

State of the labor market: Kennewick Metro Area

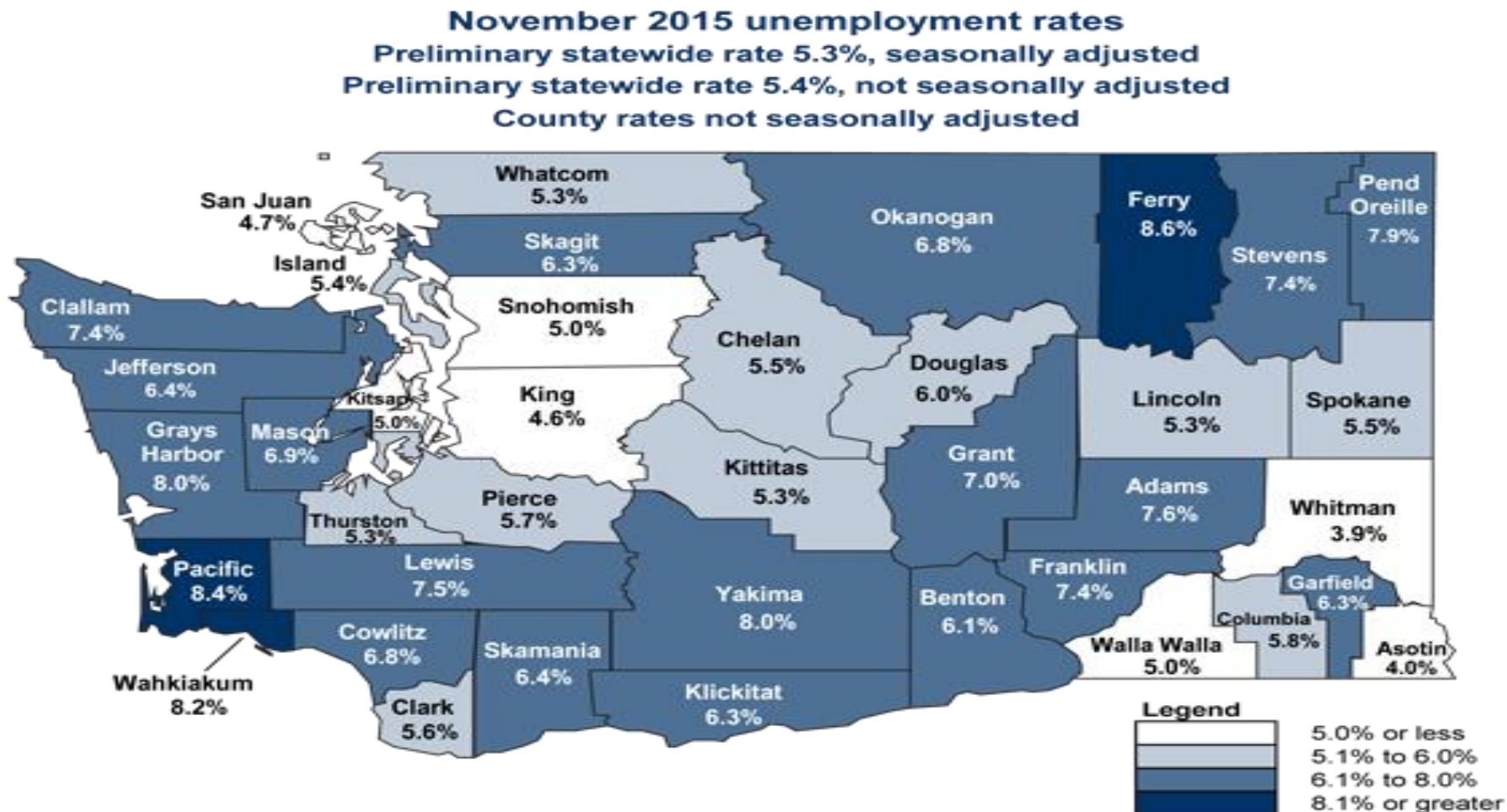
(Benton and Franklin Counties)

TRIDEC's 17th Annual Tri-Cities Regional Economic Outlook

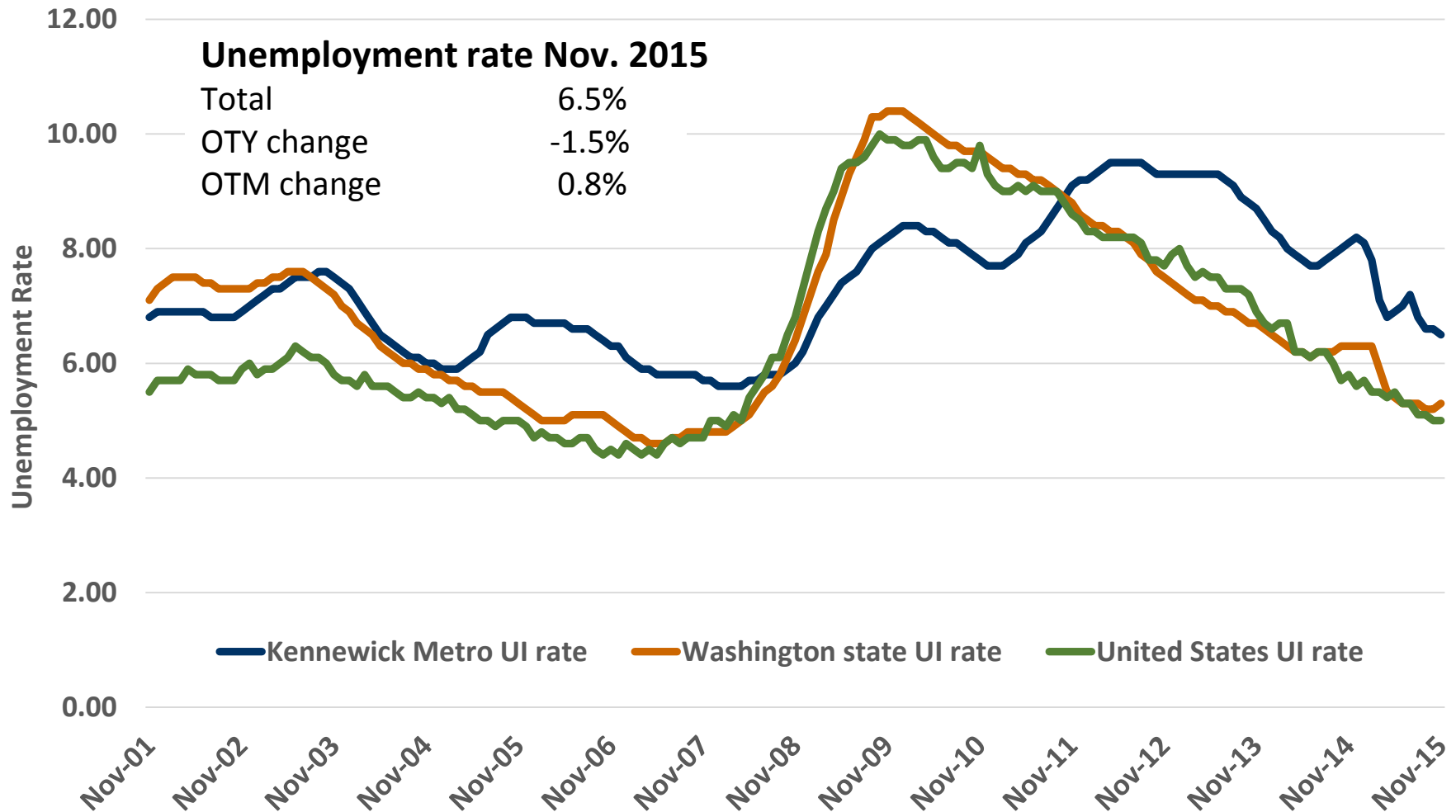
Ajsa Suljic, Regional Labor Economist
Labor Market and Performance Analysis
January 12, 2016



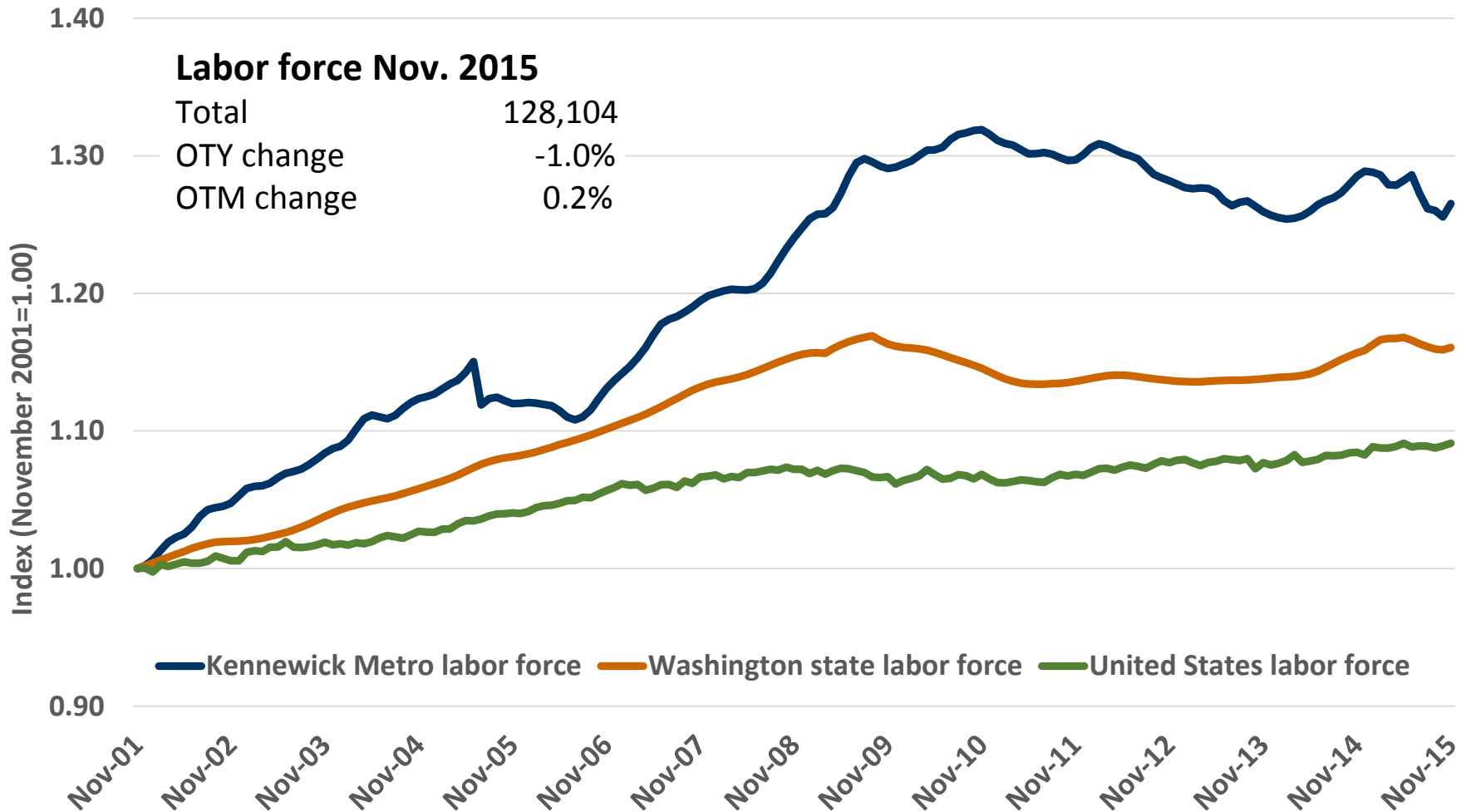
Unemployment around the state



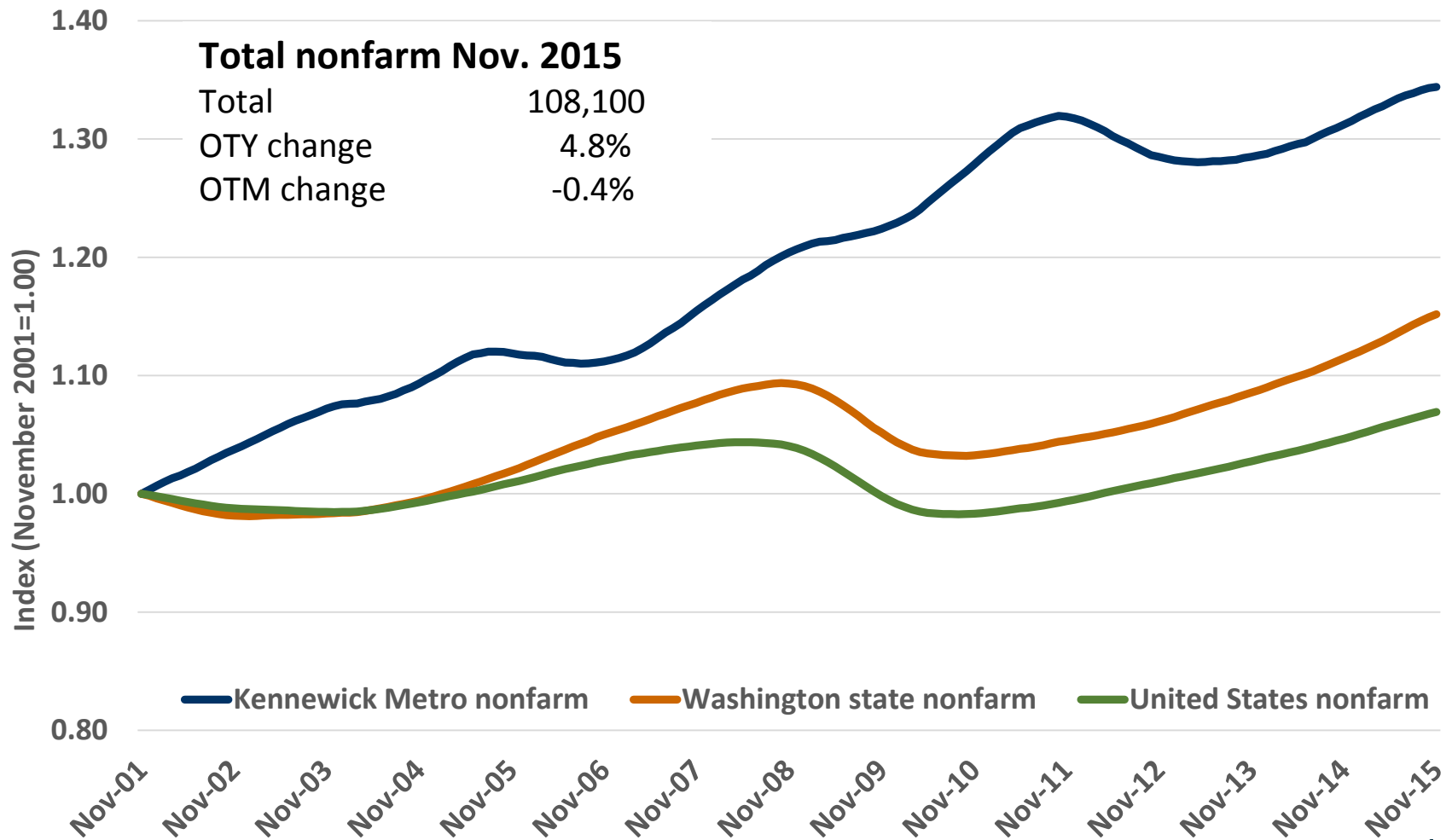
Unemployment rate continues to decrease



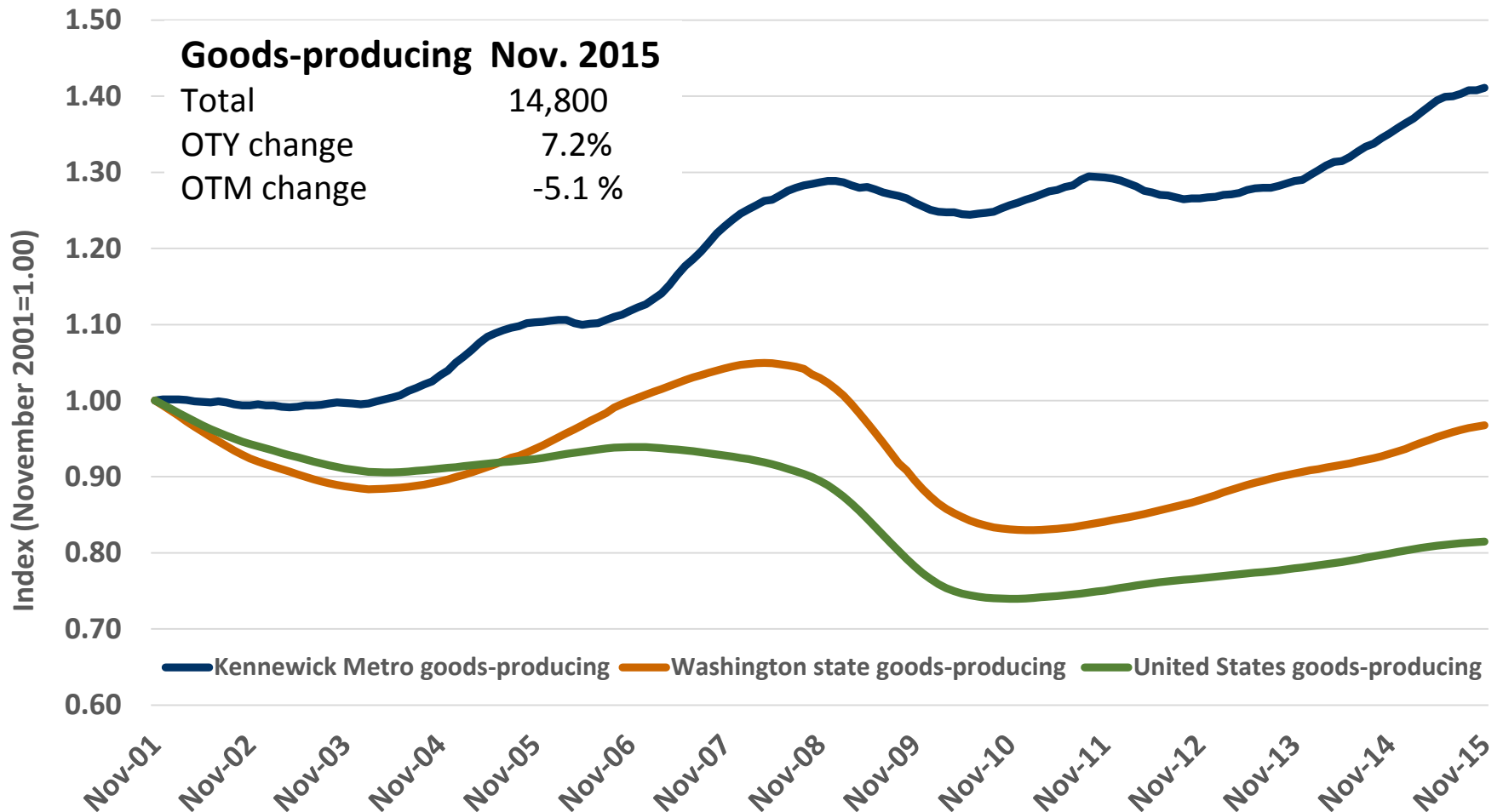
Labor force still in recovery



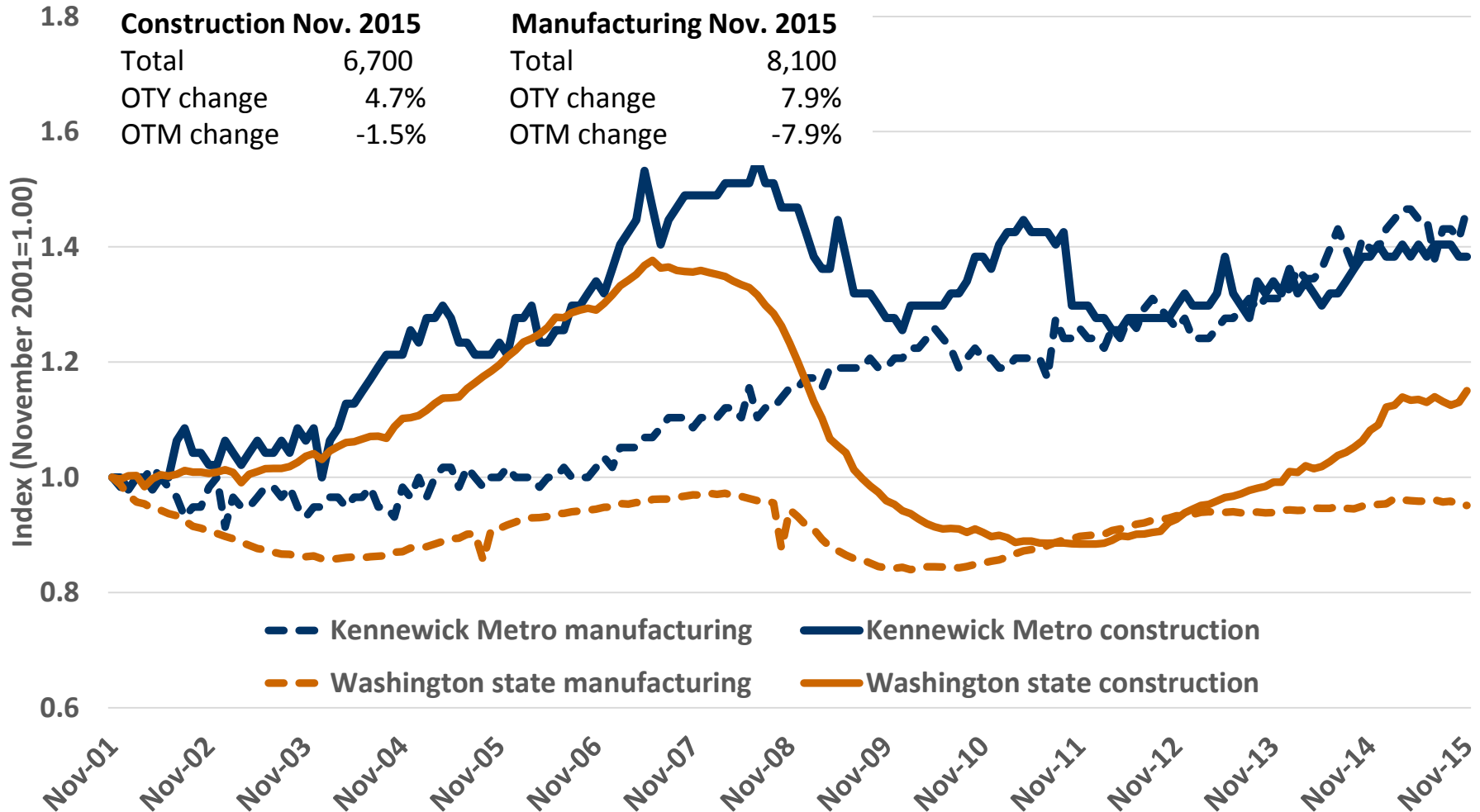
Nonfarm employment continued growth



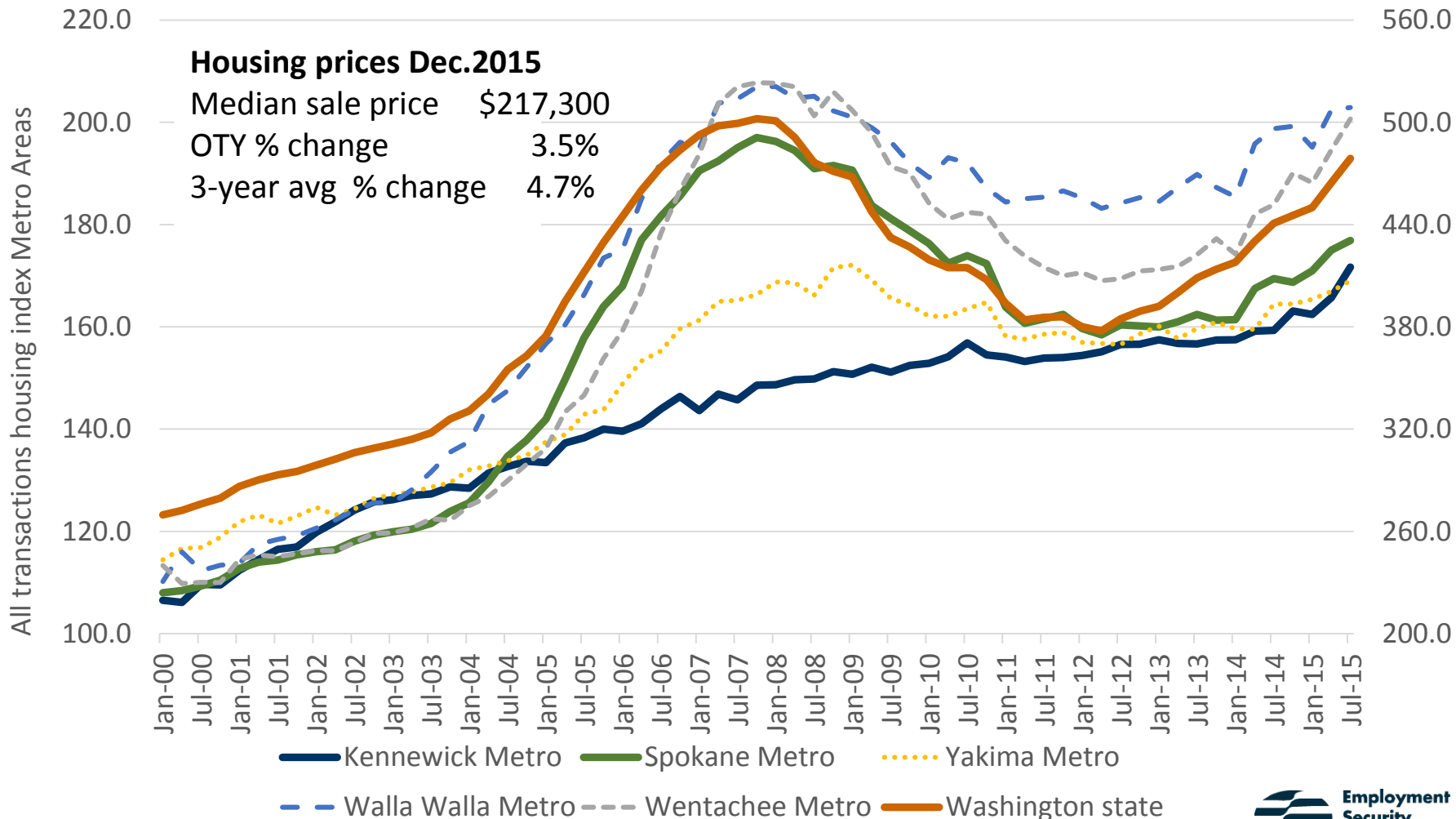
Goods-producing moving ahead with growth



Construction and manufacturing

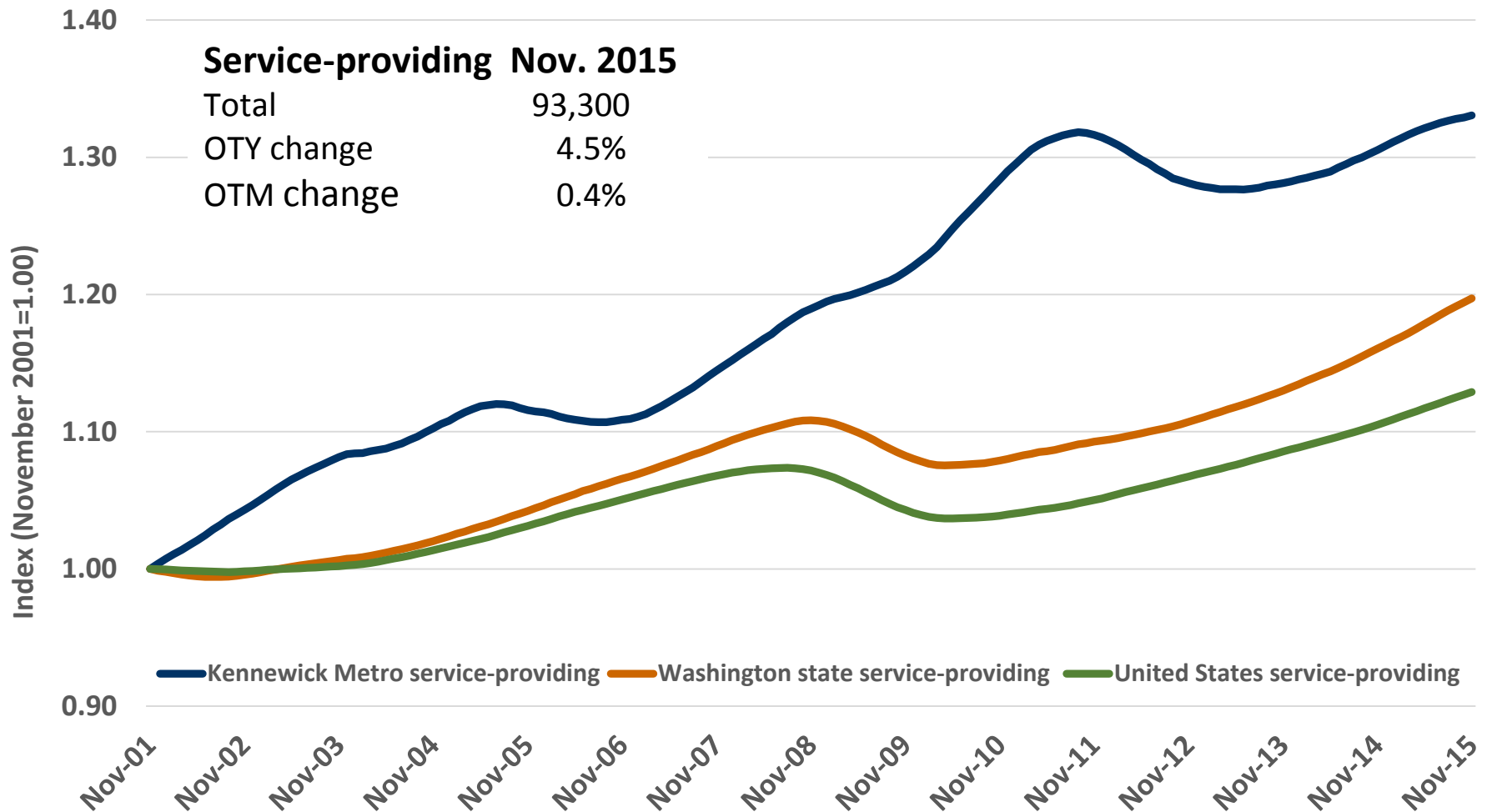


Housing Index (All-transactions)

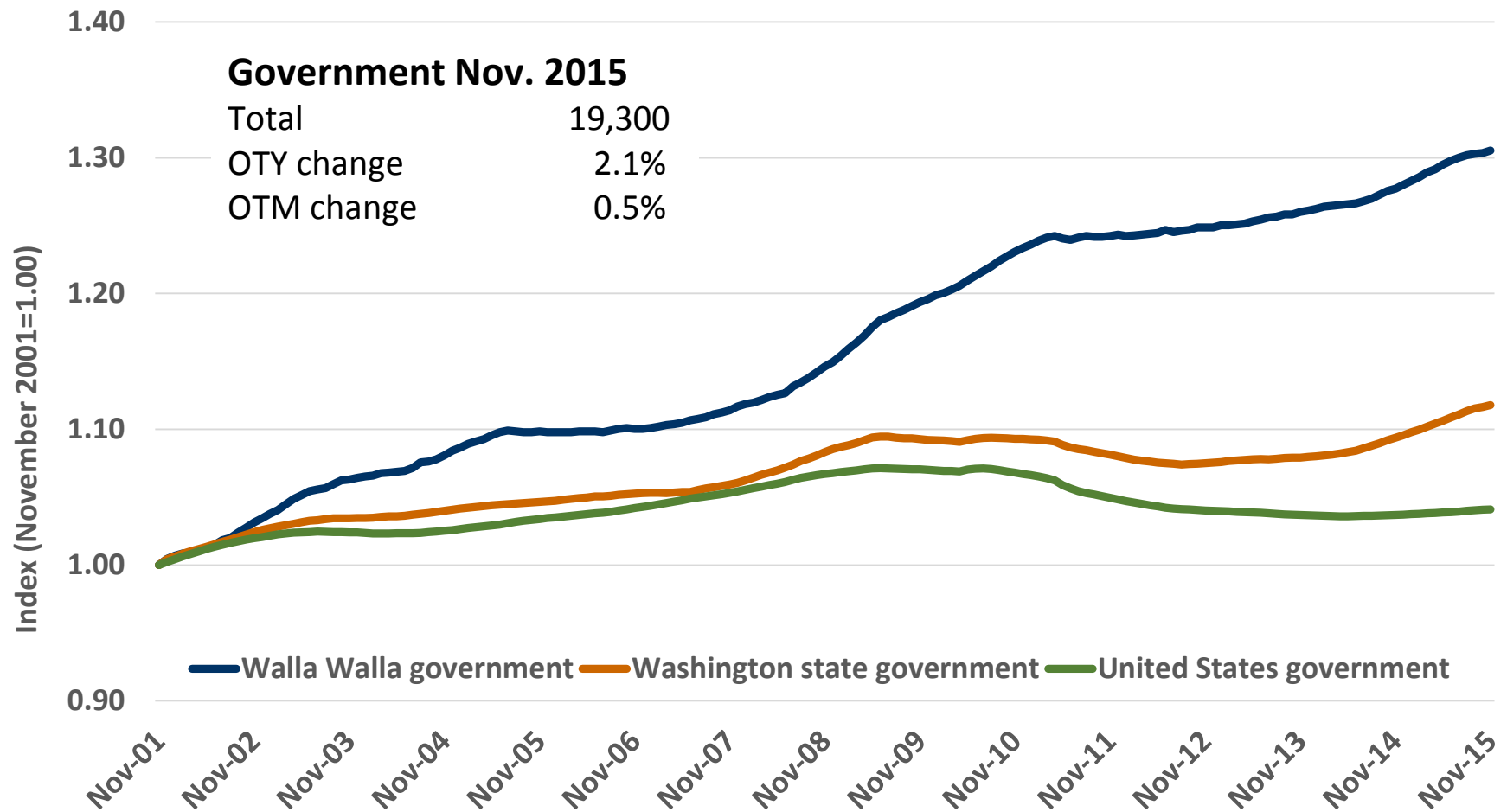


Source: US. Federal Housing Finance Agency; Tri-City Realtor Association

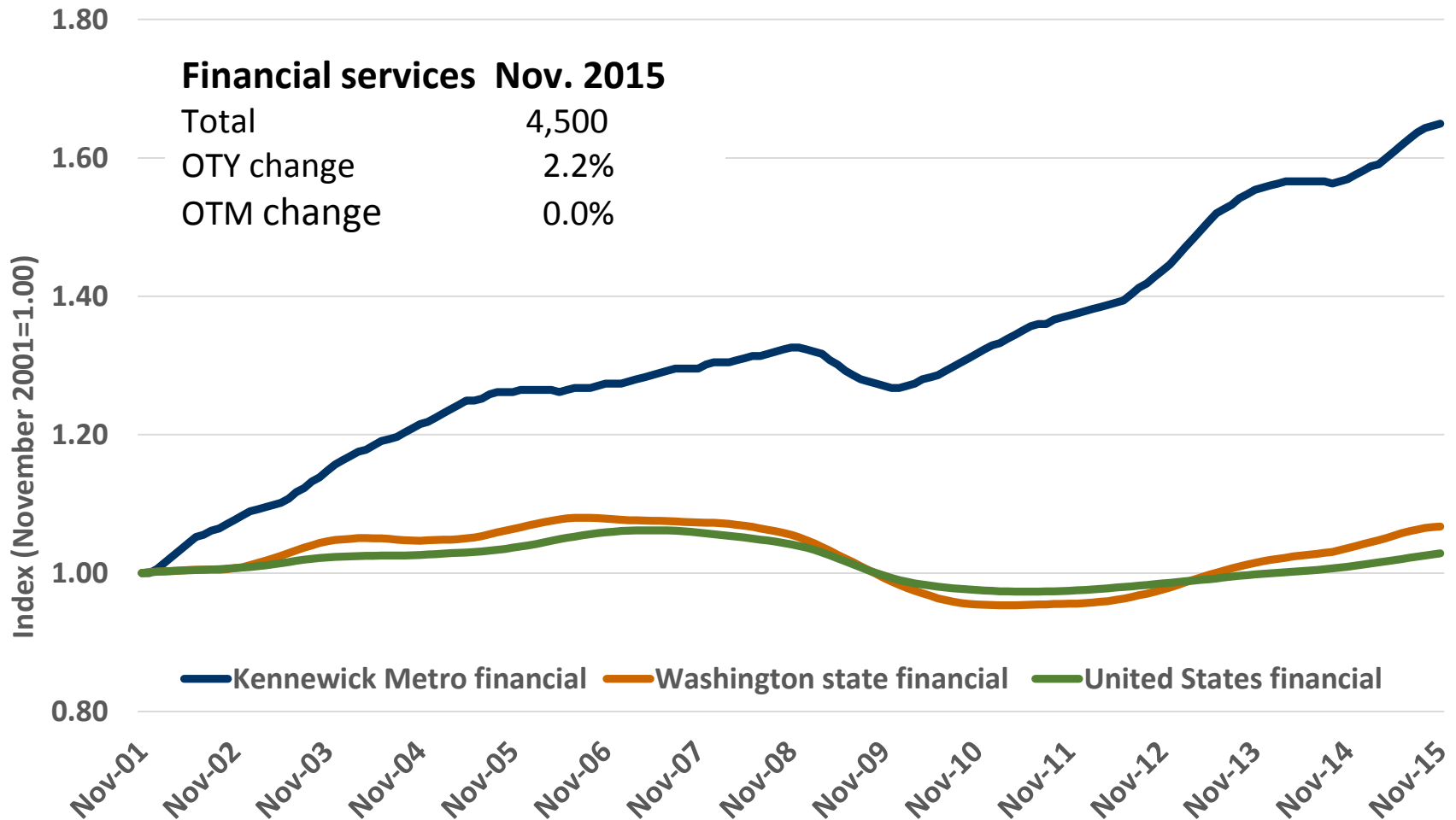
Service-providing drives growth



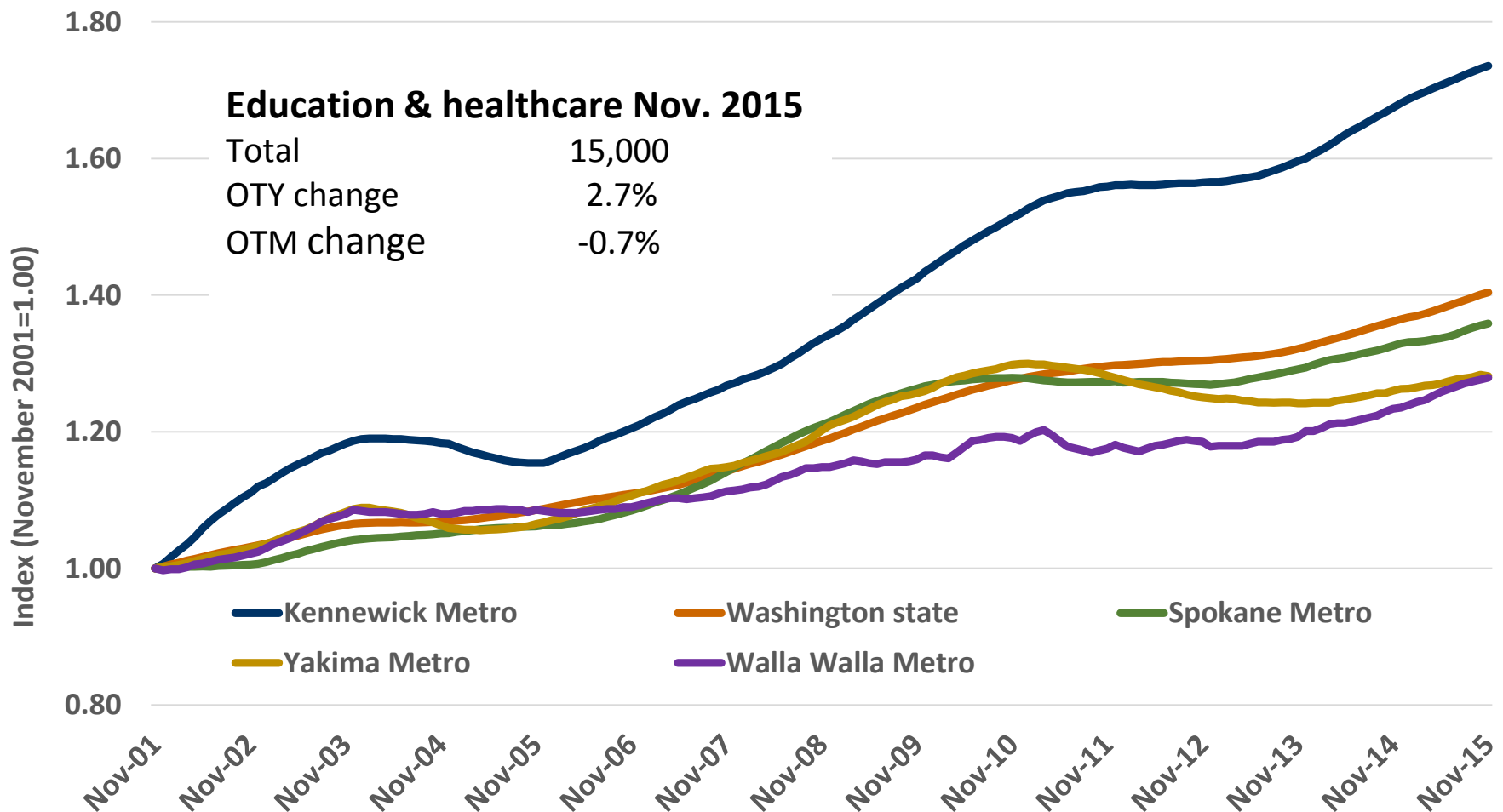
Government employment



Financial services continued growth

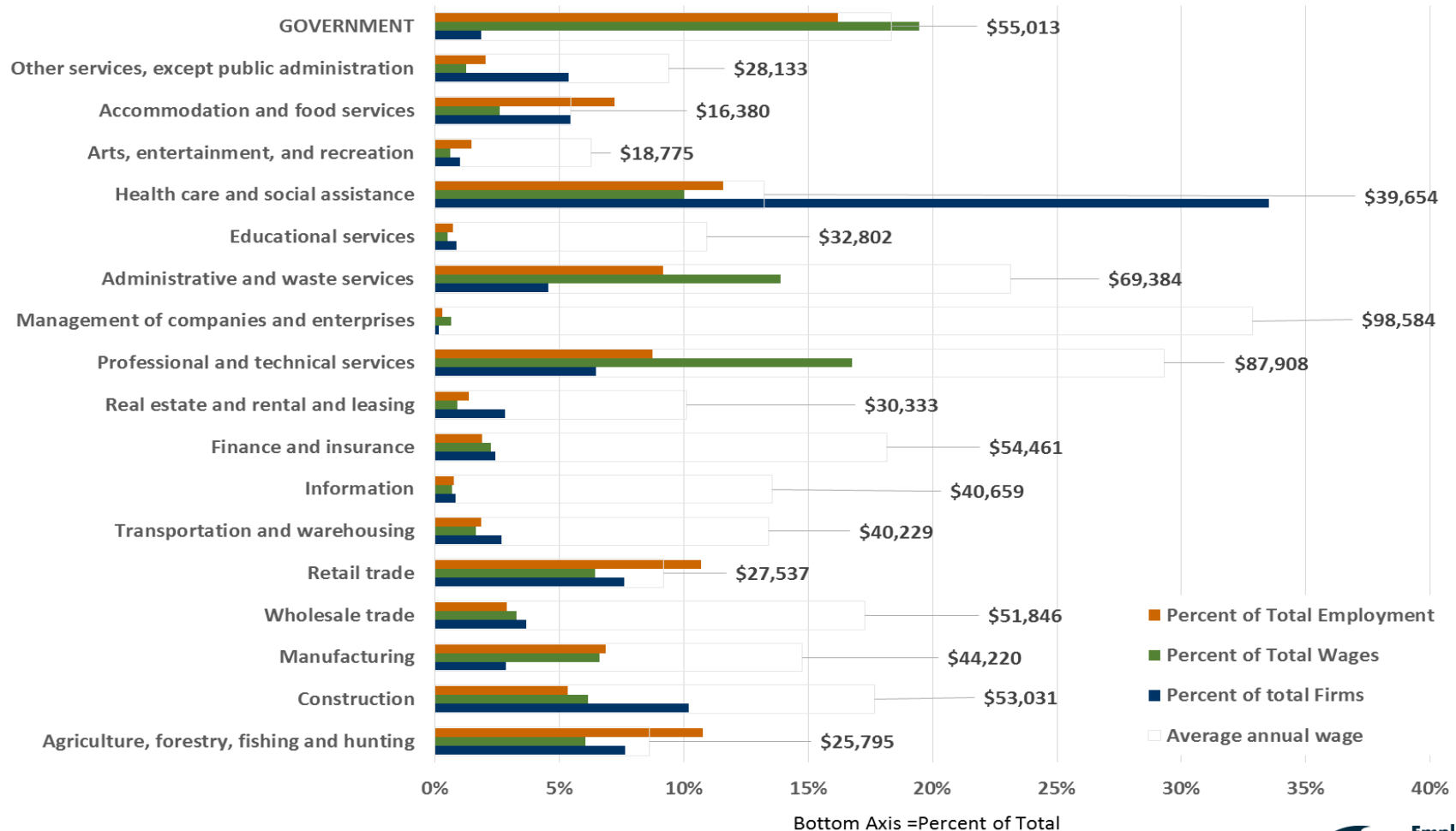


Education and healthcare

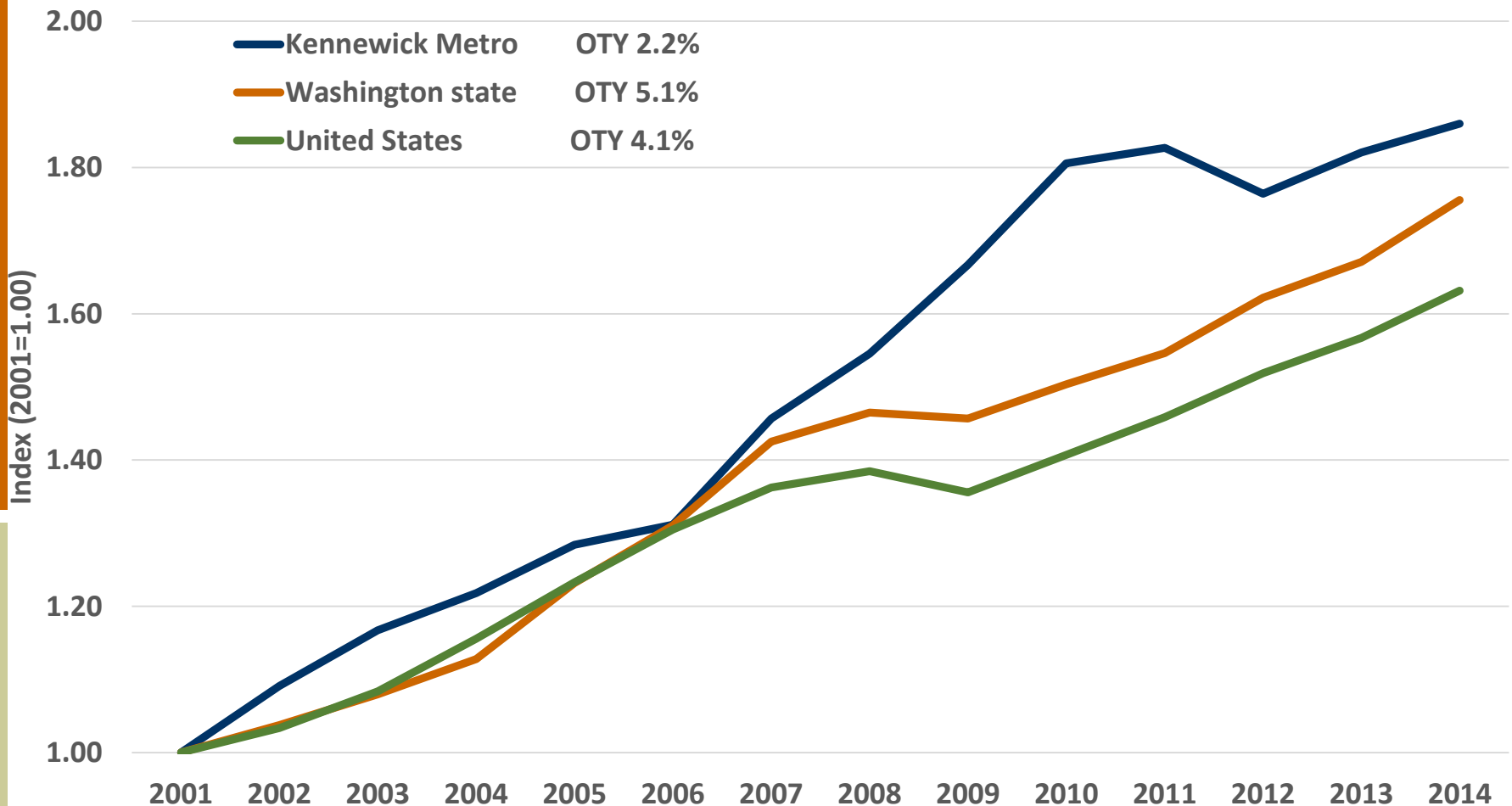


Covered Employment 2014

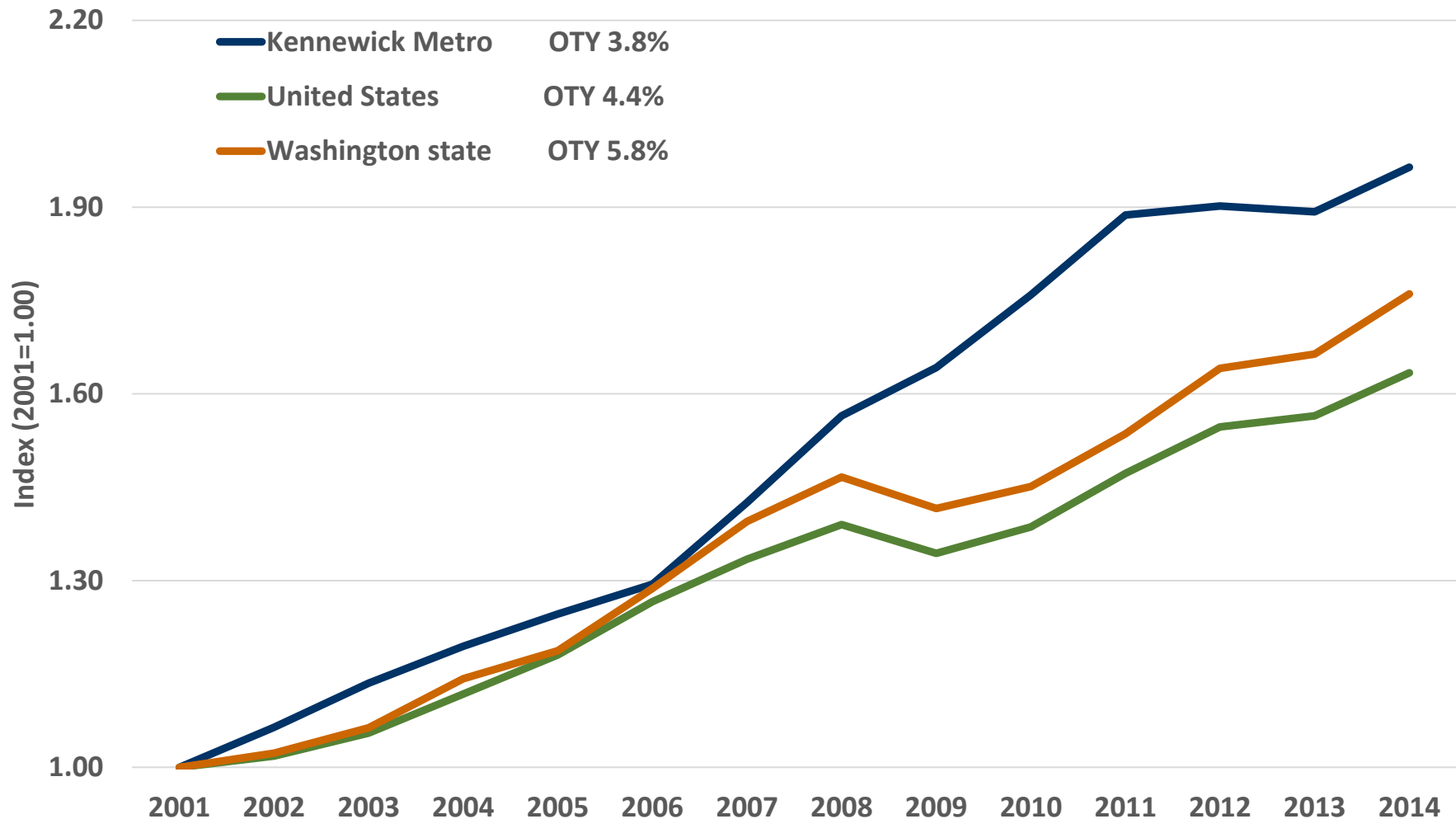
Total Employment 111,908
Average Annual Wage \$45,830
Total Firms 8,232



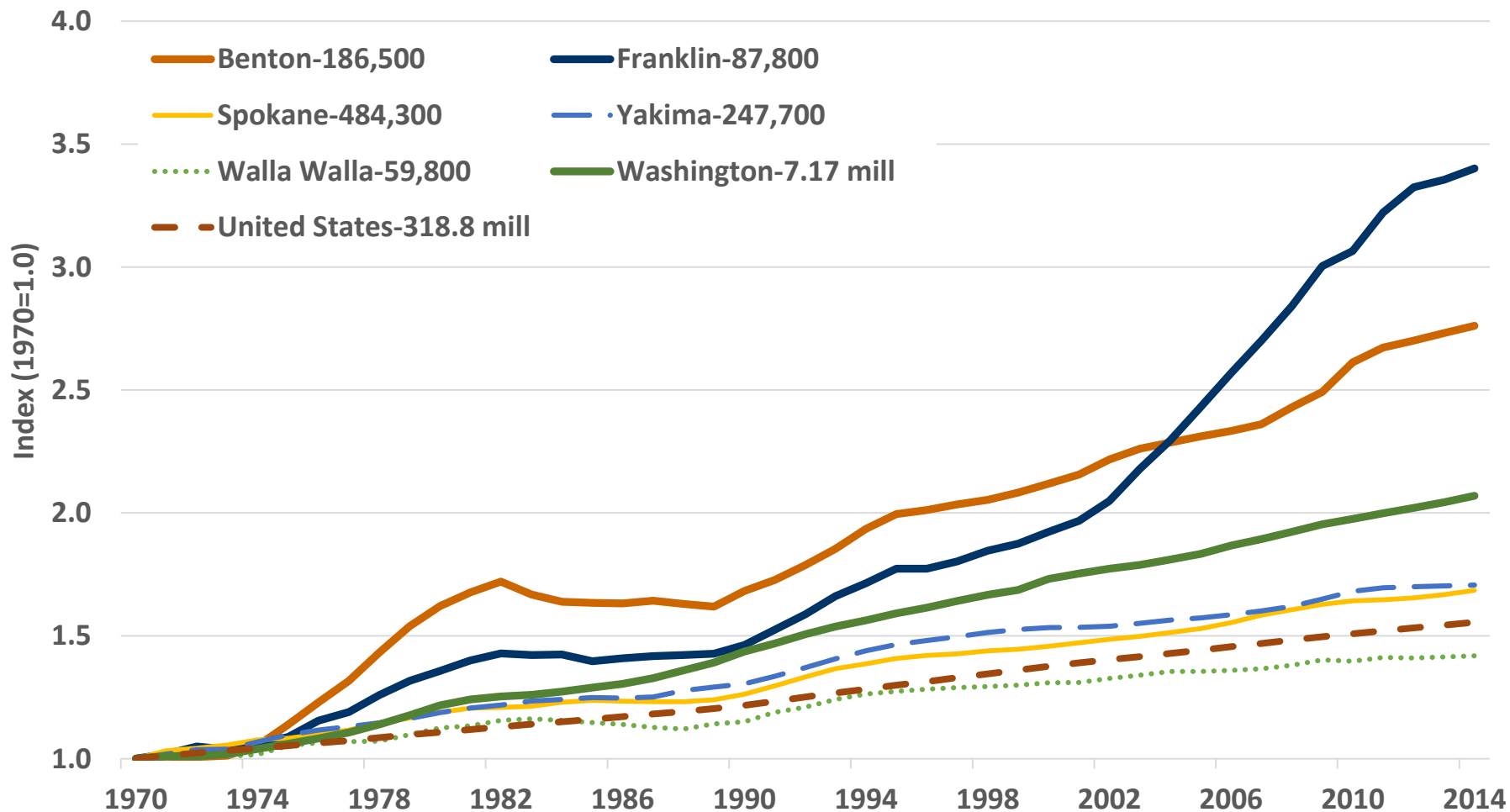
Gross Domestic Product



Per Capita Personal Income



Population

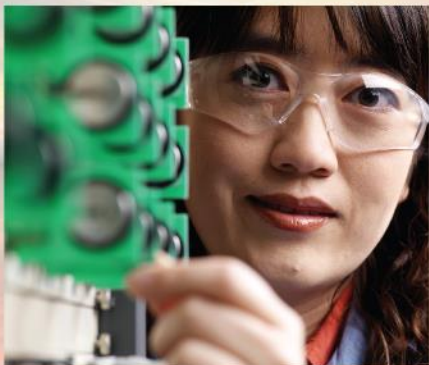


2016 Outlook

- 2016 year is expected to be another good year in employment for bi-county area.
- Labor force rebound to shape the supply and demand .
- Consumer expended incomes and increased confidence in spending to drive much of the growth.
- Industries to look for in 2016 are: Manufacturing, Healthcare, Education, Transportation and Warehousing, and Leisure and Hospitality

Thank you

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Pacific Northwest
NATIONAL LABORATORY

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Pacific Northwest National Laboratory

2016 Tri-Cities Regional Economic Outlook



January 20, 2016

Dr. Steven Ashby, Laboratory Director

DISCOVERY

in action



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Pacific Northwest National Laboratory



A national laboratory with global impact

PNNL strives to understand, predict and control complex adaptive systems

EARTH

- ▶ Clouds and Aerosols
- ▶ Water Cycle
- ▶ Microbial Communities

ENERGY

- ▶ Energy Storage
- ▶ Energy Conversions
- ▶ Control and Security

SECURITY

- ▶ Ultra-Trace Detection
- ▶ Novel Signatures
- ▶ Data-Driven Discovery

....shedding light on droughts



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2011



Lake Oroville, CA



2014

...informing global climate negotiations


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...creating the grid of the future



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...developing fuel-efficient vehicles



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*Proudly Operated by **Battelle** Since 1965*



...ensuring safe air travel



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...supporting nuclear nonproliferation



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Iran nuclear
negotiations



North Korea
claims H-bomb



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A national laboratory in the Tri-Cities

PNNL is a local economic engine



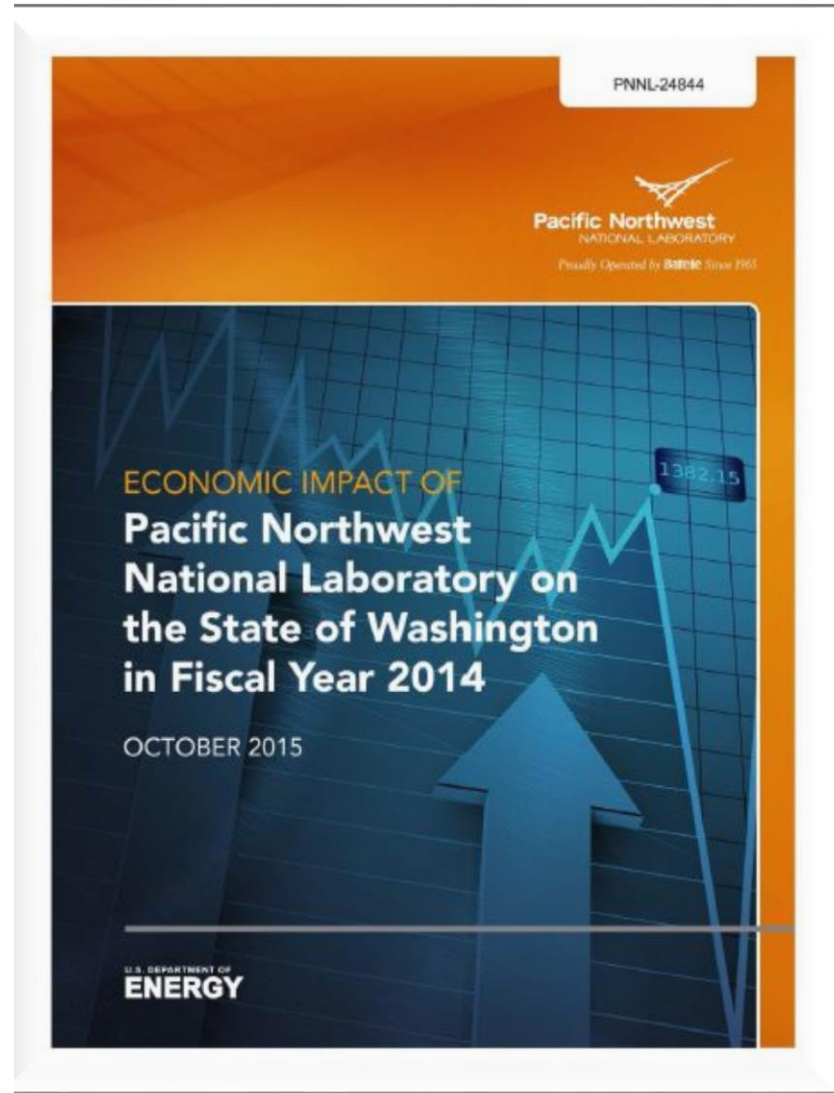
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\$2.6B

TOTAL ANNUAL
ECONOMIC OUTPUT



PNNL employees, Tri-Cities neighbors


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4,308
EMPLOYEES



TOTAL PAYROLL
\$402M



\$22.5M
STATE/LOCAL TAXES

PNNL collaborators, Tri-Cities visitors



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2,000+

VISITORS
ANNUALLY



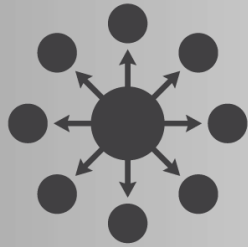
**New Collaboration Center will host
scientific meetings for which Tri-Cities
was not previously considered**

Creating new companies and jobs



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99

71 IN WA

OPERATING
SPINOFF
COMPANIES



UniEnergy Technologies has
largest capacity flow battery in
North America and Europe

Helping local companies



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55

TECHNICAL
ASSISTANCE
PROJECTS
(2014)



CHAMPION Technologies



XL SciTech



Carbitex

Giving back to our community



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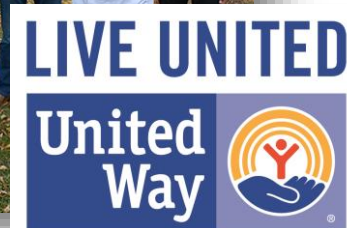
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\$875K

BATTELLE/PNNL/STAFF
CONTRIBUTIONS

43,000 employee hours
donated in 2015



United Way of
Benton & Franklin Counties





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NATIONAL LABORATORY

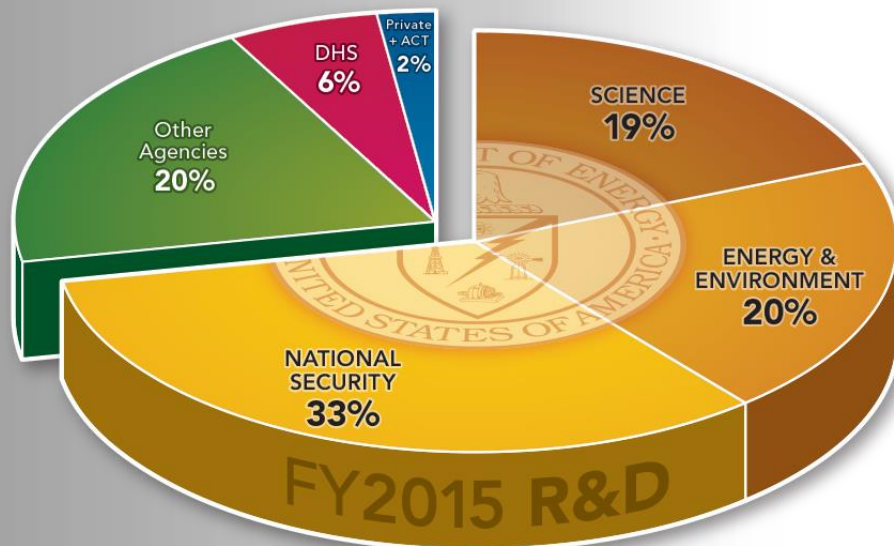
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Pacific Northwest National Laboratory



A national laboratory with many opportunities

PNNL serves diverse set of sponsors



4,400 staff
\$955M budget

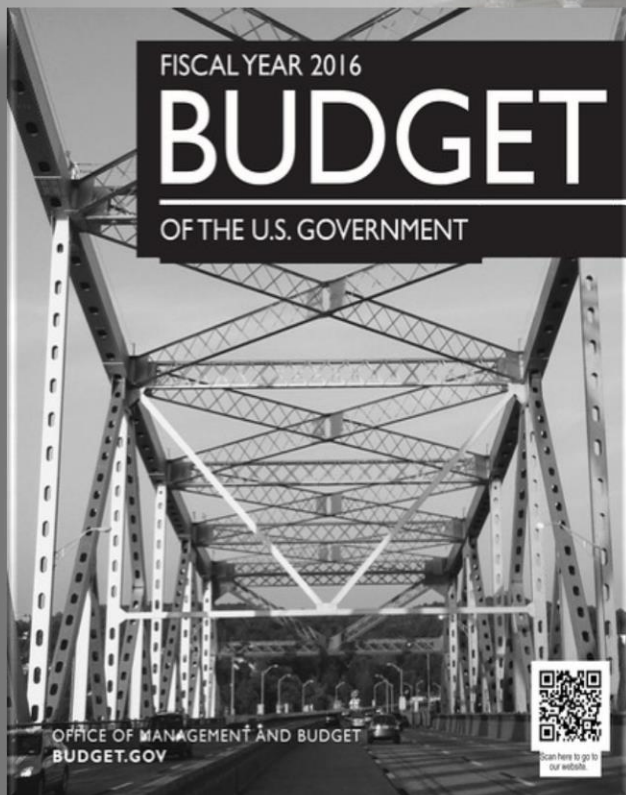
Major sponsors

- ▶ Office of Science
- ▶ Energy Efficiency & Renewable Energy
- ▶ Environmental Management
- ▶ National Nuclear Security Administration
- ▶ Department of Defense
- ▶ National Institutes of Health
- ▶ Dept. of Homeland Security

FY2016 presents many opportunities

New opportunities

- ▶ Grid modernization
- ▶ Buildings control
- ▶ Energy storage
- ▶ Materials science
- ▶ EM-focused R&D
- ▶ Cyber and data



Investing in our future...



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Collaboration Center

Office
Building

General Purpose
Chemistry Laboratory

Systems
Engineering
Building



...one building at a time



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**Systems Engineering
Building**
occupied



**General Purpose
Chemistry Lab**
under construction



Office Building
contract awarded



The Collaboration Center
conceptual design complete



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A national laboratory with a bright future!



 **TRIDEC**
Tri-City Development Council


Pacific Northwest
NATIONAL LABORATORY

PARTNERSHIP



Hanford Site Outlook

2015 Tri-Cities Regional Economic Outlook

Presented by: **Jonathan "JD" Dowell, Deputy Manager, ORP**

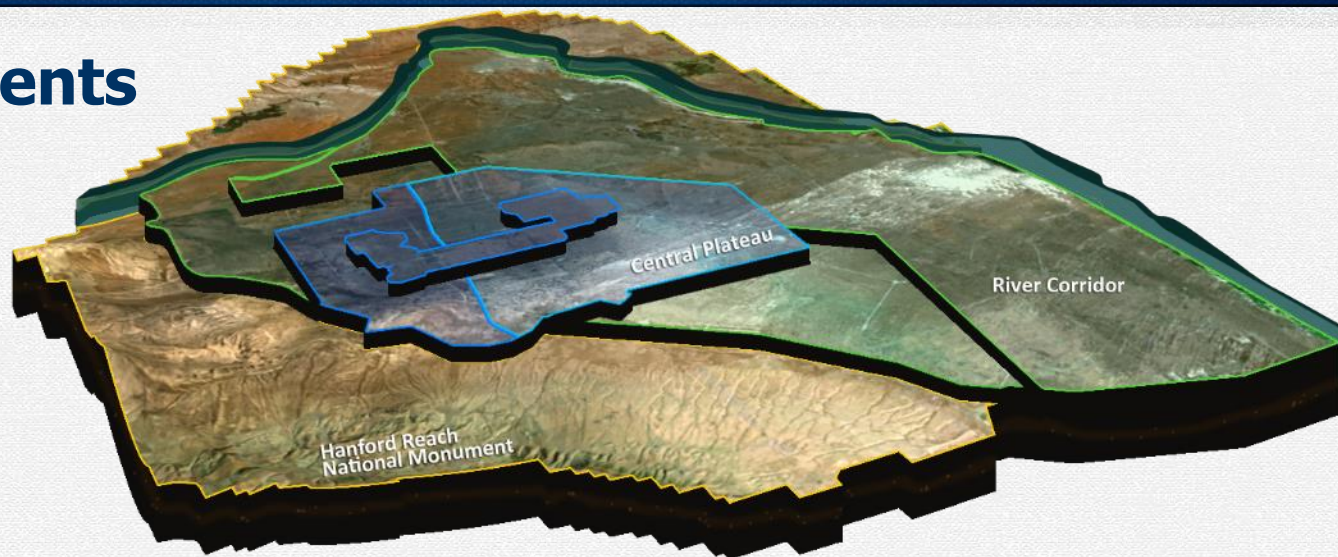
Jan. 20, 2016



Hanford Cleanup Overview

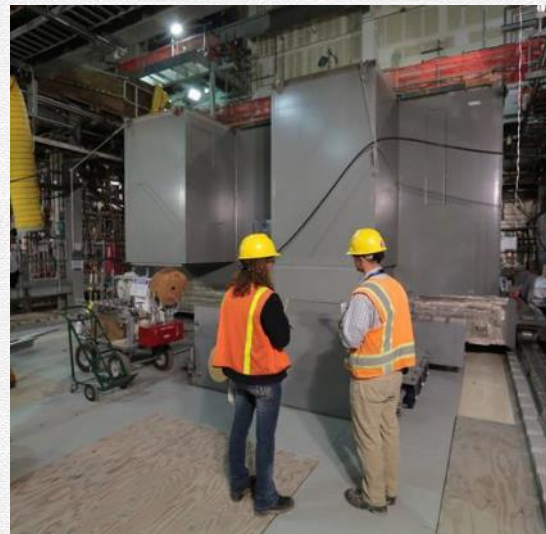
Three components

- Tank Waste
- Central Plateau
- River Corridor



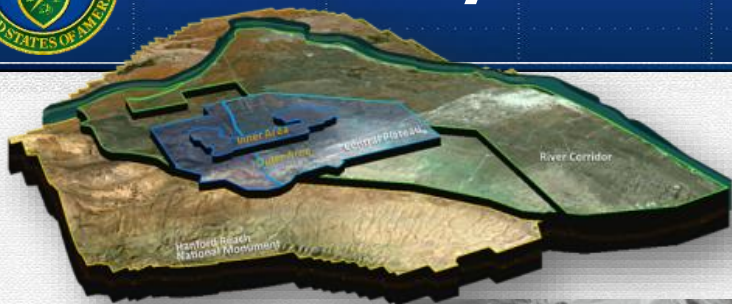
Cleanup work

- Empty underground tank waste
- Treat waste for safe disposal
- Treat contaminated groundwater
- Demolish facilities
- Remove buried waste, contaminated soil near Columbia for safe disposal away from the river





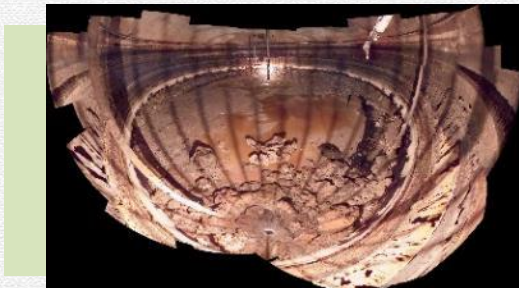
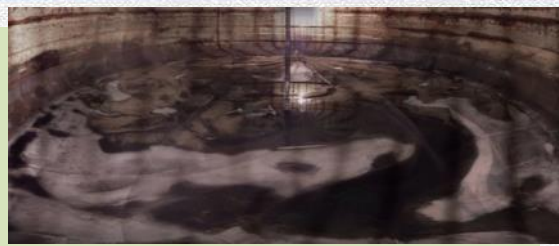
By The Numbers – Office of River Protection



2.5
million gallons of
waste retrieved from
underground storage tanks



15 single-shell
tanks retrieved
to regulatory
standards



1.54
million gallons of
waste retrieved
from C Farm tanks



1.9M
gallons tank space created in
double-shell tanks during 242-A
Evaporator campaigns in 2015

1.083
million gallons of
waste retrieved
from S Farm tanks



68
million – gallons of liquid
removed from DSTs since the
242-A Evaporator began
operations in 1977



65 Acres – the size of the
WTP complex, which
requires 263,000 cubic
yards of concrete, 41,000
tons of structural steel,
900,000 feet of piping
among other materials





By The Numbers – Richland Operations Office

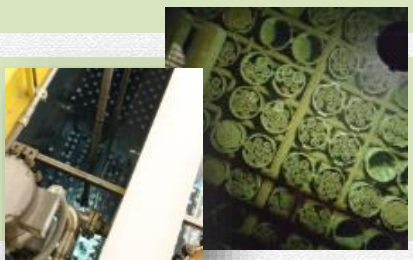


SIX of Hanford's nine reactors have been "cocooned"



TWO more reactors will be cocooned in the coming years

100 percent of the site's spent fuel has been moved to dry storage



13 billion gallons of contaminated groundwater have been treated

1,291

waste sites have been remediated



12K

cubic meters of underground waste have been removed

60K

visitors have toured the B Reactor National Historic Landmark



850

facilities have been demolished





Office of River Protection Progress

- Completed 15th SST retrieval with tank C-102
- 1.9M gallons of space created with evaporator use
- Implemented Direct Feed Low Activity Waste path forward
- Resumed production engineering at High Level Waste facility
- Implemented plan to improve worker safety at tank farms
- ~3,000 gallons of water evaporated from tank T-111





Richland Operations Office Progress

- Removed 52 pencil-shaped tanks from Plutonium Finishing Plant
- McCluskey Room glovebox removal
- ~2.4 billion gallons of groundwater treated
- Completed chromium cleanup along Columbia River
- River Corridor ahead of schedule, under budget!





Hanford Prime Contracts



River Corridor Closure RCC

Closure of approximately 220 sq miles of the Hanford Site along the Columbia River

Total Contract Value:
\$2.9B

- Cost plus incentive fee contract
- Target fee is \$173M
- Maximum schedule performance incentive fee is \$40M



Plateau Remediation Contract PRC

Facility and waste site cleanup groundwater remediation and waste disposal

Total Contract Value:
\$5.8B

Contract Term: 5 year with 5 year option

- Total contract fee \$233M
- Cost plus award fee based on an annual fee determination composed primarily of multi-year project activities
- \$1.3B in ARRA funds added to the contract



Mission Support Contract MSC

Cost-effective infrastructure and site services to support the cleanup mission

Total Contract Value:
\$3.6B

Contract Term: 5 year with 2 and 3 year option

- Total Contract Fee: \$20M
- Cost plus award fee with annual performance incentives; 70% quantitative, 30% qualitative



Bechtel National Inc. BNI

Design, Construction, and Commissioning of the Hanford Tank Waste Treatment & Immobilization Plant (WTP)

Total Contract Value:
\$11.4B

- Cost-Plus Award-Fee with Award and Multiple Fee Incentives
- Total Maximum Available Fee \$600M



Washington River Protection Solutions WRPS

Tank Operations Contract
Monitor and manage the 177 underground storage tanks at Hanford, prepare for and provide waste fee delivery to the WTP.

Total Contract Value:
\$5.9B

Contract Term: 5 year with 3 and 2 year options

Total contract fee: \$286M
Cost plus award fee with annual award fee performance measure and multi-year performance incentives; 95% quantitative, 5% qualitative





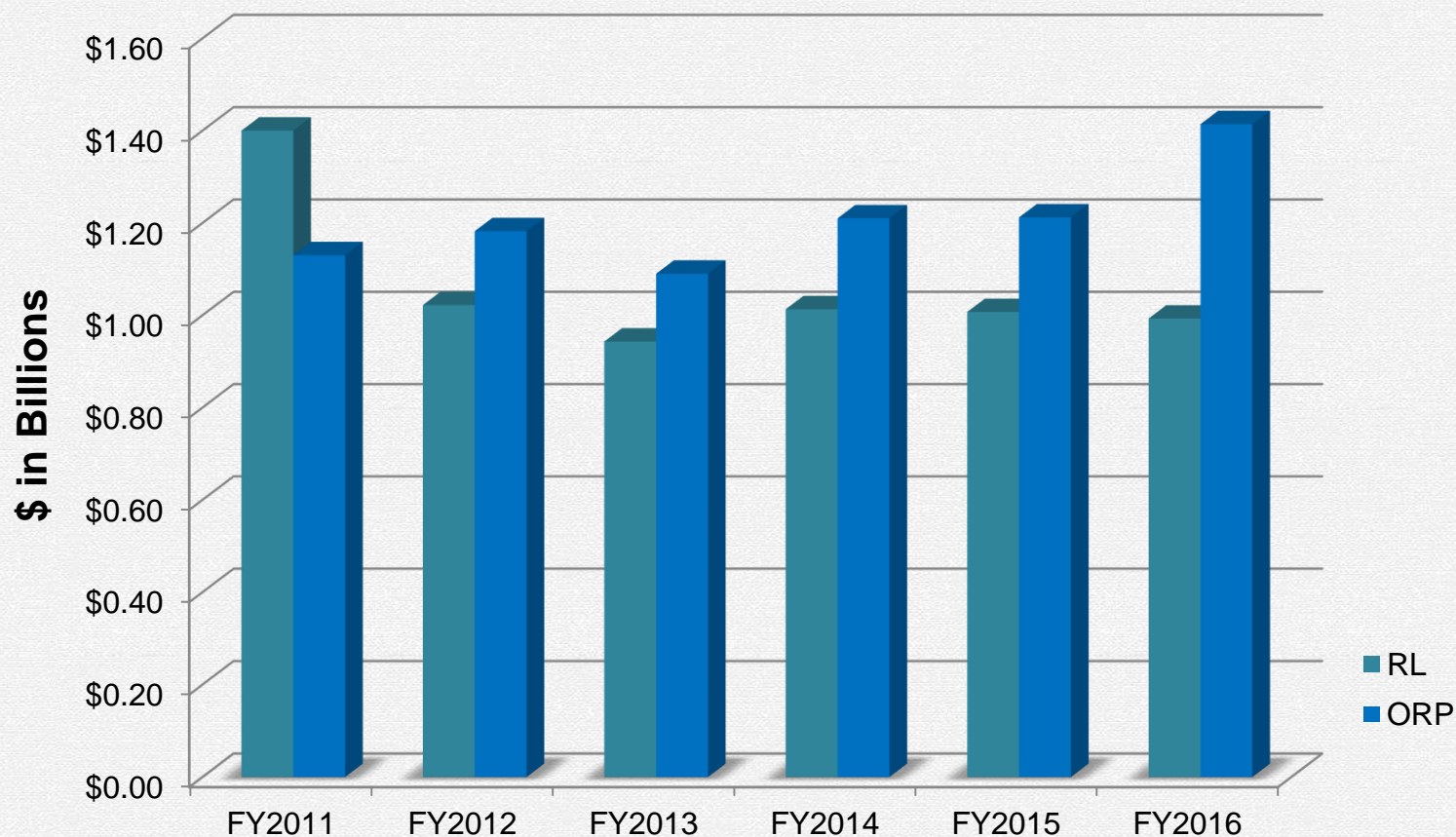
Economic Benefits to Washington

- Hanford Site budget is about \$2.3 billion per year
- DOE prime contractors reported \$720 million of subcontracting in fiscal year 2015
- 9,305 total DOE federal and contractor employees Budget outlook
 - Continued need for cleanup at current funding levels in foreseeable future
 - Cleanup mission continues to 2050-2060





Hanford Budget: Recent History and Current



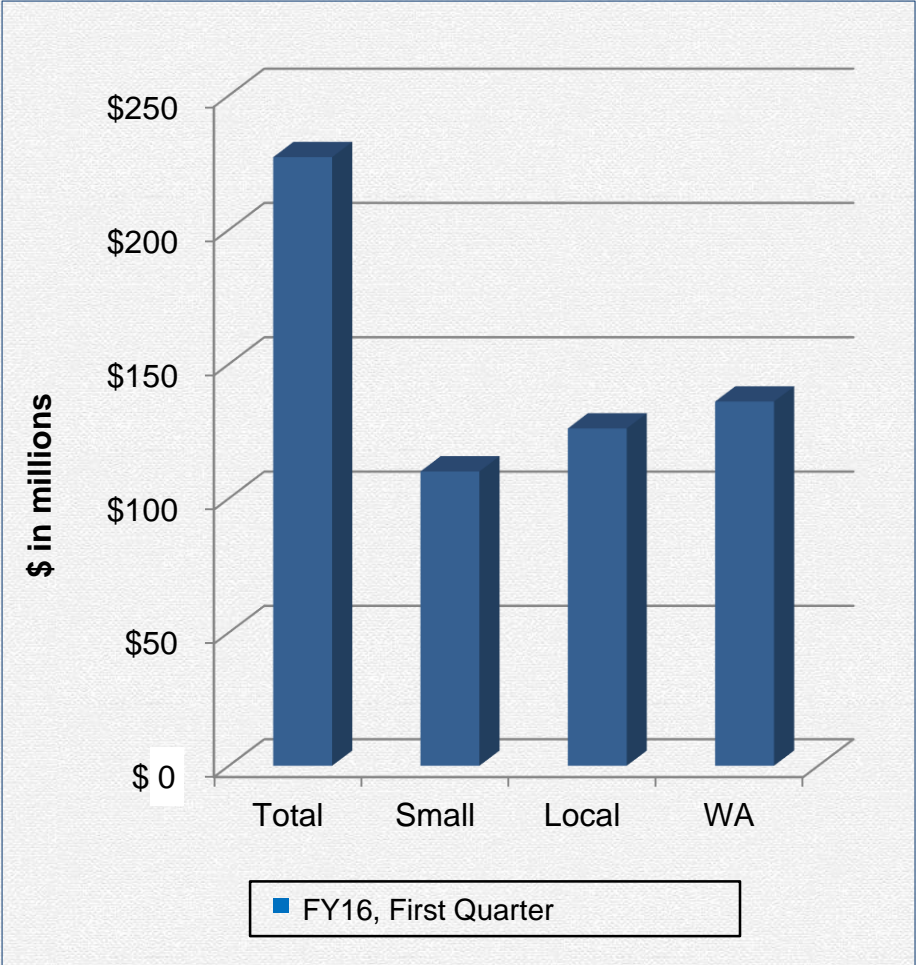


Hanford Subcontracts

Hanford Subcontract Spending in Previous Fiscal Years



Hanford Subcontracts, First Quarter, FY2016





Hanford Subcontracts – Local Spending

Hanford looks to local, state businesses first for subcontracts. These can include:

- Bottled gases
 - Construction equipment
 - Business supplies
 - Copy and printing services
 - Electrical supplies
 - Recycling & shredding services
 - Safety equipment & supplies
 - Small tools & equipment
 - Promotional items
 - HVAC supplies
 - Ground fuel
 - Metal fabrication services
 - Administrative support
 - Technical support
 - Vehicle maintenance & repair
 - Portable toilet services
- And more!**





Manhattan Project National Historical Park

- Nation's newest National Park created Nov. 10, 2015
- DOE and NPS jointly manage the park and will work closely on all aspects of planning and implementation
- DOE's primary role is to preserve and provide access to historic resources related to the Manhattan Project
- Park Foundation Document to be completed in 2016 – one of several planning elements for the new park
- 2016 tours to look much like 2015





Manhattan Nat'l Park – Eligible Hanford Facilities



B Reactor

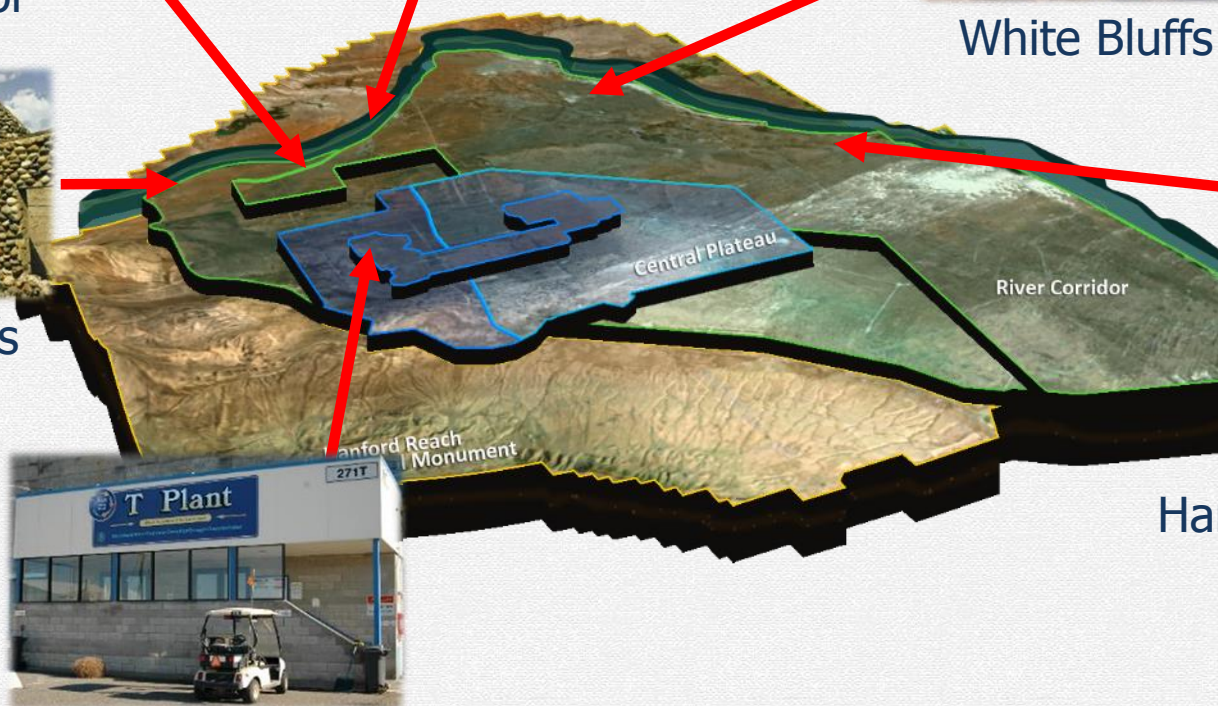
Allard Pump House



White Bluffs Bank



Bruggemann's Warehouse



T Plant



Hanford High School





- Supporting advanced education programs
 - Welding program at CBC
 - Donation of technology building to WSU
 - Internships
- Donating time, resources
 - Combined Federal Campaign
 - Feds Feed Families
 - Habitat for Humanity
- Support and leadership to local agencies including
 - United Way
 - Junior Achievement
 - TRIDEC
 - Boys & Girls Club
 - Reading Foundation





Plutonium Finishing Plant



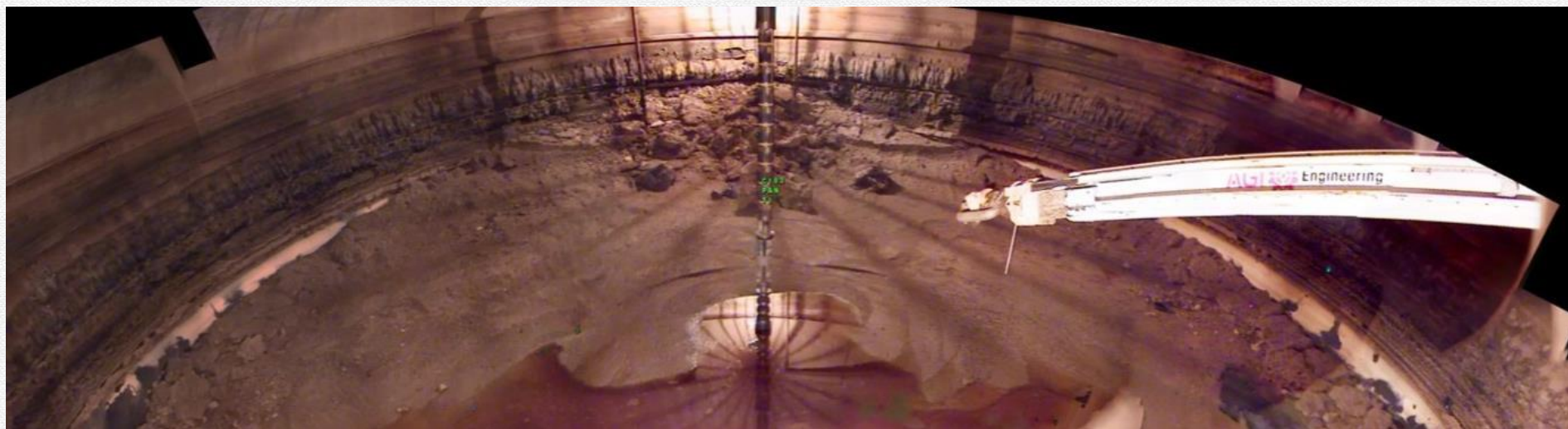
Current footprint

Future footprint





Tank Retrievals



C-102 during retrieval





**Visit www.Hanford.gov
to learn about**

- News on Hanford Cleanup
- Hanford Advisory Board
- Opportunities to comment on decisions
- Public events & tours

Follow us on Facebook

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- www.facebook.com/riverprotection
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Retail Outlook

Barbara Johnson
General Manger
Columbia Center

2015 Sales Tax Distribution

● City Of Kennewick	\$16,849,027
● City of Pasco	\$ 10,267,943
● City of Richland	\$ 10,275,051
● City of West Richland	\$ 773,689
● Benton County	\$ 11,080,014
● Franklin County	\$ 3,626,413

*Washington State Department of Revenue

2015 / 2014 Sales Tax Distribution

● City Of Kennewick	+ 9.0%
● City of Pasco	+ 9.8%
● City of Richland	+ 8.1%
● City of West Richland	+14.8%
● Benton County	+ 22.0%
● Franklin County	+ 7.2%

*Washington State Department of Revenue

STATEWIDE + 7.5%

- Clark County +12.4%
- King County + 9.4%
- Kitsap County + 7.6%
- Pierce County + 7.1%
- Snohomish County +6.4%
- Benton County +12%
- Franklin County + 8.9%
- Spokane County +4.7%
- Walla Walla County +6.6%
- Yakima County +3.6%

Evolving Retail Market

2015

- **Changing Retail Strategies**
- **Low gas prices increases consumer demand in other categories**
- **New retail players**

2016

- **Right sizing stores and personnel**
- **EMV Micro Chips**
- **Customer demands on privacy**

Top Categories

- **Electronics**
- **Auto Sales**
- **E- Books**
- **Building materials**
- **Sporting Goods & Hobby**
- **Fashion and apparel**

Bottom Categories

- **Household Items**
- **Home Appliances**
- **Beauty Products**
- **Toys**

Top Retail/Consumer Trends 2016

- **Influencer Marketing**
- **Demand for Speed, Price & Quality**
- **Retailer to give more payment options**
- **Millennials are setting the tone**
- **Mobile is the medium**

2016 Forecast Retail Sales

- **National forecast - 4% growth**
- **Local forecast - 5% sales growth**



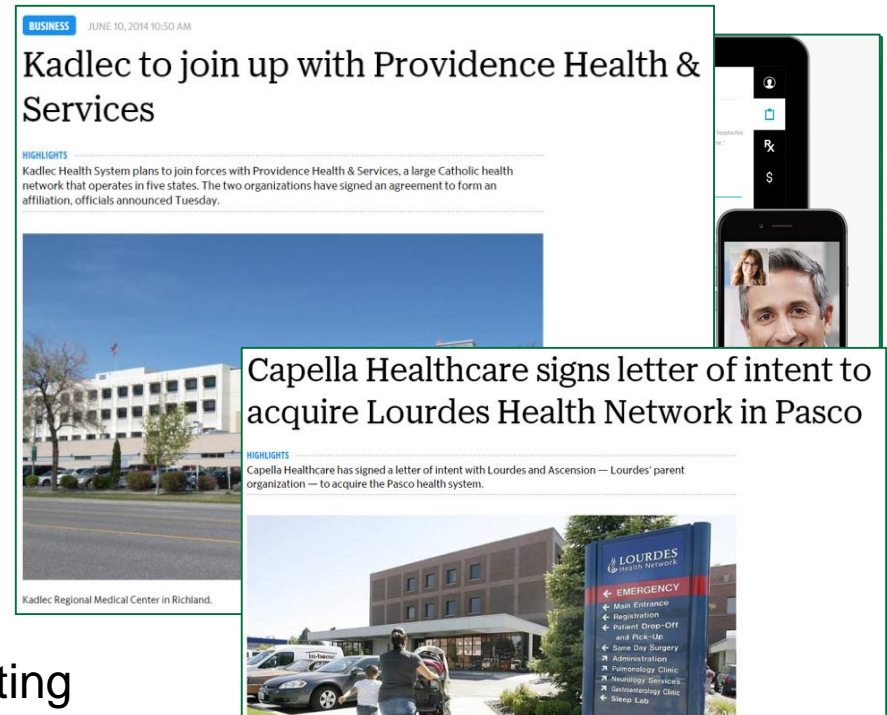
2016 Healthcare Outlook

Glen Marshall, CEO

January 19, 2016

Healthcare: on the national scene

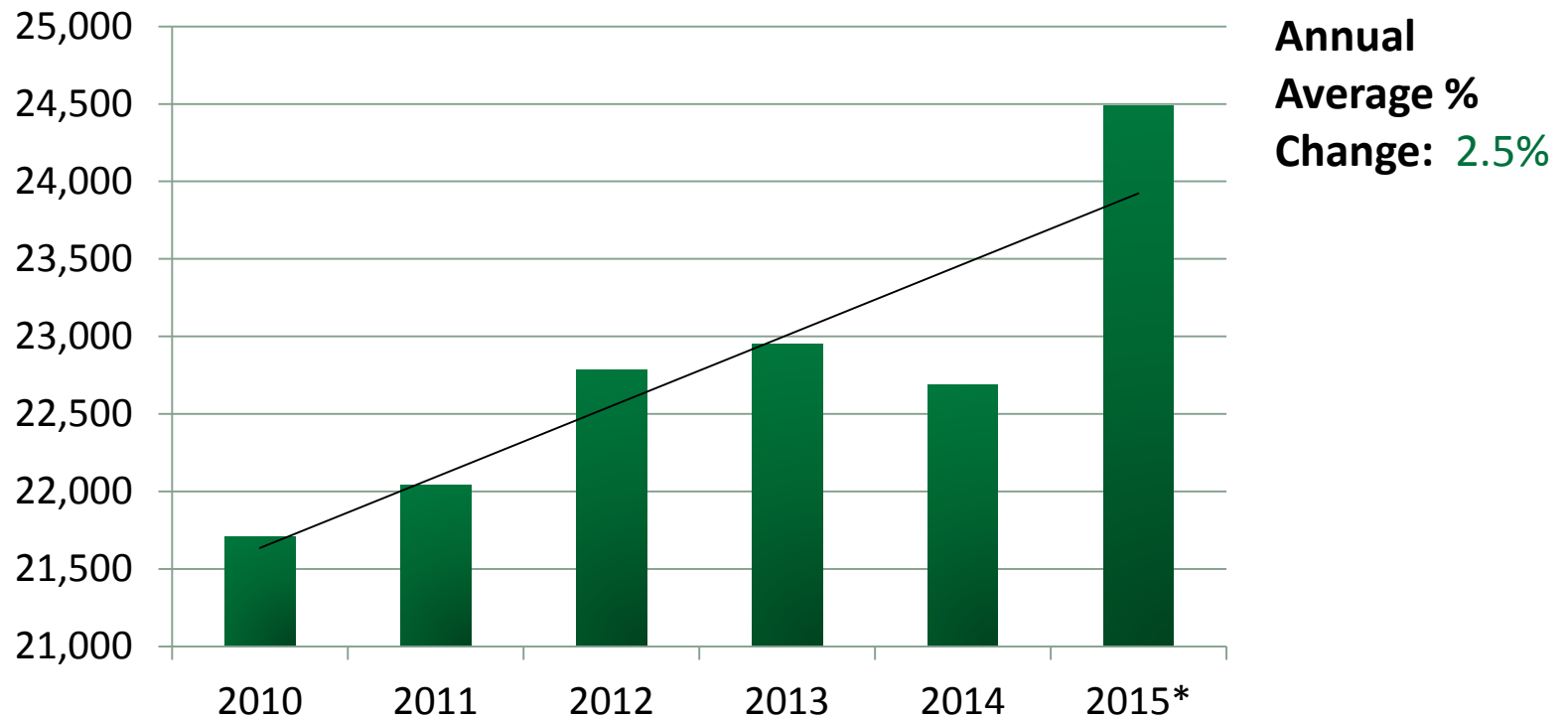
- Increasing Demand
 - More people, sicker people
- Affordable Care Act
 - Cost of premiums increasing
 - Shift in coverage
- Population Health
 - Changing delivery of care
- Consolidation
 - Healthcare businesses are getting bigger, less locally focused



- **Connectivity**
 - Electronic Medical Records (EMR)
- **Focus on Quality & Outcomes**
 - Healthier people/employees = reduced cost
- **Need for More Trained Physicians (Medical Education)**
 - Trios Health – since 2013
 - Kadlec – since 2015



- Growth trends – Admissions

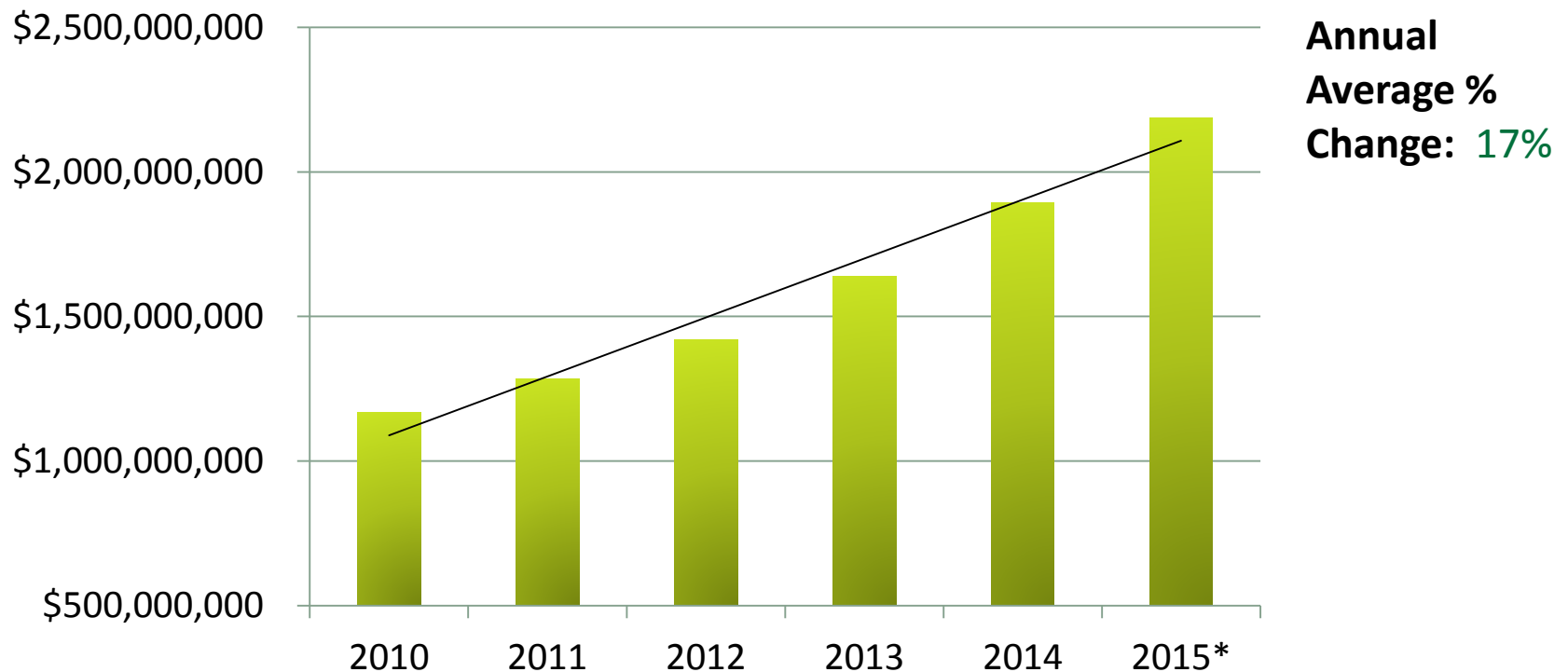


*Projected (final numbers not available)

Healthcare Impacts on Local Economy



- Growth trends – Total Revenue



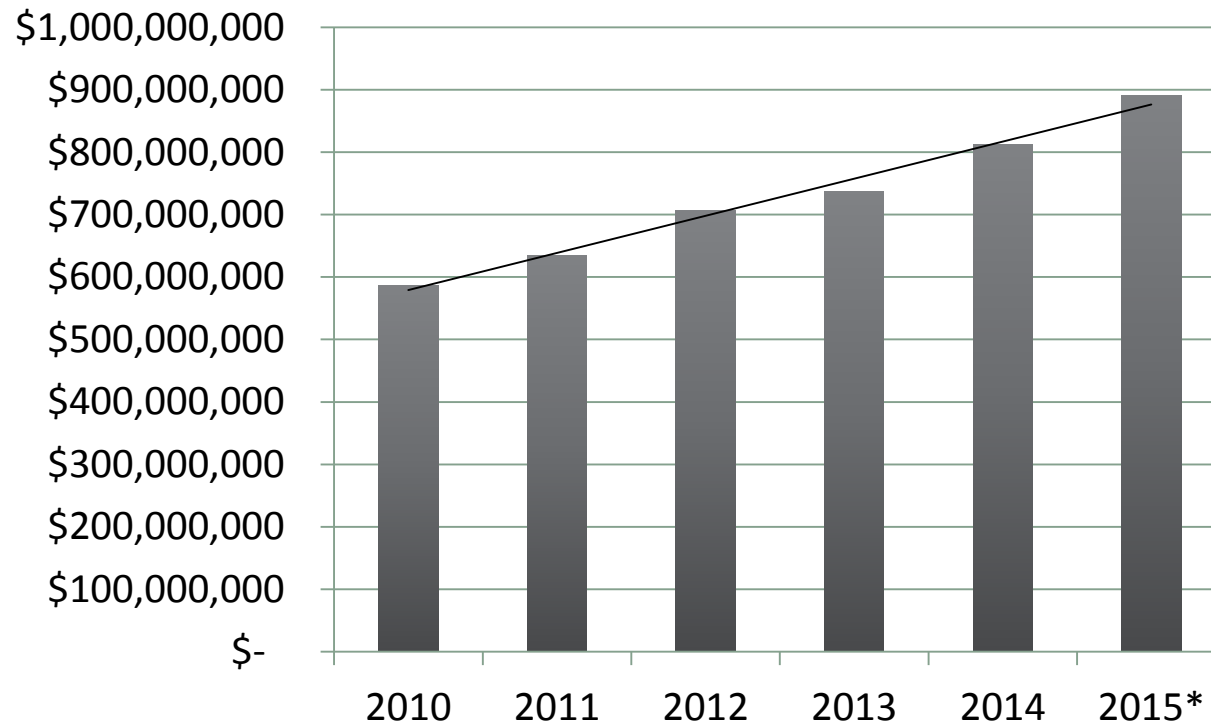
*Projected (final numbers not available)

Source: Washington State Department of Health (Comprehensive Hospital Abstract Reporting System)

Healthcare Impacts on Local Economy



- Growth trends – Total In Patient Revenue



**Annual
Average %
Change: 10%**

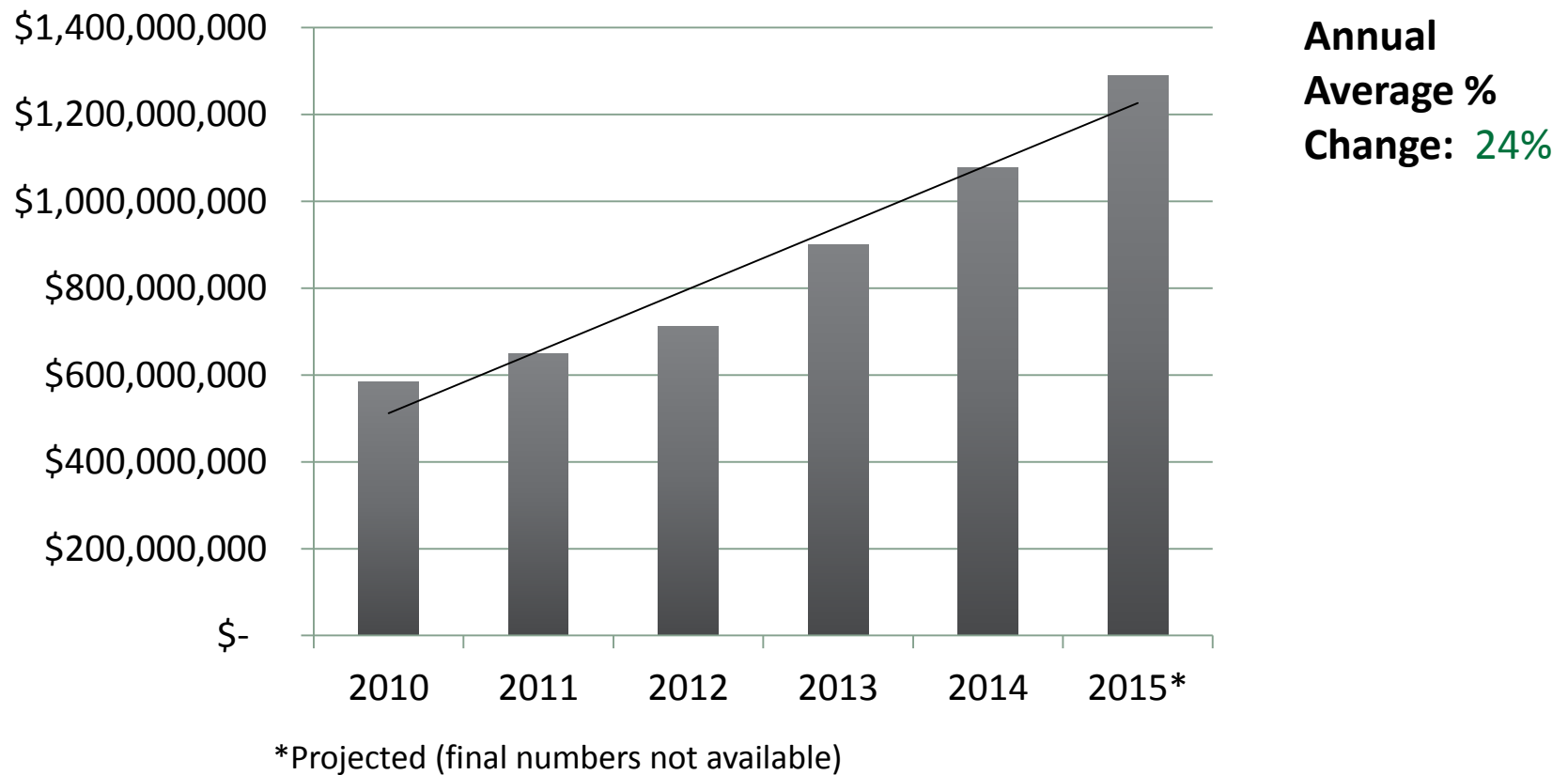
*Projected (final numbers not available)

Source: Washington State Department of Health (Comprehensive Hospital Abstract Reporting System)

Healthcare Impacts on Local Economy



- Growth trends – Total Out-Patient Revenue

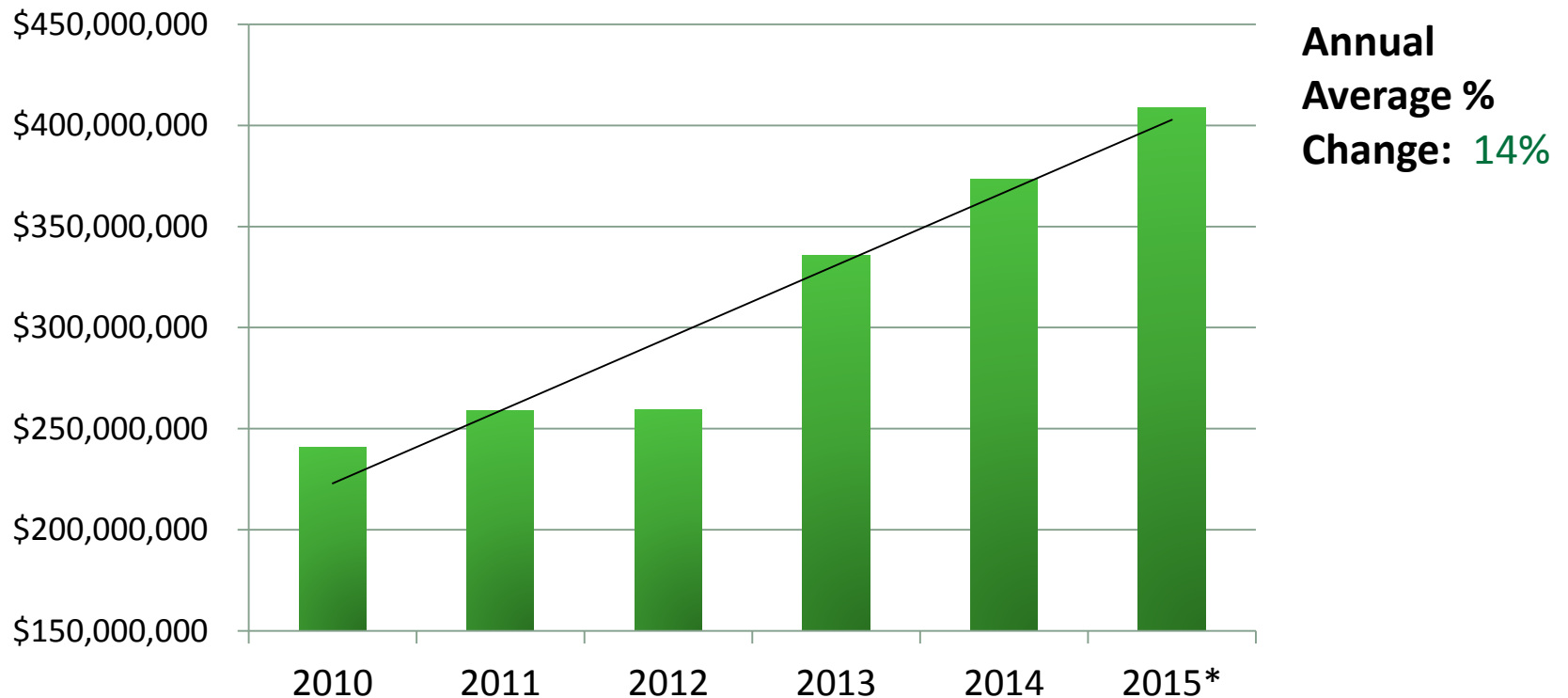


Source: Washington State Department of Health (Comprehensive Hospital Abstract Reporting System)

Healthcare Impacts on Local Economy



- Growth trends – Total Labor & Benefits

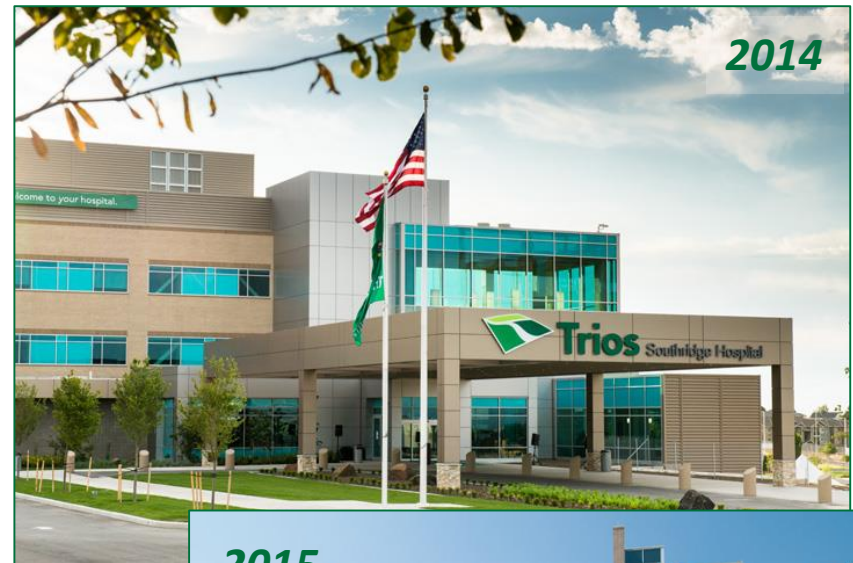


*Projected (final numbers not available)

Source: Washington State Department of Health (Comprehensive Hospital Abstract Reporting System)

Healthcare Impacts on Local Economy

- Expansion projects
(2014-15)
 - Kennewick
 - Trios Southridge Hospital - 2014
 - Kadlec Urgent Care - 2014
 - Trios Care Center at Southridge – 2015
 - Richland
 - Kadlec Medical Office Building – 2015
 - Kadlec Healthplex - 2015





Thank you!

Glen Marshall, CEO



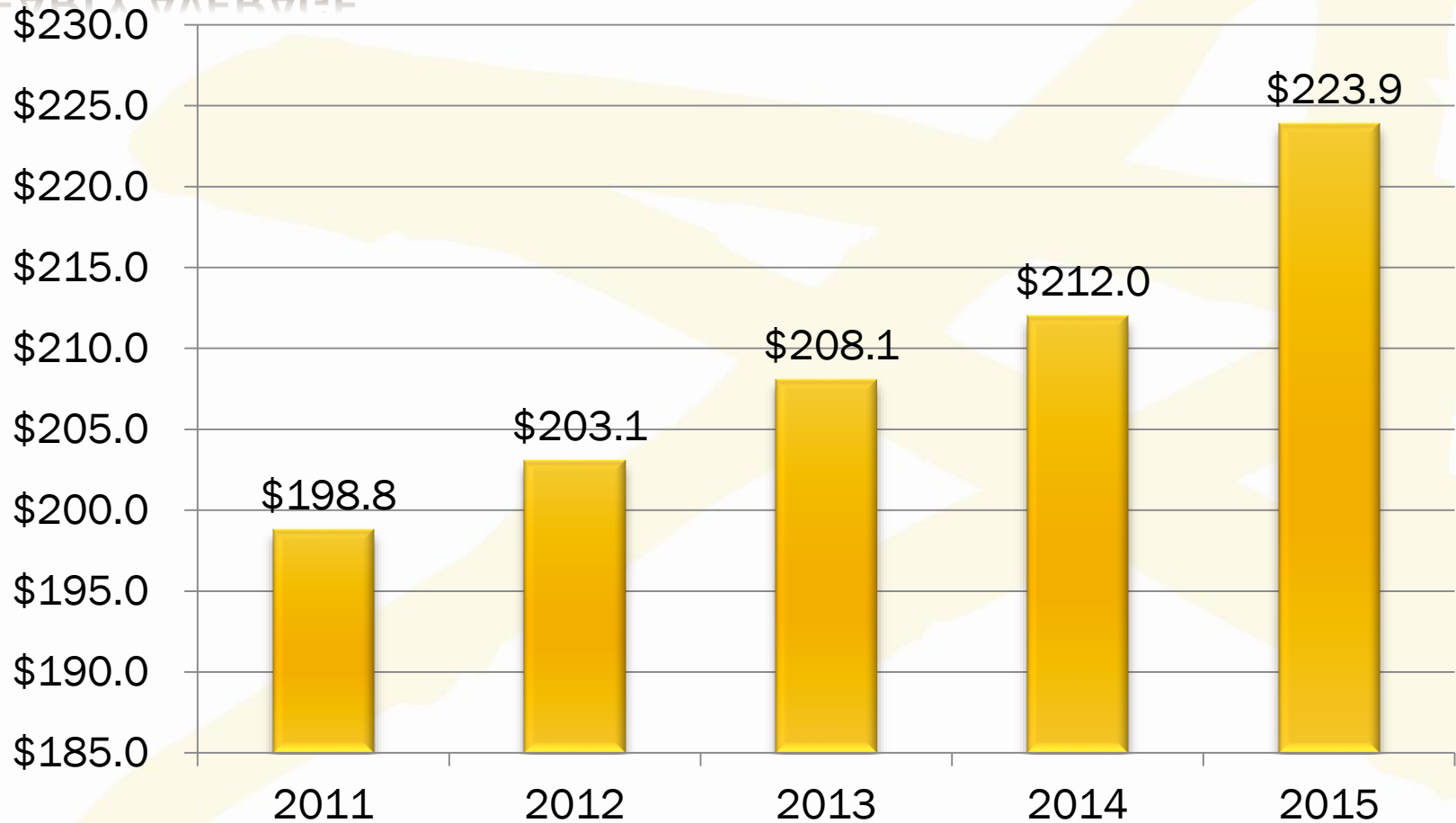
MARKET SNAPSHOT

Five Year Overview



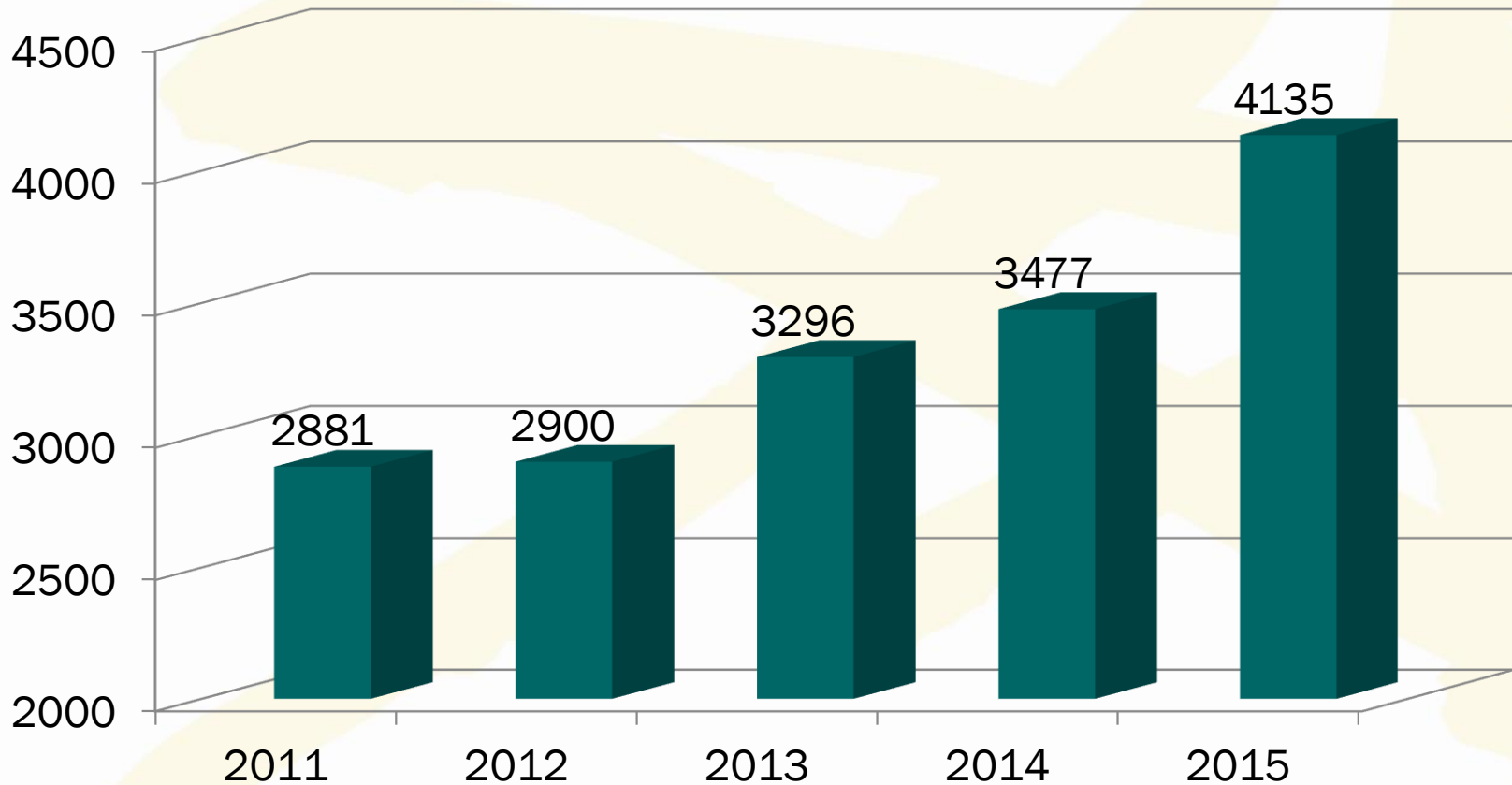
HOME SALE PRICE

YEARLY AVERAGE



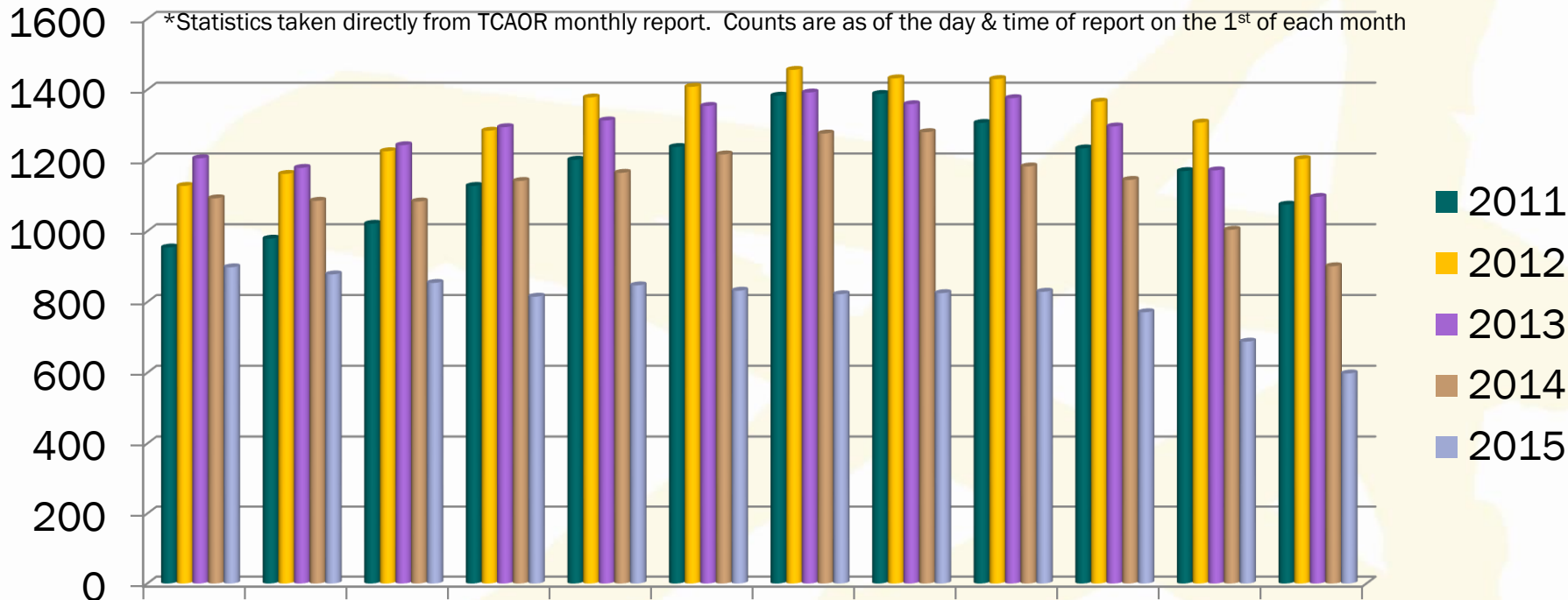
*Statistics taken directly from TCAOR monthly report. Counts are as of the day & time of report on the 1st of each month

RESIDENTIAL SALES



*Statistics taken directly from TCAOR monthly report. Counts are as of the day & time of report on the 1st of each month

MONTHLY INVENTORY COMPARISON



MULTI-FAMILY SALES (DUPLEX)

Median Price

2015 – \$185,000
2014 – \$162,000
2013 – \$164,450
2012 – \$159,000
2011 – \$157,000

Sold

2015 – 53
2014 – 29
2013 – 30
2012 – 29
2011 – 28

Days on Market

2015 – 28
2014 – 49
2013 – 32
2012 – 56
2011 – 42



TRICITY
ASSOCIATION OF REALTORS



MULTI-FAMILY SALES (4-PLEX)

Median Price

2015 – \$252,450
2014 – \$240,000
2013 – \$250,000
2012 – \$229,000
2011 – \$207,500

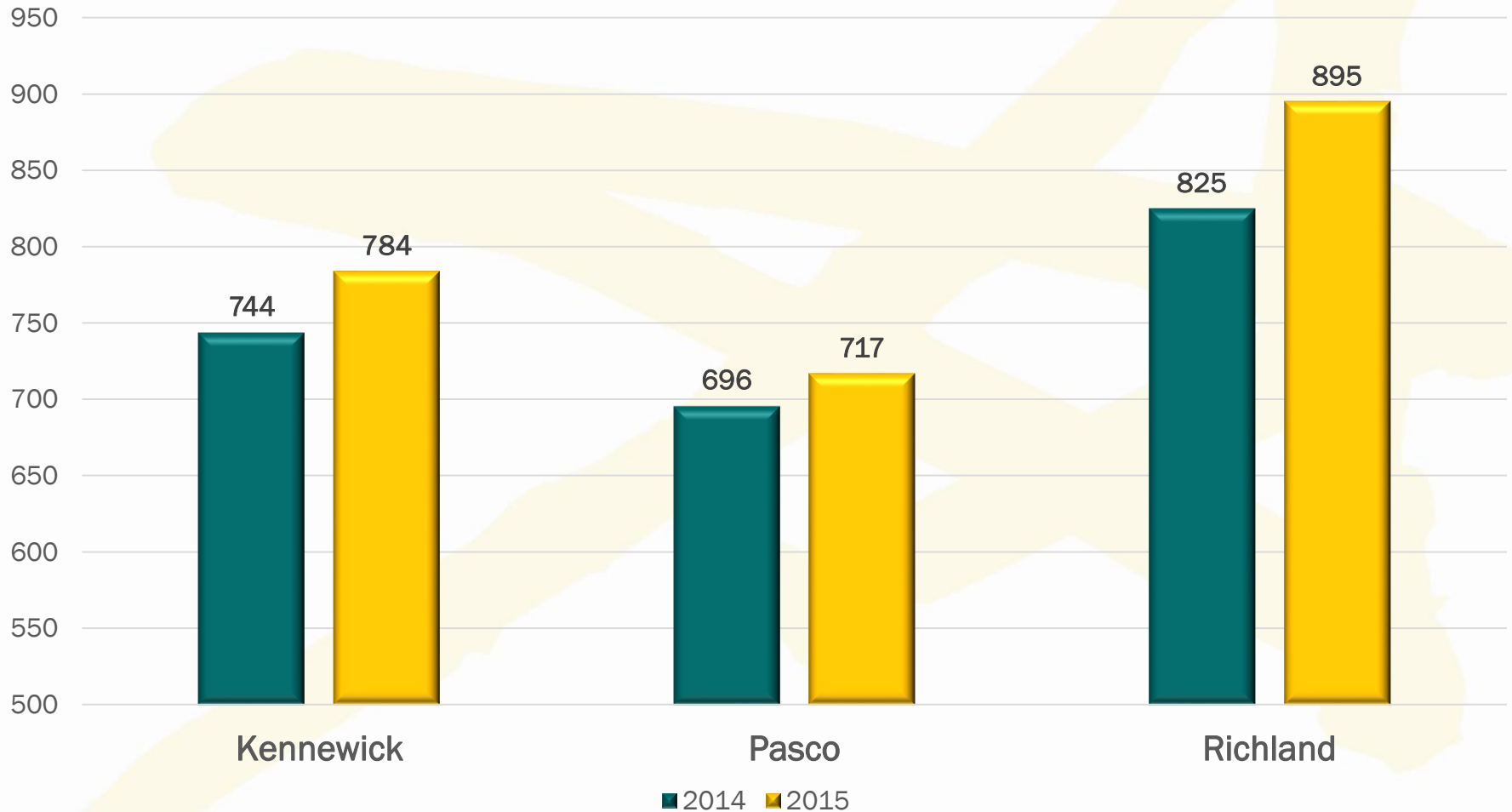
Sold

2015 – 22
2014 – 12
2013 – 15
2012 – 15
2011 – 20

Days on Market

2015 – 55
2014 – 49
2013 – 56
2012 – 121
2011 – 165

AVERAGE MONTHLY RENT BY CITY



Questions??
Gayle @EverStarRealty.com

Thank
You



2016 Travel/Tourism Industry Outlook

Corey Pearson

Three Rivers Convention Center

Board Member, Visit TRI-CITIES



Importance of Tourism



- \$410.9 million in visitor spending in Benton/Franklin Counties
- \$15.3 million in taxes for local use
- 5,560 jobs

Consumer Buying Habits



- 70% of travelers belong to loyalty or rewards programs
- Travelers are more concerned with safety
- “Bleisure Trips”





Millennials

- \$200 billion spending power by 2017
- Importance of “Shared Economy” services
- Social media





Technology

- Up-to-date, fast connectivity

U.S. Hotel Performance

- 2015: 5% increase in hotel revenue
- 2016: 5.8% growth in hotel revenue



Tri-Cities Hotels

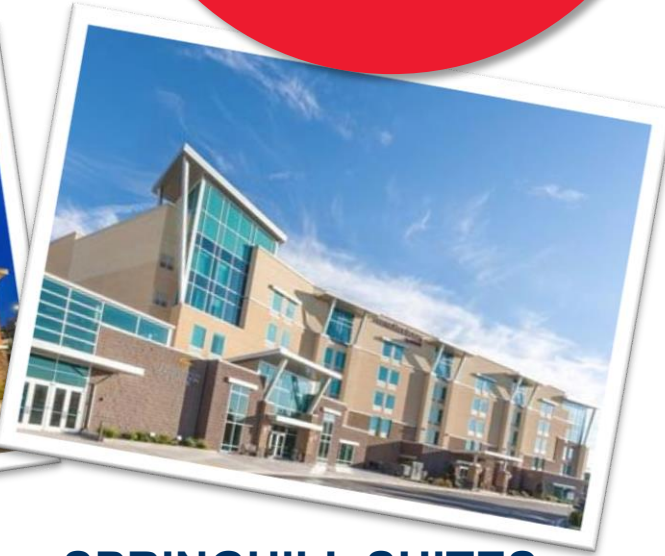
**506
GUESTROOMS
ADDED**



HOMWOOD SUITES



**HAMPTON INN AT
SOUTHRIDGE**



**SPRINGHILL SUITES
BY MARRIOTT**

**15%
INCREASE IN HOTEL
ROOMS IN 2015!**

**M HOTEL
&
CONFERENCE
CENTER**



Tri-Cities Room Inventory



Meeting Venues

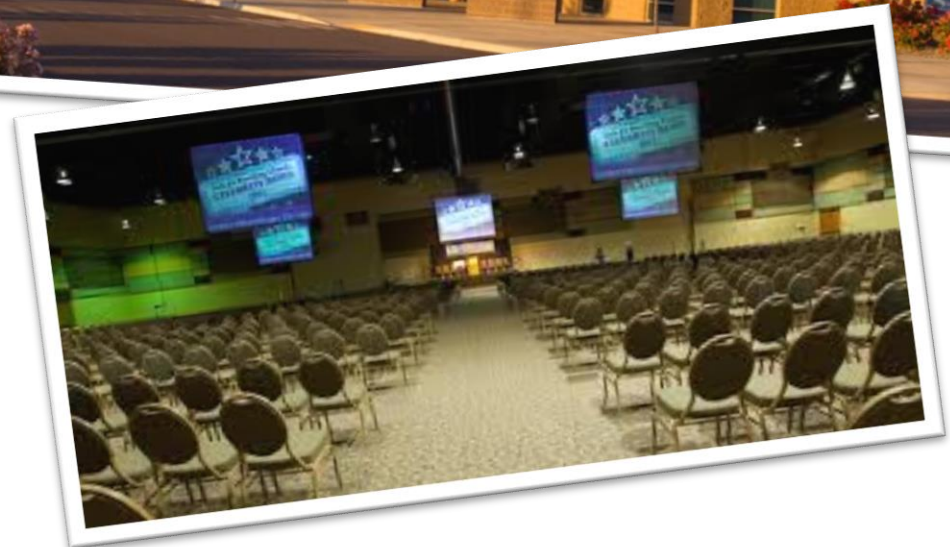
**SPOKANE
CONVENTION
CENTER**



**WASHINGTON STATE
CONVENTION CENTER**



Three Rivers Convention Center



TOURISM BENEFITS US ALL

- Supports local businesses
- Quality of life
- Supports Staff & Business Recruitment



A stylized graphic of a hand with fingers spread, composed of various colored segments (blue, green, yellow, red, dark blue) in a fan-like arrangement. The background is split into a red upper half and a dark blue lower half.

**For more
information
on tourism!**

www.VisitTRI-CITIES.com

**Thank
You!**

Regional Agribusiness Update

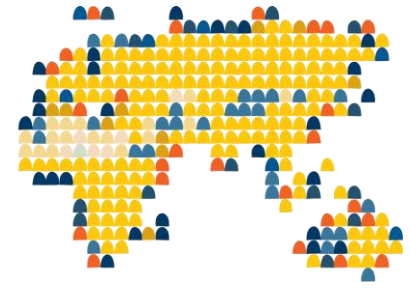
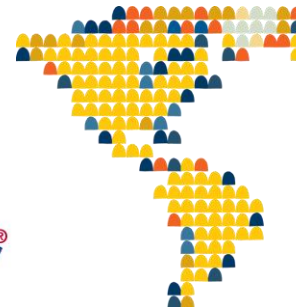
Steve Bannworth

VP Vegetable Business Unit & Corporate Farms

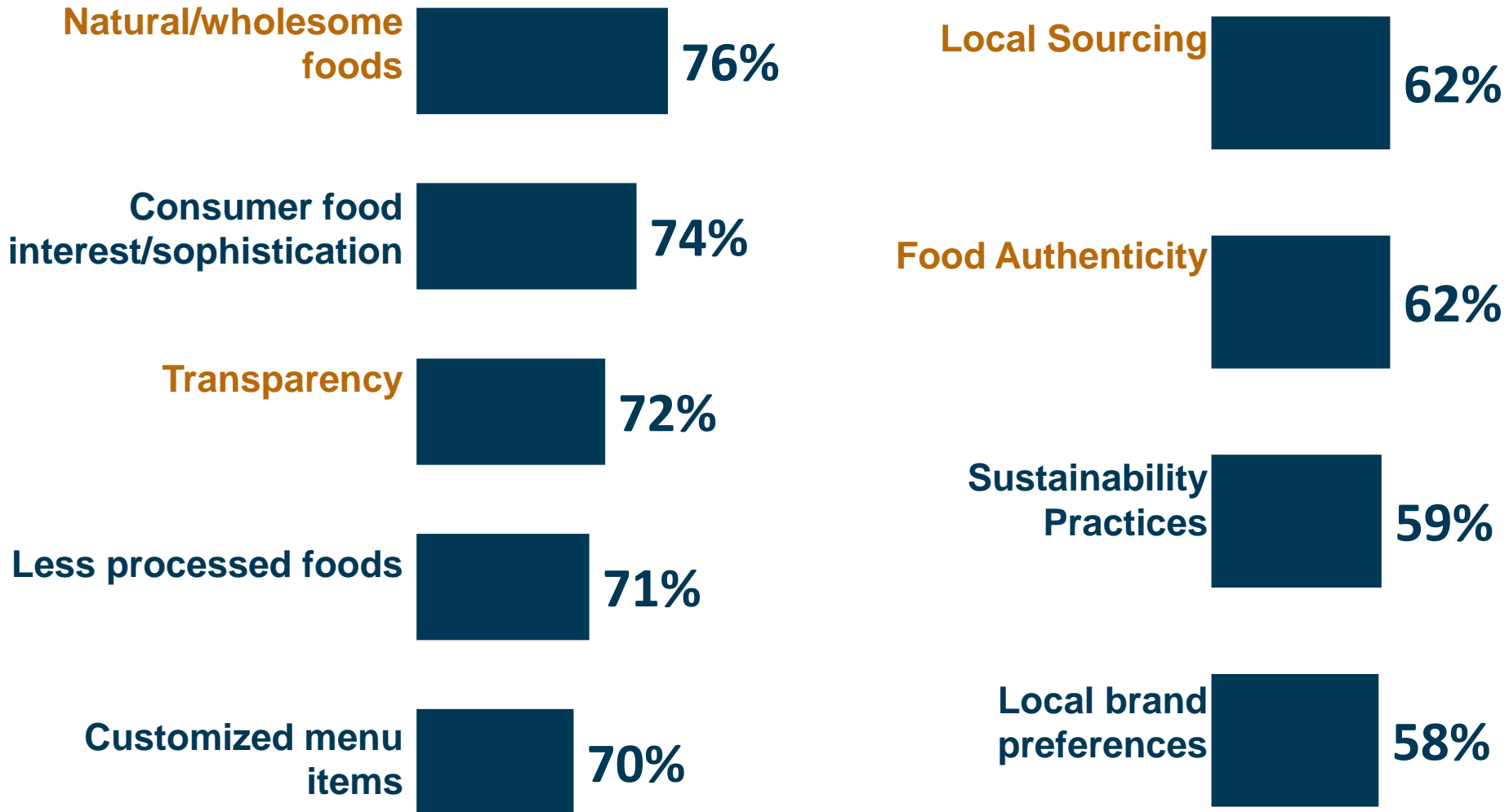


Lamb Weston Highlights

- ✓ Global frozen potato and vegetable supplier with nearly \$3B Net Sales
- ✓ Strong presence in Northwest with 12 plants, a innovation center & 2 HQ's
- ✓ In excess of 6,200 employees North America
- ✓ Owns and operate a 20,000 acre company farm
- ✓ Partner with NW growers on over 150,000 acres of potatoes & vegetables
- ✓ Quality and Food Safety Leaders



Food Trends See Changing Demands

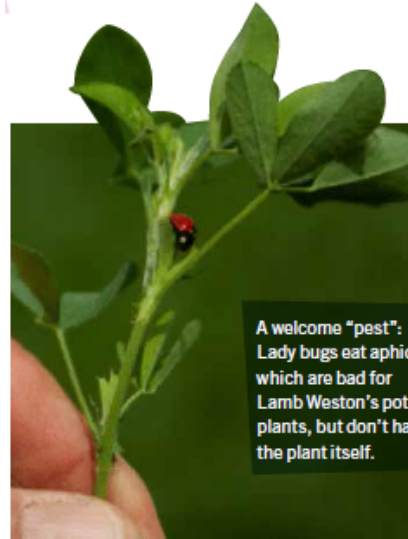


Driving a continued emphasis to build on success of sustainability practices and local sourcing



Potatoes

White potatoes used to produce our Lamb Weston frozen potato products — such as shoestring and crinkle-cut fries — are grown by farmers in the Pacific Northwest, near our network of more than a dozen facilities.



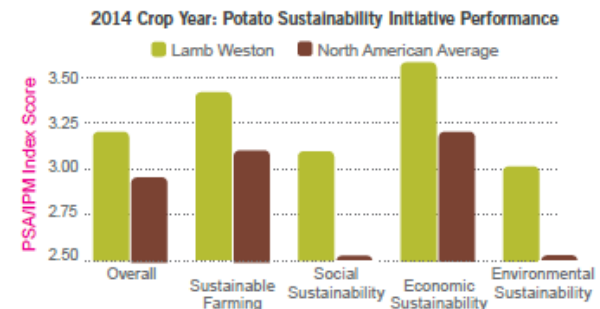
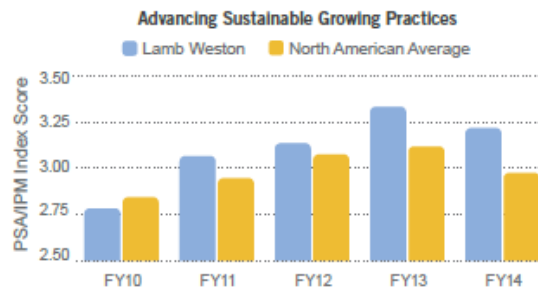
A welcome "pest": Lady bugs eat aphids, which are bad for Lamb Weston's potato plants, but don't harm the plant itself.

And our new Grower Information Edge program aims to consolidate critical data for all Lamb Weston growers over the next three years. This will centralize information and allow for the application of advanced analytics to enhance farming practices and establish benchmarks for growers related to their fields and the varieties of potatoes that they plant.

In a collaborative effort with customers, growers, academia and competitors, Lamb Weston participates in the Potato Sustainability Initiative. This program allows farmers to self-evaluate their farming operations against best practices in four areas:

- **Sustainable farming**, including food safety, seed handling and planting, pesticide and nutrient handling and application, pest, weed, and disease management, nutrient management, and overall farm management systems.
- **Social sustainability**, including working conditions and training.
- **Economic sustainability**, including cost of production, marketing, risk management and succession planning.
- **Environmental sustainability**, including water conservation and quality, soil conservation and quality, biodiversity, pollinator protection, energy conservation, and waste.

Continued on next page



Key Factors Impacting Agribusiness



Weather



Speculators



Capacity / Yield

Geopolitical Risk

Monetary Policy



Oil / Biofuel



Emerging World
Demand



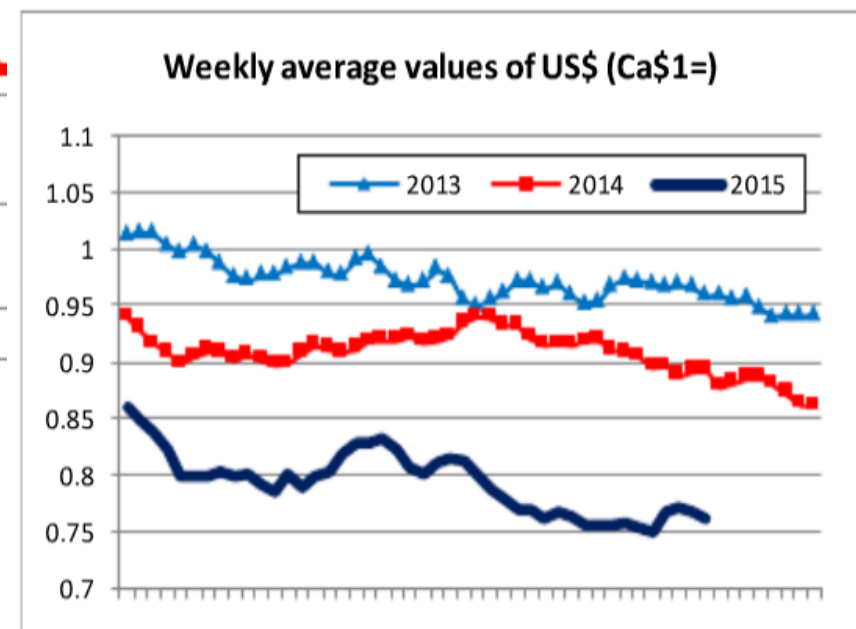
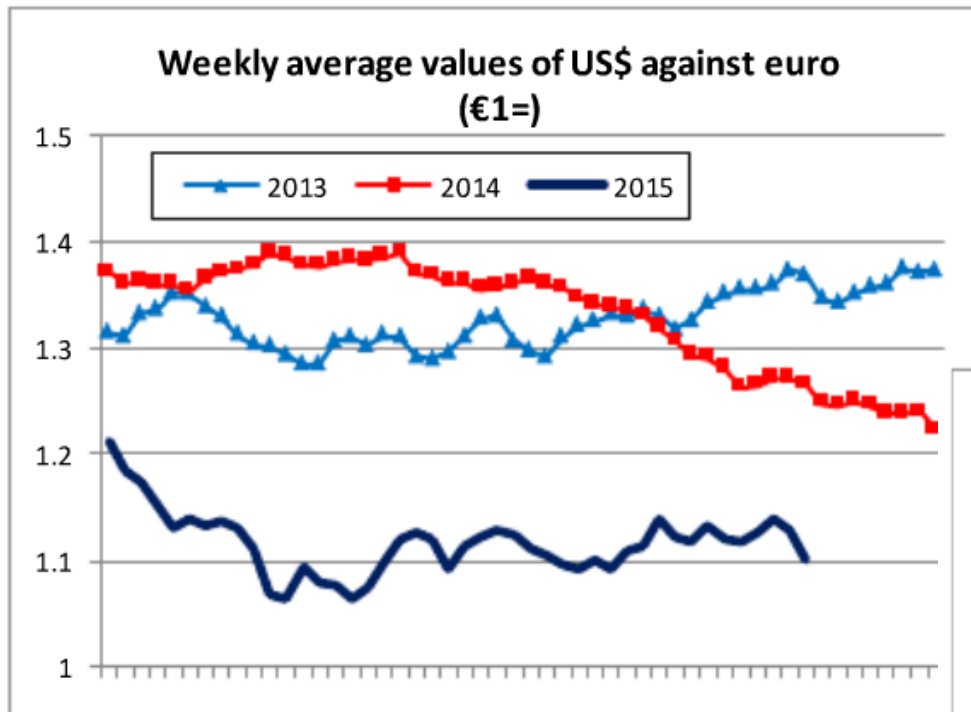
Land / Water
Availability

Presidents Conference 2011
WHERE LEADERS MEET

IFMA

IFDA

A strong US Dollar vs. the Euro and Canadian Dollar make US product relatively expensive



Major Crops Planted Acres

(millions of acres)

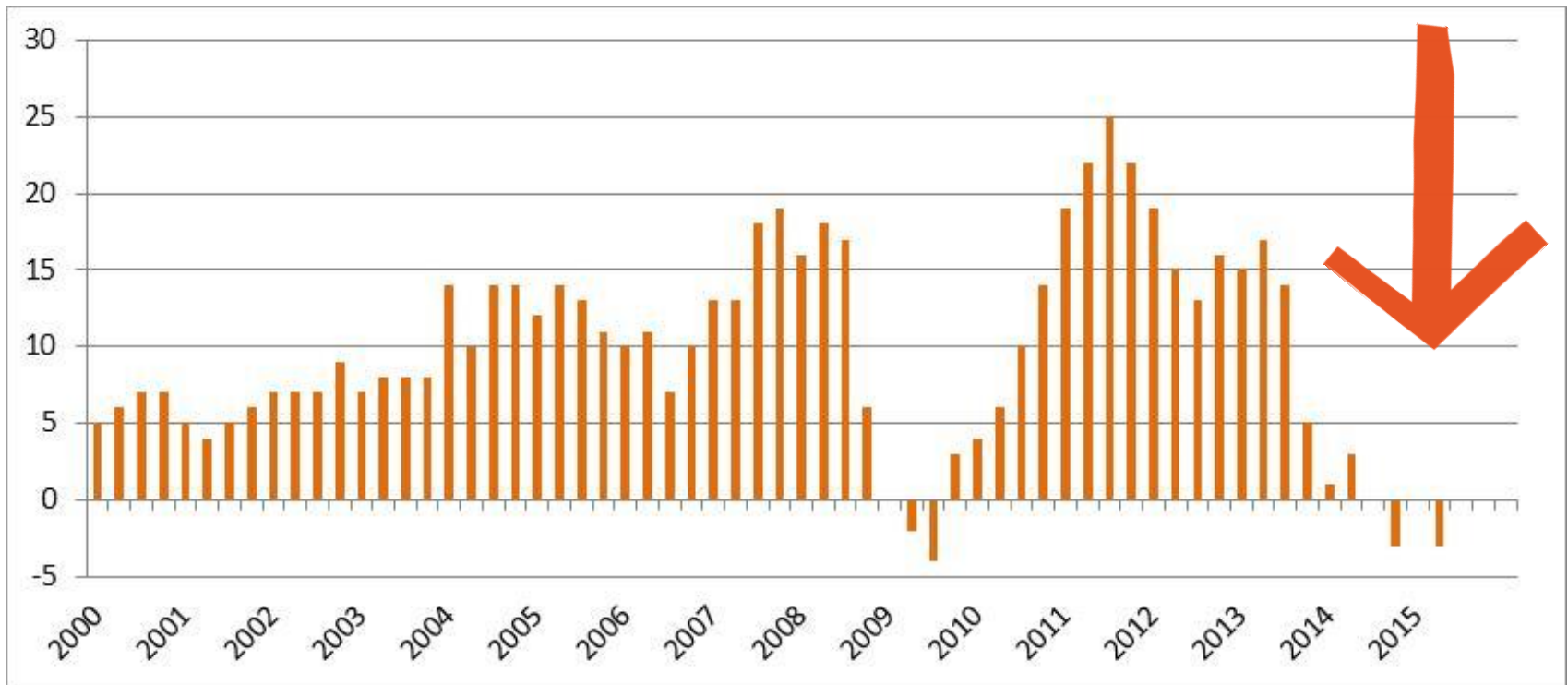
Crop	2007	2008	2009	2010	2011	2012	2013	2014	2015F	Change
Corn	93.5	86.0	86.4	88.2	91.9	97.2	95.4	90.6	88.0	-5.5
Total 8 Crops	247.5	253.0	248.7	245.0	249.0	257.2	254.9	257.6	251.7	4.2
Fall Potatoes	1.00	0.93	0.94	0.89	0.96	1.00	0.94	0.94	0.94	-0.06



- Corn, Sorghum, Barley, Oats, Wheat, Rice, Upland cotton, Soybeans
- Source: USDA

Farmland Values

Quarterly Year over Year Change in Value

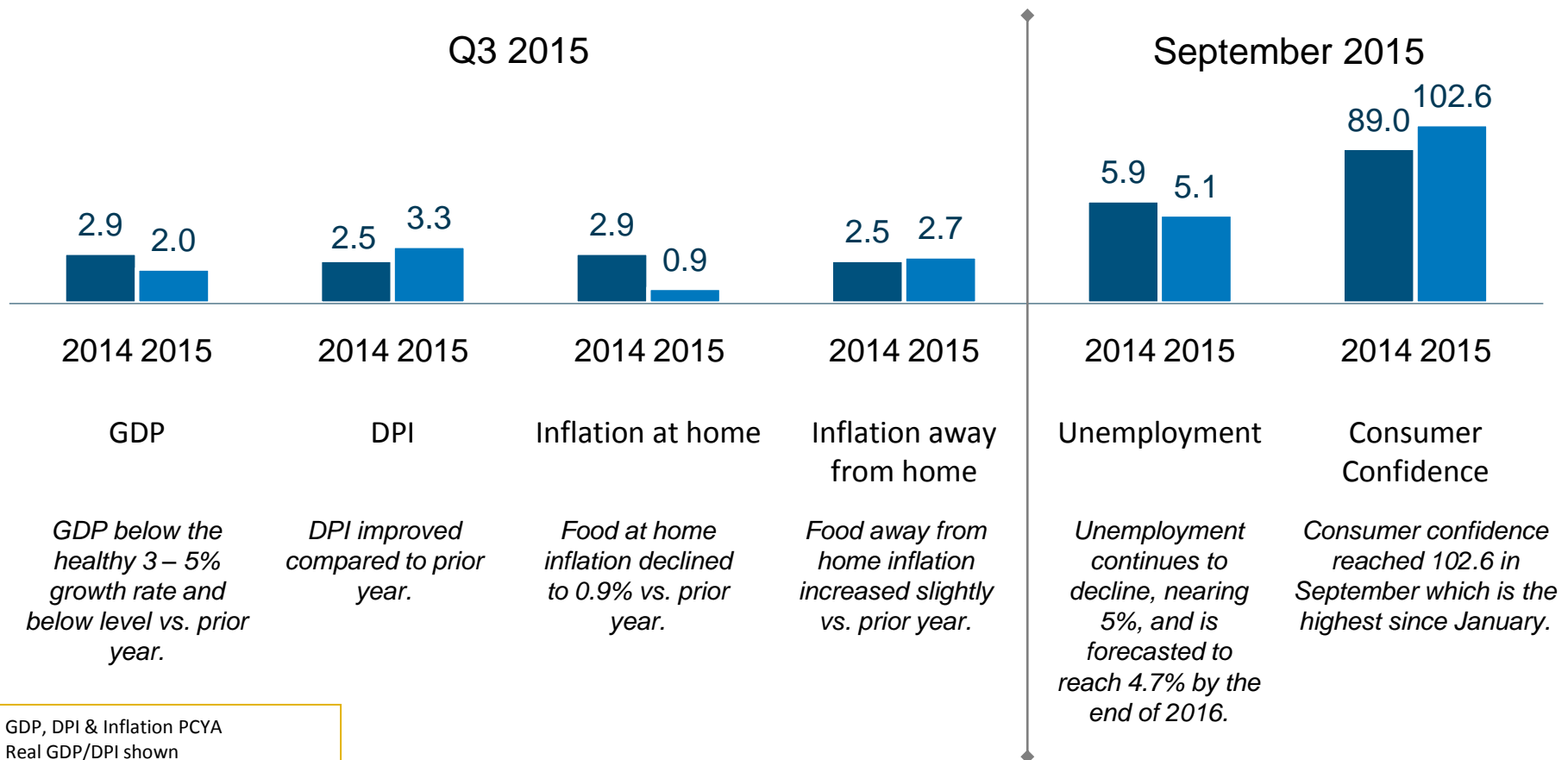


<https://www.chicagofed.org/research/data/index>

- ✓ Rising interest rates, strong dollar and lower for longer commodities are putting downward pressure on agricultural land values

Key U.S. Economic Metrics

Increasing consumer confidence and decreasing unemployment rate are bright spots in the economy.



GDP, DPI & Inflation PCYA
Real GDP/DPI shown
Unemployment & CCI: Monthly Rates

Source: Bureau of Economic Analysis/Bureau of Labor Statistics/Confidence Board/Consensus Forecast

PCYA = percent change vs. year ago



The Good News

- U.S. consumer confidence improving
- Restaurant Industry Traffic exceeded 61 Billion visits in 2015, an all-time high
- IFMA (International Foodservice Manufacturers Association) is estimating a 2.4% increase in the Foodservice industry in 2016
- The Columbia Basin agricultural community is well-poised to stay globally competitive
 - ✓ Historically consistent weather conditions
 - ✓ Access to water
 - ✓ Competitive yields and quality
 - ✓ Reasonable land values
 - ✓ Focus on sustainability and continuous improvement



Robert Almeida

Investment Officer / Institutional Portfolio Manager

MFS Investment Management®



US EQUITY MARKET

Taking on the market narratives

The views expressed in this presentation are those of the speaker and are subject to change at any time. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any other MFS investment product.

Past performance is no guarantee of future results.

AGENDA



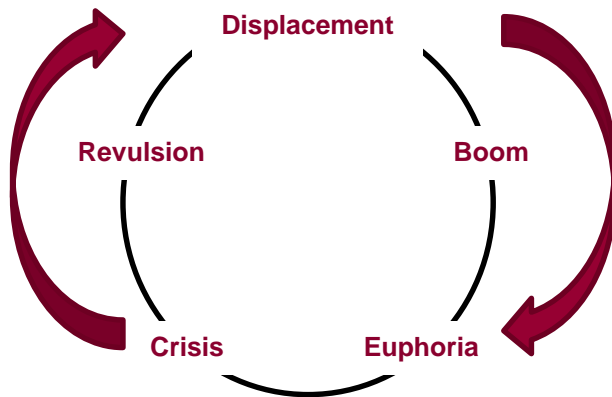
- Current market narratives
 - Market at all-time highs = Bubble
 - GDP = Equity returns
- Technology creating shifts in multiple profit pools
 - e-commerce
 - Advertising
 - Over-the-top
- Conclusions

CURRENT MARKET NARRATIVES

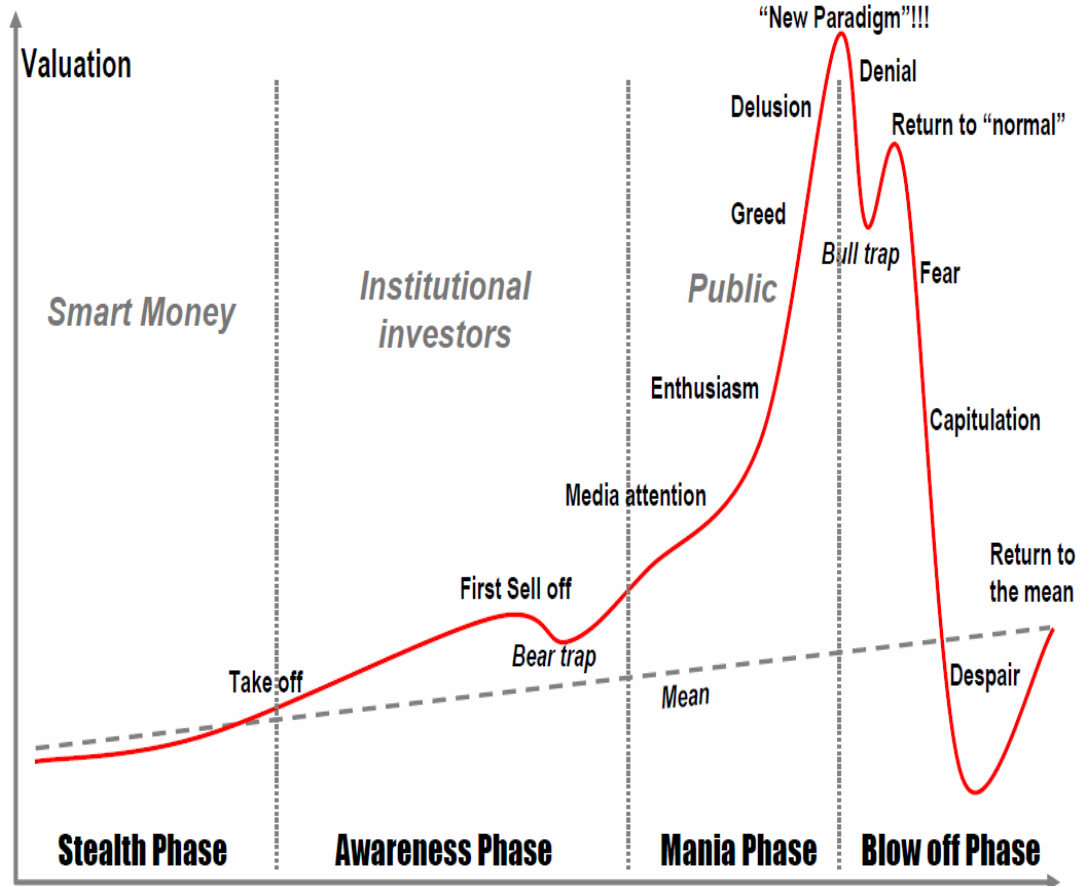
Market at all-time highs = Bubble



Historical view of a bubble¹



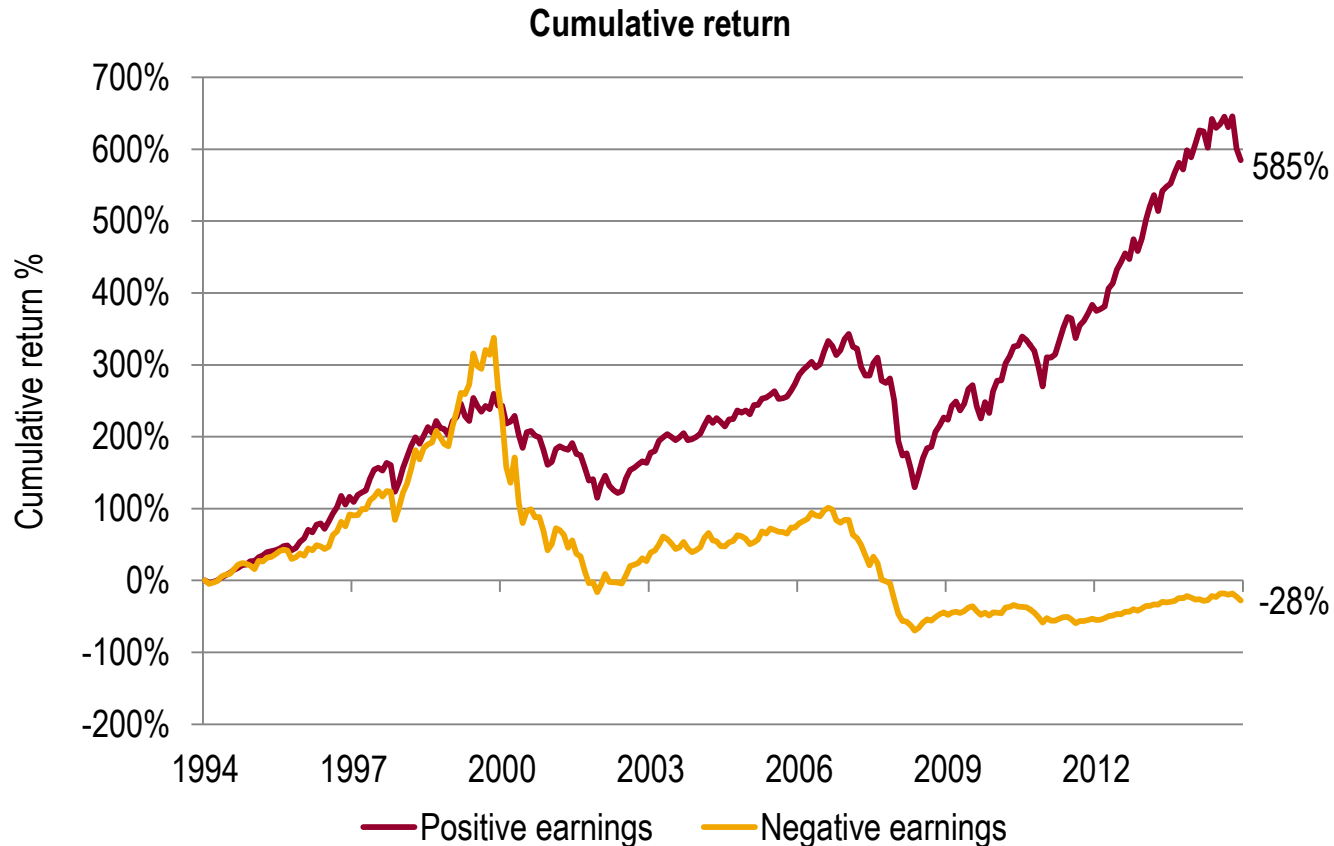
Today's view of a bubble²



Sources : ¹ Kindleberger-Minsky model stems from writing by Hyman Minsky (1975-1982) and Kindleberger in *Manias, Panics, and Crashes: A History of Financial Crises* (1996). ² Dr. Jean-Paul Rodrigue, Dept. of Economics & Geography, Hofstra University. February 2008.

CURRENT MARKET NARRATIVES

GDP = Equity returns...GDP \neq Equity returns



Source: Compustat earnings per share (EPS) data, as of 9/30/15. Each portfolio of positive and negative earnings companies is rebalanced monthly and market cap weighted.

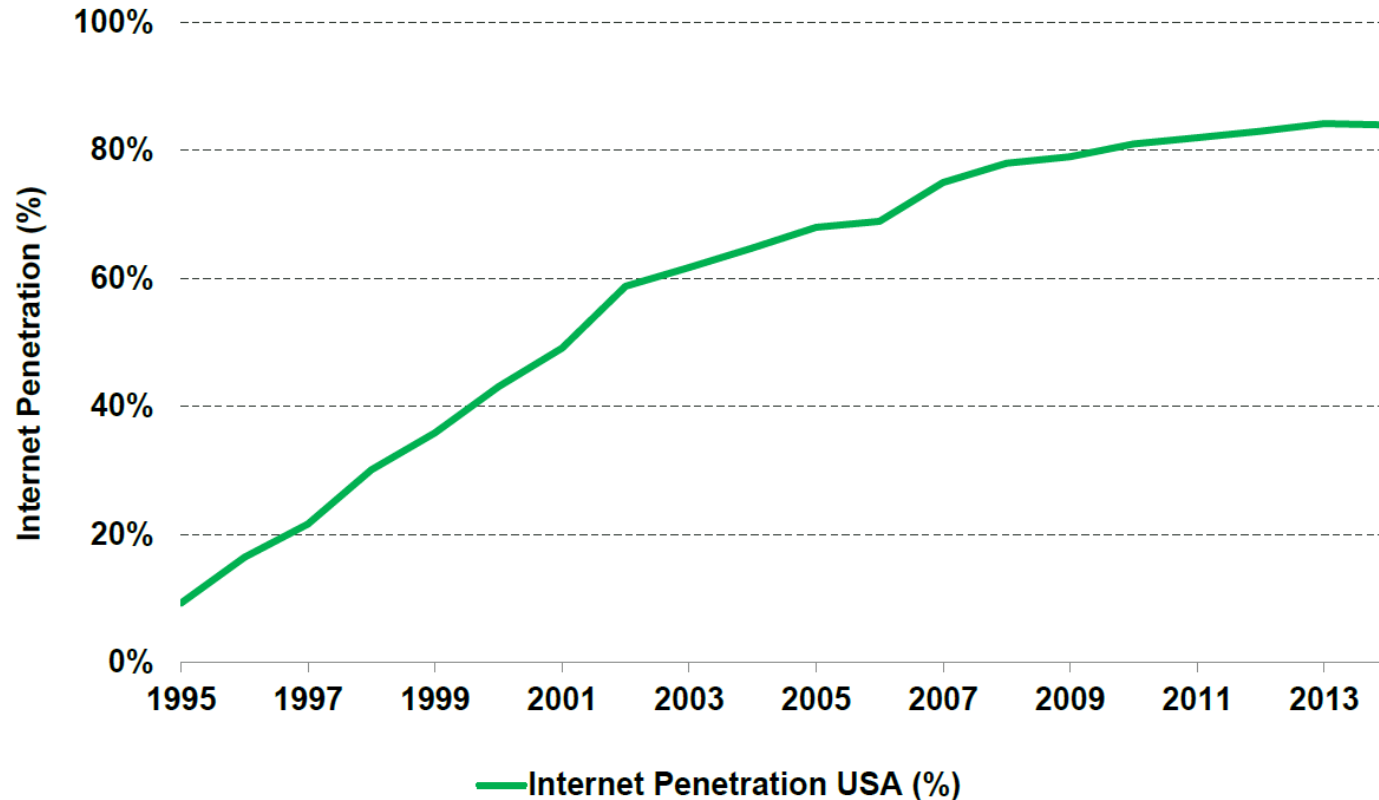
Profits drive stocks prices

PROFIT POOLS

Internet usage



Percent of Population with Internet Access, USA, 1995 – 2014



@KPCB

Source: World Bank, IDC

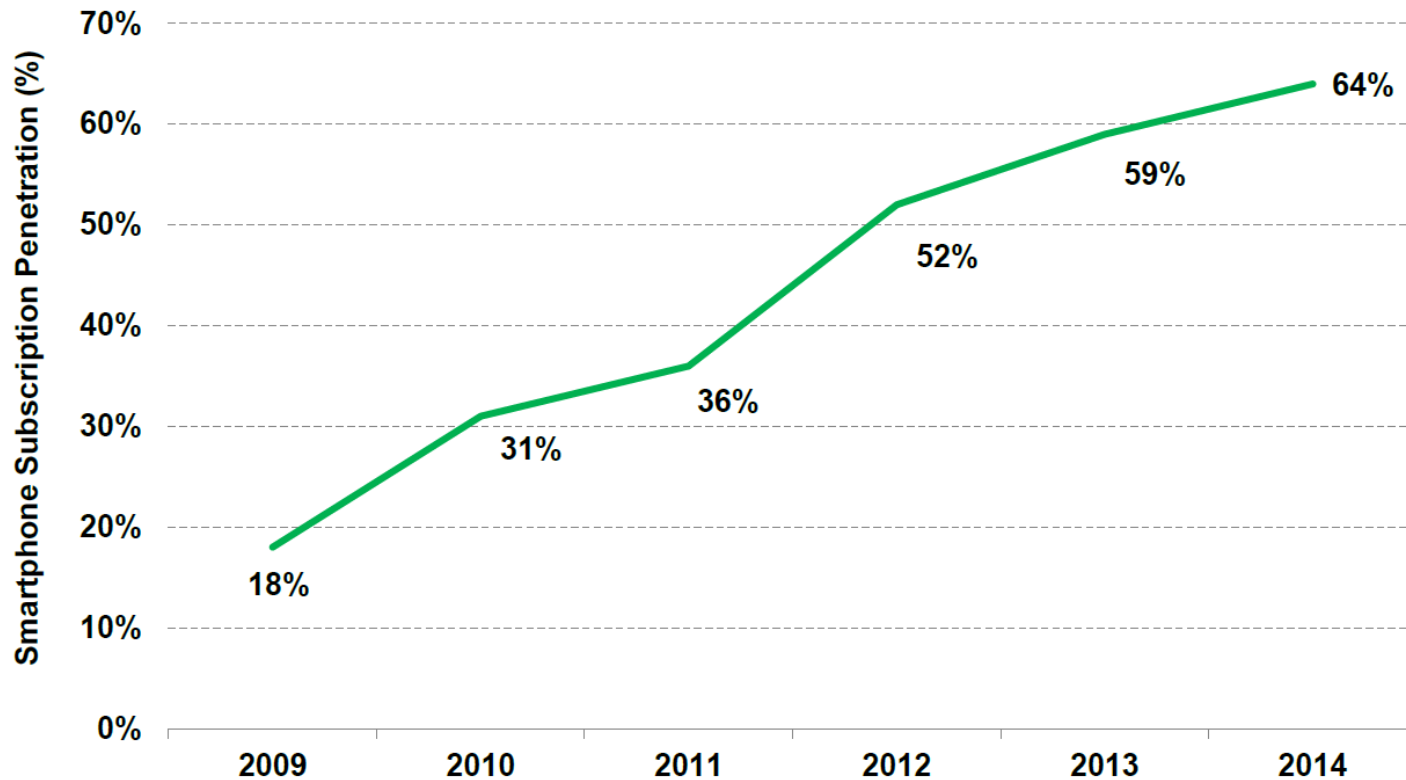
>80% of Americans use the internet today

PROFIT POOLS

Smartphone usage



Smartphone Subscription Penetration, USA, 2009 – 2014



Source: Informa, US Census Bureau.

Smartphone penetration data are based on subscriptions (also referred to as connections), which may overstate actual users for those who have multiple devices or connections.

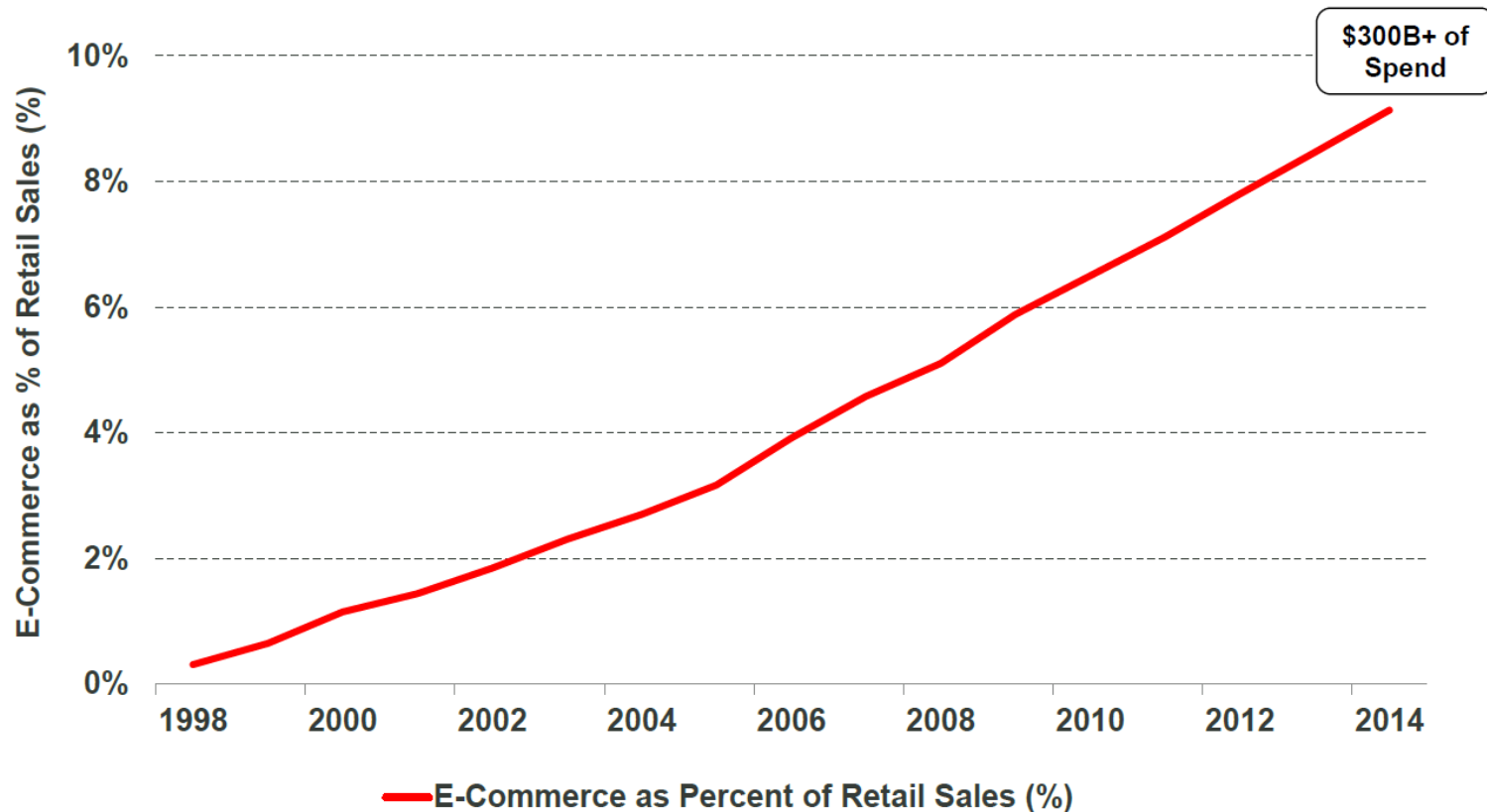
>60% of Americans use a smartphone

PROFIT POOLS

E-commerce



E-Commerce as % of Total Retail Sales, USA, 1998 – 2014



PROFIT POOLS

Advertising



Global average media consumption in mins per day	2012	2013	2014	2015
Internet	80.5	87.8	109.5	122.4
Newspapers	17.8	16.9	16.3	15.2
Magazines	9.5	8.9	8.3	7.9
TV	190.7	186.5	183.9	179.5
Radio	62.2	59.2	58.4	56.8
Cinema	1.8	2.0	1.7	1.7

Sources: CLSA and ZenithOptimedia, 6/30/15.

Time spent by consumers online increasing

PROFIT POOLS

Over-the-top

Era	Content Creation	Content Packaging	Content Distribution	User Interface	End User
1950-1970	Hollywood Studios Independent Producers	Broadcast Networks	Movie Theaters Broadcast TV Stations	Movie Screen Television	Viewers/ Consumers
1970-1990		Cable Networks (Including HBO)	Cable MSO's Blockbuster/VCR	PC	
1990-2000			DBS DVD/Retailers		
Today/Future	User Generated Content Semi-Professional Content Other Traditional Media Content	Google Amazon Apple Facebook Netflix Microsoft Hulu	RBOC's The Internet	Mobile Devices	

Content getting unbundled

CONCLUSIONS



- Where is the investor euphoria?
- Investors anchor to the wrong things
 - It's profits, not economic growth, that drives stock prices
- Technology, directly and indirectly, creating huge share shifts in major profit pools
 - Following market cycle of triple digit returns, selectivity will matter
 - Share shift in markets between winners and losers

THANK YOU