11th held, with Spot down 4%.

Live Nation continues to dominate the category, with spending relatively flat in Q2 and up 5% at the end of the six month period. AEG Live, ranked #2, upped spending 9% for the Quarter but was off 4% for the Half.

This category's top five are (ranked in order of Q2 spending):

Concerts/Theaters/Movies 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q2 '14	FH '14
Live Nation	-1%	+5%
AEG Live	+9%	-4%
20 th Century Fox	+54%	+30%
Universal Pictures	-52%	-15%
Walt Disney Pictures	+90%	+74%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Financial Services

Financial Services Spot was down 7% for Q2 '14 but checks in at the #2 rank, up from third in Q2 '13.

JPMorgan Chase increased Radio by 129% and leads the category with expenditures just short of the next four advertisers' combined total, including #2 PNC Bank (+12%); #3 CashCall (-40%); #4 Wells Fargo Bank (+39%); and #5 Comerica Bank (+28%). Other sizable increases came from #9 Fortune Builders (+173%); #10 MoneyGram (+102%); and #12 American Express (+118%) – while the U.S. Government's Fannie Mae made a huge commitment (up twenty-one fold) to move into 10th, and Citibank rebounded from a virtually non-existent position to the #15 spot this quarter (up sixty-five fold).

Financial Services' Q2 gains didn't quite balance Q1's deficits, putting the category in 3rd for First-Half spending and down 9% against 2013 comps. Year to date, top-ranked JPMorgan Chase outperformed the market

(+64%), as did #2 American Express (+442%); #7 Fortune Builders (+185%); #12 Fannie Mae (up twelve-fold); and Citibank (thirty-eight fold).

Grocery/Convenience Stores

Spot spending in this category was off 6% from Second Quarter 2013 but rank position jumped from 10th to 8th against the comparable period, leap-frogging Insurance and Beverages.

Category topper Safeway did some belt-tightening in the quarter (-9%), but second-ranked Kroger put an additional 26% in Radio's basket. Von's (#3) was down (-25%), as was #4 Publix Supermarkets (-10%). Bottom line results were also aided by increases by #5 Aldi Food Stores (+2%), #6 Trader Joe's (+51%), #7 Beverages & More Store (+85%), #9 Albertson's (+6%), and WaWa convenience stores (+60%).

Impacted by Q1 relatively weak spending – due in large part to inclement weather conditions across the nation – Grocery/Convenience Stores' year-to-date was down 12% to rank #9 (versus #8 for First-Half 2013).

Health Care

Ranked #4 in spending for the Quarter and the Half, advertisers within the health service, medical facility and hospital area boosted their spending 1% and 7% respectively.

Ideal Image maintained their top position with a 3% increase across both periods. Low T Center also increased their presence by 49% in the Second Quarter; for the first six months of 2014, their total increase was 59%.

Lifestyle Lift Centers used Radio for the first time this year and promoted their services in Q2.

Home Furnishings

Bedding advertisers comprise a major component of Home Furnishings' spending – and companies in is category were no sleepers in Q2 '14, with many increasing their Spot activity:

Mattress Firm continued to hold the top spot with increased spending in Q2 (+7%) and year-to-date (+11%), while #2 Sleepy's increased spending 69% for the Quarter. Combined, these two top advertisers increased their over-the-air presence by 22% in Q2 and represent a quarter of the category's volume. Also in the bedding segment, regional advertisers Mancini Sleep World and Sleep Country USA were up 8% and 1% in the Quarter.

Other Home Furnishings advertisers with increased spending for Q2 were:

- Ashley Furniture – up 10%
- La-Z-Boy – up 95%

Despite these increases, Second Quarter results for the Home Furnishings category was for down 8% and down 9% for the six months ending June 30.

Insurance Companies

Ranked 9th in the Spot lineup for Q2 2013, Insurance Companies retains that position despite a 13% spending dip in the latest Quarter.

Radio received a +4% increase from dominant spender GEICO in Q2, but second- and third-ranked Allstate Insurance and State Farm Insurance cut their allocations by 23% and 25% respectively. #4 Farmers Insurance more than doubled their Radio premium (+108%) and American Family Insurance was up 13%.

For the First Half, the category's rank moved up one notch to 8th compared to last year. All three of category leaders posted declines year-to-date: GEICO (-4%), State Farm Insurance (-30%), Allstate Insurance (-27%), but Farmers Insurance grew 216%.

Health insurer Blue Cross Blue Shield was up 15% in the First Half, propelled by heavy activity at the culmination of the Affordable Care Act's open enrollment period in Q1; the advertiser was down 61% in Q2 '14 versus last year.

Professional Services

A 3% increase in Q2 marks this category's seventh consecutive quarter of growth, ending the six month period with a 6% uptick.

Tax service advertisers used Spot Radio to boost their visibility for the tax-filing deadline in Q2:

- H & R Block – up 326%
- Authority Tax Services – up 9%
- Optima Tax Relief – up nearly six-fold

Other advertisers with increases in the Quarter and Half:

Professional Services 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q2 '14	FH '14
Great Clips	+30%	+6%
1-800-411-PAIN	+14%	+12%
1-800-Got-Junk	+2%	+22%
Zerorez	+2%	+4%
Constant Contact	+665%	+441%
Massage Envy	+24%	+17%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Restaurants

The Restaurant industry's Spot Radio was down 15% in Q2 2014 and category rank declined from 4th a year ago to 7th this Quarter. Radio's top-level Restaurant spenders were relatively flat against Q2 '13 comps: #1 McDonald's (-2%), #2 Subway (-5%), #3 Dunkin Donuts (+3%), #4 Wendy's (+1%), #5 Chipotle Mexican Grill (+51%), and #6 Jimmy John's Gourmet Sandwiches (+6%). The Darden chain collectively posted a huge increase (up twelve-fold) to move into the #10 slot. Major cutbacks came from Burger King (down 83% and dropping from 3rd in last year to 11th this Quarter), but primarily among the lower tiers as many operators continue to struggle to attract fickle consumers still watching their wallets.

At the Half, the category dropped in rank from 4th to 6th off a 16% spending deficit, reflecting the impact of a lackluster Q1 performance based on weather conditions.

Retail – Including Department & Discount Stores and Home Improvement

Slow First Quarter sales for Department and Discount Stores advertisers continued to impact Q2: a 17% decrease in the Quarter, coupled with the decline from Q1, accounted for a 27% decrease at the mid-year point.

Walmart, Macy's, Target, T.J.Maxx and Sears comprise the category's top, and each advertiser cut their spending substantially for both the Quarter and year to date; this group collectively is down 31% and 35% for those two periods respectively.

The Home Improvement subcategory represented a bright spot with 4% growth in Q2 and 7% in First Half. Home Depot, the #1 spender for the Quarter, increased Q2 spending by 1% to end the Half up 8%.

Advertisers ranked two through four (in Q2) also increased their spending:

Home Improvement 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q2 '14	FH '14
Benjamin Moore Paint	+101%	+98%
CertaPro Painters	+89%	+84%
Menards	+1%	+1%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Lowe's, ranked at #5, decreased spending 63% in Q2 and 30% for the Half.

Specialty Retail

Retailers in this niche category continued to amp up their presence over the Spot airwaves with a 14% increase for the Quarter and 2% for the Half.

Displaying great interest in driving customers to locations, Michaels Stores crafted their messaging impact by increasing ad spend over seven-fold in the Quarter, over three-fold in the Half. The Q2 increase propelled them to the #1 spot, #2 at the mid-year point.

Old Navy, with a 79% increase in Second Quarter, took the #1 slot at the end of the six month period – up 44%.

Other advertisers with increases for the Quarter and year-to-date:

- Joseph A. Bank – Q2, +5%; FH, +3%
- Proflowers.com – Q2, +30%; FH, +14%

Television/Networks/Cable Providers

Radio received a positive signal from Spot advertisers in this category in Q2 as essentially flat (-1%) spending moved it into the #6 ranking from 7th in 2013 comp revenue.

Comcast Xfinity Cable Service, the category's leading advertiser and Radio's #2 spender overall this Quarter, lowered its volume by 6% -- but the deficit was more than compensated by significant increases by other top advertisers: #2 Charter Communications Cable (+17%), #3 Fox-TV Network (+26%), #4 NBC-TV Network (+7%), #5 CBS-TV Network (+16%), and #6 Discovery Channel (+612%); #7 Cox Communications was off just 3%; relative newcomer AXS Cable made a major commitment to Radio to move into the #8 position and #10 ESPN Networks were up 64%. Among the broadcast nets, only #9 ABC-TV cut spending this quarter (-38%); CW Network (#18) increased their spending by 59%.

Television/Networks/Cable Providers ranked 7th in spending in the First Half of 2014, the same ranking as FH 2013, while spending was down 7% for the comparable period.

Spot Radio Advertiser Category analysis is based on data from Miller Kaplan Arase LLP X-Ray Market Reports. X-Ray Market Reports are compiled from advertiser expenditure data direct from station billing in 40 markets. X-Ray Markets represent approximately 80% of the dollars from the total pool of over 100 markets.

The lineup of markets/stations may vary from year to year. Percent change is calculated on revenue adjusted to current year reporting.