

Entravision Communications Corporation (EVC)

Post-Meeting Views on Digital Opportunities, Macro Waves and Control Transition; Buy

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We met with CFO and interim CEO Chris Young last week and share our thoughts on some topical issues as well as our updated forecast and valuation. We are incrementally positive on the digital business and cautious on broadcast advertising, while recognizing an overhang from the founder's family's shares.

Digital highlights are potential upsides from Meta relationship, TikTok growth and Smadex initiatives. We see some promise of a deeper relationship with Meta, with geographic expansions in the past year having potentially more relevance to this relationship than impact on EVC's near-term revenue and operating cash flow. We believe TikTok primarily and Twitter secondarily could continue 2022's momentum for EVC Asia. EVC Latam revenue growth this year—driven by Meta—looks robust (we model 12% for 2023). Smadex initiatives could bear fruit, and help offset a drag from tough comps on crypto advertising for the next few quarters.

In our view, fluctuating margin outlooks reflect flux in digital media representation business models. Whereas last year we saw EVC Asia with the higher margin potential, now we model EVC Latam with a slightly higher long-term margin. See Fig. 3. Puts and takes in economics include partner commission rate structures, the mix of a region's business done through EVC as opposed to directly with the platform, and perhaps the degree of focus on building a longer-term relationship (e.g., geographically exclusive agreements offered by Meta, but not by TikTok).

In U.S. broadcasting industry, ad cuts in the wake of the Silicon Valley Bank failure and other financial tremors seem focused on national spot TV, with radio more resilient. Recall that EVC's 1Q core advertising pacsings as of the 4Q call on 3/9 were +2% for TV and -1% for radio.

Our thoughts on share overhang left by founder's passing. Shares held by Walter Ulloa's family have a market value well over \$100m, but now lack voting control. Any open market sales face the constraint of an average daily trading volume of just ~\$2m. Although EVC itself might repurchase some of the shares, it has only \$8.7m remaining on its share repurchase program and would have to be mindful of reducing the stock's liquidity. Block trades would be one option if the family wanted to diversify its holdings. We have no direct insight into the family's thinking, however.

M&A pipeline remains active, with perhaps a handful of smaller (e.g., \$10-20m) deals in the hopper. We estimate that EVC could make \$300-400m in acquisitions while maintaining leverage within its comfort zone. We still see a larger deal between EVC and digital competitor Aleph Group as less likely in the near term, given potential reluctance of competing digital media platforms to have their sales representation in the same markets in the hands of one firm.

Reaffirm our 12-month \$7.50 price target; risks on page 2. Our PT is supported by a DCF valuation based on explicit financial forecasts through 2028.

BUY

Price at 3/27/23 (USD) 5.87

Price Target 7.50

52-week range 3.96 - 7.33

Performance (%)	1m	3m	12m
Absolute	-12	23	-7
S&P 500	0	4	-13

Market Cap (USDm) 516.4

Shares outstanding (m) 88.0

Float (%) 89

Average volume 357,515

S&P 500 3,977.5

Forecasts and ratios

Year ended 12/31	2022A	2023E	2024E
1Q EPS (USD)	0.02	0.01	0.12
2Q EPS (USD)	0.10	0.07	0.11
3Q EPS (USD)	0.11	0.04	0.15
4Q EPS (USD)	-0.02	0.17	0.11
FY EPS (USD)	0.21	0.29	0.49
% Change	-38%	41%	68%
P/E (x)	28.4	20.2	12.0
EV/EBITDA (x)	5.5	6.8	5.1
Revenue (USDm)	956.2	1,074.2	1,220.7
% Change	26%	12%	14%

ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES ARE LOCATED IN THE APPENDIX.

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Investment Thesis and Valuation: Buy With \$7.50 Price Target

Positives supporting our Buy rating include: 1) EVC's share price is not fully capturing the potential of digital media acquisitions because their higher growth and different business models are more difficult for investors to assess; 2) higher post-pandemic broadcast margins, stability of TV retransmission revenue (35% of 2022E EBITDA) and secular growth of political advertising revenue (~31% of 2022E EBITDA), and potential monetization from future spectrum auction (as in 2017) substantially reduce the operating risk profile of overall business; 3) pro forma net debt leverage under 2x and double-digit free cash flow yield will give new senior management flexibility to increase returns of capital and continue accretive digital acquisitions; and 4) our DCF valuation supports substantial stock price upside over the next 12 months, particularly if there is no recession.

Our DCF-based 12-month price target is a weighted average of projected equity valuations at year-end 2023 and 2024; our PT assumes a 50% chance of a base case with ~\$94m in 2023 EBITDA and a 50% chance of a recession with ~\$86m in 2023 EBITDA, resulting in a target valuation range of \$6-\$8. In structuring our DCF, first we adjust the current net debt for the value of any estimated payments remaining on the acquisitions (e.g., earnouts) and noncontrolling interest. Second, we adjust the current net debt by the estimated free cash flow to be generated by each valuation date. Finally, we value EVC both using a weighted average cost of capital (WACC) reflecting its own stock price trading and using separate WACCs for its broadcast and digital media businesses based on sector comparables, applied to separate free cash flow forecasts for each of these businesses. The results of these two methods set the range for our valuation, with the EVC-specific method incorporating market data on EVC shares' actual volatility setting the upper bound, and the sector method relying on measures of risk of comparables setting the lower bound. Note that in our DCF, for our terminal value estimates, we assume that capex equals D&A, which results in a substantially higher capex estimate than in our financial statement forecasts because capex should be like D&A for a terminal value forecast, to support the need for an asset base in perpetuity.

Risks to our investment thesis include: 1) impact of upcoming management succession and change in voting control on company's strategy and pursuit of potential longer-term options, including sale of all or a portion of the company, 2) sensitivity of EVC's advertising-based businesses to macroeconomic shocks, such as a recession, 3) potential volatility of EVC's digital media business, given its increasing focus on emerging markets, its dependence on a small number of commercial relationships with media tech platforms, and increasing competition, 4) secular challenges and potentially increasing competition from TelevisaUnivision for EVC's broadcast media business, and 5) risk-off market sentiment as an overhang for valuation of EVC's fast-growing, less mature digital advertising businesses.

Updated Model Continues to Support Our Valuation Range

Figure 1: No changes to our 2023/24 estimates, although we shift a small amount of operating cash flow to EVC Latam from EVC Asia

Entravision Communications (NYSE: EVC)									
Summary of Annual Estimates									
In millions, except per share data									
	Last Yr	Estimates			YoY %CHG			Consensus	ICR vs Consensus
		Prior	Chg	Current	Prior	Chg	Current		
2023E									
As Reported									
Revenue	956.2	1,074.2	(0.0)	1,074.2	12.3%	0.0%	12.3%	1,050	2.3%
Op expense	853.2	980.2	(0.0)	980.2	14.9%	0.0%	14.9%		
Adjusted EBITDA	103.0	94.0	0.0	94.0	-8.8%	0.0%	-8.8%	94.0	0.0%
Margin	10.8%	8.8%	0.0%	8.8%				9.0%	-0.2%
EPS	\$0.21	\$0.29	\$0.00	\$0.29	41.2%	0.2%	41.4%	\$0.37	-21.3%
Cash FCF/sh	\$0.72	\$0.61	\$0.00	\$0.61	-15.3%	0.0%	-15.3%		
2024E									
As Reported									
Revenue	1,074.2	1,220.7	(0.0)	1,220.7	13.6%	0.0%	13.6%	1,178	3.6%
Op expense	980.2	1,095.1	0.0	1,095.1	11.7%	0.0%	11.7%		
Adjusted EBITDA	94.0	125.6	(0.0)	125.6	33.6%	0.0%	33.6%	127.0	-1.1%
Margin	8.8%	10.3%	0.0%	10.3%				10.8%	-0.5%
EPS	\$0.29	\$0.49	(\$0.00)	\$0.49	68.0%	-0.1%	67.9%	\$0.72	-32.1%
Cash FCF/sh	\$0.61	\$0.95	\$0.00	\$0.95	55.7%	0.0%	55.7%		
* reflects announced acquisitions and dispositions									
Source: Company reports, FactSet, Industry Capital Research estimates									

Summary of Digital Segment Annual Estimates								
In millions, except per share data								
	Last Yr	Estimates			YoY %CHG			Current
		Old	Chg	Current	Old	Chg	Current	
2023E								
As Reported								
Legacy Digital Revenue	103.7	137.0	0.0	137.0	32.2%	0.0%	32.2%	
Legacy Digital Opex	89.4	122.9	(0.0)	122.8	37.4%	0.0%	37.4%	
Legacy Digital OCF	14.3	14.2	0.0	14.2	-0.8%	0.0%	-0.7%	
Margin	13.8%	10.4%	0.0%	10.4%				
EVC Latam Revenue	508.8	568.5	0.0	568.5	11.7%	0.0%	11.7%	
EVC Latam Opex	480.2	535.4	0.0	535.4	11.5%	0.0%	11.5%	
EVC Latam OCF	28.6	33.1	(0.0)	33.1	15.7%	0.0%	15.7%	
Margin	5.6%	5.8%	0.0%	5.8%				
EVC Asia Revenue	89.5	99.2	0.0	99.2	10.8%	0.0%	10.8%	
EVC Asia Opex	84.2	92.2	0.0	92.2	9.5%	0.0%	9.5%	
EVC Asia OCF	5.3	7.0	(0.0)	7.0	30.6%	-0.6%	30.0%	
Margin	6.0%	7.0%	0.0%	7.0%				
365 Digital Revenue	11.4	11.7	0.0	11.7	2.2%	0.0%	2.2%	
365 Digital Opex	10.7	11.5	(0.0)	11.5	7.3%	0.0%	7.2%	
365 Digital OCF	0.7	0.2	0.0	0.2	-71.8%	0.7%	-71.0%	
Margin	6.4%	1.8%	0.0%	1.8%				
Digital Segment Revenue	747.1	890.3	(0.0)	890.3	19.2%	0.0%	19.2%	
Digital Segment Opex	698.1	832.9	(0.0)	832.9	19.3%	0.0%	19.3%	
Digital Segment OCF	49.0	57.4	0.0	57.5	17.1%	0.1%	17.2%	
Margin	6.6%	6.4%	0.0%	6.5%				
2024E								
As Reported								
Legacy Digital Revenue	137.0	161.0	0.0	161.0	17.5%	0.0%	17.5%	
Legacy Digital Opex	122.8	143.7	(0.0)	143.6	16.9%	0.0%	16.9%	
Legacy Digital OCF	14.2	17.3	0.0	17.3	21.9%	0.3%	22.2%	
Margin	10.4%	10.7%	0.0%	10.8%				
EVC Latam Revenue	568.5	638.9	0.0	638.9	12.4%	0.0%	12.4%	
EVC Latam Opex	535.4	598.8	(0.9)	597.9	11.8%	-0.2%	11.7%	
EVC Latam OCF	33.1	40.1	0.9	41.0	21.1%	2.6%	23.7%	
Margin	5.8%	6.3%	0.1%	6.4%				
EVC Asia Revenue	99.2	109.5	0.0	109.5	10.4%	0.0%	10.4%	
EVC Asia Opex	92.2	100.3	0.9	101.2	8.7%	0.9%	9.7%	
EVC Asia OCF	7.0	9.2	(0.9)	8.3	32.1%	-12.5%	19.6%	
Margin	7.0%	8.4%	-0.8%	7.6%				
365 Digital Revenue	11.7	16.3	0.0	16.3	39.0%	0.0%	39.0%	
365 Digital Opex	11.5	14.7	0.0	14.7	27.6%	0.3%	28.0%	
365 Digital OCF	0.2	1.6	(0.0)	1.6	NM	NM	NM	
Margin	1.8%	9.9%	-0.2%	9.6%				
Digital Segment Revenue	890.3	1,015.6	(0.0)	1,015.6	14.1%	0.0%	14.1%	
Digital Segment Opex	832.9	941.5	0.0	941.5	13.0%	0.0%	13.0%	
Digital Segment OCF	57.5	74.1	(0.0)	74.1	29.0%	-0.1%	29.0%	
Margin	6.5%	7.3%	0.0%	7.3%				

* reflects announced acquisitions and dispositions

Source: Company reports, FactSet, Industry Capital Research estimates

Figure 2: No PT change as higher long-term radio margins and lower interest rates balance higher earnouts and noncontrolling interest

Entravision Communications														
Summary of Changes to Forecast and Valuation														
(in \$ million except unit data)														
CAGRs	2022		DCF Valuation		EBITDA CAGRs					Risk Free Rate	Equity Premium	WACC-EVC	WACC-EVC-D	WACC-EVC-B
	Rev	EBITDA	Low	High	2019-23	2021-25	2022-26	2023-27	2024-28					
Prior	956.2	103.1	\$6.50	\$8.00	23%	8%	9%	7%	7%	4.0%	4.8%	8.6%	11.8%	7.3%
Current	956.2	103.0	\$6.50	\$8.00	23%	8%	9%	8%	8%	3.4%	4.8%	8.1%	11.2%	6.8%
Delta	0.0	0.0	\$0.00	\$0.00	0.0%	0.2%	-0.1%	0.5%	0.5%	-0.6%	0.0%	-0.5%	-0.6%	-0.5%

Source: Company data and Industry Capital Research estimates

Figure 3: We now assume EVC Latam will have a slightly higher long-term OCF margin than EVC Asia, reflecting some caution on TikTok

Digital Segment							
In millions, except unit data							
	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Legacy							
Revenue	\$103.7	\$137.0	\$161.0	\$177.1	\$185.9	\$191.5	\$195.3
Cost of Revenue	60.4	79.8	93.8	103.1	108.3	111.5	113.8
Opex ex-cost of revenue	29.0	43.0	49.9	53.2	54.6	55.7	56.4
OCF	14.3	14.2	17.3	20.7	23.0	24.3	25.1
OCF Margin	13.8%	10.4%	10.8%	11.7%	12.4%	12.7%	12.9%
Acquisitions Since 2020-Stand Alone							
Entravision Latam revenue	508.8	568.5	638.9	702.8	759.0	789.4	820.9
Entravision Latam cost of revenue	453.4	506.6	569.3	626.2	676.3	703.4	731.5
Entravision Latam opex ex-cost of revenue	26.8	28.8	28.6	24.9	25.9	25.9	26.5
Entravision Latam OCF	28.6	33.1	41.0	51.6	56.8	60.1	63.0
EL OCF Margin	5.6%	5.8%	6.4%	7.3%	7.5%	7.6%	7.7%
Entravision Asia revenue	89.5	99.2	109.5	125.9	144.8	159.3	165.6
Entravision Asia cost of revenue	74.9	83.0	91.6	105.3	121.1	133.2	138.5
Entravision Asia opex ex-cost of revenue	9.3	9.3	9.6	11.8	13.6	14.6	15.4
Entravision Asia OCF	5.3	7.0	8.3	8.8	10.1	11.5	11.7
Entravision Asia OCF Margin	6.0%	7.0%	7.6%	7.0%	7.0%	7.2%	7.1%
365 Digital revenue	11.4	11.7	16.3	18.7	20.6	21.6	22.7
365 Digital cost of revenue	8.9	9.1	12.7	14.6	16.0	16.8	17.7
365 Digital opex ex-cost of revenue	1.8	2.4	2.0	2.2	2.3	2.3	2.4
365 Digital OCF	0.7	0.2	1.6	2.0	2.3	2.4	2.6
365 Digital OCF Margin	6.4%	1.8%	9.6%	10.4%	11.0%	11.2%	11.5%
Jack of Digital revenue	1.7	4.3	8.4	9.7	10.6	11.2	11.7
Jack of Digital cost of revenue	1.2	3.1	6.1	7.1	7.8	8.1	8.6
Jack of Digital opex ex-cost of revenue	0.4	0.5	0.6	0.6	0.8	0.8	0.8
Jack of Digital OCF	0.1	0.6	1.7	2.0	2.1	2.2	2.4
Jack of Digital OCF Margin	3.5%	14.5%	19.9%	20.4%	19.9%	20.1%	20.2%
Adsmurai revenue	61.6	69.6	81.6	93.9	103.2	108.4	113.8
Adsmurai cost of revenue	48.9	55.1	64.6	74.3	81.7	85.8	90.1
Adsmurai opex ex-cost of revenue	9.1	12.2	12.8	13.8	14.4	14.8	15.2
Adsmurai OCF	3.6	2.3	4.2	5.8	7.0	7.8	8.5
Adsmurai OCF Margin	5.9%	3.4%	5.1%	6.2%	6.8%	7.2%	7.5%
Digital segment as reported							
Digital revenue	747.1	890.3	1,015.6	1,128.0	1,224.2	1,281.3	1,330.1
Digital cost of revenue	624.0	736.7	838.0	930.6	1,011.2	1,058.9	1,100.2
Digital opex	74.1	96.2	103.5	106.5	111.6	114.2	116.7
Digital OCF	49.0	57.5	74.1	90.9	101.3	108.2	113.3

Source: Company reports; Industry Capital Research estimates

Figure 4: Financial statement forecasts

In millions, except per share data													
AS REPORTED	2020A	2021A	1Q22	2Q22	3Q22	4Q22	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E
Net revenue:													
Television	\$154.5	\$146.8	\$30.9	\$32.4	\$35.7	\$45.8	\$144.7	30.1	29.5	28.5	36.7	124.8	141.2
Radio	46.3	58.0	12.6	14.9	16.5	20.4	64.4	12.2	14.6	15.0	17.3	59.1	63.8
Net broadcast revenue	200.7	204.9	43.5	47.3	52.1	66.2	209.1	42.3	44.1	43.5	54.0	183.9	205.1
Digital	143.3	555.3	153.7	174.4	188.9	230.1	747.1	190.2	214.5	222.5	263.2	890.3	1,015.6
Total net revenue (core)	344.0	760.2	197.2	221.7	241.0	296.3	956.2	232.5	258.6	266.0	317.2	1,074.2	1,220.7
Revenue from spectrum usage rights	0.0	0.0					0.0					0.0	0.0
Total net revenue	344.0	760.2	197.2	221.7	241.0	296.3	956.2	232.5	258.6	266.0	317.2	1,074.2	1,220.7
Cost of Revenue													
Television													
Radio													
Digital	106.9	466.5	129.9	145.0	157.1	192.0	624.0	159.4	176.5	183.5	217.3	736.7	838.0
Digital cost of revenue as % of revenue	74.6%	84.0%	84.5%	83.1%	83.2%	83.4%	83.5%	83.8%	82.3%	82.5%	82.6%	82.7%	82.5%
Total cost of revenue (core)	106.9	466.5	129.9	145.0	157.1	192.0	624.0	159.4	176.5	183.5	217.3	736.7	838.0
Cost of revenue from spectrum usage rights (television)													
Total cost of revenue	106.9	466.5	129.9	145.0	157.1	192.0	624.0	159.4	176.5	183.5	217.3	736.7	838.0
Opex													
Television opex	80.9	81.4	19.2	19.7	20.0	23.0	82.0	19.8	19.5	19.2	18.2	76.7	79.4
Radio opex	41.8	40.0	9.4	10.4	10.2	11.7	41.7	10.7	11.9	10.4	10.1	43.1	47.0
Digital opex	30.6	51.5	15.2	17.3	19.1	22.6	74.1	22.3	22.5	25.0	26.3	96.2	103.5
Total opex (core)	153.3	172.9	43.9	47.4	49.289	57.2	197.8	52.8	53.9	54.6	54.6	216.0	229.9
Spectrum usage rights													
Total Opex	153.3	172.9	43.9	47.4	49.3	57.2	197.8	52.8	53.9	54.6	54.6	216.0	229.9
OCF													
Television OCF	73.6	65.4	\$11.6	\$12.6	\$15.7	\$22.8	62.8	\$10.3	\$10.0	\$9.4	\$18.4	48.1	61.9
TV OCF Margin	47.6%	44.6%	37.7%	39.1%	43.9%	49.8%	43.4%	34.2%	33.9%	32.9%	50.3%	38.5%	43.8%
Incremental Margin	173.4%	106.6%					126.6%					73.5%	83.7%
Radio OCF	4.5	18.0	3.2	4.6	6.2	8.7	22.7	1.6	2.7	4.6	7.2	16.0	16.8
Radio OCF margin	9.7%	31.0%	25.5%	30.5%	38.0%	42.6%	35.2%	12.7%	18.2%	30.5%	41.6%	27.0%	26.3%
Incremental Margin	-70.4%	114.9%					74.0%					127.6%	17.9%
Digital OCF	5.7	37.3	8.6	12.2	12.7	15.6	49.0	8.4	15.5	13.9	19.6	57.5	74.1
Digital OCF margin	4.0%	6.7%	5.6%	7.0%	6.7%	6.8%	6.6%	4.4%	7.2%	6.3%	7.5%	6.5%	7.3%
Incremental Margin	7.9%	7.7%					6.1%					5.9%	13.3%
Total OCF (core)	83.8	120.8	23.4	29.4	34.6	47.1	134.5	20.2	28.1	27.9	45.3	121.5	152.8
Margin	24.4%	15.9%	11.9%	13.2%	14.3%	15.9%	14.1%	8.7%	10.9%	10.5%	14.3%	11.3%	12.5%
Incremental Margin			-0.6%	3.3%	6.9%	15.5%		-9.0%	-3.3%	-26.9%	-8.9%		
Spectrum sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total OCF	83.8	120.8	23.4	29.4	34.6	47.1	134.5	20.2	28.1	27.9	45.3	121.5	152.8
Total OCF Margin	24.4%	15.9%	11.9%	13.2%	14.3%	15.9%	14.1%	8.7%	10.9%	10.5%	14.3%	11.3%	12.5%
Incremental Margin			-0.6%	3.3%	6.9%	15.5%		-9.0%	-3.3%	-26.9%	-8.9%		
Corporate Expense	27.8	33.0	8.7	8.5	9.5	22.6	49.4	9.6	9.4	10.5	9.6	39.0	39.8
GAAP EBITDA	56.0	87.8	14.7	20.8	25.1	24.5	85.1	10.7	18.8	17.4	35.7	82.5	113.0
Corporate non-cash comp	3.9	6.4	1.6	1.7	1.8	9.2	14.3	2.0	2.1	2.2	2.3	8.6	8.8
Opex adjustments to cash:													
Amortization of syndication contracts	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.5)
Payments on syndication contracts	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.5)
Non-cash comp in direct opex	1.2	3.2	1.0	0.9	1.0	2.8	5.7	1.7	1.7	1.7	0.7	5.8	5.9
Non-recurring cash severance	1.7	0.4				4.3	4.3						
EBITDA attributable to redeemable noncontrolling interest	3.4	9.1	0.0	0.0	0.0	0.0	0.0	0.1	(0.1)	0.3	1.0	1.2	2.1
EBITDA attributable to noncontrolling interest						3.4	3.4					0.0	0.0
Total opex (positive) adjustments to cash	0.5	5.5	(1.0)	(0.9)	(1.0)	(3.7)	(6.6)	(1.6)	(1.8)	(1.5)	0.3	(4.6)	(3.8)
Foreign currency (gain) loss	(1.1)	0.5	(0.8)	1.0	2.0	0.9	3.0	0.9	0.9	0.0	0.0	1.7	0.0
Total Adjusted EBITDA	60.4	88.2	18.1	22.5	25.9	36.5	103.0	13.4	21.8	21.1	37.7	94.0	125.6
Other opex for spectrum (in corporate)													
Adjusted EBITDA (core)	60.4	88.2	18.1	22.5	25.9	36.5	103.0	13.4	21.8	21.1	37.7	94.0	125.6
Memo: adj. EBITDA (core) reported	60.4	88.0	18.1	22.5	26.0	36.5	103.1						
Model variance: adj. EBITDA	(0.0)	0.1	0.0	0.0	(0.0)	0.0							
Adj. EBITDA core margin	17.6%	11.6%	9.2%	10.1%	10.8%	12.3%	10.8%	5.8%	8.4%	7.9%	11.9%	8.8%	10.3%
Incremental Margin	27.3%	6.7%	8.1%	10.8%	6.2%	5.9%	7.6%	-13.3%	-1.9%	-19.2%	5.5%	-7.7%	21.5%

Source: Industry Capital Research estimates and company data

Figure 5: Financial statement forecasts (cont.)

In millions, except per share data	2020A	2021A	1Q22	2Q22	3Q22	4Q22	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E
Memo: cash opex (core)	\$153.8	\$178.4	\$42.9	\$46.4	\$48.3	\$53.6	\$191.2	\$1.2	\$2.2	\$3.1	\$4.9	\$211.4	\$226.1
Memo: cash corporate expense	23.9	26.6	7.1	6.8	7.7	13.4	35.1	7.6	7.3	8.2	7.3	30.4	31.0
Memo: total non-cash comp	5.1	9.6	2.6	2.6	2.8	12.0	20.0	3.7	3.8	4.0	3.0	14.4	14.7
Memo: adj. EBITDA - (OCF - cash corporate)	0.6	(6.0)	1.8	(0.1)	(0.9)	2.8	3.6	0.8	0.9	1.5	(0.3)	2.9	3.8
Memo: PF EBITDA attributable to redeemable noncontrolling interest													
D&A	17.3	22.4	6.4	6.3	6.6	6.5	25.7	6.3	7.0	7.2	8.6	29.1	36.6
D&A % of Revenue	5.0%	2.9%	3.2%	2.8%	2.7%	2.2%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	3.0%
Change in fair value contingent consideration	0.000	8.224	5.1	1.0	0.7	7.4	14.2	0.0	0.0	0.0	0.0	0.0	0.0
Impairments	40.0	3.0	0.0	0.0	0.0	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Other operating (gain) loss	(6.9)	(7.0)	(0.1)	(0.8)	(0.1)	1.4	0.4	(0.1)	(0.8)	(0.1)	1.4	0.4	(2.1)
Gain (Loss) on Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves, accruals and other, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Income (EBIT Inc. Impairments)	6.6	60.6	4.2	13.4	15.9	6.7	40.2	3.6	11.7	10.2	25.7	51.3	78.4
Operating Margin %	1.9%	8.0%	2.1%	6.1%	6.6%	2.3%	4.2%	1.6%	4.5%	3.9%	8.1%	4.8%	6.4%
Interest expense	(8.3)	(6.9)	(1.4)	(2.3)	(2.3)	(2.7)	(8.7)	(2.1)	(2.2)	(2.2)	(2.3)	(8.9)	(9.3)
Noncash interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	1.7	0.2	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	(0.0)	0.0	0.0
Net interest expense	(6.5)	(6.8)	(1.4)	(1.6)	(2.3)	(2.7)	(8.0)	(2.1)	(2.2)	(2.2)	(2.3)	(8.9)	(9.3)
Loss on debt extinguishment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income, net	0.0	0.2	0.0	0.0	(0.5)	(0.1)	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0
Pretax income	0.1	54.0	2.7	11.8	13.1	4.0	31.7	1.5	9.6	8.0	23.4	42.4	69.1
Pretax margin	0.0%	7.1%	1.4%	5.3%	5.4%	1.3%	3.3%	0.6%	3.7%	3.0%	7.4%	3.9%	5.7%
Income (taxes) benefit	(1.5)	(18.7)	(0.9)	(3.4)	(4.1)	(3.3)	(11.6)	(0.9)	(3.4)	(4.1)	(6.5)	(14.8)	(24.2)
Effective tax rate	1276.3%	34.6%	31.1%	28.5%	31.1%	81.8%	36.5%	56.8%	35.3%	51.0%	28.0%	35.0%	35.0%
Cash tax rate	6552.5%	7.6%	44.2%	52.6%	30.6%	137.3%	53.4%	280.7%	44.1%	52.7%	18.0%	39.7%	30.0%
Net Income (Before Equity Investments)	(1.4)	35.4	1.9	8.5	9.0	0.7	20.1	0.6	6.2	3.9	16.8	27.6	44.9
Equity in net of noncon. affils.	0.0	0.0	0.0	0.0	0.3	(2.4)	(2.1)	0.0	(0.1)	(0.1)	(1.9)	(2.1)	(2.1)
Reported Net income	(1.4)	35.4	1.9	8.5	9.4	(1.6)	18.1	0.6	6.1	3.8	15.0	25.5	42.9
Net margin	17.6%	11.6%	9.2%	10.1%	10.8%	12.3%	10.8%	5.8%	8.4%	7.9%	11.9%	8.8%	10.3%
Accretion of Preferred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority Interest	2.5	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net inc. to common pre-1-time	(3.9)	29.4	1.9	8.5	9.4	(1.6)	18.1	0.6	6.1	3.8	15.0	25.5	42.9
Net margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EPS - Basic, Continuing Operations	(\$0.05)	\$0.34	\$0.02	\$0.10	\$0.11	(\$0.02)	\$0.21	\$0.01	\$0.07	\$0.04	\$0.17	\$0.30	\$0.50
Extraordinary items/discontinued items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to common	(3.9)	29.4	1.9	8.5	9.4	(1.6)	18.1	0.6	6.1	3.8	15.0	25.5	42.9
EPS - basic	(\$0.05)	\$0.34	\$0.02	\$0.10	\$0.11	(\$0.02)	\$0.21	\$0.01	\$0.07	\$0.04	\$0.18	\$0.30	\$0.50
EPS - diluted	(\$0.05)	\$0.33	\$0.02	\$0.10	\$0.11	(\$0.02)	\$0.21	\$0.01	\$0.07	\$0.04	\$0.17	\$0.29	\$0.49
EPS reported by company	(\$0.05)	\$0.02	\$0.02	\$0.10	\$0.11	(\$0.02)	\$0.21	\$0.01	\$0.07	\$0.04	\$0.17	\$0.29	\$0.49
Model variance: EPS	\$0.00	\$0.00	\$0.00	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pro forma adjustments	39.8	9.6	5.1	1.0	0.7	18.8	25.6	0.0	0.0	0.0	0.0	0.0	0.0
Pro forma net income	35.9	39.1	7.0	9.4	10.1	17.1	43.6	0.6	6.1	3.8	15.0	25.5	42.9
Pro forma EPS - basic	\$0.43	\$0.46	\$0.08	\$0.11	\$0.12	\$0.20	\$0.51	\$0.01	\$0.07	\$0.04	\$0.18	\$0.30	\$0.50
Pro forma EPS	\$0.43	\$0.44	\$0.08	\$0.11	\$0.12	\$0.19	\$0.50	\$0.01	\$0.07	\$0.04	\$0.17	\$0.29	\$0.49
EPS shares - Basic	84.2	85.3	86.5	85.0	84.9	85.2	85.4	85.2	85.2	85.2	85.2	85.2	85.2
EPS shares - Diluted	84.2	87.9	88.6	87.0	87.4	88.0	87.8	87.6	87.6	87.6	87.6	87.6	87.6
Free Cash Flow:													
EBITDA	60.4	88.2	18.1	22.5	25.9	36.5	103.0	13.4	21.8	21.1	37.7	94.0	125.6
Cash net interest	-5.9	-6.2	-1.2	-1.2	-1.9	-2.5	-6.7	-2.1	-2.2	-2.2	-2.3	-8.9	-9.3
Other adjustments to cash	5.3	6.8	0.1	0.8	0.1	-5.7	-4.7						
- Cash taxes	-7.7	-4.1	-1.2	-6.2	-4.0	-5.5	-16.9	-4.2	-4.2	-4.2	-4.2	-16.8	-20.7
Cash taxes / EBITDA	13%	5%	7%	28%	15%	15%	16%	31%	19%	20%	11%	18%	17%
Minus: capex	-9.5	-5.6	-1.5	-1.7	-4.7	-3.6	-11.5	-4.0	-4.0	-4.7	-2.3	-15.0	-12.0
Capex / D&A	55%	25%	24%	27%	71%	55%	45%	63%	57%	65%	27%	52%	33%
Capex / EBITDA	16%	6%	9%	7%	18%	10%	11%	30%	18%	22%	6%	16%	10%
Plus: cost of revenue for spectrum usage rights													
= Free Cash Flow	42.6	79.0	14.3	14.3	15.4	19.3	63.3	3.1	11.4	10.0	28.8	53.3	83.5
Free cash flow (reported by company)	43.0												
Free Cash Flow (core)	42.6	79.0	14.3	14.3	15.4	19.3	63.3	3.1	11.4	10.0	28.8	53.3	83.5
FCF per share (core)	\$0.51	\$0.90	\$0.16	\$0.16	\$0.18	\$0.22	\$0.72	\$0.04	\$0.13	\$0.11	\$0.33	\$0.61	\$0.95
Memo: FCF/Adjusted EBITDA (core)	70.5%	89.7%	79.1%	63.4%	59.4%	52.8%	61.4%	23.0%	52.3%	47.2%	76.5%	56.7%	66.5%
Dividends per basic share	\$0.13	\$0.10	\$0.025	\$0.025	\$0.025	\$0.025	\$0.10	\$0.050	\$0.050	\$0.050	\$0.050	\$0.20	\$0.20
- Dividends	(10.5)	(8.5)	(2.2)	(2.1)	(2.1)	(2.1)	(8.5)	(4.3)	(4.3)	(4.3)	(4.3)	(17.0)	(17.0)
Dividends as % of FCF	24.7%	10.8%	15.1%	14.9%	13.8%	11.0%	13.5%	137.7%	37.4%	42.7%	14.8%	32.0%	20.4%

Source: Industry Capital Research estimates and company data

Figure 6: Financial statement forecasts (cont.)

ANNUAL PERCENTAGE CHANGE	2020A	2021A	1Q22	2Q22	3Q22	4Q22	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E
Net revenue growth	25.8%	121.0%	32.4%	24.3%	21.1%	26.7%	25.8%	17.9%	16.6%	10.4%	7.0%	12.3%	13.6%
Net revenue (core) growth	25.8%	121.0%	32.4%	24.3%	21.1%	26.7%	25.8%	17.9%	16.6%	10.4%	7.0%	12.3%	13.6%
TV revenue growth	3.2%	-4.9%	-14.5%	-4.9%	-2.1%	13.8%	-1.4%	-2.5%	-9.0%	-20.0%	-20.0%	-13.8%	13.2%
Radio revenue growth	-15.9%	25.4%	11.4%	5.8%	0.1%	26.3%	11.0%	-3.0%	-2.3%	-9.0%	-15.0%	-8.2%	8.0%
Digital revenue growth	108.0%	287.5%	51.5%	33.9%	29.3%	29.6%	34.5%	23.7%	23.0%	17.8%	14.4%	19.2%	14.1%
Cost of revenue	NM	NM	53.3%	33.0%	26.4%	29.4%	33.7%	22.7%	21.7%	16.8%	13.2%	18.1%	13.8%
Direct expense	-12.1%	-22.4%	-3.2%	1.1%	-0.7%	5.2%	0.7%	3.0%	-1.3%	-4.2%	-20.7%	-6.4%	3.5%
SG&A	-10.3%	NM	-3.0%	4.9%	4.4%	33.1%	28.5%	13.6%	15.0%	2.0%	16.7%	15.9%	12.1%
Opex	23.8%	NM	38.8%	27.8%	23.4%	26.8%	28.5%	22.2%	19.8%	15.3%	9.1%	15.9%	12.1%
Opex (core)	-11.6%	12.8%	8.5%	14.3%	14.6%	19.1%	14.4%	20.4%	13.9%	10.8%	-4.6%	9.2%	6.4%
TV opex	-4.2%	0.6%	-3.2%	1.1%	-0.7%	5.2%	0.7%	3.0%	-1.3%	-4.2%	-20.7%	-6.4%	3.5%
Radio opex	-26.3%	-4.2%	-3.0%	4.9%	4.4%	9.7%	4.1%	13.6%	15.0%	2.0%	-13.5%	3.5%	9.0%
Digital opex	-5.0%	68.1%	40.4%	43.5%	46.0%	45.1%	44.0%	46.7%	30.6%	31.2%	16.4%	29.7%	7.6%
Total OCF (core)	32.1%	44.1%	-1.2%	5.1%	9.2%	25.9%	11.4%	-13.5%	-4.1%	-19.4%	-3.9%	-9.6%	25.7%
TV OCF	12.8%	-11.0%	-28.3%	-13.0%	-3.8%	24.1%	-4.1%	-11.6%	-21.0%	-40.2%	-19.2%	-23.4%	28.7%
Radio OCF	NM	NM	97.1%	7.8%	-6.2%	58.7%	26.2%	-51.6%	-41.8%	-27.0%	-16.9%	-29.6%	5.3%
Digital OCF	NM	NM	46.1%	32.5%	45.2%	15.1%	31.3%	-2.0%	27.6%	10.0%	25.6%	17.2%	29.0%
Corporate expense	3.0%	3.0%	-2.0%	-13.0%	4.2%	47.9%	3.0%	0.0%	0.0%	0.0%	9.2%	3.0%	3.0%
Adjusted EBITDA (core)	46.6%	45.9%	27.6%	26.4%	11.2%	11.2%	16.9%	-26.0%	-3.1%	-18.5%	3.2%	-8.8%	33.6%
D & A	3.8%	29.7%	23.4%	23.4%	11.1%	3.6%	14.6%	-1.5%	11.9%	10.0%	32.5%	13.3%	25.8%
Operating income	88.3%	47.7%	15.2%	17.3%	1.7%	-11.3%	2.1%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	NM
Pretax income	NM	NM	-72.0%	-18.2%	-31.3%	-62.6%	-41.4%	-45.2%	-19.3%	-39.1%	NM	33.9%	62.9%
Net income pre-extra.	NM	NM	-65.2%	7.6%	-23.7%	NM	-38.5%	-65.6%	-27.7%	-59.3%	NM	41.2%	67.9%
EPS, Continuing Operations	NM	NM	-66.7%	11.1%	-21.4%	NM	-38.2%	-50.0%	-30.0%	-63.6%	NM	42.9%	66.7%
EPS - diluted	NM	NM	-65.9%	8.6%	-22.9%	NM	-38.4%	-65.2%	-28.3%	-59.4%	NM	41.4%	67.9%
FCF/share	NM	76.5%	6.7%	14.3%	-28.0%	-37.1%	-20.0%	-75.0%	-18.8%	-38.9%	50.0%	-15.3%	55.7%
EPS shares - Diluted	-1.0%	4.4%	1.9%	-0.9%	-1.0%	-0.7%	-0.2%	-1.1%	0.7%	0.2%	-0.4%	-0.2%	0.0%

Source: Industry Capital Research estimates and company data

Figure 7: DCF analysis supports \$7.50 12-month price target within a \$6-8 per share range that reflects 50% chance of 2023 recession

Entravision DCF analysis			
<i>\$ in millions except per share amounts</i>			
	Current	YE 2023	YE 2024
Firm Value	766	772	753
(-) Total Net Debt	137	101	35
(+) NOLs/Tax Assets	12	12	12
(-) Options (Claims on Entravision)	(0.9)	(0.9)	(0.9)
Common Equity Value	639.8	682.5	729.5
Shares Outstanding	88.0	88.0	88.0
Current Share Price	\$5.87	\$5.87	\$5.87
Value Per Share	\$7.27	\$7.76	\$8.29
12-month	\$8.00		
12-month (SoTP)	\$6.50		

ASSUMPTIONS						
		CAGRs				
		2018-22	2020-24	2022-26	2024-28	2027-28
Risk Free Rate	3.38%					
Equity Premium	4.78%					
Assumed LT Growth Rate (g)	0%					
MV of Equity Calculation		EBITDA	18%	20%	9%	4%
Share Price	\$5.87	FCF to Firm	43%	15%	9%	4%
Outstanding Shares	88.0					
MV of Equity	516.4					
Estimate MV of Debt Calculation						
Interest Expense	6.9					
Current Cost of Debt	6.0%					
Wgtd Avg Maturity of Debt						
BV of Debt	137.2					
Estimate MV of Debt	137.2					

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Terminal
Discounted Cash Flow												
EBITDA	54.0	41.2	60.4	88.2	103.0	94.0	125.6	121.5	146.3	126.8	148.3	
EBIT	37.8	24.6	43.1	65.7	77.4	64.9	88.9	82.4	103.7	83.5	102.8	93.2
Less Cash Taxes	(11.3)	(7.4)	(12.9)	(19.7)	(23.2)	(19.5)	(26.7)	(24.7)	(31.1)	(25.1)	(30.8)	(32.6)
Plus D&A	16.3	16.6	17.3	22.4	25.7	29.1	36.6	39.2	42.6	43.3	45.5	45.5
Less Cap Ex	(17.0)	(25.3)	(9.5)	(5.6)	(11.5)	(15.0)	(12.0)	(12.6)	(13.3)	(13.9)	(14.6)	(45.5)
Less Increase in WC	(9.4)	(8.7)	8.7	(15.9)	(0.3)	(3.9)	(4.9)	(4.9)	(6.0)	(4.8)	(6.1)	(5.5)
Free Cash Flow to Firm	16.3	(0.1)	46.6	47.3	68.1	55.6	81.9	79.3	96.0	83.0	96.6	55.1
Tax Rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	35.0%
Net Debt	137											
Leverage Mult.	2.3x											
D/Equity	27%											
D/EV	21%											
E/EV	79%											
Unlevered Beta	1.02											
Levered Beta	1.26											
D/Equity (long-term target)	33%											
Cost of Debt (AT)	4.2%											
Cost of Equity	9.4%											
WACC	8.1%		8%	8%	8%	8%	8%	8%	8%	8%	8%	
PV of CF					68.1	51.4	70.1	62.8	70.3	56.2	60.6	
						51.4	70.1	62.8	70.3	56.2	60.6	
							75.8	67.9	76.0	60.8	65.5	
								73.3	82.1	65.7	70.8	
Sum of PV	371.4	345.9	292.0									680.1
PV of Terminal Value	394.4	426.3	460.8									5x EBITDA
NPV of all CF	765.8	772.2	752.8									

Source: Industry Capital Research estimates and company data

APPENDIX

Additional information relative to securities, other financial products or issuers discussed in this report is available upon request.

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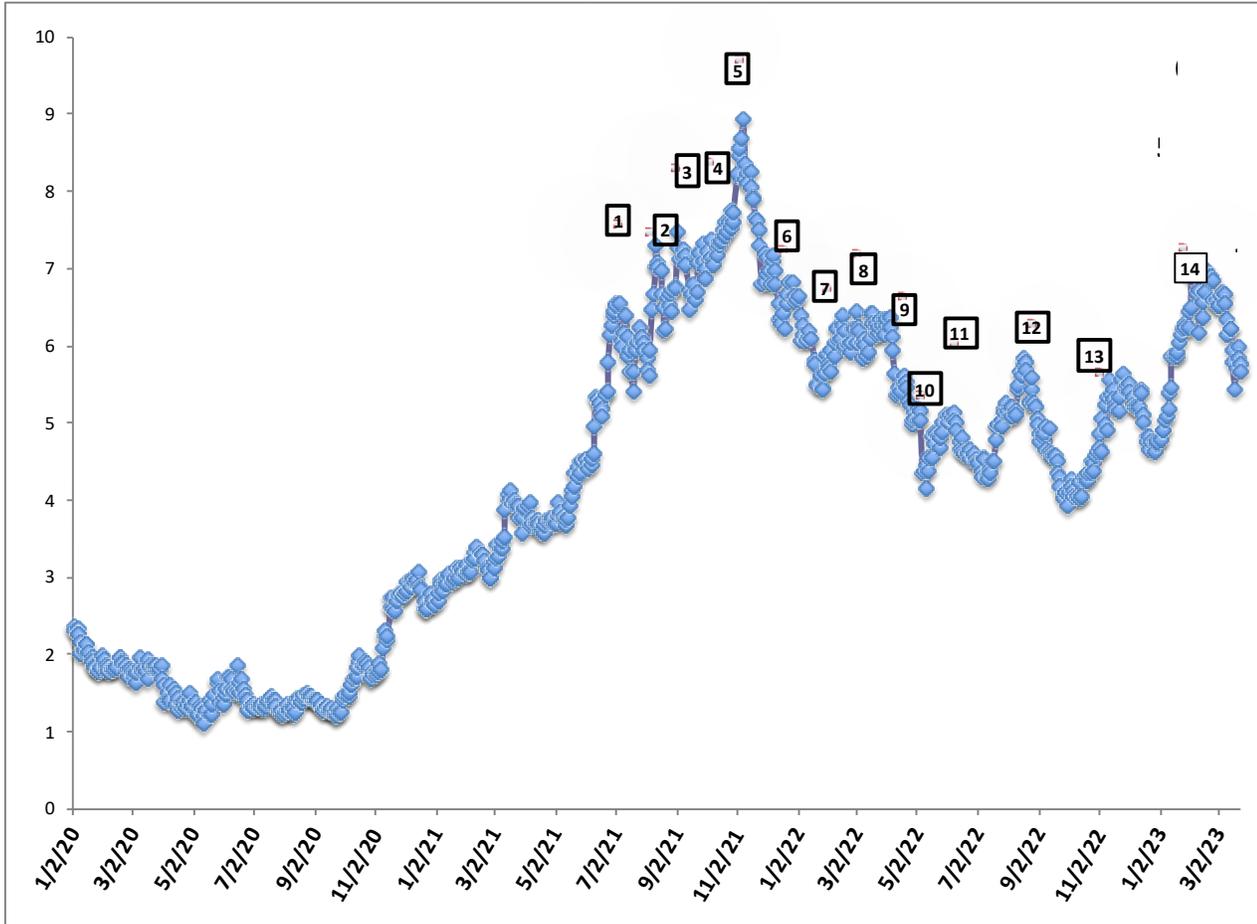
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The author, Director of Research at Industry Capital Research, is a CFA® charterholder who has 18 years of experience as an analyst at U.S. broker-dealers covering the media sector, was rated #2 Stock Picker in U.S. Media for 2016 by Thomson Reuters, holds a BA (Economics) and MBA from the University of Chicago and a JD from the University of Virginia, and is a member of the Beta Gamma Sigma and Phi Beta Kappa honor societies.

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1	7/6/21	Initiated Buy @ \$6.76, Target Price \$9.00
2	8/6/21	Reaffirmed Buy @ \$6.15, Target Price \$9.00
3	9/2/21	Reaffirmed Buy @ \$7.75, Target Price \$10.00
4	10/5/21	Reaffirmed Buy @ \$7.60, Target Price \$10.00
5	11/5/21	Reaffirmed Buy @ \$8.83, Target Price \$10.50
6	12/20/21	Reaffirmed Buy @ \$6.40, Target Price \$10.00
7	2/2/22	Reaffirmed Buy @ \$5.87, Target Price \$8.00
8	3/4/22	Reaffirmed Buy @ \$6.42, Target Price \$8.50
9	4/15/22	Reaffirmed Buy @ \$5.53, Target Price \$8.50
10	5/6/22	Reaffirmed Buy @ \$5.14, Target Price \$8.00
11	6/9/22	Reaffirmed Buy @ \$5.16, Target Price \$8.00
12	8/25/22	Reaffirmed Buy @ \$5.52, Target Price \$7.50
13	11/3/22	Reaffirmed Buy @ \$4.69, Target Price \$7.00
14	1/27/23	Reaffirmed Buy @ \$6.33, Target Price \$7.50

Ratings Definitions

BUY: total return expected is >15% over a 12-month period

HOLD: total return expected is between 15% and -15% over a 12-month period

SELL: total return expected is <-15% over a 12-month period

The target prices of shares mentioned in the accompanying text are based on the assumed investment horizon of 12 months. If company notes are published on these shares in the future, the target prices mentioned in the subsequent notes will have priority.

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