

Entravision Communications Corporation (EVC)

Expect Meet/Beat 3Q, As We Let It Ride on Digital Mo

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With results slated for November 4 after market close, meet looking more likely than beat. The call will be at 5:00 pm ET, with dial-in 877 407-9716 (U.S.) or 201 493-6779 (international).

Facebook's 3Q deceleration was consistent with our Cisneros Interactive assumptions, and broadcast cost control should help EBITDA power past auto's sputter. Our 3Q estimates are revenue of \$198.9m and adjusted EBITDA of \$21.8m vs. consensus of \$199.3m and \$20.1m, respectively. Our 3Q digital revenue growth estimate of 101% is above EVC's 89% pacing. This assumes Cisneros revenue growth slows to 127% from 173% in 2Q, and a 2-year CAGR deceleration to 70% from 74%. This seems reasonable, partly because Facebook (FB) is Cisneros' dominant platform partner, and in 3Q, FB rest-of-world ad revenue growth slowed to 50% from 86% in 2Q, and its 2-year CAGR decelerated to 30% from 32%. For 3Q, we assume legacy digital revenue up 15% and MediaDonuts revenue (included for the full quarter) up 75%, with some risk here from Covid-19 resurgence in Asia. Our core TV ad growth estimate of ~8% is below the 13% pacing given on the 2Q call. This reflects caution on auto advertising, which was pacing down 4% for 3Q, given the decline in sales (down 26% in September) of autos. Our caution is tempered by EVC's statement at an October conference that other advertising categories have more than made up for what EVC has lost in auto advertising, and we note that TV's top ad category is now services, which includes legal and insurance advertising. Our core radio ad revenue growth estimate is 36% vs. 40% pacing. We are comfortable with our core broadcast opex estimate of \$45.0m, up from \$41.4m in 2Q, and note that broadcast opex was in line with our estimate in 2Q.

Cautiously optimistic on 2021/22E EBITDA above consensus, on leaner broadcast operations. EVC has spoken publicly of TV OCF margins in the low-mid 40s in percent in political off years, pushing toward 50% in political years (we assume 45% in 2021 and 2022), and radio OCF margins stepping up to low-mid 30s in percent for the foreseeable future (we assume 26% in 2021 and 2022). Our EPS estimates now have no minority interest for Cisneros, whose 4QE revenue growth (+8%) looks beatable, despite FB's guide to a big 4Q revenue deceleration, largely because of Apple's iOS changes, which have much less impact outside the U.S. and Europe.

Balance sheet still the gift that could keep on giving. EVC has said it is working on a couple of digital deals, and we estimate EVC has acquisition capacity of ~\$130m, rising to ~\$200m at year-end. EVC's leverage is still low as, even including the estimated impact of additional earnout payments for Cisneros and MediaDonuts, PF debt-to-LTM-EBITDA has declined to 2.3x from 2.6x a year ago. Moreover, EVC's forecast free cash flow should be more than sufficient to cover expected earnout payments over the next few years. EVC could even have the capacity to support expanding its international digital model to the U.S., and we note that Facebook has taken the initiative to extend credit to U.S. SMB advertisers.

Maintain \$10 price target; risks on page 3. Our PT is supported by a DCF valuation based on explicit financial forecasts through 2026. Our view could change based on 1) outlook for emerging markets digital media, 2) U.S. broadcast media growth and margins, and 3) capital allocation.

BUY

Price at 10/28/21 (USD) 7.85

Price Target 10.00

52-week range 1.71 - 8.40

| Performance (%) | 1m | 3m | 12m |
|-----------------|----|----|-----|
| Absolute | 7 | 25 | 351 |
| S&P 500 | 6 | 4 | 41 |

Market Cap (USDm) 677.0

Shares outstanding (m) 86.2

Float (%) 72

Average volume 664,803

S&P 500 4,596.4

Forecasts and ratios

| Year ended 12/31 | 2020A | 2021E | 2022E |
|------------------|-------|-------|-------|
| 1Q EPS (USD) | -0.42 | 0.06 | 0.02 |
| 2Q EPS (USD) | 0.03 | 0.09 | 0.05 |
| 3Q EPS (USD) | 0.11 | 0.11 | 0.10 |
| 4Q EPS (USD) | 0.24 | 0.18 | 0.32 |
| FY EPS (USD) | -0.05 | 0.44 | 0.49 |
| % Change | NE | NM | 11% |
| P/E (x) | NM | 17.9 | 16.1 |
| EV/EBITDA (x) | 11.3 | 9.6 | 8.3 |
| Revenue (USDm) | 344.0 | 724.6 | 803.1 |
| % Change | NE | 111% | 11% |

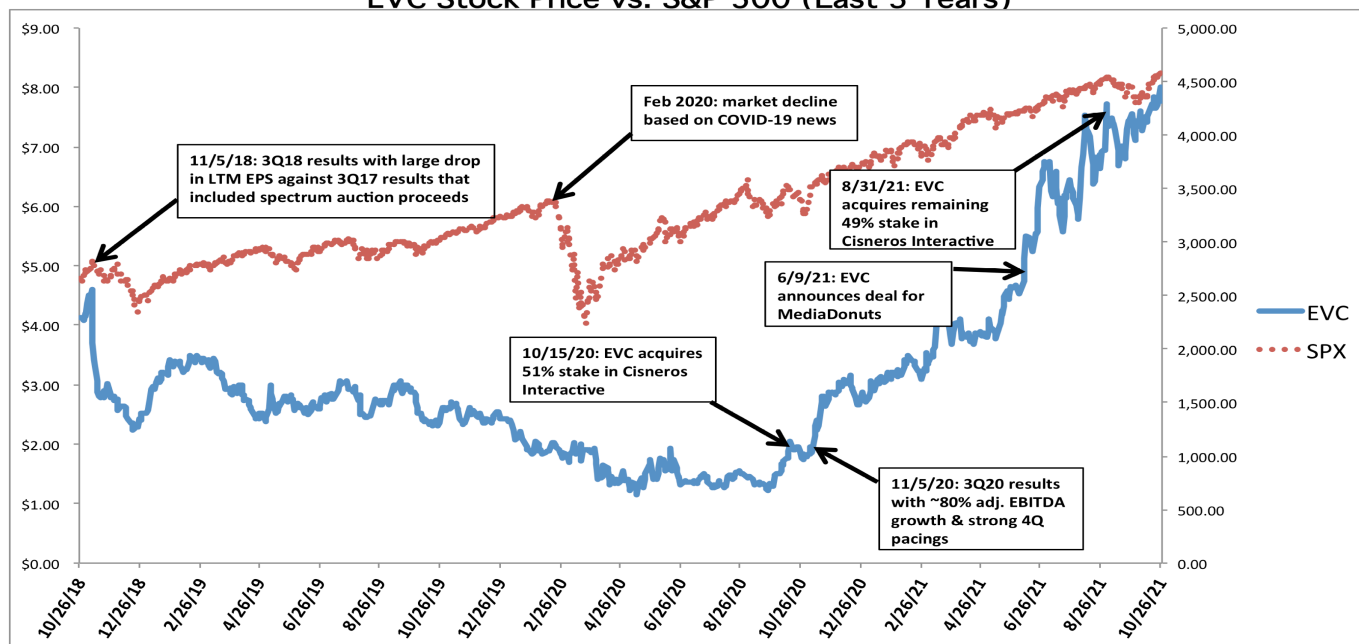
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Figure 1: EVC Investment Thesis, Metrics and Valuation Summary

(in millions, except unit data)
12-month price target: \$10.00

| ENTERPRISE VALUE | | COMPANY CHARACTERISTICS AND INVESTMENT THESIS | |
|----------------------------------|--------|---|---|
| Price per share | \$7.85 | Company description | Entravision is a multimedia company focused primarily on the Spanish-language markets. The company owns or operates 48 TV stations (mostly Univision network affiliates) in 16 U.S. cities, 48 radio stations (38 FM and 10 AM) and a radio network with national distribution, and a digital media segment primarily focused on roughly 20 international markets. We estimate that the company's pro forma 2020 revenue was 30% from TV, 9% from radio, and 61% from digital media. Univision Communications owns ~11% of Entravision's stock. On August 2, 2000, Entravision completed an initial public offering at \$16.50 per share of its Class A common stock, which is listed on the NYSE under the symbol "EVC." |
| Diluted shares outstanding | 86.2 | Strategy | Manage TV-driven broadcast local platforms in fast-growing U.S. Hispanic markets and expand digital media operations into fast-growing markets outside the United States. |
| Equity market capitalization | 677 | Est. acquisition capacity | \$132 |
| +Pro forma net debt | 203 | Management | Walter Ulloa is Chairman and CEO (since 1996). Jeffrey Liberman is President and COO (since 2017 and with EVC since 2000). Christopher Young is CFO (since 2008 and with EVC since 2000). |
| -Hidden value | 62 | Positives | <ul style="list-style-type: none"> * Experience in expanding distribution in smaller, faster-growing markets, both in U.S. and internationally * Reduced expense base during and after the pandemic * Strong balance sheet * Most of its TV stations affiliated with leading U.S. Spanish language network * U.S. Hispanic buying power growing faster than general market * Secular growth in U.S. political advertising spending |
| =Pro forma EV | \$819 | Risks | <ul style="list-style-type: none"> * Loss of broadcast audience and advertising share to digital alternatives * Volatility of international media business * Competition with Univision's expanding direct to consumer business * Univision relationship through TV network affiliations and Univision's ownership stake may limit strategic flexibility * Impact of sudden advertising declines on cash flow (e.g., 2009, 2020) * Management succession plan (CEO has majority voting power) |
| OPERATING PROJECTIONS | | Valuation | Attributing roughly 3/4 of firm value to digital media business |
| Pro forma net revenue | | Recent events | August 2021 - acquired remaining 49% interest in Cisneros Interactive. July 2021 - announced acquisition of MediaDonuts AsiaPac digital media business for \$17 million plus earnouts. October 2020 - acquired 51% stake in Cisneros Interactive for \$29 million. May 2020 - announced substantial expense costs targeting broadcast operations. |
| 2021 | \$742 | Upcoming potential catalysts | 2021 rebound in U.S. Hispanic employment and spending as pandemic recedes - Additional digital media M&A - 2022 U.S. midterm election ad spending |
| 2020 | 517 | | |
| % Chg | 43.5% | | |
| Pro forma EBITDA | | | |
| 2021 | \$85 | | |
| 2020 | 73 | | |
| % Chg | 17.5% | | |
| Pro forma EBITDA margin | | | |
| 2021 | 11.5% | | |
| 2020 | 14.1% | | |
| Free cash flow per share | | | |
| 2021 | \$0.77 | | |
| 2020 | \$0.51 | | |
| % Chg | 51.0% | | |
| Est. 3-5 yr FCF Growth rate | 7% | | |
| VALUATION AND LEVERAGE | | | |
| Pro forma EV/EBITDA | | | |
| 2021 | 9.6x | | |
| 2020 | 11.3x | | |
| Price / Free cash flow per share | | | |
| 2021 | 10.2x | | |
| 2020 | 15.4x | | |
| Pro forma net debt / EBITDA | | | |
| 2021 | 2.4x | | |
| 2020 | 2.8x | | |
| Dividend yield | | | |
| 2021 | 1.6% | | |
| 2020 | 1.6% | | |

EVC Stock Price vs. S&P 500 (Last 3 Years)



Source: Yahoo Finance, NASDAQ, company data and Industry Capital Research estimates

Investment Thesis and Valuation: Buy With \$10 Price Target

Positives supporting our Buy rating include: 1) EVC's share price is not fully capturing the potential of digital media acquisitions over the past year because the higher growth with a different business model is more difficult for investors to assess; 2) EVC's lower post-pandemic expense base looks sustainable; 3) apart from the industry-wide pressure on auto advertising because of supply shortages, operating risk at the core U.S. media business should be ebbing based on the cyclical rebound in the U.S. Hispanic economy and secular growth of political advertising; 4) stability of net retransmission fee revenue (61% of 2020 EBITDA) and pro forma net debt leverage under 3x enhance management's longer-term options; and 5) our DCF valuation supports substantial stock price upside over the next 12 months.

Our DCF-based PT is a weighted average of projected equity valuations at year-end 2021 and 2022. First, we adjust the current net debt with the estimated free cash flow to be generated by each valuation date. Second, we adjust the current net debt for any estimated payments on the acquisitions prior to the respective valuation dates. Finally, for each target valuation date, we discount the free cash flow generated by the digital media and broadcast media businesses separately, while deducting any additional forecast payments on acquisitions, which are currently scheduled to occur from early 2022 to 2025. We value EVC both using its own weighted average cost of capital (WACC) and using separate WACCs for its broadcast and digital media business based on sector comparables, giving more weight to the latter as sector measures of risk tend to be more stable.

Risks to our investment thesis include: 1) secular challenges and potentially increasing competition from Univision for EVC's broadcast media business, 2) potential volatility of EVC's digital media business, given its increasing focus on emerging markets and its dependence on a small number of relationships with digital ad platforms, 3) potential barriers to sale of all or a portion of the company; and 4) risk of regression to mean in share price performance given shares' substantial appreciation relative to the overall market and sector peers over the past year.

Figure 2: We look for meet/beat 3Q, with our estimates now reflecting EBITDA from Cisneros starting September

| Entravision Communications | | | | | |
|---|---------|----------------------|---------------------|-----------|---------------------|
| Summary of Quarterly Estimates | | | | | |
| In millions, except per share data | | | | | |
| | Last Yr | Estimates Current | YoY %CHG Current | Consensus | ICR vs Consensus |
| 3Q21E | | | | | |
| Pro Forma * | | | | | |
| Revenue | \$124.1 | \$198.9 | 60.2% | | |
| Op Expense | 103.8 | 177.1 | 70.6% | | |
| Adjusted EBITDA | 20.4 | 21.8 | 7.1% | | |
| As Reported | | | | | |
| Revenue | 63.0 | 198.9 | NM | 199.3 | -0.2% |
| Op Expense | 46.6 | 177.1 | NM | | |
| Adjusted EBITDA | 16.4 | 21.8 | 33.2% | 20.1 | 8.5% |
| Margin | 26.0% | 11.0% | | 10.1% | 0.9% |
| Pro Forma EPS | \$0.11 | \$0.11 | 0.0% | \$0.10 | 10.0% |
| FCF/sh (core) | \$0.12 | \$0.21 | 75.0% | | |
| * reflects announced acquisitions and dispositions | | | | | |
| Source: Company reports, FactSet, Industry Capital Research estimates | | | | | |

Figure 3: Our 2021/22 estimates assume below-consensus revenue growth and above-consensus EBITDA margins

| Entravision Communications (NYSE: EVC) | | | | | |
|---|----------|---|---------------------|---|---------------------|
| Summary of Annual Estimates | | | | | |
| In millions, except per share data | | | | | |
| | Last Yr | Estimates Current | YoY %CHG Current | Consensus | ICR vs Consensus |
| 2021E | | | | | |
| Pro Forma * | | | | | |
| Revenue | \$517.4 | \$742.5 | 43.5% | | |
| Op expense | 444.7 | 657.0 | 47.8% | | |
| Adjusted EBITDA | 72.7 | 85.5 | 17.5% | | |
| As Reported | | | | | |
| Revenue | 344.0 | 724.6 | 110.6% | 742 ▼ | -2.3% |
| Op expense | 283.6 | 639.7 | 125.5% | | |
| Adjusted EBITDA | 60.4 | 84.9 | 40.6% | 81 | 4.9% |
| Margin | 17.6% | 11.7% | | 10.9% | 0.8% |
| EPS | (\$0.05) | \$0.44 | NM | \$0.38 ▼ | 15.5% |
| Cash FCF/sh | \$0.51 | \$0.77 | 51.0% | | |
| 2022E | | | | | |
| Pro Forma * | | | | | |
| Revenue | 742.5 | 803.1 | 8.2% | | |
| Op expense | 657.0 | 704.0 | 7.1% | | |
| Adjusted EBITDA | 85.5 | 99.1 | 16.0% | | |
| As Reported | | | | | |
| Revenue | 724.6 | 803.1 | 10.8% | 833 ▼ | -3.6% |
| Op expense | 639.7 | 704.0 | 10.1% | | |
| Adjusted EBITDA | 84.9 | 99.1 | 16.7% | 92 | 8.1% |
| Margin | 11.7% | 12.3% | | 11.0% | 1.3% |
| EPS | \$0.44 | \$0.49 ▼ | 10.8% | \$0.48 ▼ | 1.4% |
| Cash FCF/sh | \$0.77 | \$0.89 | 15.6% | | |
| * reflects announced acquisitions and dispositions | | | | | |
| Source: Company reports, FactSet, Industry Capital Research estimates | | | | | |

Figure 6: Forecast Drivers—Operating Expense will benefit from TV affiliation changes at end of 2021

| (in millions) | 2016A | 2017A | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| OPERATING EXPENSE | | | | | | | | | | | | | | | |
| Television PF Opex Growth | | | | 0.1% | 4.9% | -14.7% | -10.3% | 3.2% | -4.2% | -8.6% | 10.0% | 6.0% | -2.1% | 0.7% | -10.0% |
| Radio PF Opex Growth | | | | -4.5% | -18.4% | -34.3% | -31.4% | -21.3% | -26.3% | -16.9% | 8.2% | 2.4% | -9.4% | -4.9% | -3.2% |
| Pro forma consolidated: | | | | | | | | | | | | | | | |
| Opex ex-cost of revenue | \$160.2 | \$168.4 | \$176.8 | \$173.4 | \$40.3 | \$33.0 | \$34.1 | \$45.9 | \$153.3 | \$40.4 | \$41.4 | \$45.0 | \$47.2 | \$174.0 | \$172.4 |
| Growth | 4.6% | 5.1% | 5.0% | -1.9% | -5.8% | -23.5% | -21.3% | 4.0% | -11.6% | 0.4% | 25.4% | 32.1% | 2.7% | 13.5% | -0.9% |
| Non-recurring opex items: | | | | | | | | | | | | | | | |
| M&A (Cisneros, MediaDonuts acquisitions) | 0.0 | 0.0 | 0.0 | 0.0 | | | | 5.7 | 5.7 | 4.8 | 6.4 | 9.2 | 8.5 | 28.9 | 35.4 |
| Assm: % Incremental | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Incremental Cisneros | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.7 | 5.7 | 4.8 | 6.4 | 9.2 | 8.5 | 28.9 | 35.4 |
| Opex ex Cisneros adjustment | 160.2 | 168.4 | 176.8 | 173.4 | 40.3 | 33.0 | 34.1 | 40.2 | 147.6 | 35.7 | 35.0 | 35.8 | 38.7 | 145.1 | 137.0 |
| Growth ex Cisneros | 4.6% | 5.1% | 5.0% | -1.9% | -5.8% | -23.5% | -21.3% | -8.9% | -14.9% | -11.5% | 6.0% | 5.1% | -3.9% | -1.7% | -5.6% |
| Fixed & variable cost reductions | 0.0 | 0.0 | 0.0 | 0.0 | | (6.2) | (11.0) | (10.0) | (27.2) | (5.0) | (5.8) | (11.5) | (10.5) | (32.8) | (42.8) |
| Assm: % Incremental | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Incremental cost reductions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (6.2) | (11.0) | (10.0) | (27.2) | (5.0) | (5.8) | (11.5) | (10.5) | (32.8) | (42.8) |
| Opex ex cost reductions adjustment | 0.0 | 168.4 | 176.8 | 173.4 | 40.3 | 39.2 | 45.1 | 56.0 | 180.5 | 45.4 | 47.3 | 56.5 | 57.7 | 206.9 | 215.2 |
| Growth ex cost reductions | -27.8% | | 5.0% | -1.9% | -5.8% | -9.2% | 4.2% | 26.7% | 4.1% | 12.8% | 20.5% | 25.3% | 3.1% | 14.6% | 4.0% |
| Salary true-up | 0.0 | 0.0 | 0.0 | 0.0 | | | | 2.0 | 2.0 | 0.0 | 0.7 | 0.7 | 0.7 | 2.0 | 2.0 |
| Assm: % Incremental | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Incremental salary true-up | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 2.0 | 0.0 | 0.7 | 0.7 | 0.7 | 2.0 | 2.0 |
| Opex ex salary true-up | 0.0 | 168.4 | 176.8 | 173.4 | 40.3 | 33.0 | 34.1 | 43.9 | 151.3 | 40.4 | 40.8 | 44.3 | 46.5 | 172.0 | 170.3 |
| Growth ex salary true-up | | | 5.0% | -1.9% | -5.8% | -23.5% | -21.3% | -0.5% | -12.7% | 0.4% | 23.4% | 30.1% | 5.9% | 13.7% | -1.0% |
| Opex ex-non-recurring | 160.2 | 168.4 | 176.8 | 173.4 | 40.3 | 39.2 | 45.1 | 48.3 | 172.8 | 40.7 | 40.2 | 46.6 | 48.5 | 175.9 | 177.7 |
| Opex growth ex all non-recurring | 8.0% | 5.1% | 5.0% | -1.9% | -5.8% | -9.2% | 4.2% | 9.3% | -0.3% | 1.0% | 2.4% | 3.4% | 0.5% | 1.8% | 1.0% |
| Opex grth ex all non-rec 2-yr CAGR | | 6.5% | 5.0% | 1.5% | -4.7% | -5.3% | 1.1% | 4.1% | -1.1% | -2.5% | -3.6% | 3.8% | 4.8% | 0.7% | 1.4% |
| Revenue-driven variable expense | 41.1 | 36.7 | 35.4 | 31.2 | 8.0 | 4.6 | 7.8 | 11.3 | 31.7 | 7.0 | 7.6 | 7.6 | 9.9 | 32.0 | 29.2 |
| Non-sales opex ex-non-recurring | 119.1 | 131.7 | 141.4 | 142.1 | 32.3 | 34.6 | 37.3 | 36.9 | 141.1 | 33.7 | 32.6 | 39.0 | 38.7 | 143.9 | 148.5 |
| Non-sales opex growth ex all non-recurring | 9.3% | 10.5% | 7.4% | 0.5% | -9.0% | -2.0% | 5.6% | 2.5% | -0.7% | 4.3% | -5.8% | 4.5% | 4.6% | 2.0% | 3.2% |
| Non-sales opex grth ex all non-rec 2-yr CAGR | | 9.9% | 8.9% | 3.9% | -5.8% | -0.3% | 2.4% | 3.6% | -0.1% | -2.6% | -3.9% | 5.0% | 3.6% | 0.6% | 2.6% |

Source: Company reports; Industry Capital Research estimates

Note: The above figure attempts to estimate core opex growth excluding the impact of variable sales expense by deducting 20% of estimated broadcast advertising revenue in all periods.

Figure 7: Digital Segment Forecast separates Legacy Digital from Cisneros and MediaDonuts businesses

| In millions, except unit data | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Legacy | | | | | | | | | | | | |
| Revenue | \$68.9 | \$13.3 | \$11.4 | \$13.7 | \$15.8 | \$54.1 | \$13.0 | \$15.3 | \$15.7 | \$17.3 | \$61.3 | \$64.1 |
| Cost of Revenue | 36.8 | 7.3 | 6.4 | 7.8 | 9.0 | 30.6 | 7.4 | 8.7 | 9.0 | 9.9 | 34.9 | 36.5 |
| Opex ex-cost of revenue | 32.3 | 6.9 | 6.2 | 5.4 | 6.1 | 24.5 | 5.9 | 5.6 | 5.7 | 6.5 | 23.7 | 25.2 |
| OCF | (0.1) | (0.9) | (1.2) | 0.5 | 0.6 | (1.0) | (0.2) | 1.0 | 1.0 | 0.9 | 2.7 | 2.4 |
| OCF Margin | -0.2% | -6.6% | -10.8% | 3.4% | 4.0% | -1.9% | -1.9% | 6.8% | 6.3% | 5.1% | 4.3% | 3.7% |
| Acquisitions-Pro Forma | | | | | | | | | | | | |
| Cisneros revenue | 159.4 | 40.2 | 42.0 | 53.3 | 97.8 | 233.3 | 88.5 | 114.9 | 121.0 | 105.4 | 429.8 | 489.9 |
| Cisneros cost of revenue | 136.2 | 35.3 | 36.7 | 46.0 | 83.6 | 201.7 | 77.6 | 100.4 | 104.6 | 90.1 | 372.7 | 424.6 |
| Cisneros opex ex-cost of revenue | 13.2 | 3.2 | 3.3 | 4.1 | 6.7 | 17.4 | 4.8 | 6.4 | 7.2 | 6.7 | 25.1 | 26.5 |
| Cisneros OCF | 9.9 | 1.7 | 2.0 | 3.1 | 7.4 | 14.2 | 6.1 | 8.1 | 9.2 | 8.5 | 32.0 | 38.8 |
| OCF Margin | 6.2% | 4.2% | 4.8% | 5.9% | 7.6% | 6.1% | 6.9% | 7.1% | 7.6% | 8.1% | 7.5% | 7.9% |
| MediaDonuts revenue | 0.0 | 3.1 | 4.1 | 7.9 | 13.3 | 28.5 | 8.0 | 9.9 | 13.8 | 18.6 | 50.3 | 62.9 |
| MediaDonuts cost of revenue | 0.0 | 2.5 | 2.7 | 6.3 | 9.4 | 20.9 | 6.0 | 6.9 | 10.3 | 14.0 | 37.2 | 47.1 |
| MediaDonuts opex ex-cost of revenue | 0.0 | 0.9 | 0.8 | 0.7 | 1.1 | 3.5 | 1.8 | 2.7 | 2.0 | 1.8 | 8.3 | 8.9 |
| MediaDonuts OCF | 0.0 | -0.2 | 0.6 | 0.9 | 2.8 | 4.0 | 0.2 | 0.3 | 1.4 | 2.8 | 4.8 | 6.8 |
| OCF Margin | | -5.5% | 13.6% | 11.2% | 20.9% | 14.2% | 2.9% | 3.0% | 10.3% | 15.2% | 9.5% | 10.8% |
| Acquisitions-As Reported | | | | | | | | | | | | |
| Cisneros revenue | | | | | 89.2 | 89.2 | 88.5 | 114.9 | 121.0 | 105.4 | 429.8 | 489.9 |
| Cisneros cost of revenue | | | | | 76.3 | 76.3 | 77.6 | 100.4 | 104.6 | 90.1 | 372.7 | 424.6 |
| Cisneros opex | | | | | 5.9 | 5.9 | 4.8 | 6.4 | 7.2 | 6.7 | 25.1 | 26.5 |
| Cisneros OCF | | | | | 7.0 | 7.0 | 6.1 | 8.1 | 9.2 | 8.5 | 32.0 | 38.8 |
| EBITDA to red non-con interests | | | | | 3.4 | 3.4 | 3.0 | 4.0 | 3.0 | 0.0 | 10.0 | 0.0 |
| Cisneros EBITDA | | | | | 3.6 | 3.6 | 3.1 | 4.1 | 6.2 | 8.5 | 22.0 | 38.8 |
| MediaDonuts revenue | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 13.8 | 18.6 | 32.4 | 62.9 |
| MediaDonuts cost of revenue | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 10.3 | 14.0 | 24.3 | 47.1 |
| MediaDonuts opex | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 1.8 | 3.8 | 8.9 |
| MediaDonuts OCF | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 2.8 | 4.3 | 6.8 |
| EBITDA to red non-con interests | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MediaDonuts EBITDA | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 2.8 | 4.3 | 6.8 |
| Digital segment pro forma | | | | | | | | | | | | |
| Digital revenue | 228.3 | 56.7 | 57.5 | 74.8 | 126.8 | 315.9 | 109.5 | 140.1 | 150.5 | 141.3 | 541.4 | 616.9 |
| Digital cost of revenue | 173.0 | 45.1 | 45.9 | 60.2 | 102.1 | 253.2 | 91.0 | 116.0 | 123.9 | 114.0 | 444.8 | 508.3 |
| Digital opex ex-cost of revenue | 45.5 | 10.9 | 10.3 | 10.2 | 14.0 | 45.4 | 12.4 | 14.7 | 14.9 | 15.0 | 57.1 | 60.6 |
| Digital OCF | 9.8 | 0.7 | 1.3 | 4.5 | 10.8 | 17.3 | 6.1 | 9.5 | 11.6 | 12.3 | 39.5 | 48.0 |
| Digital segment as reported | | | | | | | | | | | | |
| Digital revenue | 68.9 | 13.3 | 11.4 | 13.7 | 105.0 | 143.3 | 101.5 | 130.2 | 150.5 | 141.3 | 523.5 | 616.9 |
| Digital cost of revenue | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 85.0 | 109.0 | 123.9 | 114.0 | 431.9 | 508.3 |
| Digital opex | 32.3 | 6.9 | 6.2 | 5.4 | 12.0 | 30.4 | 10.6 | 12.0 | 14.9 | 15.0 | 52.6 | 60.6 |
| Digital OCF | (0.1) | (0.9) | (1.2) | 0.5 | 7.6 | 5.9 | 5.9 | 9.2 | 11.6 | 12.3 | 39.0 | 48.0 |
| Digital Adj. EBITDA | (0.1) | -0.9 | -1.2 | 0.5 | 4.2 | 2.5 | 2.9 | 5.2 | 8.6 | 12.3 | 29.0 | 48.0 |

| Metrics | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
|--|--------|--------|--------|---------|--------|--------|--------|---------|--------|---------|---------|----------|
| Legacy growth | | | | | | | | | | | | |
| Reported digital revenue growth | | | | | 424% | 108% | 661% | 1045% | 1002% | 35% | 265% | 18% |
| Legacy digital revenue growth | -14.9% | -7.9% | -32.3% | -22.5% | -21.2% | -21.4% | -2.6% | 34.5% | 15.0% | 10.0% | 13.3% | 4.5% |
| 2-yr CAGR | | -14.5% | -25.6% | -22.0% | -10.6% | -18.2% | -5.3% | -4.6% | -5.6% | -6.9% | -5.7% | 8.8% |
| Legacy digital opex growth | | -11.1% | -27.4% | -32.4% | -24.7% | -24.1% | -14.4% | -9.2% | 6.5% | 7.0% | -3.2% | 6.1% |
| Legacy digital OCF | | -1.1% | 128.0% | -257.3% | -60.9% | 822.5% | -71.9% | -184.0% | 113.6% | 38.9% | -361.7% | -9.7% |
| Cisneros growth | | | | | | | | | | | | |
| Cisneros revenue growth | | 31.0% | 10.2% | 27.8% | 100.1% | 46.4% | 120.0% | 173.4% | 127.1% | 7.8% | 84.2% | 14.0% |
| 2-yr CAGR | | | | | | | 69.8% | 73.6% | 70.3% | 46.8% | 64.2% | 44.9% |
| Cisneros opex ex-COR growth | | 14.2% | 5.5% | 28.0% | 66.7% | 31.5% | 48.56% | 92.5% | 74.9% | -0.5% | 44.2% | 5.8% |
| Cisneros OCF | | 10% | -13% | 8% | 132% | 43% | 258% | 307% | 196% | 15% | 125% | 21% |
| Cisneros revenue growth q/q | | -17.7% | 4.5% | 26.7% | 83.5% | | -9.5% | 29.9% | 5.2% | -12.9% | | |
| Cisneros cost of revenue growth q/q | | -15.2% | 3.9% | 25.5% | 81.6% | | -7.2% | 29.3% | 4.2% | -13.8% | | |
| Cisneros opex ex-COR growth q/q | | -20.5% | 4.3% | 22.8% | 63.8% | | -29.2% | 35.2% | 11.5% | -6.8% | | |
| Cisneros OCF growth q/q | | -82.8% | 16.9% | 56.2% | 137.7% | | -57.0% | 32.8% | 13.4% | -7.3% | | |
| MediaDonuts growth | | | | | | | | | | | | |
| MediaDonuts revenue growth y/y | | | | | | | 154.3% | 140.0% | 75.0% | 40.0% | 76.8% | 24.9% |
| 2-yr CAGR | | | | | | | | | | | | 48.6% |
| MediaDonuts opex ex-COR growth y/y | | | | | | | 108.0% | 216.5% | 201.2% | 60.2% | 136.5% | 7.6% |
| MediaDonuts cost of revenue growth y/y | | | | | | | 143% | 155% | 63% | 49% | 78% | 27% |
| MediaDonuts OCF growth y/y | | | | | | | -233% | -47% | 62% | 2% | 18% | 42% |
| MediaDonuts revenue growth q/q | | | 31.0% | 91.2% | 68.9% | | -39.9% | 23.7% | 39.4% | 35.1% | | |
| MediaDonuts cost of revenue growth q/q | | | 10.1% | 132.8% | 48.4% | | -36.1% | 15.4% | 49.4% | 35.1% | | |
| MediaDonuts opex ex-COR growth q/q | | | -0.8% | -20.4% | 68.9% | | 55.9% | 50.9% | -24.2% | -10.2% | | |
| MediaDonuts OCF growth q/q | | | NM | 57.2% | 216.2% | | -94.3% | 28.9% | 380.1% | 99.5% | | |
| Digital segment pro forma growth | | | | | | | | | | | | |
| Digital revenue | | | | | 84% | 38% | 93% | 144% | 101% | 11% | 71% | 14% |
| Digital revenue, PF, pro rated for 4Q by days EVC owned Cisneros in 4Q20 | | | | | 67% | | 83% | | | | | |
| Digital cost of revenue | | | | | 96% | 46% | 102% | 153% | 106% | 12% | 76% | 14% |
| Digital opex ex-cost of revenue | | | | | 15% | 0% | 14% | 42% | 47% | 8% | 26% | 6% |
| Digital OCF | | | | | 125% | 76% | 831% | 613% | 161% | 13% | 129% | 21% |
| Legacy margins | | | | | | | | | | | | |
| Legacy cost of revenue/revenue | 53.3% | 55.1% | 56.7% | 57.2% | 57.4% | 56.6% | 56.6% | 56.7% | 57.2% | 57.4% | 57.0% | 57.0% |
| Legacy COR margin ^ y/y | | 2.3% | 4.0% | 0.7% | 5.8% | 3.3% | 1.5% | 0.0% | 0.0% | 0.0% | 0.4% | 0.0% |
| Legacy opex ex-COR/revenue | 46.8% | 51.5% | 54.1% | 39.4% | 38.6% | 45.3% | 45.3% | 36.6% | 36.5% | 37.6% | 38.7% | 39.3% |
| Legacy OCF margin | -0.2% | -6.6% | -10.8% | 3.4% | 4.0% | -1.9% | -1.9% | 6.8% | 6.3% | 5.1% | 4.3% | 3.7% |
| Legacy OCF margin ^ y/y | | -0.5% | -7.6% | 5.1% | -4.1% | -1.7% | 4.7% | 17.6% | 2.9% | 1.1% | 6.2% | -0.6% |
| Cisneros margins | | | | | | | | | | | | |
| Cisneros cost of revenue/revenue | 85.5% | 87.8% | 87.3% | 86.4% | 85.5% | 86.4% | 87.7% | 87.3% | 86.4% | 85.5% | 86.7% | 86.7% |
| Cisneros COR margin ^ y/y | | 2.0% | 1.6% | 1.1% | 0.3% | 1.0% | -0.1% | 0.0% | 0.0% | 0.0% | 0.3% | 0.0% |
| Cisneros OCF margin ^ y/y | | -0.8% | -1.3% | -1.1% | 1.0% | -0.1% | 2.7% | 2.3% | 1.8% | 0.5% | 1.3% | 0.5% |
| Cisneros EBITDA margin ^ y/y | | -0.8% | -1.3% | -1.1% | 1.0% | -0.1% | 2.7% | 2.3% | 1.8% | 0.5% | 1.3% | 0.5% |
| MediaDonuts margins | | | | | | | | | | | | |
| MediaDonuts cost of revenue/revenue | | 78.5% | 65.9% | 80.3% | 70.6% | 73.5% | 75.0% | 70.0% | 75.0% | 75.0% | 74.0% | 75.0% |
| MediaDonuts COR margin ^ y/y | | | | | | | -3.5% | 4.1% | -5.3% | 4.4% | 0.5% | 1.0% |
| MediaDonuts OCF margin ^ y/y | | | | | | | 8.4% | -10.6% | -0.8% | -5.6% | -4.7% | 1.3% |
| MediaDonuts EBITDA margin ^ y/y | | | | | | | 8.4% | -10.6% | -0.8% | -5.6% | -4.7% | 1.3% |
| Digital Segment margins | | | | | | | | | | | | |
| Digital Segment cost of revenue/revenue | | 55.1% | 56.7% | 57.2% | 81.3% | 74.6% | 83.7% | 83.7% | 82.3% | 80.7% | 82.5% | 82.4% |
| MediaDonuts COR margin ^ y/y | | | | | | | 28.6% | 27.0% | 25.2% | -0.6% | 7.9% | -0.1% |
| MediaDonuts OCF margin ^ y/y | | | | | | | 300.0% | 398.5% | 301.4% | -343.6% | 656.4% | -1000.0% |
| MediaDonuts EBITDA margin ^ y/y | | | | | | | 300.0% | 398.5% | 301.4% | -343.6% | 656.4% | -1000.0% |
| Revenue mix: | | | | | | | | | | | | |
| Total company revenue | 273.6 | 64.2 | 45.1 | 63.0 | 171.7 | 344.0 | 148.9 | 178.4 | 198.9 | 198.4 | 724.6 | 803.1 |
| Digital as % of company revenue | 25% | 21% | 25% | 22% | 61% | 42% | 68% | 73% | 76% | 71% | 72% | 77% |
| Minority interest | | | | | | | 1.6 | 2.4 | 1.8 | 0.0 | 5.8 | 0.0 |

Note: Legacy digital is EVC's digital segment excluding Cisneros and MediaDonuts. Source: Industry Capital Research estimates and company data

Figure 8: Financial Statement Forecasts Supporting Our Valuation

| Consolidated Income Statement | | | | | | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fiscal Year Ends December 31 | | | | | | | | | | | | | | | |
| In millions, except per share data | | | | | | | | | | | | | | | |
| AS REPORTED | 2016A | 2017A | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
| Net revenue: | | | | | | | | | | | | | | | |
| Television | \$159.5 | \$148.1 | \$151.7 | \$149.7 | \$39.2 | \$27.0 | \$37.8 | \$50.5 | \$154.5 | \$36.1 | \$34.1 | \$34.4 | \$42.7 | \$147.3 | \$134.0 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 11.7 | 6.8 | 11.5 | 16.2 | 46.3 | 11.3 | 14.1 | 14.0 | 14.4 | 53.8 | 52.2 |
| Net broadcast revenue | 235.4 | 215.0 | 215.7 | 204.7 | 50.9 | 33.7 | 49.3 | 66.7 | 200.7 | 47.4 | 48.2 | 48.4 | 57.1 | 201.1 | 186.2 |
| Digital | 23.1 | 57.1 | 81.0 | 68.9 | 13.3 | 11.4 | 13.7 | 105.0 | 143.3 | 101.5 | 130.2 | 150.5 | 141.3 | 523.5 | 616.9 |
| Total net revenue (core) | 258.5 | 272.1 | 296.6 | 273.6 | 64.2 | 45.1 | 63.0 | 171.7 | 344.0 | 148.9 | 178.4 | 198.9 | 198.4 | 724.6 | 803.1 |
| Revenue from spectrum usage rights | | 263.9 | 1.2 | 0.0 | | | | | 0.0 | | | | | 0.0 | 0.0 |
| Total net revenue | 258.5 | 536.0 | 297.8 | 273.6 | 64.2 | 45.1 | 63.0 | 171.7 | 344.0 | 148.9 | 178.4 | 198.9 | 198.4 | 724.6 | 803.1 |
| Cost of Revenue | | | | | | | | | | | | | | | |
| Television | | 0.0 | | | | | | | | | | | | | |
| Radio | | 0.0 | | | | | | | | | | | | | |
| Digital | 9.5 | 33.0 | 45.1 | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 84.8 | 109.0 | 123.9 | 114.0 | 431.7 | 508.3 |
| Digital cost of revenue as % of revenue | 41.2% | 57.8% | 55.7% | 53.3% | 55.1% | 56.7% | 57.2% | 81.3% | 74.6% | 83.5% | 83.7% | 82.3% | 80.7% | 82.5% | 82.4% |
| Total cost of revenue (core) | 9.5 | 33.0 | 45.1 | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 84.8 | 109.0 | 123.9 | 114.0 | 431.7 | 508.3 |
| Cost of revenue from spectrum usage rights (television) | | 12,340 | | | | | | | | | | | | | |
| Total cost of revenue | 9.5 | 45.3 | 45.1 | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 84.8 | 109.0 | 123.9 | 114.0 | 431.7 | 508.3 |
| Opex | | | | | | | | | | | | | | | |
| Television opex | 83.6 | 81.7 | 84.3 | 84.4 | 21.8 | 17.7 | 19.0 | 22.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.9 | 81.5 | 73.3 |
| Radio opex | 65.4 | 63.3 | 59.4 | 56.7 | 11.6 | 9.1 | 9.7 | 11.3 | 41.8 | 9.7 | 9.9 | 9.9 | 10.2 | 39.7 | 38.5 |
| Digital opex | 11.2 | 23.4 | 33.1 | 32.3 | 6.9 | 6.2 | 5.4 | 12.2 | 30.6 | 10.9 | 12.0 | 14.9 | 15.0 | 52.8 | 60.6 |
| Total opex (core) | 160.2 | 168.4 | 176.8 | 173.4 | 40.3 | 33.0 | 34.1 | 45.9 | 153.3 | 40.4 | 41.4 | 45.0 | 47.2 | 174.0 | 172.4 |
| Spectrum usage rights | | | | | | | | | | | | | | | |
| Total Opex | 160.2 | 168.4 | 176.8 | 173.4 | 40.3 | 33.0 | 34.1 | 45.9 | 153.3 | 40.4 | 41.4 | 45.0 | 47.2 | 174.0 | 172.4 |
| OCF | | | | | | | | | | | | | | | |
| Television OCF | 75.9 | 66.3 | 67.4 | 65.2 | \$17.4 | \$9.2 | \$18.8 | \$28.1 | 73.6 | \$16.2 | \$14.5 | \$14.3 | \$20.8 | 65.8 | 60.7 |
| TV OCF Margin | 47.6% | 44.8% | 44.4% | 43.6% | 44.5% | 34.2% | 49.8% | 55.6% | 47.6% | 44.9% | 42.7% | 41.5% | 48.7% | 44.7% | 45.3% |
| Incremental Margin | -566.3% | 83.6% | 30.3% | 105.6% | | | | | 173.4% | | | | | 107.9% | 38.5% |
| Radio OCF | 10.5 | 3.6 | 4.6 | (1.7) | 0.1 | (2.4) | 1.8 | 4.9 | 4.5 | 1.6 | 4.2 | 4.1 | 4.1 | 14.1 | 13.7 |
| Radio OCF margin | 13.8% | 5.4% | 7.1% | -3.1% | 0.6% | -34.7% | 15.9% | 30.4% | 9.7% | 14.4% | 29.9% | 29.2% | 28.8% | 26.2% | 26.3% |
| Incremental Margin | 1189.2% | 76.7% | -31.0% | 70.1% | | | | | -70.4% | | | | | 127.1% | 21.2% |
| Digital OCF | 2.4 | 0.7 | 2.8 | (0.1) | (0.9) | (1.2) | 0.5 | 7.4 | 5.7 | 5.9 | 9.2 | 11.6 | 12.3 | 39.0 | 48.0 |
| Digital OCF margin | 10.2% | 1.3% | 3.4% | -0.2% | -6.6% | -10.8% | 3.4% | 7.0% | 4.0% | 5.8% | 7.0% | 7.7% | 8.7% | 7.4% | 7.8% |
| Incremental Margin | 28.8% | -4.8% | 8.5% | 23.9% | | | | | 7.9% | | | | | 8.7% | 9.7% |
| Total OCF (core) | 88.7 | 70.7 | 74.8 | 63.4 | 16.6 | 5.6 | 21.1 | 40.4 | 83.8 | 23.7 | 27.9 | 30.0 | 37.2 | 118.8 | 122.4 |
| Margin | 34.3% | 26.0% | 25.2% | 23.2% | 25.9% | 12.5% | 33.5% | 23.5% | 24.4% | 15.9% | 15.7% | 15.1% | 18.7% | 16.4% | 15.2% |
| Incremental Margin | -114.5% | -132.9% | 16.6% | 49.1% | -542.5% | 47.9% | -94.2% | 23.9% | 24.4% | 8.4% | 16.7% | 6.5% | -12.1% | 16.4% | 15.2% |
| Spectrum sales | 0.0 | 251.6 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.000 |
| Total OCF | 88.7 | 322.3 | 75.9 | 63.4 | 16.6 | 5.6 | 21.1 | 40.4 | 83.8 | 23.7 | 27.9 | 30.0 | 37.2 | 118.8 | 122.4 |
| Total OCF Margin | 34.3% | 60.1% | 25.5% | 23.2% | 25.9% | 12.5% | 33.5% | 23.5% | 24.4% | 15.9% | 15.7% | 15.1% | 18.7% | 16.4% | 15.2% |
| Incremental Margin | -114.5% | 84.2% | 103.4% | 51.6% | -542.5% | 47.9% | -94.2% | 23.9% | 24.4% | 8.4% | 16.7% | 6.5% | -12.1% | 16.4% | 15.2% |
| Corporate Expense | 24.5 | 27.9 | 26.9 | 28.1 | 6.8 | 5.4 | 6.3 | 9.3 | 27.8 | 7.2 | 7.3 | 6.5 | 8.1 | 29.1 | 28.7 |
| GAAP EBITDA | 64.2 | 294.4 | 49.1 | 35.4 | 9.8 | 0.2 | 14.8 | 31.1 | 56.0 | 16.6 | 20.6 | 23.5 | 29.1 | 89.8 | 93.7 |
| Corporate non-cash comp | 3.7 | 4.9 | 5.1 | 3.6 | 0.7 | 0.7 | 0.7 | 1.9 | 3.9 | 0.8 | 0.8 | 0.8 | 1.6 | 4.0 | 4.0 |
| Opex adjustments to cash: | | | | | | | | | | | | | | | |
| Amortization of syndication contracts | (0.4) | (0.5) | (0.7) | (0.5) | (0.130) | (0.1) | (0.1) | (0.1) | (0.5) | (0.119) | (0.1) | (0.1) | (0.2) | (0.5) | (0.5) |
| Payments on syndication contracts | (0.4) | (0.4) | (0.6) | (0.5) | 0.131 | 0.1 | 0.1 | 0.1 | (0.5) | (0.124) | (0.1) | (0.1) | (0.2) | (0.5) | (0.5) |
| Non-cash comp in direct opex | 1.3 | 1.2 | 0.7 | 0.7 | 0.1 | 0.1 | 0.1 | 0.9 | 1.2 | 0.316 | 0.3 | 0.5 | 0.1 | 1.3 | 1.3 |
| Non-recurring cash severance | | | 0.8 | 2.3 | 0.606 | 0.5 | 1.7 | 0.000 | | 0.000 | | | | | |
| EBITDA attributable to redeemable noncontrolling interest | | | | | | | | 3.4 | 3.4 | 2.837 | 4.3 | 3.0 | 0.0 | 10.1 | 0.0 |
| Total opex (positive) adjustments to cash | (1.3) | (1.2) | (1.5) | (2.9) | (0.737) | (0.6) | (0.2) | 2.0 | 0.5 | 2.526 | 3.9 | 2.5 | (0.1) | 8.8 | (1.3) |
| Foreign currency (gain) loss | 0.0 | 0.4 | 1.6 | 0.8 | 1.5 | (0.2) | (0.7) | (1.7) | (1.1) | 0.6 | (0.3) | 0.0 | (0.3) | 0.0 | 0.0 |
| Total Adjusted EBITDA | 69.2 | 300.1 | 54.0 | 41.2 | 9.7 | 1.7 | 16.4 | 32.6 | 60.4 | 14.2 | 17.8 | 21.8 | 31.1 | 84.9 | 99.1 |
| Other opex for spectrum (in corporate) | | 2.1 | 1.2 | | | | | | | | | | | | |
| Adjusted EBITDA (core) | 69.2 | 50.6 | 54.0 | 41.2 | 9.7 | 1.7 | 16.4 | 32.6 | 60.4 | 14.2 | 17.8 | 21.8 | 31.1 | 84.9 | 99.1 |
| Memo: adj. EBITDA (core) reported | 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 | 0.0 | 0.0 |
| Model variance: adj. EBITDA | 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 | 0.0 | 0.0 |
| Adj. EBITDA core margin | 26.8% | 18.6% | 18.2% | 15.1% | 15.1% | 3.8% | 26.0% | 19.0% | 17.6% | 9.5% | 10.0% | 11.0% | 15.7% | 11.7% | 12.3% |
| Incremental Margin | -161.7% | -137.3% | 14.0% | 55.6% | -376.3% | 45.0% | -123.8% | 21.4% | 27.3% | 5.3% | 12.1% | 4.0% | -5.6% | 6.4% | 18.1% |

Source: Industry Capital Research estimates and company data

Figure 10: Financial Statement Forecasts Supporting Our Valuation (cont.)

| ANNUAL PERCENTAGE CHANGE | 2016A | 2017E | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
|----------------------------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Net revenue growth | 1.7% | 107.4% | -44.4% | -8.1% | -0.7% | -34.8% | -8.5% | 142.4% | 25.8% | 131.7% | 295.5% | 215.8% | 15.6% | 110.6% | 10.8% |
| Net revenue (core) growth | 1.7% | 5.3% | 9.0% | -7.8% | -0.7% | -34.8% | -8.5% | 142.4% | 25.8% | 131.7% | 295.5% | 215.8% | 15.6% | 110.6% | 10.8% |
| TV revenue growth | 0.3% | -7.2% | 2.5% | -1.4% | 2.5% | -29.2% | 3.7% | 36.8% | 3.2% | -7.9% | 26.3% | -9.0% | -15.4% | -4.7% | -9.0% |
| Radio revenue growth | -0.4% | -11.8% | -4.5% | -13.9% | -2.0% | -52.7% | -22.0% | 16.6% | -15.9% | -3.5% | NM | 21.6% | -11.5% | 16.4% | -3.0% |
| Digital revenue growth | 22.5% | 146.7% | 41.8% | -14.9% | -7.9% | -32.3% | -22.5% | 424.2% | 108.0% | 661.2% | 1045.0% | 1001.8% | 34.7% | 265.3% | 17.8% |
| Cost of revenue | 31.7% | NM | 36.7% | -18.5% | -3.9% | -27.2% | -21.5% | NM | NM | NM | NM | NM | 33.7% | NM | 17.7% |
| Direct expense | 3.7% | -2.2% | 3.1% | 41.7% | -7.8% | -25.3% | -21.5% | 6.3% | -12.1% | -25.5% | -11.9% | -16.8% | -31.2% | -22.4% | -10.0% |
| SG&A | 5.9% | NM | NM | -21.1% | -1.6% | -19.5% | -20.7% | -0.8% | -10.3% | -28.8% | -9.2% | 0.5% | NM | NM | 12.4% |
| Opex | 5.9% | NM | NM | -4.8% | -5.5% | -24.2% | -21.3% | NM | 23.8% | NM | NM | NM | 22.8% | NM | 12.4% |
| Opex (core) | 4.6% | 5.1% | 5.0% | -1.9% | -5.8% | -23.5% | -21.3% | 4.0% | -11.6% | 0.4% | 25.4% | 32.1% | 2.7% | 13.5% | -0.9% |
| TV opex | 3.7% | -2.2% | 3.1% | 0.1% | 4.9% | -14.7% | -10.3% | 3.2% | -4.2% | -8.6% | 10.0% | 6.0% | -2.1% | 0.7% | -10.0% |
| Radio opex | 5.5% | -3.2% | -6.2% | -4.5% | -18.4% | -34.3% | -31.4% | -21.3% | -26.3% | -16.9% | 8.2% | 2.4% | -9.4% | -4.9% | -3.2% |
| Digital opex | 7.0% | 107.8% | 41.8% | -2.6% | -11.1% | -27.4% | -32.4% | 51.1% | -5.0% | 58.1% | 95.3% | 177.5% | 22.9% | 72.5% | 14.7% |
| Total OCF (core) | -5.3% | -20.3% | 5.8% | -15.2% | 16.4% | -67.2% | 35.2% | NM | 32.1% | 42.6% | NM | 42.2% | -8.0% | 41.8% | 3.0% |
| TV OCF | -3.2% | -12.6% | 1.7% | -3.3% | -0.4% | -46.6% | 23.2% | 85.0% | 12.8% | -7.1% | 57.7% | -24.1% | -26.0% | -10.5% | -7.8% |
| Radio OCF | -26.3% | -65.4% | 25.8% | NM | NM | NM | NM | NM | NM | NM | NM | NM | -16.1% | NM | -2.4% |
| Digital OCF | NM | -68.5% | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | 65.9% | NM | 23.1% |
| Corporate expense | 9.0% | 12.1% | 1.0% | 3.0% | 0.0% | 0.0% | 0.0% | 11.3% | 3.0% | 2.0% | 15.0% | -4.0% | -18.0% | 3.0% | 3.0% |
| Adjusted EBITDA (core) | -9.3% | -26.9% | 6.8% | -23.7% | 20.1% | -86.3% | 79.1% | NM | 46.6% | 46.7% | NM | 33.2% | -4.6% | 40.6% | 16.7% |
| D & A | -4.0% | 7.0% | -0.8% | 2.3% | 15.2% | -10.1% | -6.1% | 17.2% | 3.8% | 14.9% | 31.0% | 29.0% | 2.2% | 18.1% | 1.4% |
| Operating income | -11.5% | NM | -88.5% | -36.9% | 31.0% | NM | NM | NM | 88.3% | 81.4% | NM | 33.3% | -2.7% | 56.0% | 23.3% |
| Pretax income | -20.3% | NM | -91.7% | NM | NM | NM | NM | NM | NM | NM | NM | 34.7% | -12.2% | NM | -1.4% |
| Net income pre-extra. | -20.5% | NM | -93.1% | NM | NM | NM | NM | NM | NM | NM | NM | 2.6% | -22.1% | NM | 9.6% |
| EPS, Continuing Operations | -20.7% | NM | -92.8% | NM | NM | NM | NM | NM | NM | NM | NM | 0.0% | -25.0% | NM | 11.1% |
| EPS - diluted | -21.4% | NM | -93.0% | NM | NM | NM | NM | NM | NM | NM | NM | -0.6% | -23.3% | NM | 10.8% |
| FCF/share | NM | -18.0% | -31.7% | -64.3% | NM | NM | NM | NM | NM | NM | NM | 75.0% | -18.2% | 51.0% | 15.6% |
| EPS shares - Diluted | 1.1% | 0.6% | -1.7% | -4.5% | -3.3% | -0.8% | 0.1% | 0.6% | -2.3% | 3.2% | 3.7% | 3.3% | 1.6% | 3.8% | -1.1% |

Source: Industry Capital Research estimates and company data

Figure 11: Financial Statement Forecasts Supporting Our Valuation (cont.)

| Segments | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| In millions | | | | | | | | | | | | | | | |
| AS REPORTED | 2016A | 2017A | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
| Revenue: | | | | | | | | | | | | | | | |
| Television | \$159.5 | \$148.1 | \$151.7 | \$149.7 | \$39.2 | \$27.0 | \$37.8 | \$50.5 | \$154.5 | \$36.1 | \$34.1 | \$34.4 | \$42.7 | \$147.3 | \$134.0 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 11.7 | 6.8 | 11.5 | 16.2 | 46.3 | 11.3 | 14.1 | 14.0 | 14.4 | 53.8 | 52.2 |
| Digital | 23.1 | 57.1 | 81.0 | 68.9 | 13.3 | 11.4 | 13.7 | 105.0 | 143.3 | 101.5 | 130.2 | 150.5 | 141.3 | 523.5 | 616.9 |
| Revenue | 258.5 | 272.1 | 296.6 | 273.6 | 64.2 | 45.1 | 63.0 | 171.7 | 344.0 | 148.9 | 178.4 | 198.9 | 198.4 | 724.6 | 803.1 |
| Cost of revenue: | | | | | | | | | | | | | | | |
| Television | 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 | 0.0 | 0.0 |
| Radio | 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 | 0.0 | 0.0 |
| Digital | 9.5 | 33.0 | 45.1 | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 84.8 | 109.0 | 123.9 | 114.0 | 431.7 | 508.3 |
| Cost of revenue | 9.5 | 33.0 | 45.1 | 36.8 | 7.3 | 6.4 | 7.8 | 85.3 | 106.9 | 84.8 | 109.0 | 123.9 | 114.0 | 431.7 | 508.3 |
| Opex: | | | | | | | | | | | | | | | |
| Television | 83.6 | 81.7 | 84.3 | 84.4 | 21.8 | 17.7 | 19.0 | 22.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.9 | 81.5 | 73.3 |
| Radio | 65.4 | 63.3 | 59.4 | 56.7 | 11.6 | 9.1 | 9.7 | 11.3 | 41.8 | 9.7 | 9.9 | 9.9 | 10.2 | 39.7 | 38.5 |
| Digital | 11.2 | 23.4 | 33.1 | 32.3 | 6.9 | 6.2 | 5.4 | 12.2 | 30.6 | 10.9 | 12.0 | 14.9 | 15.0 | 52.8 | 60.6 |
| Opex | 160.2 | 168.4 | 176.8 | 173.4 | 40.3 | 33.0 | 34.1 | 45.9 | 153.3 | 40.4 | 41.4 | 45.0 | 47.2 | 174.0 | 172.4 |
| OCF: | | | | | | | | | | | | | | | |
| Television | 75.9 | 66.3 | 67.4 | 65.2 | 17.4 | 9.2 | 18.8 | 28.1 | 73.6 | 16.2 | 14.5 | 14.3 | 20.8 | 65.8 | 60.7 |
| Radio | 10.5 | 3.6 | 4.6 | (1.7) | 0.1 | (2.4) | 1.8 | 4.9 | 4.5 | 1.6 | 4.2 | 4.1 | 4.1 | 14.1 | 13.7 |
| Digital | 2.4 | 0.7 | 2.8 | (0.1) | (0.9) | (1.2) | 0.5 | 7.4 | 5.7 | 5.9 | 9.2 | 11.6 | 12.3 | 39.0 | 48.0 |
| OCF | 88.7 | 70.7 | 74.8 | 63.4 | 16.6 | 5.6 | 21.1 | 40.4 | 83.8 | 23.7 | 27.9 | 30.0 | 37.2 | 118.8 | 122.4 |
| PRO FORMA | 2016A | 2017A | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
| Revenue: | | | | | | | | | | | | | | | |
| Television | 159.5 | 148.1 | 151.7 | 149.7 | 39.2 | 27.0 | 37.8 | 51.3 | 155.3 | 36.1 | 34.1 | 34.4 | 42.7 | 147.3 | 134.0 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 11.7 | 6.8 | 11.5 | 16.2 | 46.3 | 11.3 | 14.1 | 14.0 | 14.4 | 53.8 | 52.2 |
| Digital | | | 92.1 | 228.3 | 56.7 | 57.5 | 74.8 | 126.8 | 315.9 | 109.5 | 140.1 | 150.5 | 141.3 | 541.4 | 616.9 |
| Revenue | 273.7 | 281.7 | 307.8 | 433.0 | 107.6 | 91.3 | 124.1 | 194.4 | 517.4 | 156.9 | 188.3 | 198.9 | 198.4 | 742.5 | 803.1 |
| Cost of revenue: | | | | | | | | | | | | | | | |
| Television | 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 | 0.0 | 0.0 |
| Radio | 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 | 0.0 | 0.0 |
| Digital | 9.5 | 33.0 | 45.1 | 173.0 | 45.1 | 45.9 | 60.2 | 102.1 | 253.2 | 91.0 | 116.0 | 123.9 | 114.0 | 444.8 | 508.3 |
| Cost of revenue | 9.5 | 33.0 | 45.1 | 173.0 | 45.1 | 45.9 | 60.2 | 102.1 | 253.2 | 91.0 | 116.0 | 123.9 | 114.0 | 444.8 | 508.3 |
| Opex: | | | | | | | | | | | | | | | |
| Television | 83.6 | 81.7 | 84.3 | 84.4 | 21.8 | 17.7 | 19.0 | 22.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.9 | 81.5 | 73.3 |
| Radio | 65.4 | 63.3 | 59.4 | 56.7 | 11.6 | 9.1 | 9.7 | 11.3 | 41.8 | 9.7 | 9.9 | 9.9 | 10.2 | 39.7 | 38.5 |
| Digital | | | 43.9 | 45.5 | 10.9 | 10.3 | 10.2 | 14.0 | 45.4 | 12.4 | 14.7 | 14.9 | 15.0 | 57.1 | 60.6 |
| Opex | 160.2 | 168.4 | 187.6 | 186.6 | 44.3 | 37.2 | 38.8 | 47.7 | 168.1 | 42.0 | 44.1 | 45.0 | 47.2 | 178.3 | 172.4 |
| OCF: | | | | | | | | | | | | | | | |
| Television | 75.9 | 66.3 | 67.4 | 65.2 | 17.4 | 9.2 | 18.8 | 28.9 | 74.4 | 16.2 | 14.5 | 14.3 | 20.8 | 65.8 | 60.7 |
| Radio | 10.5 | 3.6 | 4.6 | (1.7) | 0.1 | (2.4) | 1.8 | 4.9 | 4.5 | 1.6 | 4.2 | 4.1 | 4.1 | 14.1 | 13.7 |
| Digital | 17.5 | 10.4 | 3.2 | 9.8 | 0.7 | 1.3 | 4.5 | 10.8 | 17.3 | 6.1 | 9.5 | 11.6 | 12.3 | 39.5 | 48.0 |
| OCF | 103.9 | 80.3 | 75.2 | 73.4 | 18.2 | 8.2 | 25.1 | 44.7 | 96.1 | 23.9 | 28.2 | 30.0 | 37.2 | 119.4 | 122.4 |
| CONSOLIDATED PRO FORMA | 2016A | 2017A | 2018A | 2019A | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 2020A | 1Q21A | 2Q21A | 3Q21E | 4Q21E | 2021E | 2022E |
| Revenue | 273.7 | 281.7 | 307.8 | 433.0 | 107.6 | 91.3 | 124.1 | 194.4 | 517.4 | 156.9 | 188.3 | 198.9 | 198.4 | 742.5 | 803.1 |
| Growth | 7.7% | 2.9% | 9.3% | 40.7% | 12.8% | -15.0% | 12.3% | 62.4% | 19.5% | 45.8% | 106.3% | 60.2% | 2.1% | 43.5% | 8.2% |
| Cost of Revenue | 9.5 | 33.0 | 45.1 | 173.0 | 45.1 | 45.9 | 60.2 | 102.1 | 253.2 | 91.0 | 116.0 | 123.9 | 114.0 | 444.8 | 508.3 |
| Growth | 31.7% | 246.0% | 36.7% | 283.6% | 32.8% | 10.5% | 32.2% | 96.5% | 46.4% | 101.6% | 152.8% | 105.8% | 11.7% | 75.7% | 14.3% |
| Opex | 160.2 | 168.4 | 187.6 | 186.6 | 44.3 | 37.2 | 38.8 | 47.7 | 168.1 | 42.0 | 44.1 | 45.0 | 47.2 | 178.3 | 172.4 |
| Growth | 4.6% | 5.1% | 11.4% | -0.5% | -2.7% | -19.7% | -16.4% | -1.1% | -9.9% | -5.3% | 18.5% | 15.8% | -1.0% | 6.1% | -3.3% |
| OCF | 103.9 | 80.3 | 75.2 | 73.4 | 18.2 | 8.2 | 25.1 | 44.7 | 96.1 | 23.9 | 28.2 | 30.0 | 37.2 | 119.4 | 122.4 |
| Growth | 2.9% | -22.7% | -6.4% | -2.4% | 14.6% | -58.0% | 35.7% | 128.3% | 31.0% | 31.8% | 244.8% | 19.5% | -16.7% | 24.2% | 2.5% |
| Corporate | 20.8 | 23.1 | 21.8 | 24.4 | 6.2 | 4.7 | 5.6 | 7.4 | 23.9 | 6.4 | 6.5 | 5.7 | 6.5 | 25.1 | 24.6 |
| Growth | 8.5% | 10.8% | -5.5% | 12.0% | -0.7% | -19.0% | -7.0% | 16.8% | -2.0% | 3.6% | 39.7% | 1.6% | -13.0% | 5.0% | -2.0% |
| Memo: adj. EBITDA - (OCF - cash corporate) | 1.3 | 3.0 | 1.1 | 2.2 | (1.6) | 0.8 | 0.9 | (0.3) | 0.6 | (3.1) | (3.6) | (2.5) | 0.4 | (8.8) | 1.3 |
| EBITDA | 84.4 | 60.2 | 54.4 | 51.2 | 10.4 | 4.3 | 20.4 | 36.9 | 72.7 | 14.4 | 18.1 | 21.8 | 31.1 | 85.5 | 99.1 |
| Growth | 3.2% | -28.7% | -9.6% | -6.0% | 7.9% | -71.2% | 69.3% | 158.7% | 42.2% | 39.0% | 322.5% | 7.1% | -15.6% | 17.5% | 16.0% |

Source: Industry Capital Research estimates and company data

Figure 12: DCF Analysis Supports \$10.00 12-Month Price Target

| Entravision DCF analysis | | | |
|-------------------------------------|---------|---------|---------|
| | Current | YE 2021 | YE 2022 |
| Firm Value | 1,586 | 1,375 | 1,549 |
| (-) Total Net Debt | 203 | 203 | 203 |
| (+) NOLs/Tax Assets | 64 | 64 | 64 |
| (-) Options (Claims on Entravision) | (2.8) | (2.8) | (2.8) |
| Common Equity Value | 1,443.2 | 1,432.9 | 1,406.4 |
| Shares Outstanding | 87.8 | 87.8 | 87.8 |
| Current Share Price | \$7.85 | \$7.85 | \$7.85 |
| Value Per Share | \$16.44 | \$16.32 | \$16.02 |
| 12-month | \$16.00 | | |
| 12-month (507P) | \$9.00 | | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Terminal |
|--------------------------------|---------|---------|---------|--------|--------|--------|--------|--------|--------|----------|
| EBITDA | 54.0 | 41.2 | 60.4 | 84.9 | 99.1 | 98.8 | 128.8 | 113.2 | 121.8 | 82.8 |
| EBIT | 37.8 | 24.6 | 43.1 | 64.5 | 78.4 | 72.8 | 98.7 | 82.6 | 90.0 | 36.0 |
| Less Cash Taxes | (15.1) | (9.8) | (17.3) | (25.8) | (31.4) | (29.1) | (39.5) | (33.0) | (36.0) | 0.0 |
| Plus DDA | 16.3 | 16.6 | 17.3 | 20.4 | 20.7 | 27.0 | 30.1 | 30.6 | 31.8 | 30.6 |
| Less Cap Ex | (17.0) | (25.3) | (9.1) | (8.4) | (8.8) | (9.3) | (9.7) | (10.2) | (10.7) | (30.6) |
| Less Increase in WC | (9.4) | (8.7) | 8.7 | (11.9) | (4.1) | (5.0) | (0.8) | (0.8) | (2.2) | (1.4) |
| Free Cash Flow to Firm | 12.5 | (2.6) | 42.8 | 38.8 | 54.8 | 56.4 | 78.8 | 69.2 | 72.9 | 81.4 |
| Tax Rate | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% |
| Net Debt | 203 | | | | | | | | | |
| Leverage Mult. | 3.4x | | | | | | | | | |
| D/Equity | 30% | | | | | | | | | |
| D/EV | 23% | | | | | | | | | |
| E/EV | 77% | | | | | | | | | |
| Unlevered Beta | 0.77 | | | | | | | | | |
| Levered Beta | 0.87 | | | | | | | | | |
| D/Equity (projected long term) | 38% | | | | | | | | | |
| Cost of Debt (AT) | 2.4% | | | | | | | | | |
| Cost of Equity | 5.8% | | | | | | | | | |
| WACC | 4.8% | | | | | | | | | |
| PV of CF | | | | | | | | | | |
| Sum of PV | 346.7 | 314.1 | 264.9 | | | | | | | |
| PV of Terminal Value | 1,238.8 | 1,261.1 | 1,233.8 | | | | | | | |
| NPV of all CF | 1,585.6 | 1,575.2 | 1,548.8 | | | | | | | |

| | 2018-22 | 2020-24 | 2022-26 | 2025-26 |
|---------------------------------|---------|---------|---------|---------|
| Risk Free Rate | 1.5% | | | |
| Equity Premium | 4.9% | | | |
| Assumed LT Growth Rate (g) | 0% | | | |
| MV of Equity Calculation | \$7.85 | | | |
| Share Price | 87.8 | | | |
| Outstanding Shares | 689.0 | | | |
| MV of Equity | 7.2 | | | |
| Estimate MV of Debt Calculation | 4.00% | | | |
| Interest Expense | 203.5 | | | |
| Current Cost of Debt | 203.5 | | | |
| Wghtd Avg Maturity of Debt | 203.5 | | | |
| BY of Debt | 203.5 | | | |
| Estimate MV of Debt | 203.5 | | | |

| | 2018-22 | 2020-24 | 2022-26 | 2025-26 |
|------------------------|---------|---------|---------|---------|
| Free Cash Flow to Firm | 1.5% | | | |
| EBITDA | 4.9% | | | |
| Free Cash Flow to Firm | 0% | | | |
| Free Cash Flow to Firm | 45% | | | |
| Free Cash Flow to Firm | 17% | | | |
| Free Cash Flow to Firm | 7% | | | |
| Free Cash Flow to Firm | 5% | | | |

Source: Industry Capital Research estimates and company data

Figure 13: DCF Analysis allocates ~20% of firm value to broadcasting business

| Entravision DCF analysis - Broadcasting | | | |
|---|---------|---------|---------|
| | Current | YE 2021 | YE 2022 |
| Firm Value | 299 | 285 | 274 |
| (-) Total Net Debt | 203 | 203 | 203 |
| (+) NOLs | 63 | 63 | 63 |
| (-) Options (Claims on Entravision) | (2.8) | (2.8) | (2.8) |
| Common Equity Value | 155.6 | 141.3 | 130.3 |
| Shares Outstanding | 87.0 | 87.0 | 87.0 |
| Current Share Price | \$7.85 | \$7.85 | \$7.85 |
| Value Per Share | \$1.79 | \$1.62 | \$1.50 |
| 12-month | | | |

| ASSUMPTIONS | |
|---------------------------------|--------|
| Risk Free Rate | 1.5% |
| Equity Premium | 4.9% |
| Assumed LT Growth Rate (g) | -1% |
| MV of Equity Calculation | \$7.85 |
| Share Price | 87.0 |
| Outstanding Shares | 682.8 |
| MV of Equity | 7.2 |
| Estimate MV of Debt Calculation | 4.00% |
| Interest Expense | 203.5 |
| Current Cost of Debt | 203.5 |
| Wgtd Avg Maturity of Debt | 203.5 |
| BV of Debt | 203.5 |
| Estimate MV of Debt | 203.5 |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Terminal |
|------------------------|--------|--------|--------|--------|--------|-------|--------|--------|--------|-----------|
| EBITDA | 51.3 | 41.3 | 58.1 | 56.1 | 51.2 | 38.8 | 58.4 | 37.3 | 43.4 | |
| EBIT | 35.0 | 24.7 | 40.8 | 38.8 | 35.7 | 18.4 | 35.9 | 14.9 | 20.0 | 17.3 |
| Less Cash Taxes | (14.0) | (9.9) | (16.3) | (15.5) | (14.3) | (7.4) | (14.4) | (6.0) | (8.0) | 0.0 |
| Plus DDA | 16.3 | 16.6 | 17.3 | 17.3 | 15.5 | 20.4 | 22.5 | 22.3 | 23.4 | 22.3 |
| Less Cap Ex | (17.0) | (23.3) | (9.1) | (8.4) | (8.8) | (9.3) | (9.7) | (10.2) | (10.7) | (22.3) |
| Less Increase in VC | (9.4) | (8.7) | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Free Cash Flow to Firm | 10.8 | (2.5) | 41.4 | 32.2 | 28.1 | 22.2 | 34.3 | 21.1 | 24.6 | 17.3 |
| Tax Rate | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 0.0% |
| Net Debt | 203 | | | | | | | | | |
| Leverage Mult. | 3.5x | | | | | | | | | |
| D/Equity | 30% | | | | | | | | | |
| D/EV | 23% | | | | | | | | | |
| E/EV | 77% | | | | | | | | | |
| Unlevered Beta | 1.0 | | | | | | | | | |
| Levered Beta | 1.2 | | | | | | | | | |
| D/Equity (long term) | 38% | | | | | | | | | |
| Cost of Debt (AT) | 2.4% | | | | | | | | | |
| Cost of Equity | 7.4% | | | | | | | | | |
| WACC | 6.0% | | | | | | | | | |
| PV of CF | | | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% |
| | | | 30.3 | 25.0 | 18.6 | 27.2 | 15.8 | 17.4 | 18.4 | 19.5 |
| | | | 26.5 | 19.7 | 28.8 | 16.7 | 18.4 | 19.5 | 247.6 | 6x EBITDA |
| Sum of PV | 134.3 | 110.2 | 88.7 | | | | | | | |
| PV of Terminal Value | 164.8 | 174.7 | 185.2 | | | | | | | |
| NPV of all CF | 299.1 | 284.9 | 273.9 | | | | | | | |

Source: Industry Capital Research estimates and company data

Figure 14: DCF Analysis allocates ~80% of firm value to digital media business

| Entravision DCF analysis - Digital | | Current | YE 2021 | YE 2022 |
|-------------------------------------|--|---------|---------|---------|
| Firm Value | | 598 | 647 | 679 |
| (-) Total Net Debt | | - | - | - |
| (+) NOLs | | - | - | - |
| (-) Options (Claims on Entravision) | | - | - | - |
| Common Equity Value | | 598.4 | 646.6 | 679.1 |
| Shares Outstanding | | 87.0 | 87.0 | 87.0 |
| Current Share Price | | \$7.85 | \$7.85 | \$7.85 |
| Value Per Share | | \$6.88 | \$7.43 | \$7.81 |
| 12-month | | \$7.50 | | |
| Minority Interest | | | | |

| ASSUMPTIONS | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Terminal |
|---------------------------------|--|--------|------|------|------|------|------|------|------|------|----------|
| Risk Free Rate | | 1.5% | | | | | | | | | |
| Equity Premium | | 4.9% | | | | | | | | | |
| Assumed LT Growth Rate (g) | | 1% | | | | | | | | | |
| MV of Equity Calculation | | | | | | | | | | | |
| Share Price | | \$7.85 | | | | | | | | | |
| Outstanding Shares | | 87.0 | | | | | | | | | |
| MV of Equity | | 682.8 | | | | | | | | | |
| Estimate MV of Debt Calculation | | | | | | | | | | | |
| Interest Expense | | 7.2 | | | | | | | | | |
| Current Cost of Debt | | 4.00% | | | | | | | | | |
| Wght Avg Maturity of Debt | | | | | | | | | | | |
| BV of Debt | | | | | | | | | | | |
| Estimate MV of Debt | | | | | | | | | | | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Terminal |
|--------------------------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|----------|
| EBITDA | 2.8 | (0.1) | 2.3 | 28.8 | 48.0 | 61.0 | 70.4 | 75.9 | 78.5 | |
| EBIT | 2.8 | (0.1) | 2.3 | 25.7 | 42.8 | 54.4 | 62.8 | 67.7 | 70.0 | 69.5 |
| Less Cash Taxes | (1.1) | 0.0 | (0.9) | (10.3) | (17.1) | (21.8) | (25.1) | (27.1) | (28.0) | 0.0 |
| Plus DDA | | | | 3.1 | 3.2 | 6.6 | 7.6 | 8.2 | 8.5 | 8.2 |
| Less Cap Ex | | | | (11.9) | (4.1) | (5.0) | (0.8) | (0.8) | (2.2) | (1.5) |
| Less Increase in VC | | | | | | | | | | |
| Free Cash Flow to Firm | 1.7 | (0.1) | 1.4 | 6.7 | 26.8 | 34.2 | 44.5 | 48.1 | 48.2 | 68.0 |
| Tax Rate | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% |
| Net Debt | 0 | | | | | | | | | |
| Leverage Mult. | 0.0x | | | | | | | | | |
| D/Equity | 0% | | | | | | | | | |
| D/EV | 0% | | | | | | | | | |
| E/EV | 100% | | | | | | | | | |
| Unlevered Beta | 1.6 | | | | | | | | | |
| Levered Beta | 1.6 | | | | | | | | | |
| D/Equity (projected long term) | 0.0% | | | | | | | | | |
| Cost of Debt (AT) | 2.4% | | | | | | | | | |
| Cost of Equity | 9.2% | | | | | | | | | |
| WACC | 9.2% | | | | | | | | | |
| PV of CF | | | | | | | | | | |
| Sum of PV | | | | | | | | | | |
| PV of Terminal Value | | | | | | | | | | |
| NPV of all CF | | | | | | | | | | |

| | | | |
|----------------------|-------|-------|-------|
| Sum of PV | 145.7 | 152.4 | 139.6 |
| PV of Terminal Value | 452.6 | 494.2 | 539.5 |
| NPV of all CF | 598.4 | 646.6 | 679.1 |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Terminal |
|------------------------|------|-------|------|------|------|------|------|------|------|------------|
| Free Cash Flow to Firm | 1.7 | (0.1) | 1.4 | 6.7 | 26.8 | 34.2 | 44.5 | 48.1 | 48.2 | 68.0 |
| WACC | 9% | 9% | 9% | 9% | 9% | 9% | 9% | 9% | 9% | 9% |
| PV of CF | | | | 6.1 | 22.5 | 26.3 | 31.3 | 31.0 | 28.5 | |
| Sum of PV | | | | 24.5 | 28.7 | 34.2 | 33.8 | 31.1 | 34.0 | 836.6 |
| NPV of all CF | | | | 31.4 | 37.4 | 36.9 | 34.0 | | | 11x EBITDA |

Source: Industry Capital Research estimates and company data

APPENDIX

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Historical Recommendations and Target Prices: Entravision Communications (ticker: EVC)



- | | | |
|---|----------|---|
| 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 | 10/28/21 | Reaffirmed Buy @ \$7.85, Target Price \$10.00 |

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|--|-------------------------|------------------------------|
| BUY: total return expected is >15% over a 12-month period | 100% | 0% |
| HOLD: total return expected is between 15% and -15% over a 12-month period | 0% | 0% |
| SELL: total return expected is <-15% over a 12-month period | 0% | 0% |

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