Industry Capital Research

Entravision Communications Corporation (EVC)

The Charms Of Change

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Initiating coverage with Buy and $9.00 12-month price target

EVC's most recent digital media initiatives could grow bigger than expected, and the Cisneros Interactive acquisition announced in October is serving as a template for others. The lower post-pandemic expense base looks sustainable, adding a margin of safety for the secularly challenged broadcast business. Low leverage provides options for capital structure and strategy.

Coming out of pandemic with higher margins, low leverage, and potential digital nuggets

Over 20% headcount reduction in 2020 tunes up broadcast business as free cash flow ("FCF") engine. EVC could boost equity returns just by raising net debt leverage to 2-3x from under ~2x now. These two planks give experienced management footing to keep taking swings for digital hits, or, with 100%+ current revenue growth on its most recent M&A cut, even home runs.

Immature business volatility, broadcast headwinds and prior share run are risks

Recent digital acquisitions introduce idiosyncratic risks from less mature emerging markets businesses reliant on a small number of key ad platform partnerships. Broadcast business seems a melting ice cube, with increasing competition from TV program supplier Univision adding its hot breath. Given shares' big run over past year, with a top holder exit in 1Q, we look to join, not start, a trend.

Price target supported by discounted cash flow valuation

On explicit financial forecasts through 2026, we assume weighted average cost of capital (WACC) and stable FCF growth rates, respectively, of roughly 6% and -1% for broadcast business and 8% and 1% for digital media business. Our DCF analysis allocates ~50% of target value to the digital segment, which generated just 4% of EBITDA last year. Our view could change based on 1) outlook for emerging markets digital media, 2) core growth or profitability of U.S. broadcast media, and 3) capital allocation (e.g., M&A).

BUY

Price at 7/2/21 (USD)	6.76
Price Target	9.00
52-week range	1.25 - 7.10

Performance (%)	1m	3m	12m
Absolute	44	99	379
S&P 500	3	15	39

Market Cap (USDm)	581.6
Shares outstanding (m)	86.0
Float (%)	71
Average volume	578,882
S&P 500	4,352.3

Forecasts and ratios

Year ended 12/31	2020A	2021E	2022E
1Q EPS (USD)	-0.42	0.06	0.00
2Q EPS (USD)	0.03	0.07	0.02
3Q EPS (USD)	0.11	0.13	0.09
4Q EPS (USD)	0.24	0.12	0.23
FY EPS (USD)	-0.05	0.39	0.35
% Change	NE	NM	-11%
P/E (x)	NM	17.2	19.3
EV/EBITDA (x)	8.5	7.9	7.6
Revenue (USDm)	344.0	690.9	789.5
% Change	NE	101%	14%

Figure 1: Table of Contents

Figure 2: EVC Investment Thesis, Metrics and Valuation Summary

(in millions, except unit data)
12-month price target: $9.00

ENTERPRISE VALUE

Price per share	$6.76
Diluted shares outstanding	86.0
Equity market capitalization	582
+Pro forma net debt	100
-Hidden value	62
=Pro forma EV	$620

OPERATING PROJECTIONS

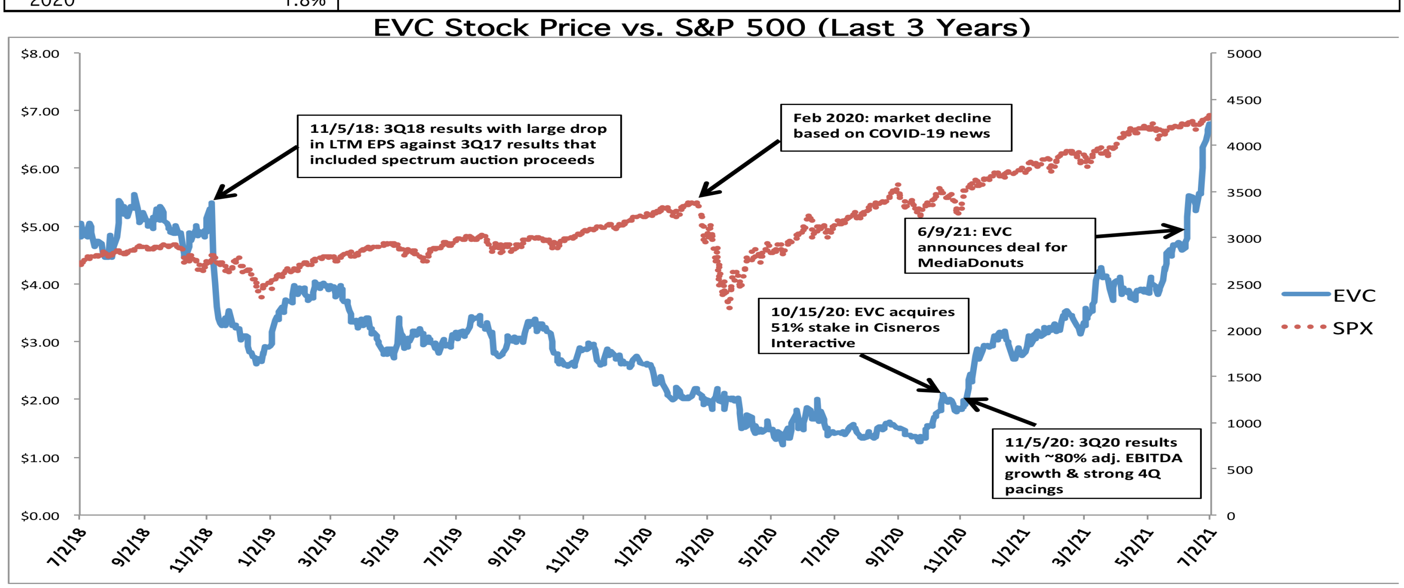
Pro forma net revenue	
2021	$709
2020	517
% Chg	*37.0%*
Pro forma EBITDA	
2021	$79
2020	73
% Chg	*8.1%*
Pro forma EBITDA margin	
2021	*11.1%*
2020	*14.1%*
Free cash flow per share	
2021	$0.69
2020	$0.51
% Chg	*35.3%*
Est. 3-5 yr FCF Growth rate	7%

VALUATION AND LEVERAGE

Pro forma EV/EBITDA	
2021	7.9x
2020	8.5x
Price / Free cash flow per share	
2021	9.8x
2020	13.3x
Pro forma net debt / EBITDA	
2021	1.3x
2020	1.4x
Dividend yield	
2021	2.2%
2020	1.8%

COMPANY CHARACTERISTICS AND INVESTMENT THESIS

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, Envtravision 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."
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.
Est. acquisition capacity	$236
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).
Positives	* 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 and substantial acquisition capacity * 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
Risks	* 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)
Valuation	Attributing roughly half of target valuation to digital media business, with potential for higher contribution if EVC buys 49% minority interest in Cisneros Interactive
Recent events	June 2021 – announced acquisition of MediaDonuts AsiaPac digital media business for $15 million plus earnouts; October 2020 – acquired 51% stake in Cisneros Interactive for $29 million; May 2020 – announced substantial expense costs targeting broadcast operations
Upcoming potential catalysts	2021 rebound in U.S. Hispanic employment and spending as pandemic recedes - 2022 U.S. midterm election ad spending - Potential for acquisition of 49% minority interest in Cisneros Interactive as early as March 2022



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

Investment Thesis

EVC shares have easily outpaced the broadcasting media sector since the beginning of 4Q20, begging the question of how much juice is left in the squeeze for EVC: quite a bit, in our view. This is based largely on the potential for EVC's most recent digital media initiatives to grow bigger than expected, and the valuation upside this would support.

Why buy:

- **EVC's share price is not fully capturing 1) the impact of the Cisneros Interactive ("Cisneros") acquisition announced on 10/15/20, or the MediaDonuts acquisition announced on 6/9/21, because the higher growth they are injecting into EVC's digital segment is more difficult to forecast.** Cisneros' triple-digit revenue growth since the 4Q closing actually reflects exploitation of a key strategic benefit that EVC has brought to the table—lending balance sheet support for financing many of Cisneros' emerging markets advertising clients. Reflecting management's view of the importance of digital media to the company's future, the company has for years cut its teeth on a number of digital acquisitions, often with international operations. Now, the dynamic of EVC's supporting growth of emerging markets digital businesses echoes the support that Univision gave EVC in expanding in smaller U.S. Hispanic markets. The Cisneros deal appears to be serving as a template for others, such as MediaDonuts.

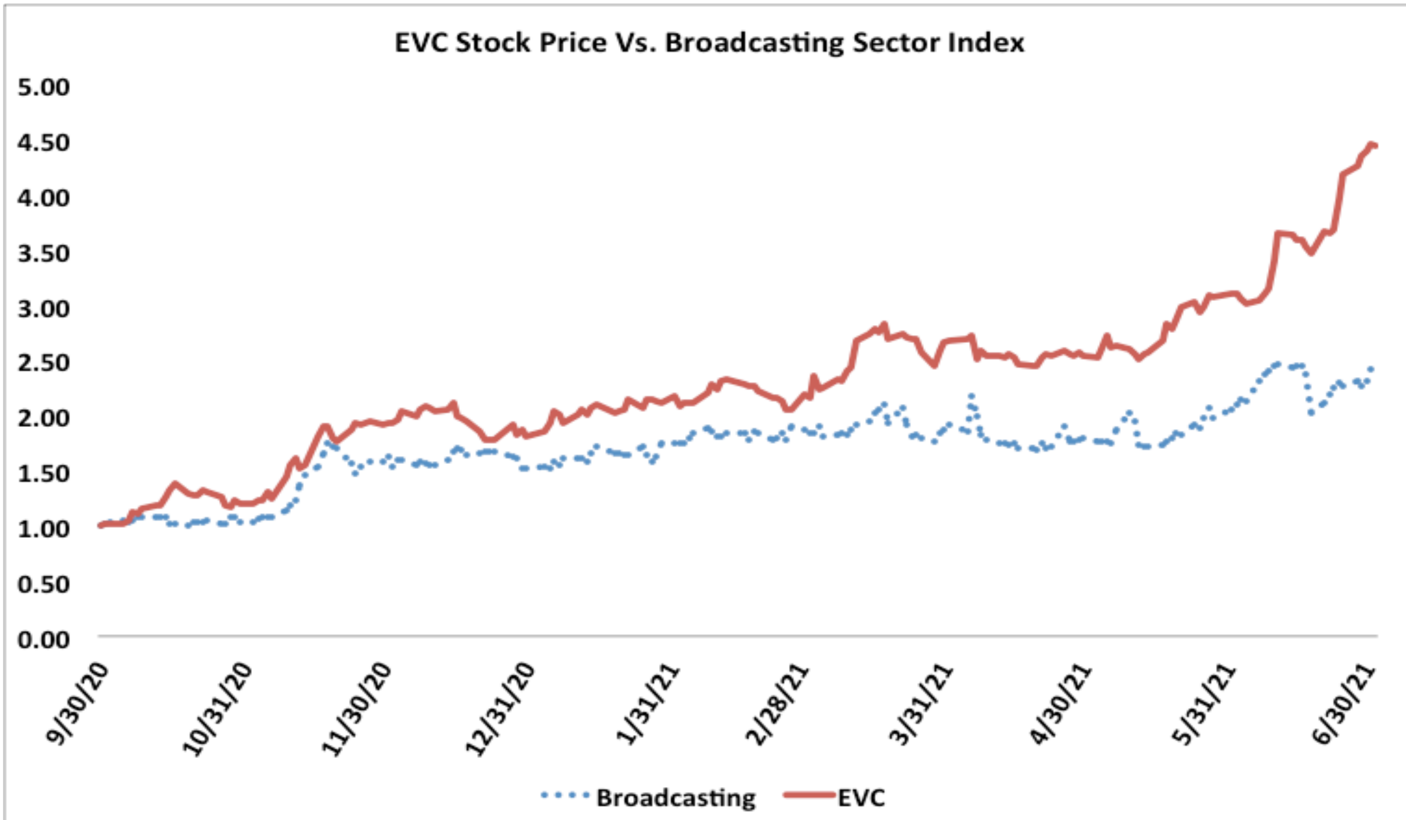
- **EVC's lower post-pandemic expense base looks sustainable, adding a margin of safety for the secularly challenged broadcast businesses.** We estimate that the company's COVID-19 expense cuts last year were roughly $30 million on an annualized basis, primarily from over 20% reductions in headcount at the broadcast media businesses. We assume that most of these cuts are permanent. This, plus the addition of Cisneros' growing Latin American business, has substantially reshaped the operating expense base of the company. The broadcast expense cuts should continue to bolster TV segment operating cash flow (OCF) margins, which were near historic highs in 2020, and provide a recovery for radio's OCF margin to the 10-20% range from merely breakeven in recent years.

- **Operating risk at the core U.S. media business should be ebbing for 2021-22, on the cyclical rebound in the U.S. Hispanic economy and associated advertising and the continuing secular growth of political advertising targeting the U.S. Hispanic population.** EVC generated record political advertising in 2020 and our forecast assumes that political advertising in 2022 will beat that in 2018.

- **Stability, if not growth, of net retransmission fee revenue (61% of 2020 EBITDA) and pro forma net debt leverage under 2x enhance management's longer-term options.** For its origins as a broadcast business subject to secular shifts of advertising to digital platforms, EVC's model provides substantial tactical and strategic flexibility. EVC's business is not typically capital-intensive, and net operating loss (NOL) carry-forwards have kept cash taxes modest, and should do so for at least the next few years. As a result, EVC's high conversion of EBITDA to FCF—71% in 2020—is likely to continue, allowing FCF to comfortably cover dividends and share repurchases. Pro forma net debt leverage is a low ~1.7x adj. EBITDA (reflecting estimated earnout payments for MediaDonuts but only 51% of the EBITDA from Cisneros), giving the company the flexibility to exercise its option to make what could be an accretive completion of the Cisneros acquisition through buying in the 49% minority interest at a price of 6x LTM EBITDA.

- **Fundamental valuation supports substantial stock price upside over the next year.** Our discounted cash flow valuation allocates roughly half of its target value to the digital segment, which generated just 4% of adjusted EBITDA last year. This analysis supports our view that something is changing at EVC that is still not fully reflected in its stock price.

Figure 3: EVC Shares Have Outperformed Broadcasting Sector Since Last Fall



Note: Prices indexed to 1.00 based on closing price at 9/30/20. Broadcasting Sector Index is equal-weighted median of stocks in Broadcasting sub-sector of Communications Services sector. Source: Yahoo Finance, MSCI, S&P Global and Industry Capital Research

The bigger risks to our thesis would appear to be the potential volatility of the recently acquired digital businesses, which target emerging markets, and potential competition in TV from direct-to-consumer offerings by Univision.

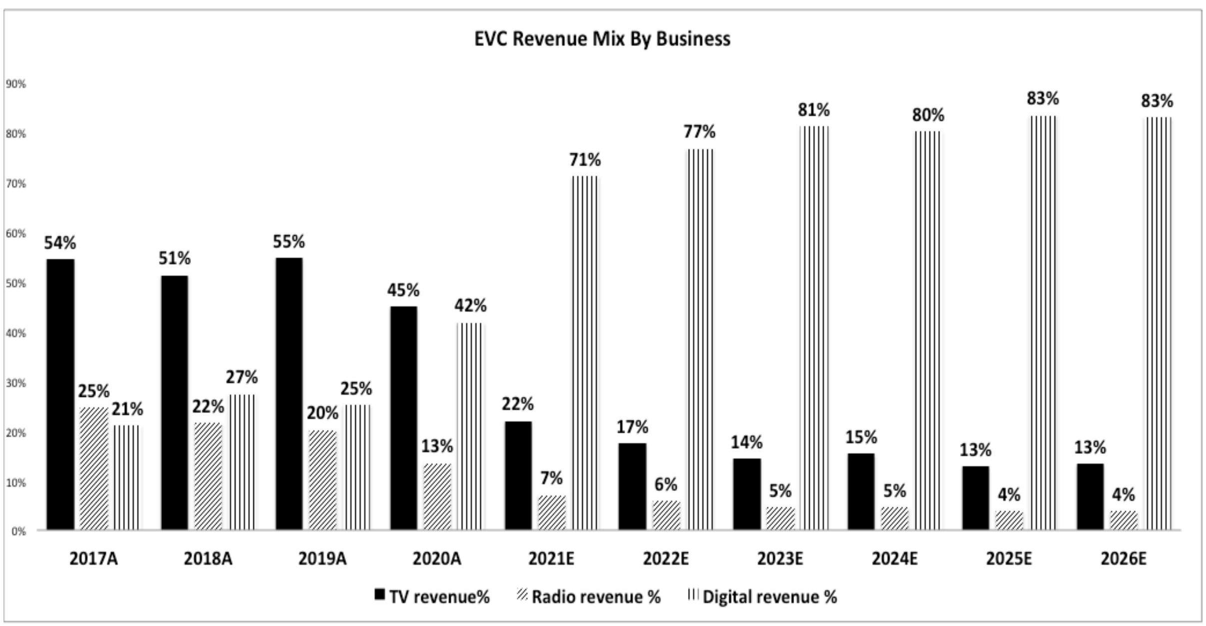
- **The broadcast business seems a melting ice cube, under the hot breath of increasing competition from TV network programming supplier Univision.** We expect the TV segment to account for the majority of the company's OCF for the next few years, with 2020's cost cuts providing an upward reset for OCF margins. Prior to the pandemic, the company had been under margin pressure in all three of its segments. Modest TV core ad revenue declines contributed to TV OCF margin declines, as historically the company has needed roughly 2% revenue growth to maintain TV margins. As to competitive dynamics, the recent Univision-Televisa merger should result in a more coherent programming strategy, helping EVC's TV station group, and the risks from streaming seem no greater for EVC than for other, predominantly English-language TV station groups. EVC's stations reach roughly 4 million U.S. Hispanic households, delivering roughly 25% of the distribution of Univision's leading Spanish-language network under the master affiliation agreement extending through 2026, part of a long-standing relationship with Univision reinforced by Univision's owning a roughly 11% non-voting equity stake in EVC.

- **Digital media business could be volatile, given its increasing focus on emerging markets and its dependence on a small number of relationships with digital ad platforms, Facebook in particular.** As an intermediary in the planning and buying of digital media for emerging-market clients, Cisneros generates most of its revenue through purchases on key platform partners, Facebook being by far the most prominent. MediaDonuts has a similar reliance on key ad platform partnerships. The higher risk of this type of business contributes to our higher discount rate for EVC's digital segment in our valuation.

- **Low chance of exit.** A lesson of our age is that investors love liquidity, and one path to liquidity at scale is sale of the company. Alas, EVC's trail to sale to Univision as part of general media industry consolidation appears cold. Although there are risks to management succession, given that EVC's CEO has held his post since 1996 and has voting control of the company through super-voting Class B stock, EVC's C-suite has a few other 20+ year veterans who should help put investors at ease.

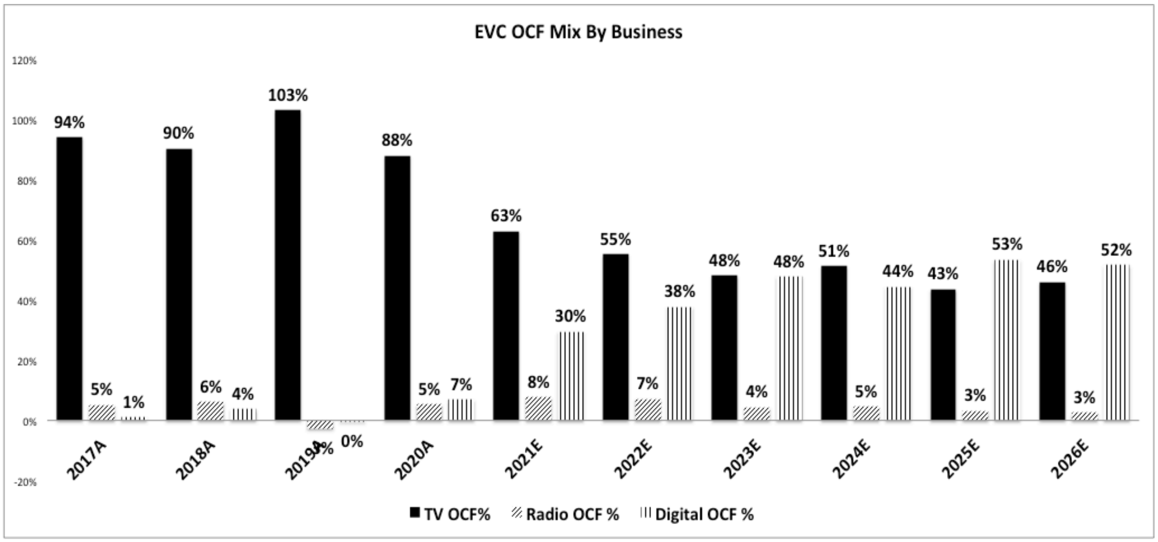
- **Stock has had a big run off the bottom last year, with one former top-10 holder recently exiting.** Shares have certainly recovered in anticipation of a strong rebound to the hard-hit U.S. Hispanic advertising market, but our thesis depends more on execution against the potential for the digital media business, particularly outside the U.S.

Figure 4: In Revenue Mix, TV Hands The Baton To Digital



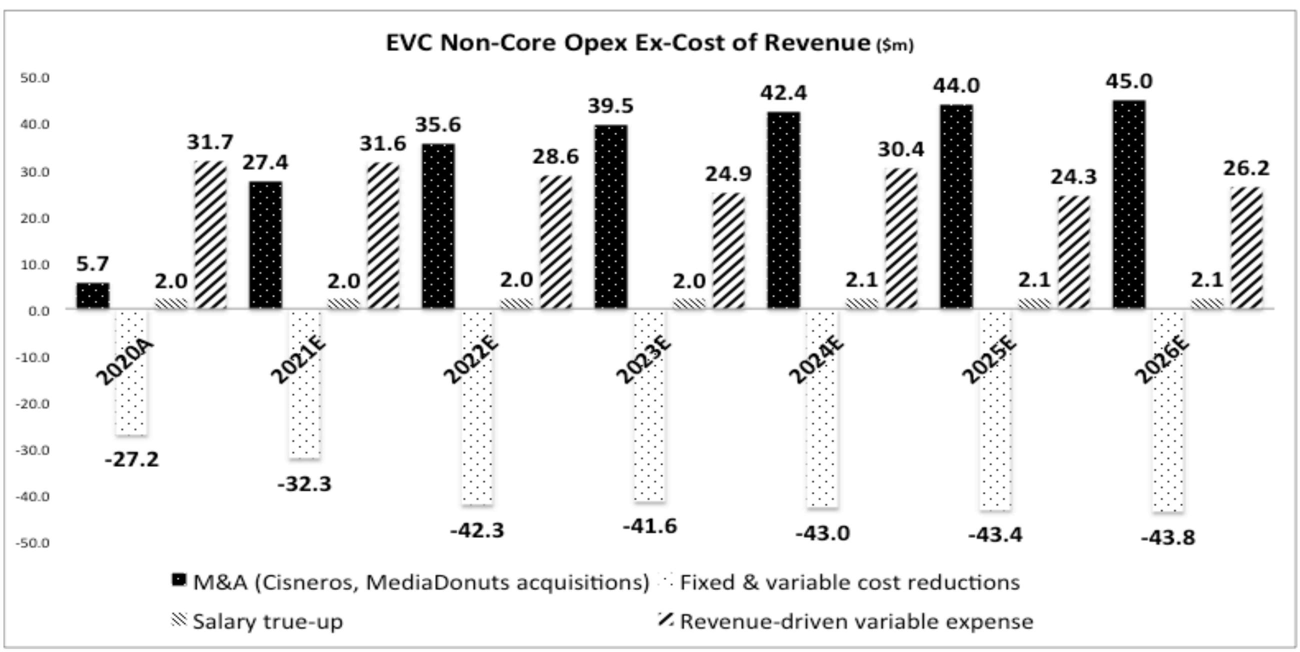
Source: Industry Capital Research estimates and company data

Figure 5: TV Should Remain Majority Of OCF For A Few Years



Source: Industry Capital Research estimates and company data

Figure 6: 2020 Reshaped Opex Base Through Cost Cuts And Cisneros Acquisition



Source: Industry Capital Research estimates and company data

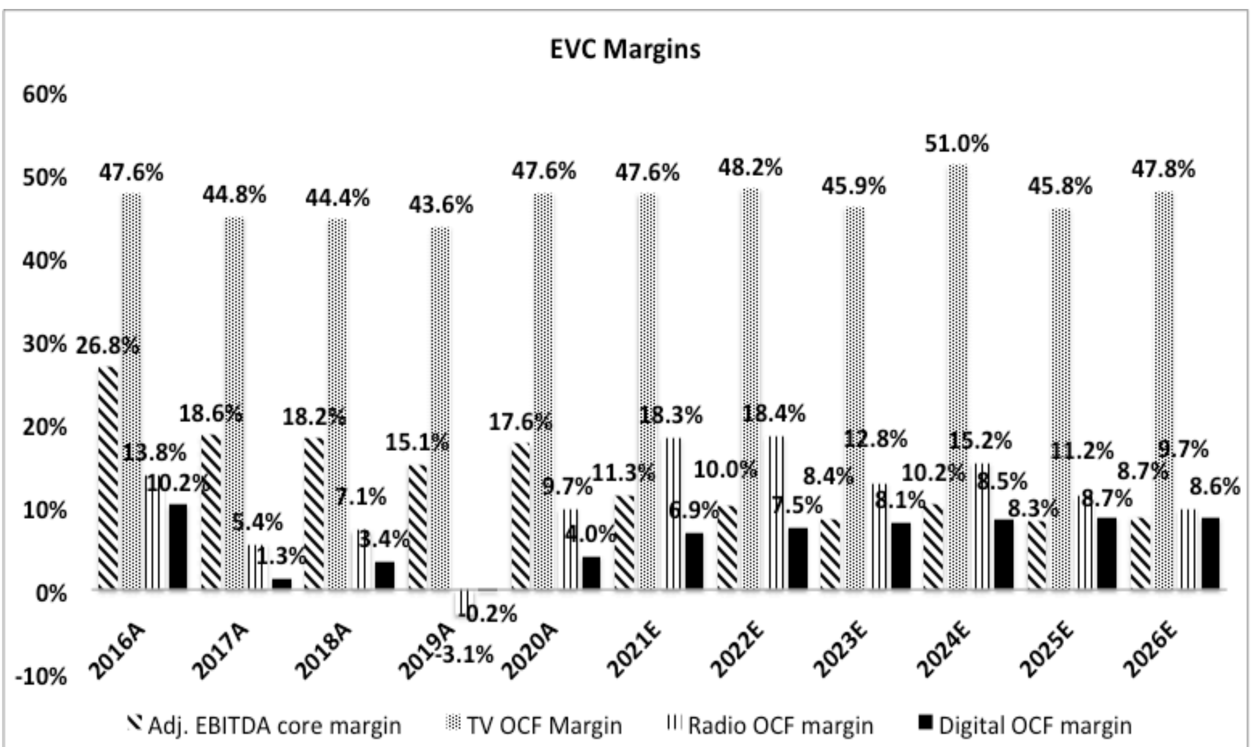
Figure 7: 2020 Cut U.S. Workforce by Over 20% and Pushed Mix To ~40% International

Entravision Full-Time Employees

Region	2019	2020	% Chg	% Mix
Global	1,104	1,001	-9%	
U.S.	782	607	-22%	61%
U.S. TV	557	439	-21%	44%
U.S. radio	194	146	-25%	15%
U.S. digital	31	22	-29%	2%
International	322	394	22%	39%

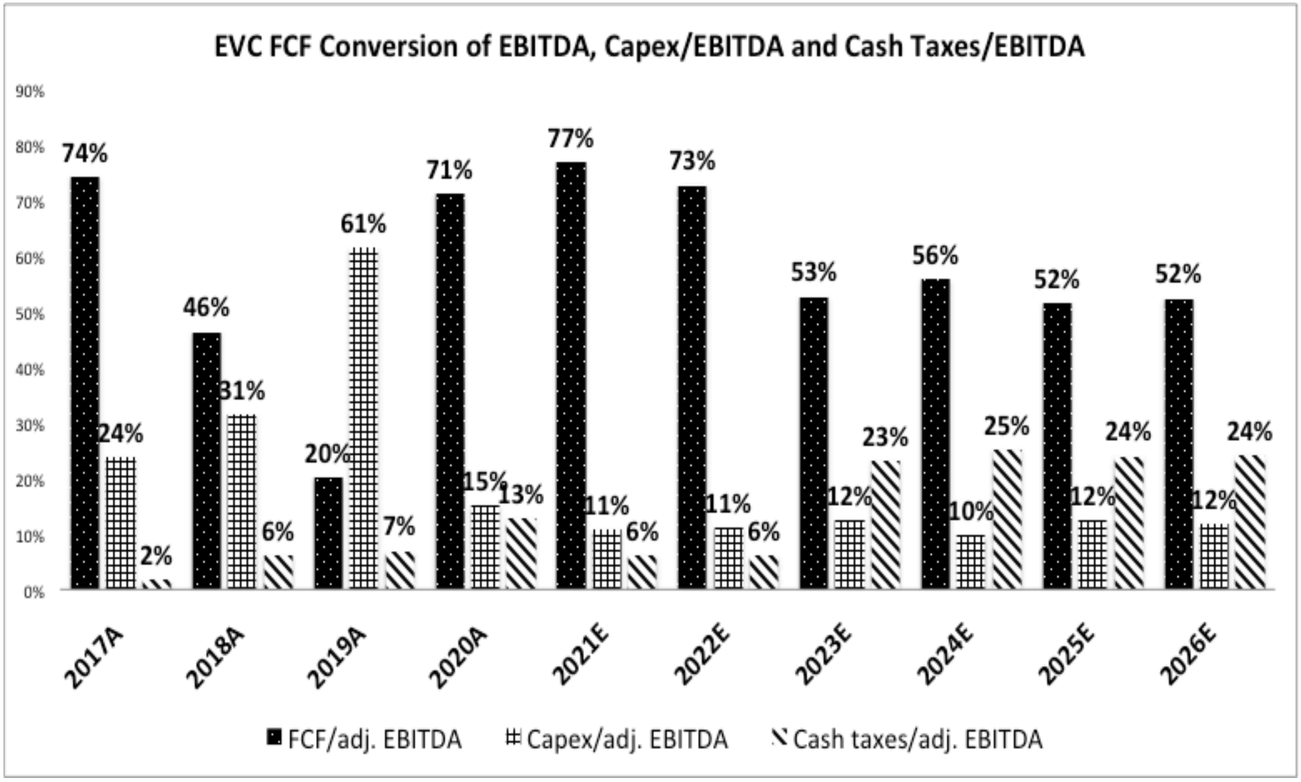
Source: Industry Capital Research estimates and company data

Figure 8: Margin Pressure From Lower Revenue Pre-2020 & Higher Digital Mix Post-2020



Source: Industry Capital Research estimates and company data

Figure 9: Low Capex & Cash Taxes Should Help Maintain High FCF/EBITDA



Source: Industry Capital Research estimates and company data

Estimates

Figure 10: COVID-19 Comp and Cisneros Surge To Drive Huge 2Q Acceleration

Entravision Communications
Summary of Quarterly Estimates
In millions, except per share data

	Last Yr	Estimates Current	YoY %CHG Current
1Q21A			
Pro Forma *			
Revenue	$107.6	**$156.9**	**45.8%**
Op Expense	97.2	**142.5**	**46.5%**
Adjusted EBITDA	10.4	**14.4**	**39.0%**
As Reported			
Revenue	64.2	**148.9**	**131.7%**
Op Expense	54.6	**134.7**	**146.8%**
Adjusted EBITDA	9.7	**14.2**	**46.7%**
Margin	*15.1%*	***9.5%***	
Pro Forma EPS	$0.05	**$0.06**	**20.0%**
FCF/sh (core)	$0.06	**$0.15**	**150.0%**

* reflects announced acquisitions and dispositions

	Last Yr	Estimates Current	YoY %CHG Current
2Q21E			
Pro Forma *			
Revenue	$91.3	**$172.1**	**88.6%**
Op Expense	87.0	**155.3**	**78.5%**
Adjusted EBITDA	4.3	**16.8**	**NM**
As Reported			
Revenue	45.1	**162.3**	**NM**
Op Expense	43.4	**145.7**	**NM**
Adjusted EBITDA	1.7	**16.5**	**NM**
Margin	*3.8%*	***10.2%***	
Pro Forma EPS	$0.03	**$0.07**	**133.3%**
FCF/sh (core)	($0.02)	**$0.15**	**NM**

* reflects announced acquisitions and dispositions
Source: Company reports, Industry Capital Research estimates

1Q results were above plan, led by a surge in revenue at Cisneros helped by the increased billing support the business can now provide its clients as a part of EVC. The extraordinary collapse in EVC's business starting in March 2020 because of the pandemic created uncharacteristic pacing data, so that 1Q revenue growth finished substantially higher than the pacing given on the 4Q20 earnings call.

2Q should benefit from a more than doubling of revenue at Cisneros as well as the mother of all easy comps for the rest of EVC's business from last year's lockdowns. Putting growth in the context of a two-year CAGR is particularly helpful this year, given the unusual COVID-19 comps. The 9% core advertising growth that TV posted in 1Q nudged the 2-year CAGR just slightly positive. Our 49% TV core ad growth assumption for 2Q would leave the 2-year CAGR in fact at -6%, which could be conservative, suggesting potential topline upside. Potential disruption to Copa America from the pandemic could put perhaps $1 million of ad revenue at risk for the TV segment in 2Q and 3Q. Although our forecast is in line with pacings calling for radio revenue to roughly double in 2Q, the 2-year CAGR for radio revenue remains negative for all four quarters of this year's forecast.

Figure 11: Looking For Adjusted EBITDA Growth Through 2022

Summary of Annual Estimates
In millions, except per share data

	Last Yr	Estimates Current	YoY %CHG Current
2021E			
Pro Forma *			
Revenue	$517.4	$708.8	37.0%
Op expense	444.7	630.2	41.7%
Adjusted EBITDA	72.7	78.6	8.1%
As Reported			
Revenue	344.0	690.9	100.8%
Op expense	283.6	612.8	116.1%
Adjusted EBITDA	60.4	78.1	29.3%
Margin	*17.6%*	*11.3%*	
EPS	($0.05)	$0.39	NM
Cash FCF/sh	$0.51	$0.69	35.3%
2022E			
Pro Forma *			
Revenue	708.8	789.5	11.4%
Op expense	630.2	710.4	12.7%
Adjusted EBITDA	78.6	79.1	0.6%
As Reported			
Revenue	690.9	789.5	14.3%
Op expense	612.8	710.4	15.9%
Adjusted EBITDA	78.1	79.1	1.2%
Margin	*11.3%*	*10.0%*	
EPS	$0.39	$0.35	-10.8%
Cash FCF/sh	$0.69	$0.67	-2.9%

* reflects announced acquisitions and dispositions

Source: Company reports, Industry Capital Research estimates

TV segment margins should continue to improve year-over-year in 2Q and 3Q because of high revenue growth, until the tough political advertising comp in 4Q likely leads to some margin compression. Although the typical odd year generates relatively little political advertising, the California governor recall race could boost political advertising to roughly 10% of TV segment ad revenue in 4Q this year. The model assumes that radio's margin expansion will continue until the tough comparison in 4Q.

The digital segment revenue forecast for 2021 depends substantially on the outlook for Cisneros, whose revenue is on a pace to more than double in the first half of the year, as well as the addition of MediaDonuts at mid-year. The expansion of client budgets facilitated by increased billing support as well as greater use of different types of advertising should be key factors in Cisneros' growth. Our model assumes a substantial moderation in digital segment growth by 4Q, as Cisneros' business starts to cycle the initial boost from EVC's balance sheet support in 4Q20. Partnerships with new ad platforms could push Cisneros' growth above our estimates, however. The boost from the MediaDonuts acquisition should be much smaller in scale.

Our digital segment estimates incorporate the recent acquisition of MediaDonuts from 3Q21 onward. Announced in June with an expected July close, the deal adds roughly $30 million in revenue and $3.5 million in adjusted EBITDA to our 2021 reported estimates. Further details are in the Digital Media Segment section.

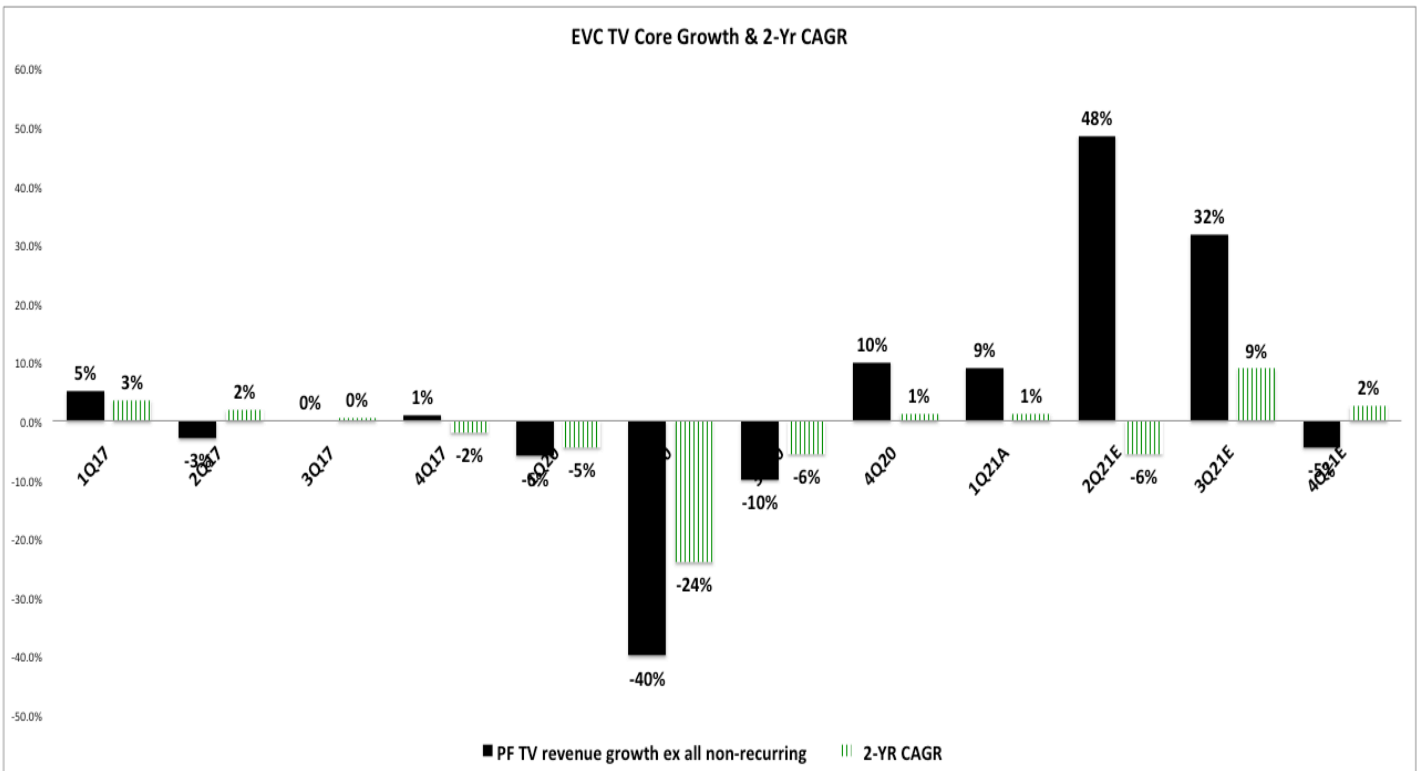
Our operating expense forecasts assume little core growth at the broadcast businesses, after adjusting for the impact of the 2020 reductions to the overall cost base, although general inflation could test this assumption. For 2022, note that political years can see some expense increases to cover higher news costs to cover political campaigns.

Despite Cisneros' prodigious revenue growth, its margins should increase only slightly in 2021, reflecting the high cost of revenue in the underlying business model. The forecast assumes that the margins of EVC's remaining (legacy) digital business improve for the remaining quarters of 2021. This reflects management changes as well as accelerating revenue growth both in the U.S. and internationally.

EVC's adjusted EBITDA should grow both in 2021 and 2022. In 2021, the post-pandemic revenue revival will combine with the continuation of most of 2020's cost cuts. Cash flow in 2022 should benefit from U.S. mid-term political advertising spending overcoming the expected loss of TV affiliations in three markets at the end of 2021.

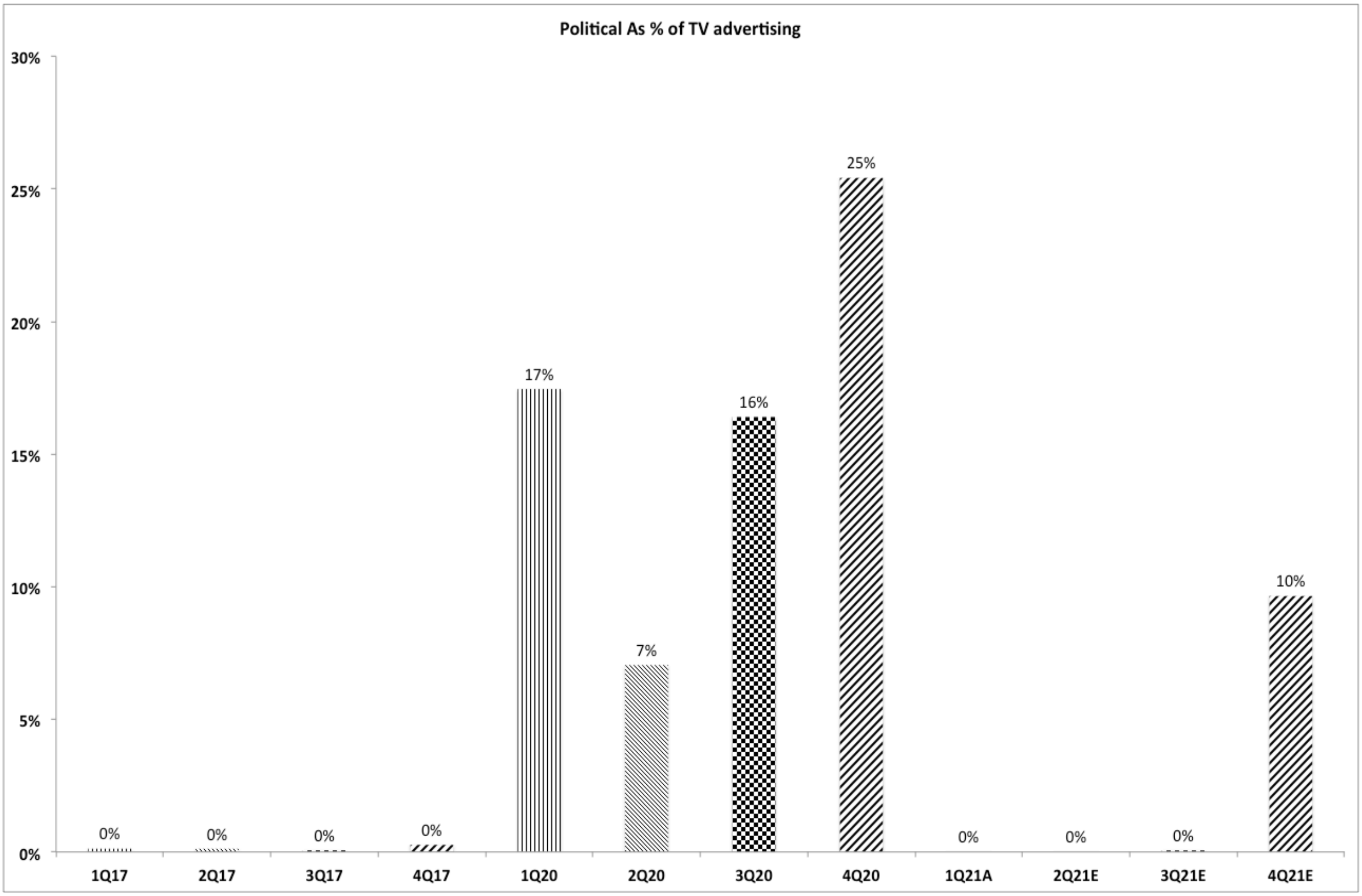
Although the financial press often focuses on EPS results, the more consistent measure of EVC's underlying earnings power is FCF per share. This reflects the fact that capital expenditures are consistently below D&A and cash taxes are usually much less than book taxes, reflecting the company's NOL position.

Figure 12: TV 2-Yr CAGR Suggests 2Q21 Growth Upside To Strong Pacings



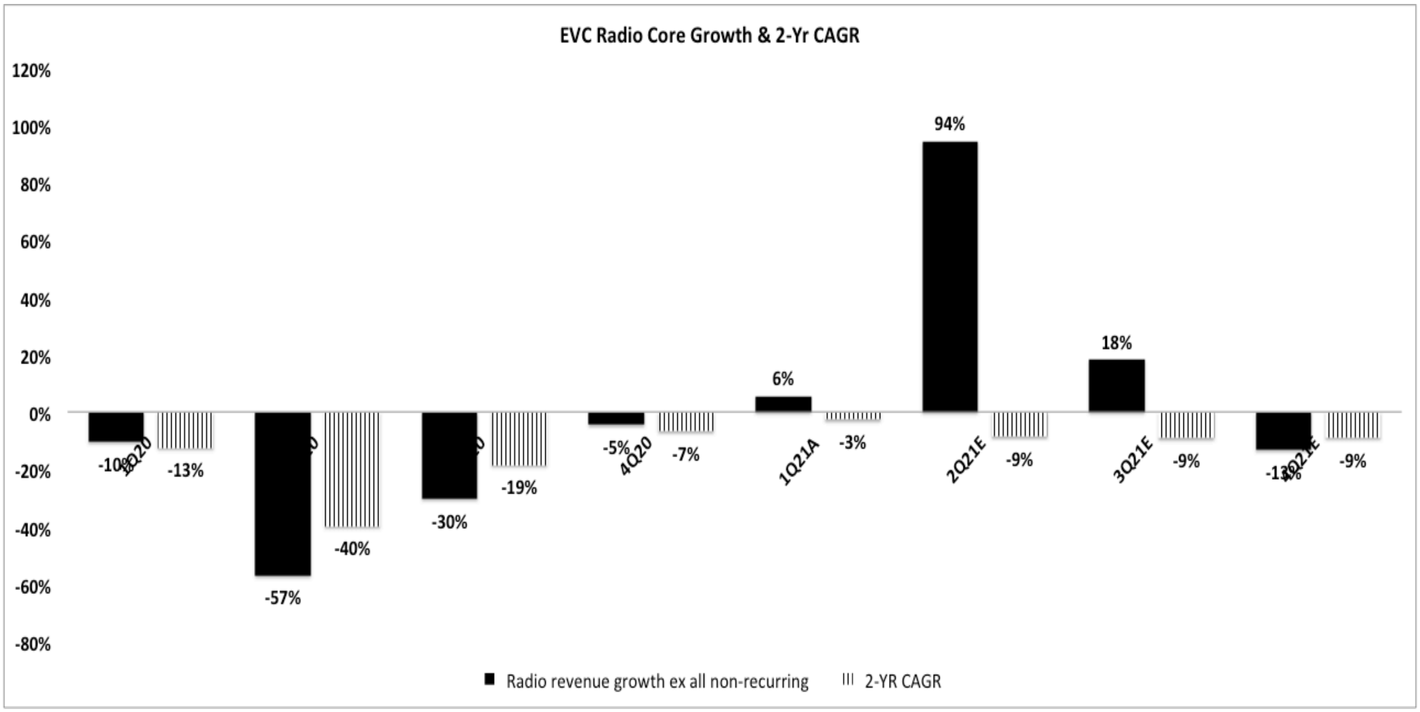
Note: 2017 shown as reference in 4-year cycle. Source: Industry Capital Research estimates and company data

Figure 13: In 2021, Core TV May Get Uncharacteristic Odd-Year Help From California Political



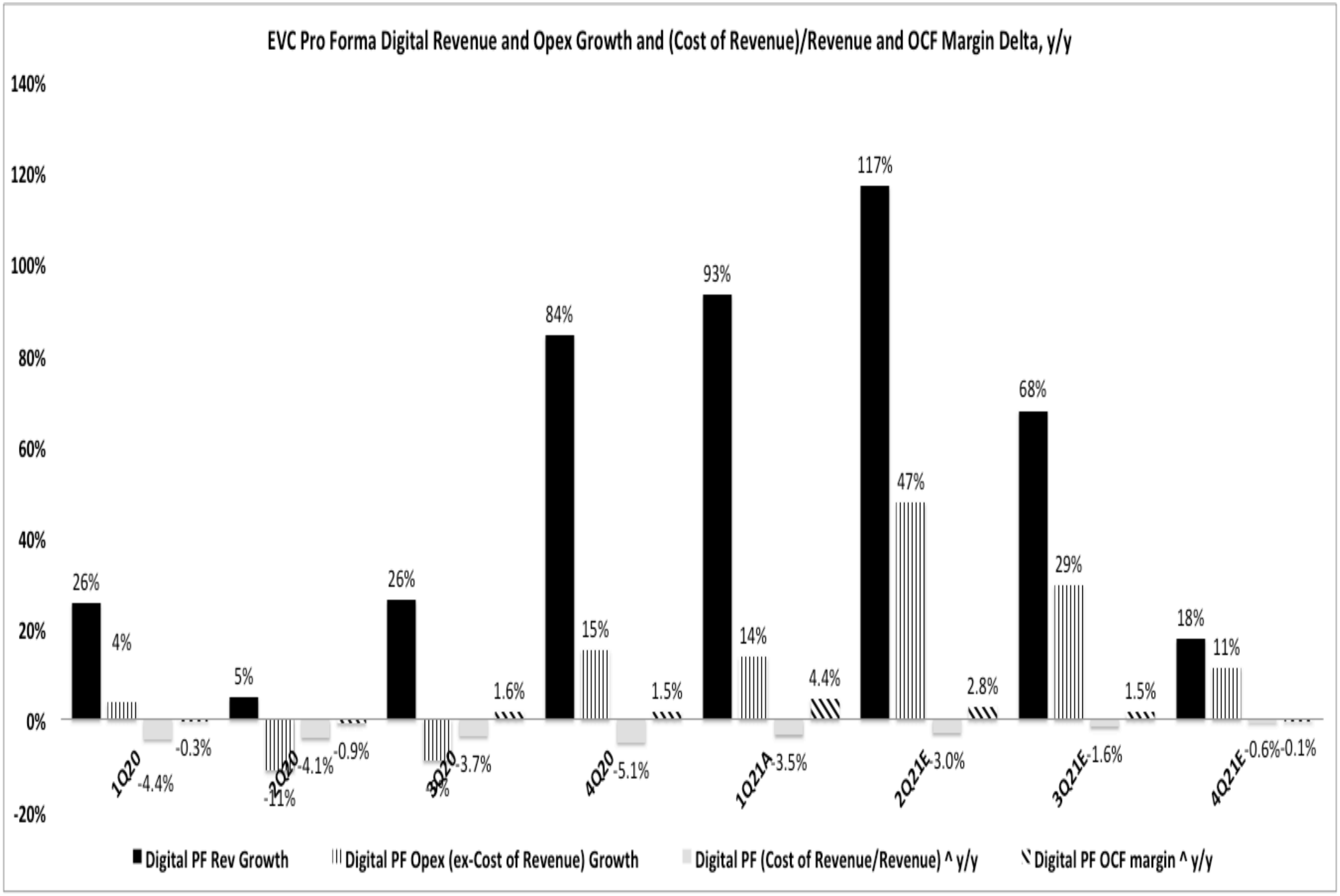
Note: 2017 shown as reference in 4-year cycle. Source: Industry Capital Research estimates and company data

Figure 14: Don't Expect Radio Revenue 2-Yr CAGR To Improve As Much As TV's



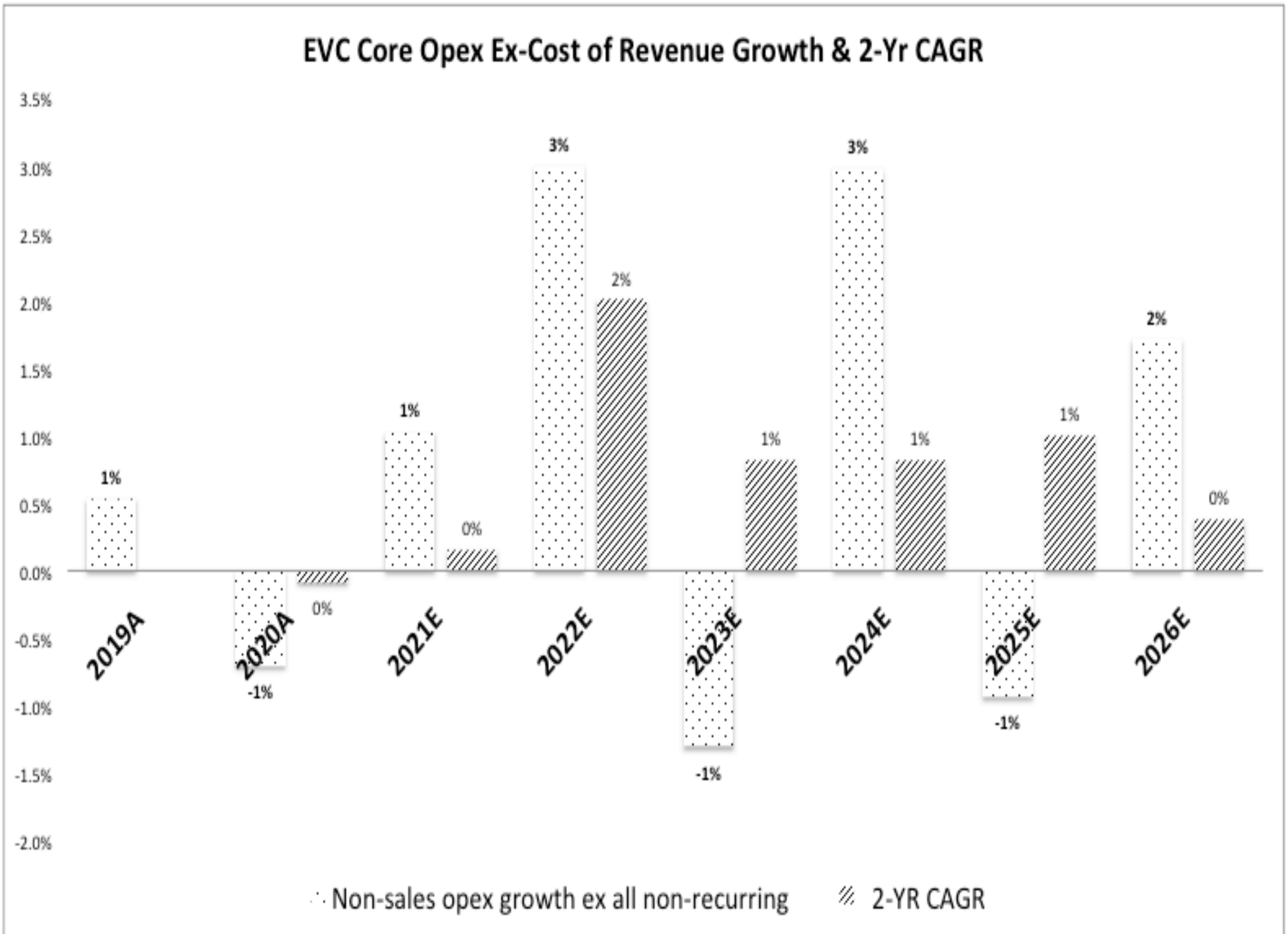
Source: Industry Capital Research estimates and company data

Figure 15: Arc of Cisneros Growth Surge Should Be Story of 2021 For EVC's Digital Segment



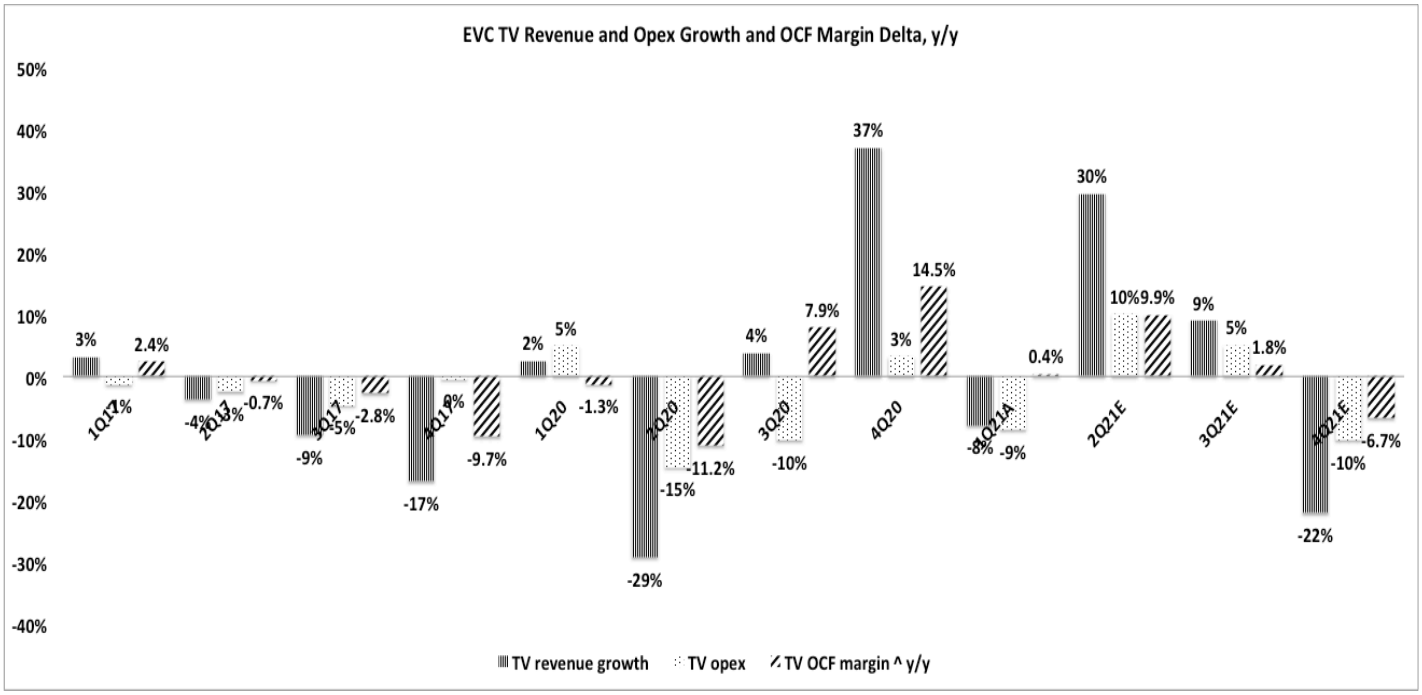
Source: Company data and Industry Capital Research estimates

Figure 16: Assuming Core Opex Up Low Single Digits Coming Out of Pandemic In 2021-22



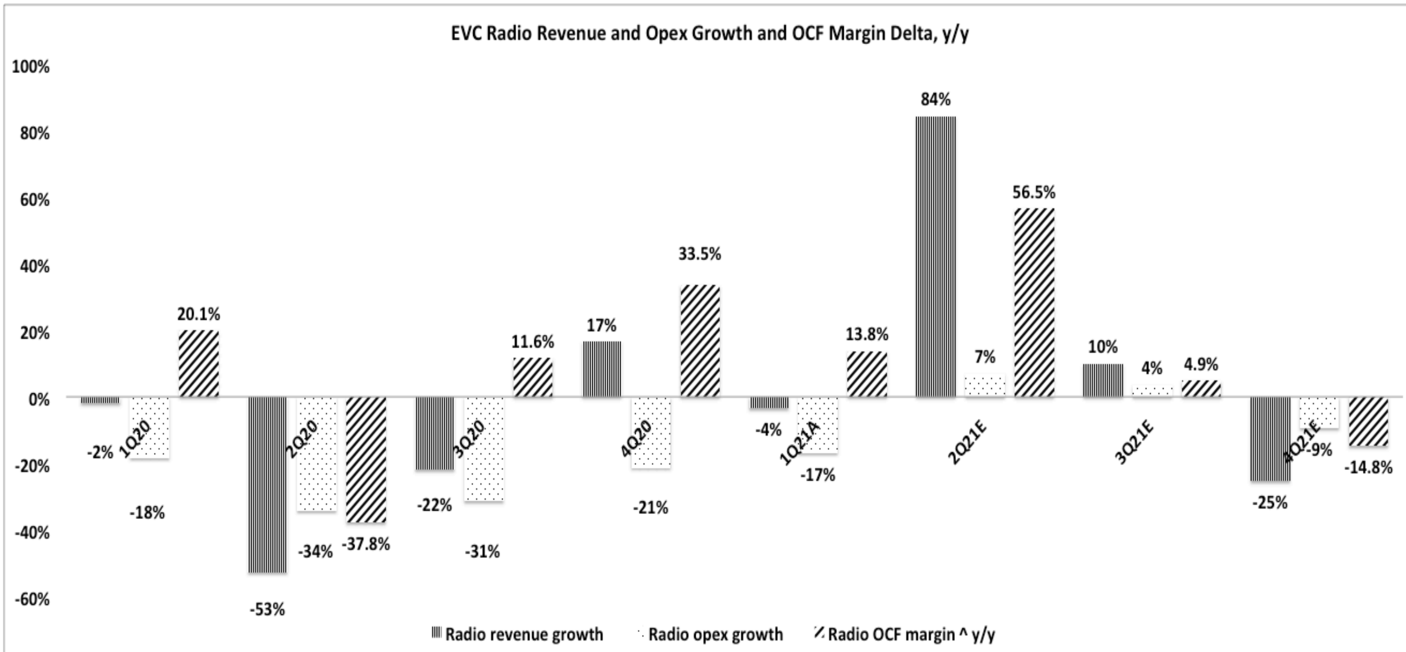
Note: Core opex growth excludes estimated variable sales expense. Source: Industry Capital Research estimates and company data

Figure 17: TV Margin Should Expand Until Tough Comp in 4Q21



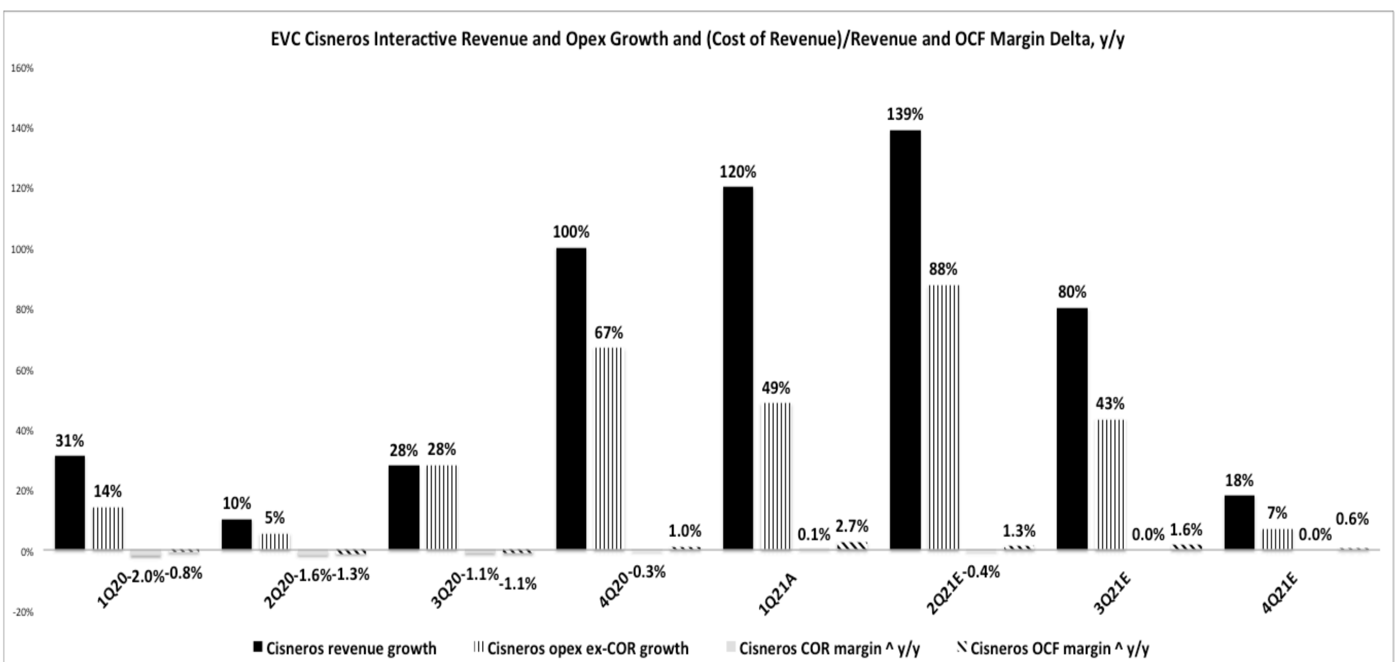
Note: 2017 shown as reference in 4-year cycle. Source: Industry Capital Research estimates and company data

Figure 18: Return of Radio Opex Growth Should Still Permit Margin Expansion This Year



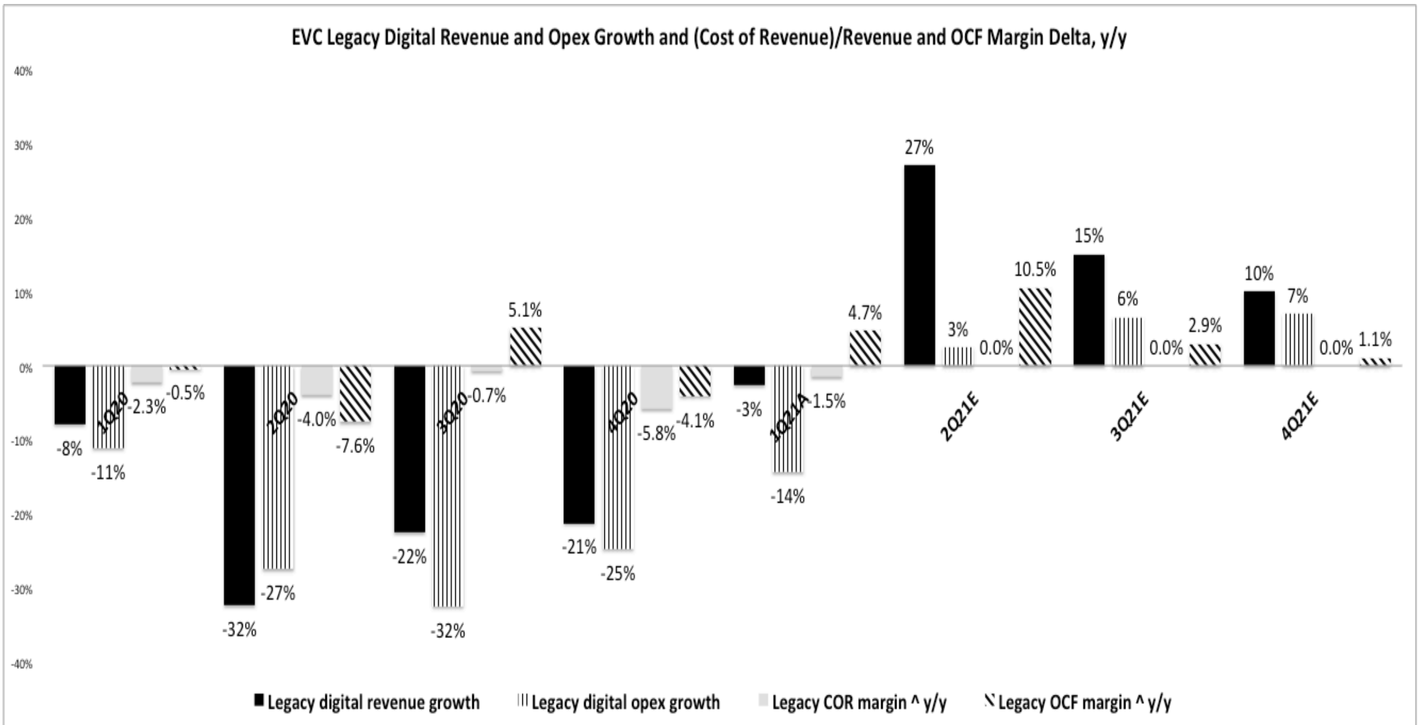
Source: Industry Capital Research estimates and company data

Figure 19: Cisneros Should Be Story of Revenue More Than Margin Growth



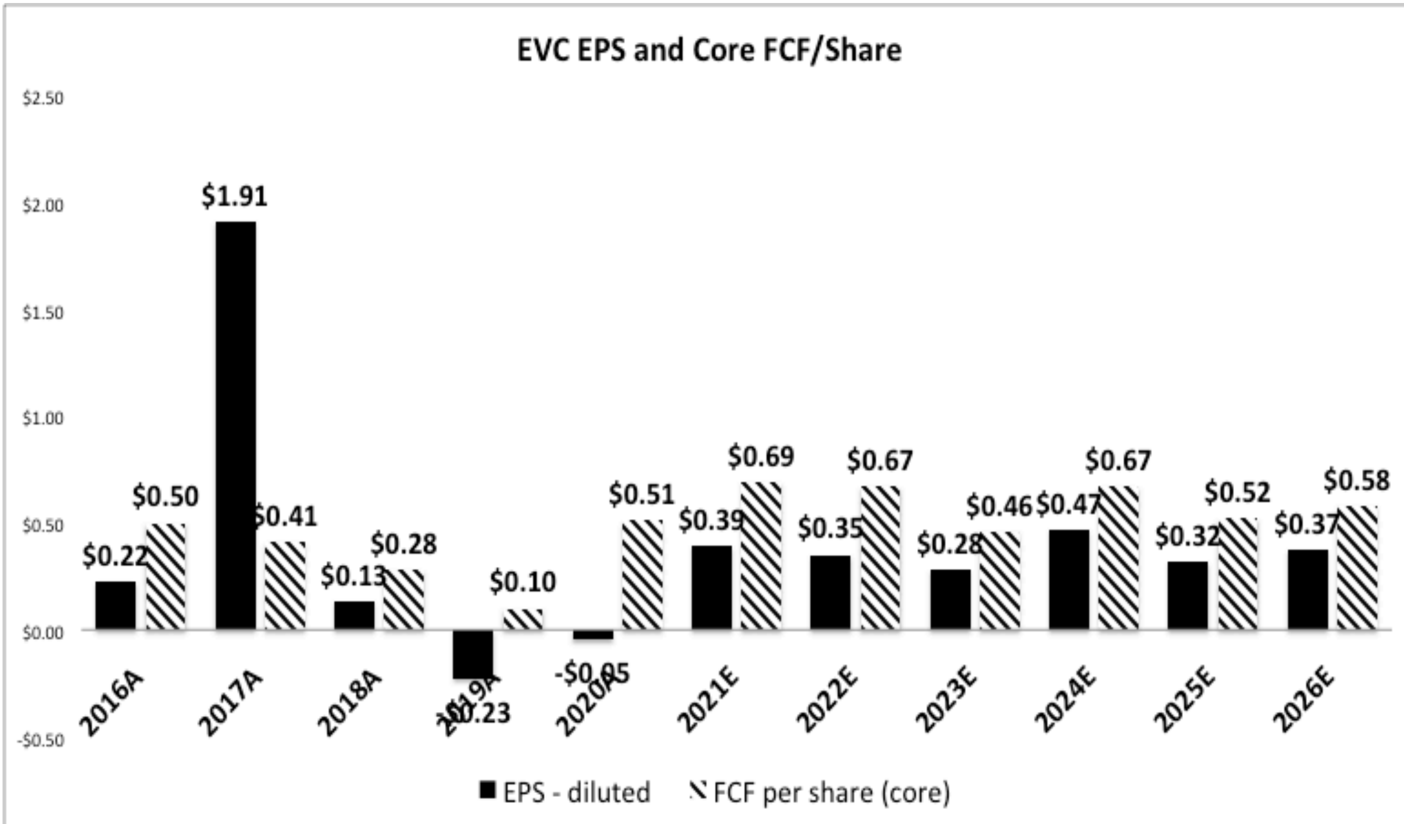
Source: Industry Capital Research estimates and company data

Figure 20: Expect Legacy Digital OCF Margins To Expand Throughout 2021



Note: Legacy digital consists of digital segment excluding impact of Cisneros and MediaDonuts. Source: Industry Capital Research estimates and company data

Figure 21: Excluding 2017's Earnings Jolt From Spectrum Sales, FCF/Share Has And Should Consistently Run Above GAAP EPS



Source: Industry Capital Research estimates and company data

U.S. Hispanic Demographics, Media Usage and Advertising Market Trends

The Hispanic population is the largest U.S. minority, accounting for almost 20% of the population, and should continue to grow faster than average. For the U.S. Hispanic population, growth over the past decade has been roughly 2% annually, and the U.S. Census has projected ~1.8% annual growth for 2020-30. The growth of the U.S. Hispanic population has three main drivers common to all populations: 1) fertility rates of the current population, 2) the net level of immigration, and 3) mortality rates. As of 2019, the fertility rate (number of births per 1,000 women age 15-44) for Hispanics was 1.94, versus the U.S. national rate of 1.71. Although changes in country economies and policies can lead to fluxes in immigration, net immigration has been and is likely to remain an additional source of U.S. Hispanic population growth. The U.S. Hispanic mortality rate is less than half that of the U.S. population as a whole, partly reflecting the younger average age of the Hispanic population.

Allocating marketing spending to target this U.S. Hispanic population has pros and cons.

The pros include:

- **Hispanics over-index in spending on predictable sets of goods and services, making Hispanic-targeted marketing attractive to a predictable set of advertisers.** For example, according to the U.S. Bureau of Labor Statistics, even though the average Hispanic household (HH) spends roughly $51,000 annually, below the $61,000 average for all U.S. HHs, Hispanic HHs on average spend more on apparel, cell phone service, furniture and major appliances.

- **The Hispanic population is younger and thus viewed as more impressionable with a longer runway for brand loyalty.** EVC has said that the average age of U.S. Hispanics is 29 for men and 30 for women, vs. 37 and 40, respectively, for the general population.

- **As the Hispanic population ages relative to the general population, the gap between the lower Hispanic HH income and that of the general market should narrow.**

The cons include:

- **U.S. Hispanics have a lower HH income and U.S. Hispanic buying power under-indexes its share of the population.** Based on 2018 figures from the Selig Center for Economic Growth, U.S. Hispanics account for 10% of buying power, although this buying power has grown since 2010 at an annual rate of 5%, above the overall growth rate of 4%.

- **U.S. Hispanic buying power is disproportionately concentrated among Hispanics who are not Spanish-dominant.** The Simmons Hispanic survey has estimated that bilingual/bicultural Hispanics account for roughly 70% of total Hispanic buying power, compared to roughly 20% for Spanish-dominant Hispanics.

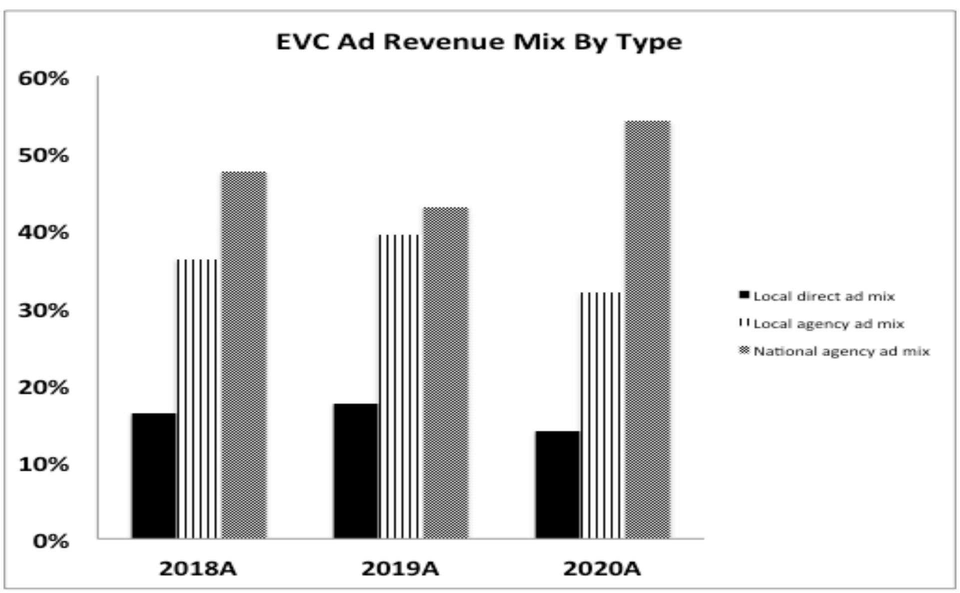
Beyond the issue of exactly how attractive the U.S. Hispanic population is to marketers, there is debate about what share of advertising spending should go to Spanish-language media to reach this population. The language usage of U.S. Hispanics is particularly important in defining the Spanish-language advertising market. The proportion of U.S. Hispanics who use Spanish at home tends to be higher than the proportion of Hispanics who generally use Spanish only or prefer using Spanish to English. Thus, focusing on the proportion of Hispanics who speak Spanish at home tends to result in higher estimates of the potential Spanish language viewing or listening audience. Spanish-language marketers assert that use of Spanish at home is the more relevant measure of Spanish-language dominance, in particular for TV, which is used at home, and often with family. Over time, as the share of immigrants in the overall U.S. Hispanic population has declined, however, the share of Spanish dominance in language use of U.S. Hispanics has declined as well. Mainstream Spanish language media, including certainly Univision, have typically super-served the population of more recent immigrants, which has been more likely to speak Spanish exclusively or to be Spanish-dominant.

- **The bull argument for Spanish-language media is that advertisers should allocate their budgets in proportion to the share of audience of Spanish-language media.** According to Nielsen, over $7.3 billion of total U.S. advertising expenditures were placed with Spanish-language media in 2020.

- **On the other hand, advertisers can reach much of the U.S. Hispanic audience without the expense of separate Spanish-language ad campaigns, although Spanish-language content and ads may have a greater impact on even English-dominant or bilingual Hispanics.** Some advertisers are reluctant to incur the cost of separate Spanish-language media campaigns just to reach that portion of the Spanish-language audience that speaks Spanish only, especially if that audience under-indexes in purchasing power.

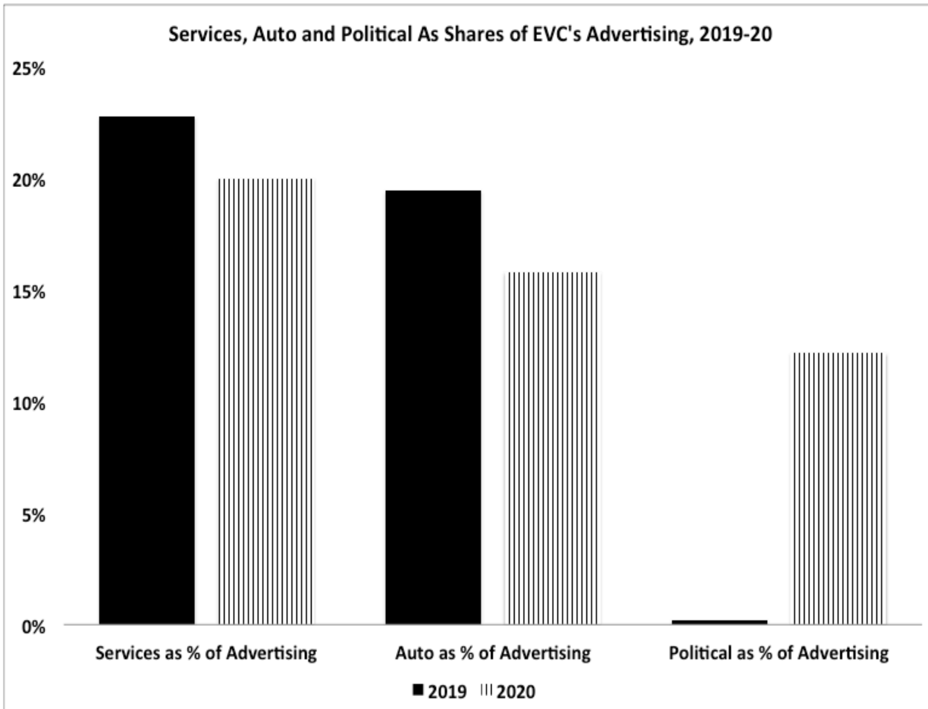
EVC's two most significant advertising categories are automotive and political, the former for its size and the latter for its secular growth. Automotive advertising can be placed by 1) corporate/OEMs (tier 1), 2) dealer associations (tier 2), or 3) individual dealers (tier 3). Although services is actually EVC's largest overall advertising category, this category consists of a much larger number of advertisers across a spectrum of different industry verticals.

Figure 22: Over Half of Advertising Came From National Agencies in 2020, Reflecting Political



Source: Industry Capital Research estimates and company data

Figure 23: Top-3 Categories Account for Over 40% of EVC's Advertising Revenue



Source: Industry Capital Research estimates and company data

Figure 24: Top-5 Makes Account for ~90% of EVC's Factory and Dealer Group Auto Advertising

EVC's Auto Ad Spending by Make: 2000 vs. 2019

Includes Tier 1 and Tier 2 Spending

	Revenue		Change
	2020	2019	
Make	% of Total	% of Total	%
Toyota	23%	25%	-25%
General Motors	19%	17%	-10%
Ford	15%	17%	-28%
Honda	14%	13%	-9%
Nissan	14%	17%	-32%
Total Top-5 Makes	86%	89%	-22%
Total Tier 1 & Tier 2 Auto Advertising Revenue			-19%

Source: Industry Capital Research estimates and company data

Figure 25: Biggest Drivers of Advertising in 2020 were Political, to Positive, and Auto, to Negative

EVC's Top Ad Categories: 2000 vs. 2019	Revenue		Y/Y Change	
Category	2020 % of Total	2019 % of Total	%	Ranked by Contrib. to Change
Services	20%	23%	-18%	3
Automotive	16%	19%	-24%	2
Political	12%	0%	5559%	1
Health Care	7%	6%	8%	7
Media	6%	7%	-17%	6
Total Advertising Revenue			-6%	

Note: Excluding mobile.

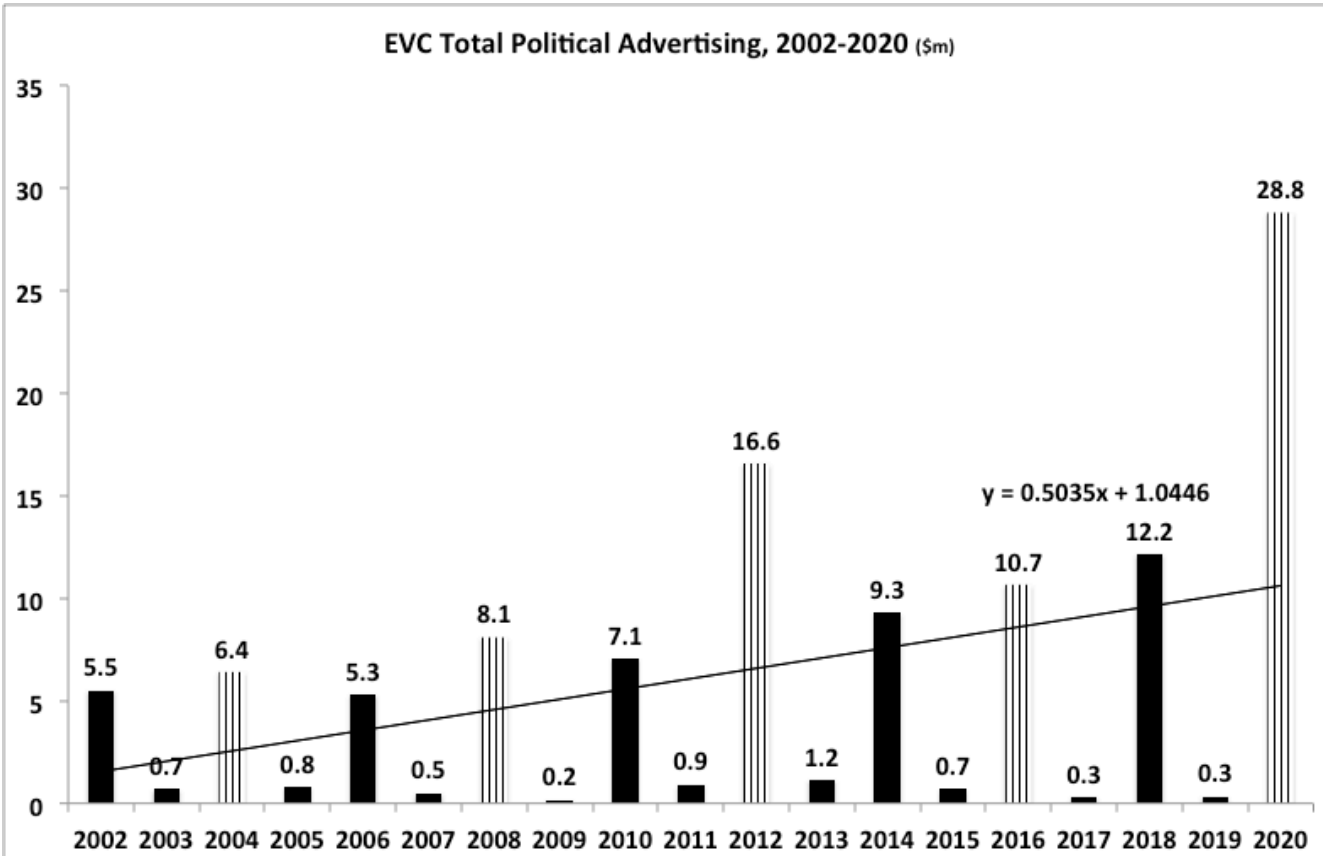
Source: Industry Capital Research estimates and company data

Figure 26: Dealer and Dealer Group Cuts Were Key Drivers of 2020 Auto Ad Spending Decline

EVC's Auto Ad Spending by Tier: 2020 vs. 2019	Revenue		Y/Y Change	
Tier	2020 % of Total	2019 % of Total	%	Ranked by Contrib. to Change
Tier 2	61%	56%	-16%	2
Tier 3	36%	40%	-29%	1
Tier 1	2%	4%	-52%	3
Total Auto Advertising Revenue			-23%	

Source: Industry Capital Research estimates and company data

Figure 27: EVC's 2020 Political Ad Surge Looks Less Anomalous Than 2016 Trump Lull



Note: Highlighted bars reflect U.S. presidential election years. Source: Industry Capital Research estimates and company data

Broadcast Media Segments

Figure 28: Forecast Drivers—Television Segment

In millions															
TELEVISION SEGMENT	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**3Q21E**	**4Q21E**	**2021E**	**2022E**
Television PF Rev Growth	0.3%	-7.2%	2.5%	-1.4%	2.5%	-29.2%	3.7%	39.1%	3.7%	-7.9%	29.5%	9.0%	-23.3%	-2.4%	-9.000%
Reported TV revenue	$159.5	$148.1	$151.7	$149.7	$39.2	$27.0	$37.8	$50.5	$154.5	$36.1	$34.9	$41.2	$39.4	$151.5	$137.9
Growth	7.4%	-7.2%	2.5%	-1.4%	2.5%	-29.2%	3.7%	36.9%	3.2%	-7.9%	29.5%	9.0%	-22.1%	-1.9%	-9.0%
TV non-recurring items:															
TV Political/Census	**8.6**	**0.2**	**9.8**	**0.2**	**5.3**	**1.3**	**4.9**	**11.1**	**22.6**	**0.0**	**0.0**	**0.0**	**3.1**	**3.1**	**12.4**
Assm: % Incremental to Core	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 political	8.6	0.2	9.8	0.2	5.3	1.3	4.9	11.1	22.6	0.0	0.0	0.0	3.1	3.1	12.4
TV revenue ex political	151.0	147.9	141.9	149.4	33.9	25.7	32.9	39.4	131.9	36.1	34.9	41.2	36.3	148.4	125.5
Growth ex Political	1.8%	-2.0%	-4.0%	5.3%	-11.4%	-32.4%	-9.7%	7.4%	-11.7%	6.4%	35.8%	25.2%	-8.0%	12.5%	-15.5%
Retransmission Consent	**29.6**	**31.4**	**35.1**	**35.4**	**9.6**	**9.4**	**9.1**	**8.8**	**36.8**	**9.6**	**9.6**	**9.4**	**9.2**	**37.8**	**38.9**
Assm: % Incremental to Core	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 Retrans	29.6	31.4	35.1	35.4	9.6	9.4	9.1	8.8	36.8	9.6	9.6	9.4	9.2	37.8	38.9
TV revenue ex Retrans	130.0	116.6	116.7	114.3	29.6	17.6	28.7	41.7	117.7	26.5	25.3	31.8	30.1	113.7	99.0
Growth ex Retrans	7.6%	-10.2%	0.0%	-2.0%	0.5%	-39.2%	3.8%	48.1%	3.0%	-10.7%	43.6%	10.9%	-27.9%	-3.4%	-13.0%
TV World Cup/Other Soccer	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.0**	**1.0**	**0.0**	**2.0**	**0.0**
Assm: % Incremental to Core	25.0%	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 World Cup	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	2.0	0.0
TV revenue ex WC	159.1	148.1	151.7	149.7	39.2	27.0	37.8	50.5	154.5	36.1	33.9	40.2	39.4	149.5	137.9
Growth ex WC	7.1%	-7.0%	2.5%	-1.4%	2.5%	-29.2%	3.7%	36.9%	3.2%	-7.9%	25.8%	6.4%	-22.1%	-3.2%	-7.8%
TV Acquisitions/Dispositions (inc. Affiliations)		**(6.4)**	**(11.0)**	**(10.7)**	**(2.0)**	**(1.6)**	**(2.6)**	**(3.3)**	**(10.2)**	**(2.1)**	**(1.6)**	**(3.4)**	**(3.1)**	**(9.9)**	**(25.5)**
Assm: % Incremental to Core		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	92.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Incremental M&A	0.0	(6.4)	(11.0)	(10.7)	(2.0)	(1.6)	(2.6)	(3.3)	(9.4)	(2.1)	(1.6)	(3.4)	(3.1)	(9.9)	(25.5)
TV revenue ex M&A	159.5	154.5	162.8	160.4	41.2	28.5	40.3	53.8	163.9	38.2	36.5	44.6	42.5	161.5	163.4
Growth ex M&A	7.4%	-3.2%	5.4%	-1.5%	2.0%	-29.9%	2.7%	34.9%	2.2%	-7.4%	27.9%	10.4%	-21.0%	-1.5%	1.2%
Spectrum usage/auction	**1.5**	**0.0**	**3.6**	**13.1**	**1.4**	**1.4**	**1.4**	**1.4**	**5.4**	**2.8**	**1.3**	**1.3**	**1.3**	6.6	5.0
Assm: % Incremental to Core	25.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	67.0%	67.0%
Incremental Spectrum Usage	0.4	0.0	3.6	13.1	1.4	1.4	1.4	1.4	5.4	2.8	1.3	1.3	(0.9)	4.4	3.4
TV revenue ex Spectrum Usage	159.1	148.1	148.2	136.6	37.8	25.6	36.4	49.2	149.0	33.2	33.7	39.9	40.3	147.1	134.5
Growth ex Spectrum Usage	7.1%	-7.0%	0.1%	-7.8%	14.1%	-25.0%	7.9%	38.3%	9.1%	-12.1%	31.5%	9.6%	-18.1%	-1.3%	-8.5%
PF TV revenue ex-all non-recurring	**120.7**	**122.9**	**114.3**	**111.7**	**25.0**	**16.6**	**25.0**	**32.6**	**99.2**	**25.7**	**24.6**	**32.9**	**31.1**	**114.1**	**108.7**
PF TV revenue growth ex all non-recurring	**1.5%**	**1.8%**	**-7.0%**	**-2.3%**	**-5.8%**	**-40.0%**	**-10.1%**	**10.0%**	**-11.3%**	**2.8%**	**48.5%**	**31.7%**	**-4.5%**	**15.1%**	**-4.7%**
TV rev grth ex all non-rec 2-yr CAGR		**1.7%**	**-2.7%**	**-4.6%**	**-4.4%**	**-24.8%**	**-5.7%**	**4.3%**	**-6.9%**	**-1.6%**	**-5.6%**	**8.8%**	**2.5%**	**1.1%**	**4.7%**
PF TV advertising growth ex-political		*-3.8%*	*-11.3%*	*-2.2%*	*-5.8%*	*-40.0%*	*-10.1%*	*10.0%*	*-11.2%*	*2.8%*	*60.3%*	*36.2%*	*-4.5%*	*18.4%*	*-21.7%*
TV ad rev grth ex political 2-yr CAGR		-1.9%	-7.6%	-6.9%	-4.4%	-24.8%	-5.7%	4.3%	-6.8%	-1.6%	-1.9%	10.6%	2.5%	2.5%	-3.7%
PF TV revenue growth ex-political		*-2.0%*	*-4.0%*	*5.3%*	*-11.4%*	*-32.4%*	*-9.7%*	*7.4%*	*-11.7%*	*6.4%*	*35.8%*	*25.2%*	*-8.0%*	*12.5%*	*-15.5%*
TV rev grth ex political 2-yr CAGR		-0.1%	-3.0%	0.5%	-0.3%	-15.0%	-2.9%	2.7%	-3.6%	-2.9%	-4.2%	6.3%	-0.6%	-0.3%	-2.5%
PF TV advertising growth		-10.0%	-3.0%	-10.5%	15.9%	-35.1%	9.5%	50.5%	10.9%	-16.4%	47.9%	11.8%	-23.1%	-2.7%	-12.5%

Source: Company reports; Industry Capital Research estimates

Figure 29: Forecast Drivers—Radio Segment

In millions															
RADIO SEGMENT	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**3Q21E**	**4Q21E**	**2021E**	**2022E**
Radio PF Rev Growth	-0.4%	-11.8%	-4.5%	-13.9%	-2.0%	-52.7%	-22.0%	16.6%	-15.9%	-3.5%	84.4%	10.0%	-25.4%	5.1%	-3.0%
Pro forma radio:															
Revenue	$75.8	$66.9	$63.9	$55.0	$11.7	$6.8	$11.5	$16.2	$46.3	$11.3	$12.5	$12.7	$12.1	$48.6	$47.2
Growth	-0.4%	-11.8%	-4.5%	-13.9%	-2.0%	-52.7%	-22.0%	16.6%	-15.9%	-3.5%	84.4%	10.0%	-25.4%	5.1%	-3.0%
Radio non-recurring items:															
Political/Census	2.1	0.1	2.2	0.1	1.0	0.6	1.2	3.0	5.9	0.0	0.0	0.0	0.6	0.7	2.6
Assm: % Incremental to Core	50.0%	50.0%	50.0%	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 political	2.1	0.1	1.1	0.1	1.0	0.6	1.2	3.0	5.9	0.0	0.0	0.0	0.6	0.7	2.6
Radio revenue ex political	73.8	66.9	62.8	54.9	10.7	6.2	10.3	13.2	40.4	11.3	12.5	12.7	11.5	47.9	44.6
Growth ex Political	-2.7%	-9.3%	-6.0%	-12.6%	-10.4%	-57.0%	-30.2%	-4.5%	-26.4%	5.5%	102.3%	23.0%	-13.2%	18.6%	-7.0%
NTR	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
Assm: % Incremental to Core	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 NTR	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 revenue ex NTR	35.1	36.2	36.2	38.4	11.7	6.8	11.5	16.2	39.5	11.3	12.5	12.7	12.1	39.5	39.5
Growth ex NTR	3.0%	3.0%	0.0%	6.1%	-2.0%	-52.7%	-22.0%	16.6%	3.0%	-3.5%	84.4%	10.0%	-25.4%	0.0%	0.0%
World Cup/Other Soccer			1.9								0.5	0.5		1.0	2.5
Assm: % Incremental to Core	66.7%	66.7%	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 World Cup			1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0	1.0	2.5
Radio revenue ex WC	75.8	66.9	63.9	55.0	11.7	6.8	11.5	16.2	46.3	11.3	12.0	12.2	12.1	47.6	44.7
Growth ex WC		-11.8%	-4.5%	-13.9%	-2.0%	-52.7%	-22.0%	16.6%	-15.9%	-3.5%	77.0%	5.7%	-25.4%	2.9%	-6.2%
Revenue	73.8	66.9	61.8	54.9	10.7	6.2	10.3	13.2	40.4	11.3	12.0	12.2	11.5	46.9	42.1
Radio revenue growth ex all non-recurring	**-2.4%**	**-9.3%**	**-7.5%**	**-11.2%**	**-10.4%**	**-57.0%**	**-30.2%**	**-4.5%**	**-26.4%**	**5.5%**	**94.2%**	**18.1%**	**-13.2%**	**16.1%**	**-10.4%**
Radio rev grth ex all non-rec 2-yr CAGR		**-5.9%**	**-8.4%**	**-9.4%**	**-12.5%**	**-39.9%**	**-18.5%**	**-6.7%**	**-19.2%**	**-2.7%**	**-8.7%**	**-9.2%**	**-9.0%**	**-7.6%**	**2.0%**

Source: Company reports; Industry Capital Research estimates

Figure 30: Forecast Drivers—Operating Expense

In millions															
OPERATING EXPENSE	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**3Q21E**	**4Q21E**	**2021E**	**2022E**
Television PF Opex Growth				0.1%	4.9%	-14.7%	-10.3%	3.2%	-4.2%	-8.6%	10.0%	5.0%	-10.3%	-1.8%	-10.0%
Radio PF Opex Growth				-4.5%	-18.4%	-34.3%	-31.4%	-21.3%	-26.3%	-16.9%	7.0%	3.6%	-9.5%	-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**	**$41.9**	**$43.1**	**$45.9**	**$171.3**	**$170.7**
Growth	4.6%	5.1%	5.0%	-1.9%	-5.8%	-23.5%	-21.3%	4.0%	-11.6%	0.4%	26.8%	26.6%	-0.2%	11.7%	-0.3%
Non-recurring opex items:															
M&A (Cisneros, MediaDonuts acquisitions)	**0.0**	**0.0**	**0.0**	**0.0**				**5.7**	**5.7**	**4.8**	**6.3**	**7.4**	**9.0**	**27.4**	**35.6**
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	6.3	7.4	9.0	27.4	35.6
Opex ex Cisneros adjustment	160.2	168.4	176.8	173.4	40.3	33.0	34.1	40.2	147.6	35.7	35.6	35.7	36.9	143.8	135.1
Growth ex Cisneros	4.6%	5.1%	5.0%	-1.9%	-5.8%	-23.5%	-21.3%	-8.9%	-14.9%	-11.5%	7.8%	4.8%	-8.4%	-2.6%	-6.0%
Fixed & variable cost reductions	**0.0**	**0.0**	**0.0**	**0.0**		**(6.2)**	**(11.0)**	**(10.0)**	**(27.2)**	**(5.0)**	**(6.0)**	**(11.0)**	**(10.3)**	**(32.3)**	**(42.3)**
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)	(6.0)	(11.0)	(10.3)	(32.3)	(42.3)
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	47.9	54.2	56.1	203.6	213.0
Growth ex cost reductions	-27.8%		5.0%	-1.9%	-5.8%	-9.2%	4.2%	26.7%	4.1%	12.8%	22.1%	20.2%	0.3%	12.8%	4.6%
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	41.2	42.4	45.2	169.3	168.7
Growth ex salary true-up			5.0%	-1.9%	-5.8%	-23.5%	-21.3%	-0.5%	-12.7%	0.4%	24.7%	24.6%	2.9%	11.9%	-0.4%
Opex ex-non-recurring	**160.2**	**168.4**	**176.8**	**173.4**	**40.3**	**39.2**	**45.1**	**48.3**	**172.8**	**40.7**	**41.0**	**46.1**	**46.5**	**174.2**	**175.4**
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%**	**4.4%**	**2.3%**	**-3.7%**	**0.8%**	**0.7%**
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%**	**-2.6%**	**3.2%**	**2.6%**	**0.2%**	**0.7%**
Revenue-driven variable expense	**41.1**	**36.7**	**35.4**	**31.2**	**8.0**	**4.6**	**7.8**	**11.3**	**31.7**	**7.0**	**7.3**	**8.7**	**8.6**	**31.6**	**28.6**
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**	**33.7**	**37.4**	**37.8**	**142.6**	**146.9**
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%**	**-2.8%**	**0.4%**	**2.4%**	**1.0%**	**3.0%**
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%**	**-2.4%**	**3.0%**	**2.5%**	**0.2%**	**2.0%**

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.

Overview: TV Still Tuned In, But Radio A Mere Echo Of Its Past

EVC reports TV and radio in separate segments. However, the TV and radio station groups share history, strategy and certain key business drivers.

EVC started as an initiative to build out Univision's TV station distribution to smaller U.S. markets, which often have denser and faster-growing Hispanic populations, while Univision's owned-and-operated TV station group focused on the top-10 U.S. Hispanic markets. Thus, EVC started with Univision affiliates in Denver, San Diego, Monterey, Palm Springs, Yuma, and Las Vegas. Univision approved affiliation transfers to EVC when EVC acquired TV stations in El Paso, McAllen, and Corpus Christi. EVC's acquisition of low-power Univision affiliates in Washington DC, Orlando and Tampa in 1999 completed the nucleus of EVC's TV station group.

Over time, EVC has created TV-radio station clusters in 11 markets. The larger such clusters are in McAllen, El Paso, Denver, Las Vegas, and Monterey-Salinas. The typical benefits of cross-media platforms are 1) cross-selling of advertising, 2) cross-promotion of programming, and 3) cost savings. Cost synergies come from combining management of the TV and radio operations. As the TV stations usually have dominant audience shares because of Univision's network programming and most radio stations use network programming, local management tends to have more opportunity to focus on sales management. The company has been able to launch new radio stations without substantial outside media promotion expense, and radio can be used to promote TV programs like news specials.

EVC generates more revenue from national advertising than most of its English-language broadcast peers. In 2020, national advertising accounted for roughly 58% of TV advertising revenue and 40% of radio advertising revenue. In this sense, EVC is favorably aligned with trends that tend to play out as industries consolidate, namely to have a greater mix of advertising placed by national advertising agencies. One risk to manage, however, is that national advertising can be more volatile than local advertising.

Two periodic advertising revenue sources are particularly relevant for TV and radio: political and soccer events. First, political advertising, on TV in particular, remains one of the few consistent secular growth stories for the broadcast media business. Second, soccer-related advertising revenue, once quite substantial when Univision had the rights to the World Cup broadcasts, now depends on smaller events like the Copa America, which still looks to be on for this year despite having to shift to Brazil because of COVID-19 concerns in Argentina.

The pandemic caused a sharp decline in advertising across both TV and radio, resulting in substantial expense cuts. Lockdowns and similar restrictions severely limited the businesses of many key broadcast advertisers, including automotive, services, non-emergency healthcare, retail, travel, restaurants and telecom. Radio ad rates were particularly hard hit. As a result, the company reduced headcount by slightly over 20% across TV and radio.

Our forecast assumes that most of the 2020 expense cuts remain in place, resulting in a roughly $30 million reduction to annualized operating expenses companywide. In modeling operating expenses, we used management guidance on what the opex reductions were in 2020 relative to 2019. This was available by quarter, totaling to roughly $27m for 2020. There were roughly $2 million in salary reductions that were reinstated in 4Q20, so that the net cuts for 2020 were roughly $25 million. For 1Q21 we assume roughly $5 million in expense reductions relative to 1Q20, given that the 2020 expense cuts did not take effect until 2Q20. Thus, on an annualized basis, we assume ~$30 million in expenses taken out of the business as a result of the actions taken in 2020.

TV Station Group: Univision Agreements A Bulwark Through 2026

The strategy of EVC's TV station group has been to leverage long-term affiliation agreements to build out Univision-uniMás duopolies in most markets, further fortified over time through the addition of local newscasts. The TV group is competitively sound, having a footprint in high-density Hispanic markets, the anchor of affiliations with the leading Spanish-language broadcast network, and highly rated local newscasts attractive to a number of key advertising categories. Most of EVC's Univision and uniMás affiliations last until 12/31/26.

Figure 31: Univision's Networks Have Over Half of U.S. Hispanic TV Viewing

EVC TV Markets

Weekly Spanish Language TV Viewing Share, Adults 18-49

Network	Share
Univision	44.2%
UniMás	14.2%
Telemundo	38.1%
Estrella TV	2.1%
Azteca America	1.4%

Note: April 2021; share of Adults 18-49 audience, Mon-Sun 5a-2a eastern/pacific, Mon-Sun 4a-1a central/mountain; 22 EVC subscriber markets.

Source: Nielsen and company data

EVC has 54 primary television stations, including stations in 19 of the U.S.'s top-50 U.S. Hispanic markets by population. EVC's TV stations have a substantial concentration in cities in the Southwest U.S., whose economies can be particularly sensitive to migration flows from Mexico. EVC benefits from having stations in five of the top-10 markets ranked by the proportion of Hispanics of Mexican origin.

The flagship Univision network targets the Spanish-dominant population with a 24/7 programming feed, whose most popular programming format is the telenovella, an adult drama running nightly typically for 3-8 months. Univision's prime time programming is supplied primarily by Televisa, the top Mexican TV broadcaster with which Univision combined in 2020. As over 60% of U.S. Hispanics are of Mexican origin, this programming from Televisa contributes to the greater brand loyalty of Univision's audience than English-language viewers have to the major English-language broadcast networks. EVC's network affiliation agreement give its stations typically the right to sell at least four minutes per hour of advertising time on Univision affiliates and 4.5 minutes per hour of advertising time on uniMás affiliates.

Univision is the leading U.S. Spanish-language broadcast network and has posted ratings gains for over a year. Last year, the Univision and uniMás networks were the only two major U.S. broadcast networks to increase their audience year-over-year in primetime among total viewers 2+ years of age, adults 18-49 and adults 18-34. That said, Univision's primary competitor, Comcast's Telemundo, has become more formidable over the years. Telemundo has benefitted from increasing popularity of programming formats other than telenovelas, as the U.S. Hispanic audience has increasingly adapted to mainstream culture. Telemundo's programming has historically been more popular in the Eastern U.S., where there is a larger portion of Hispanics of ancestry other than Mexican. Telemundo's share of Spanish-language TV revenue has also historically over-indexed its audience share.

EVC has added newscasts to its Univision affiliates incrementally over time. EVC's newscasts rely less than do general market newscasts on star anchors or weather announcers for ratings. We believe that news ratings are important for Univision affiliates, although less so than for English-language broadcast affiliates. Newscasts are important to EVC's business model because 1) key ad categories such as automotive often prefer to advertise in news programming, and 2) local affiliates retain all revenue from news ad inventory sold (typically ~12 minutes per hour). On the other hand, Univision affiliates typically run less news programming than general market affiliates, in part because the Univision affiliation agreements permit only one hour of morning news, one half-hour of early evening news, and one half-hour of late news. In addition, the level of Hispanic homes using television is substantially lower for late news than for early news. Thus, for example, while EVC's news is #1 or #2 regardless of language in early news in 12 of its TV markets (out of 20 markets where EVC has early news), it only ranks this highly in late news in 6 of its TV markets (out of 21 markets where EVC has late news).

EVC's relationship with Univision goes beyond network programming. Univision has EVC's proxy to negotiate for retransmission fee revenue for EVC's stations from multichannel video programming distributors (MVPDs). In addition, Univision serves as national sales representative for EVC's Univision and uniMás affiliates. Finally, as discussed further in the Capital Structure and Management section, Univision owns slightly over 10% of EVC's common stock.

EVC supplements its Univision and uniMás affiliates with select TV stations affiliated with other networks. However, these other affiliates do not generate a material percentage of company revenue, by our estimates.

Figure 32: Political, Supported by Services and Health Care, Delivered TV's 2020 Ad Growth

EVC TV's Top Ad Categories: 2000 vs. 2019	Revenue		Y/Y Change	
Category	2020 % of Total	2019 % of Total	%	Ranked by Contrib. to Change
Automotive	22%	31%	-21%	2
Services	21%	21%	14%	3
Political	18%	0%	8009%	1
Health Care	10%	9%	24%	4
Media	8%	9%	-3%	5
Total TV Advertising Revenue			11%	

Source: Industry Capital Research estimates and company data

TV Segment Outlook: Slight Revenue Growth at Similar Margins

Despite the secular drain of advertising shifting online, EVC's TV segment has managed to increase revenue over the long term, while maintaining high OCF margins, and our forecast assumes slight revenue growth at relatively stable margins going forward. Reflecting industry trends, EVC's TV group has been able to offset commercial advertising shortfalls with a growing and now meaningful stream of revenue from retransmission consent agreements, as well as secular growth in political advertising.

Figure 33: TV's 4Q20 Ad Growth Driven By Political, With Health Care and Services The Key Core Growers

EVC TV's Top Ad Categories: 4Q20 vs. 4Q19	Revenue		Y/Y Change	
Category	4Q20 % of Total	4Q19 % of Total	%	Ranked by Contrib. to Change
Political	28%	1%	5493%	1
Automotive	21%	30%	3%	5
Services	15%	19%	17%	3
Health Care	11%	14%	26%	2
Media	6%	7%	21%	4
Total TV Advertising Revenue			48%	

Source: Industry Capital Research estimates and company data

For TV core advertising (i.e., excluding political), flat remains the new up. Over the past four-year cycle, core television advertising revenue has been declining annually at a low-to-mid-single digit percentage rate. Increasing political revenue may be exaggerating the pace of these declines, however. Depending on the overall demand for TV advertising at any given time, advertising buys for political campaigns can cannibalize advertising from typical commercial advertisers to a greater or less extent, usually more during U.S. presidential than mid-term election years. However, the company typically does not assume such cannibalization in reporting out its core ad growth, and neither does our forecast. Thus, although core TV revenue could rebound to mid-teens growth in 2021, we assume it returns to mid-single digit percent declines in 2022.

Figure 34: Dealer Group (Tier 2) and Dealer (Tier 3) Spending Accounted for Almost All TV Auto Advertising in 2020

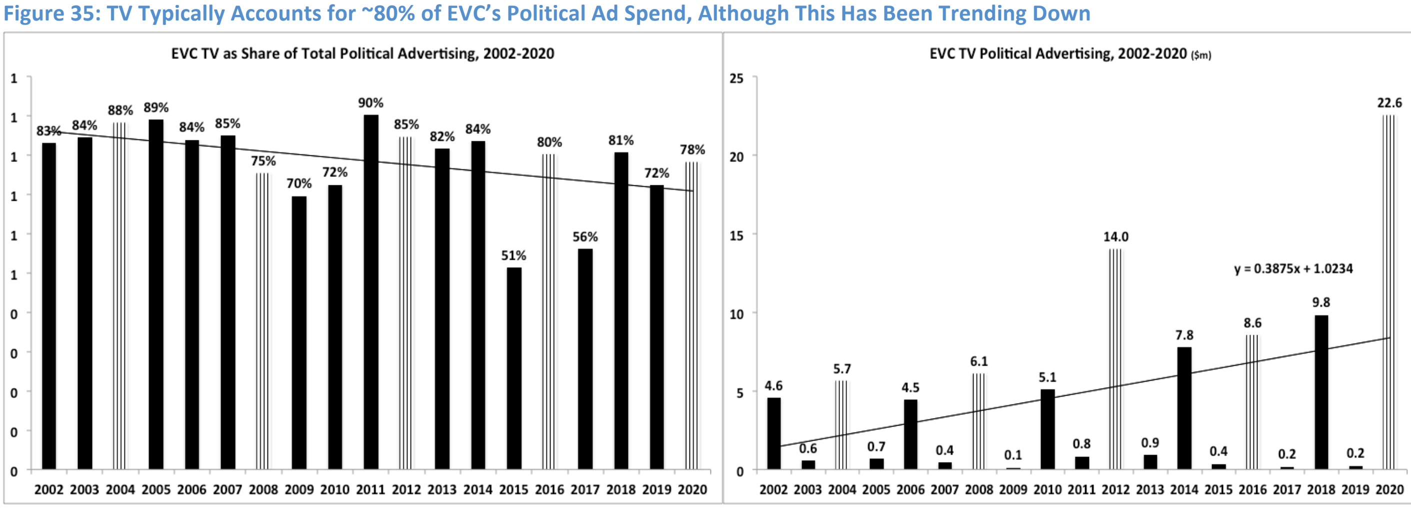
EVC's TV Auto Ad Spending by Tier: 2020 vs. 2019	Revenue		Y/Y Change	
Category	2020 % of Total	2019 % of Total	%	Ranked by Contrib. to Change
Tier 2	69%	64%	-14%	1
Tier 3	29%	32%	-27%	2
Tier 1	2%	4%	-55%	3
Total Auto Advertising Revenue			-20%	

Source: Industry Capital Research estimates and company data

TV's two most significant ad categories are automotive and political, the former for its size and the latter for its secular growth. TV's largest commercial advertising category by a good margin is automotive (accounting for 28% of TV advertising in 1Q21, for example), which can be placed by 1) corporate/OEMs (tier 1), 2) dealer associations (tier 2), or 3) individual dealers (tier 3). Looking across the four-year U.S. election cycle, our forecast assumes over $12 million in TV political advertising in 2022, up from $10 million in 2018. The pandemic made the TV segment particularly dependent on political advertising in 2020, with political accounting for a whopping 20% of total TV advertising, up from a mere 7% in the prior U.S. presidential election year in 2016. We expect the next U.S. presidential election will help drive another record year for political ad revenue for EVC. This reflects EVC's record 2020 political advertising revenue and the increasing size, political competitiveness and swing-state positioning of the U.S. Hispanic population, partially offset by EVC's expected loss of exposure to political advertising in Orlando and Tampa because of the termination of its management of the Univision affiliates in those markets at the end of this year.

After advertising, retransmission fee revenue, which has a nearly 100% OCF margin, is the largest contributor to TV segment revenue. The company reports retransmission net of the reverse retransmission payments paid to its network programming suppliers, primarily Univision. Industry-wide subscriber attrition for MVPDs is a headwind for EVC's retransmission revenue, which depends on subscriber counts of the MVPDs that use EVC's feed in their packages. We assume slight growth in retransmission revenue over the next few years, assuming that 1) the rate increases built into the agreement with Univision, which generates roughly 75% of EVC's total retransmission revenue and 2) the higher rate increases which EVC is receiving for its other network affiliates, offset 3) subscriber count losses.

Figure 35: TV Typically Accounts for ~80% of EVC's Political Ad Spend, Although This Has Been Trending Down



Note: Highlighted bars reflect U.S. presidential election years. Source: Industry Capital Research estimates and company data

One other component of non-advertising revenue consists of fees that EVC collects for the use of its TV spectrum. The biggest recurring contribution here is roughly $5 million per year that other operators pay to use a portion of EVC's spectrum for multicast channels in certain markets.

EVC's 2020 cost cuts helped the TV segment's OCF margin regain its 2016 level, despite the pandemic. Although management has indicated publicly that profitability should increase at all segments in 2021, our model more conservatively assumes that TV segment margins are unchanged in 2021 from 2020. Analysis of TV revenue growth and margin trends indicates that the TV segment typically needs at least 2% revenue growth to have positive operating leverage, and our forecast assumes TV revenue will decline 2% for 2021.

For 2022, we assume that the unwind of EVC's agreements with Univision relating to TV stations in Orlando, Tampa and Washington, D.C. results in a reduction of ~$19 million in revenue at ~50% OCF margin, with an offset of roughly $3m in annual revenue for alternative uses of the spectrum on the affected signals. EVC manages the marketing and sales of Univision-owned Univision affiliates in Orlando, Tampa and Washington, D.C. under agreements slated to expire at year-end, as are EVC's network affiliations for the UniMás-affiliated stations that it owns in those three markets. For 2022, we estimate that the TV segment will see a loss of roughly $16 million in revenue and $10 million in operating expense as of the result of the expiration of these agreements, on the assumption that alternative uses for EVC's signals in these three markets generate roughly $3 million in annual revenue.

Note that our TV segment revenue forecast also includes an estimate of the legacy impact of the loss of the Telemundo affiliation in San Diego back in 2017. This facilitates tracking of core growth over a 4-year cycle.

Radio Station Group: Cost Cutting to Profitability

EVC's radio group does not have the same sound strategic positioning as its TV group, and we forecast that radio's OCF contribution to EVC overall will only be in the 5% range going forward. Radio's largest cluster is a standalone group of three formats in the competitive Los Angeles market. The predominantly music formats that run on most of EVC's stations have struggled to achieve sustainable competitive advantages. Attempts to differentiate with marquee show hosts, including through syndication to non-EVC stations, have not halted radio's decline in profitability.

EVC's principal strategy for its 48 radio stations (38 FM and 10 AM) in 16 U.S. markets has been to take costs out of the business by programming them primarily with four networked formats originating at its Los Angeles operations. In aggregate, the radio group reaches roughly 36% of the U.S. Hispanic population, according to Nielsen estimates. EVC broadcasts its network formats in 14 of its 16 owned-and-operated radio markets, and has over 360 radio network affiliates in total. Network stations typically run up to 15 minutes per hour of commercials and non-network stations run up to 14 minutes per hour of commercials. For EVC's stations, the network lineup is as follows:

- "La Tricolor" on 12 stations targeting men 18-49 with Mexican regional music and featured morning, midday and afternoon drive hosts.

- "La Suavecita" on 15 stations targeting women 25-49 with Mexican regional music and featured morning, midday, afternoon and night time hosts.

- "Fuego" on 3 stations targeting adults 18-34 with bilingual contemporary hit music and a featured morning host.

- "José, Toca las de tu Rancho" on 3 stations targeting adults 35-64 with Mexican regional music dating from the 1930s through the 1980s.

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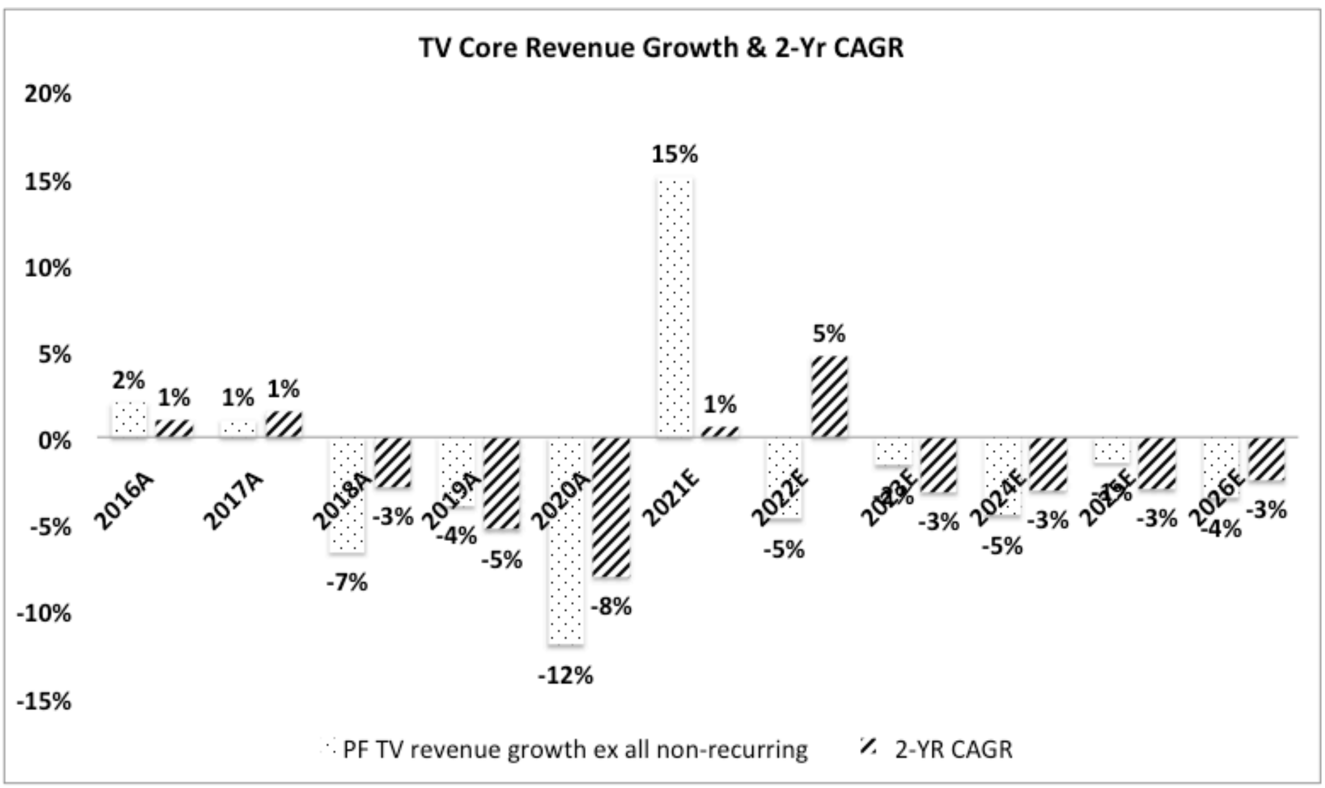
Radio Segment Outlook: Fading in Importance

Our forecast assumes that 2020's cost cuts should position radio for OCF margins in the 10-20% range going forward, albeit on a revenue base that is likely to continue to decline. This would be a far cry from the 30%+ OCF margins the segment once sported, but at least be a step in the right direction.

Core radio advertising revenue has been declining at a roughly 10% annual pace over the past four-year cycle, and was down almost 30% last year. Although our forecast assumes a bounce to mid-teens radio core ad growth in 2021, it assumes a resumption of roughly 10% radio core ad declines in 2022. The pandemic hurt radio advertising more than TV advertising, because radio depends more on advertisers in certain categories that were particularly hard hit by lockdown and similar restrictions. In addition, the reduction in commuting caused by stay-at-home-home orders cut into radio's in-vehicle audience, while conversely boosting TV viewing at home.

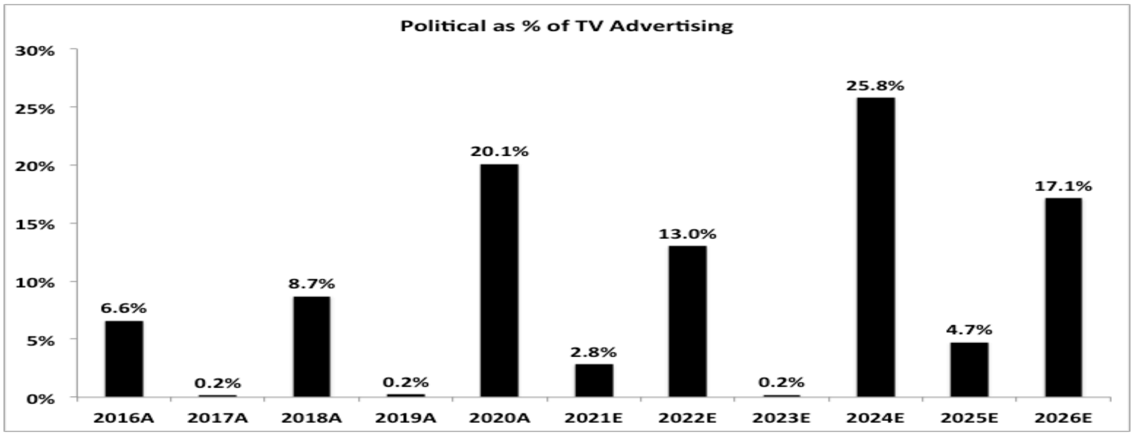
Holding on to the recovery in radio's OCF margins—to 10% last year from a loss in 2019—will likely depend substantially on keeping costs out of the business. Not only does radio lack the base of non-advertising revenue that TV receives from retransmission fees, but also radio benefits less from the secular growth of political advertising than does TV. Radio should benefit from incremental advertising from CONCACAF Gold Cup soccer broadcasts in 2021 and from FIFA World Cup soccer broadcasts in 2022.

Figure 36: TV 2021 Core Ad Rebound May Still Leave 2-Yr CAGR Roughly Flat



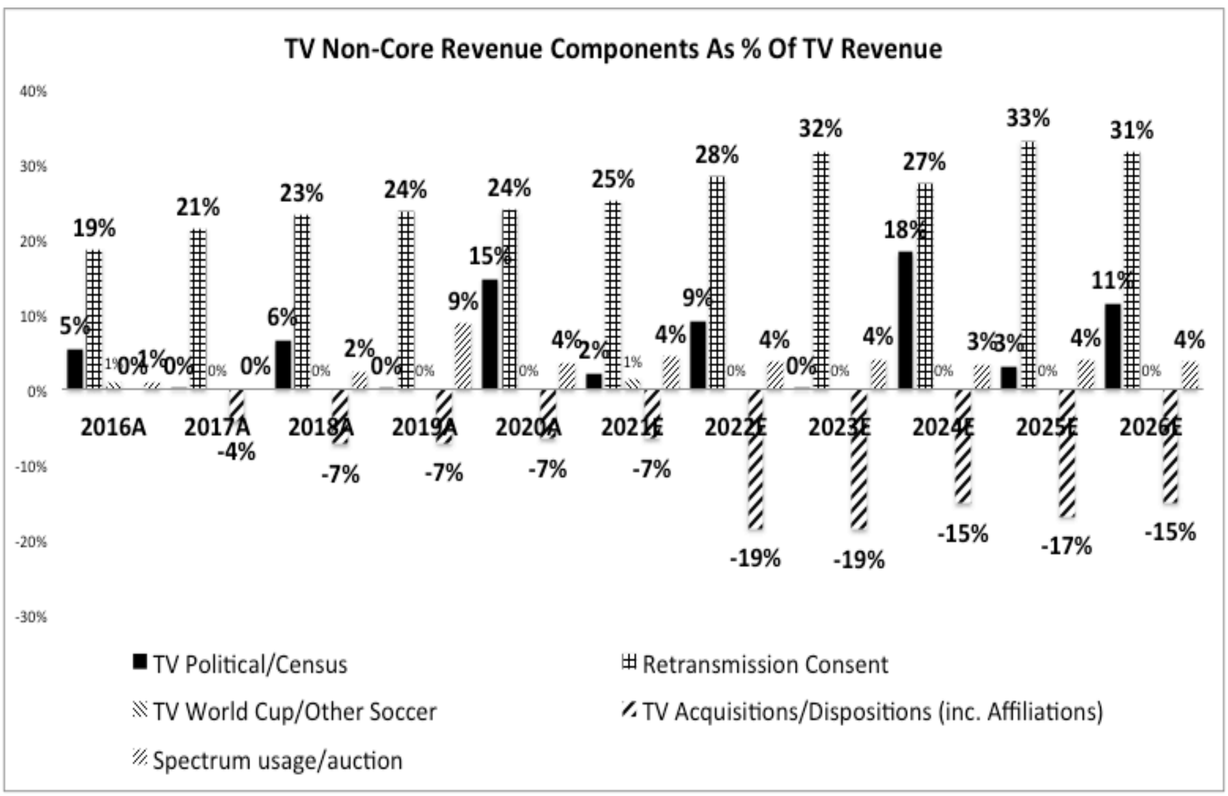
Source: Industry Capital Research estimates and company data

Figure 37: Political Ad Spending Was Immune to the Pandemic, Surging to 20% of Total TV Advertising in 2020



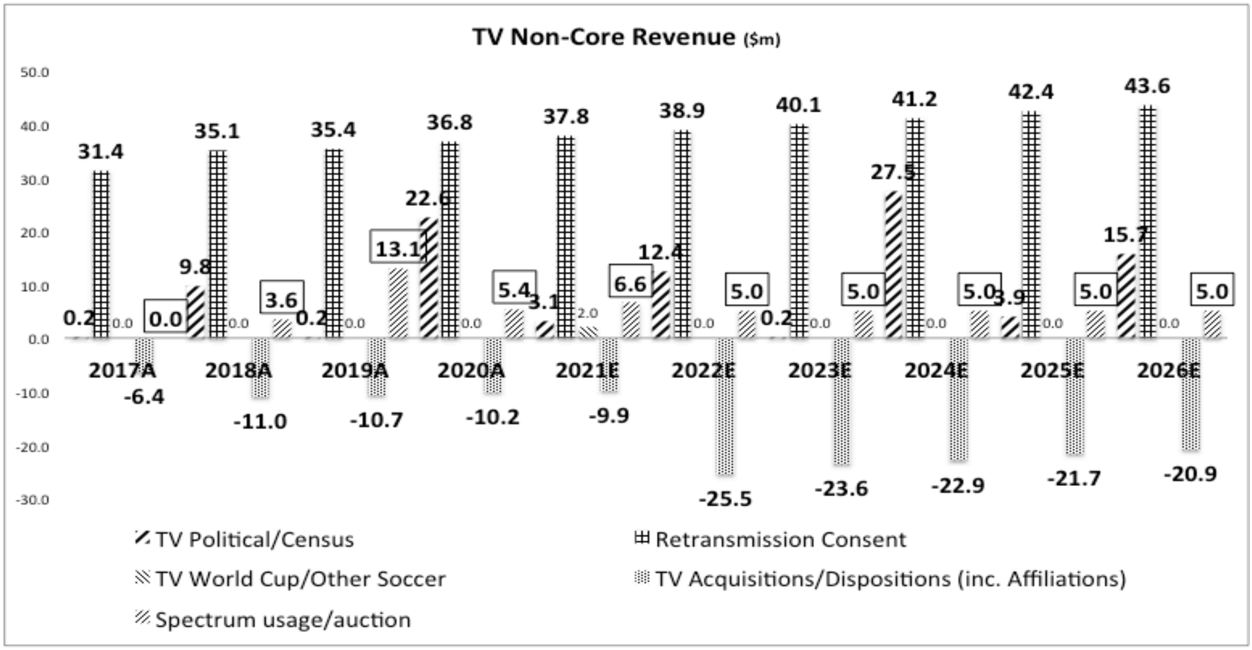
Source: Industry Capital Research estimates and company data

Figure 38: TV's Political Comp Is Tougher Than Ever For 2021



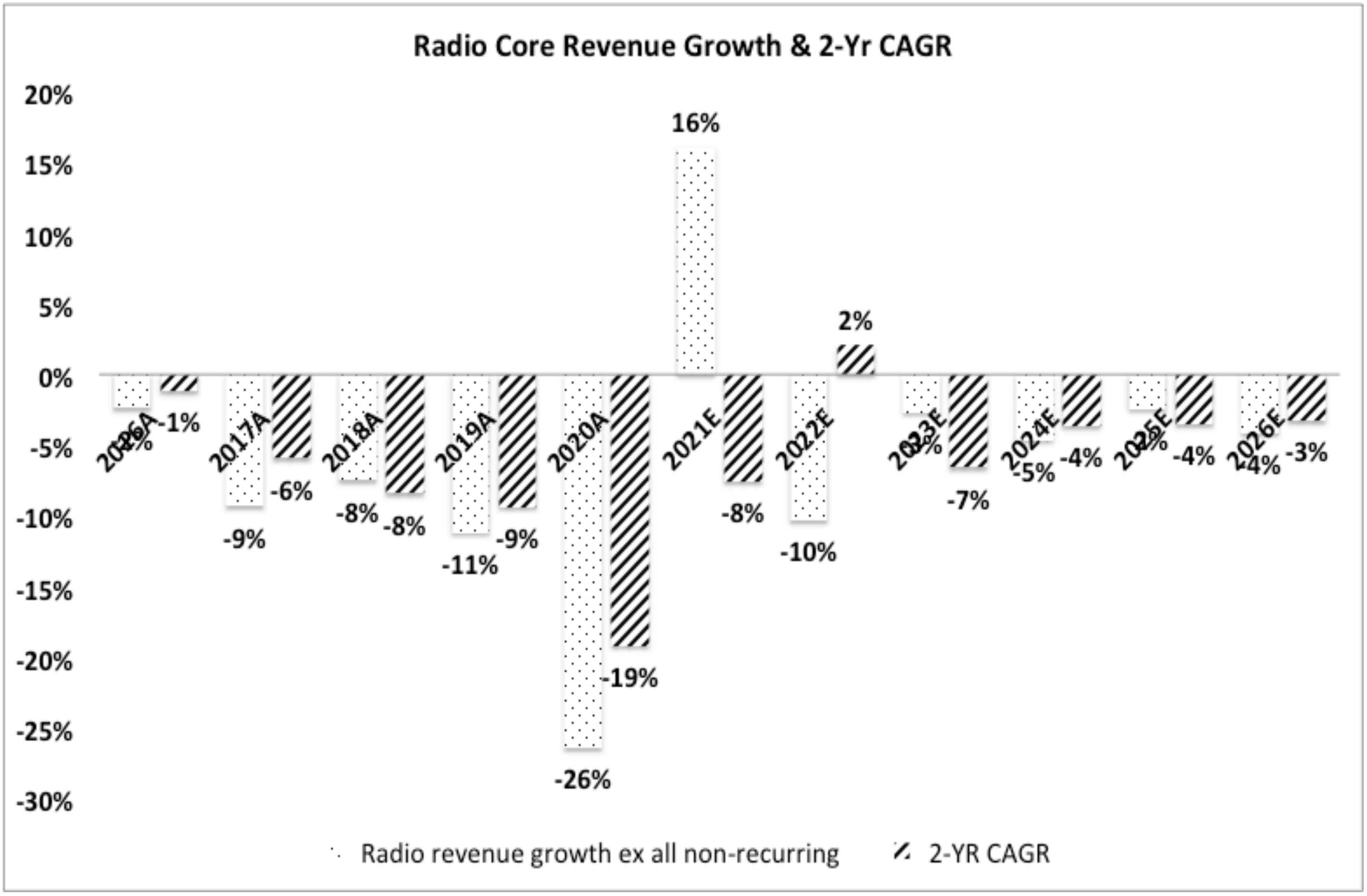
Source: Industry Capital Research estimates and company data

Figure 39: TV Retransmission & Political Revenue, After 2020 Records, Should Beat '18 in '22



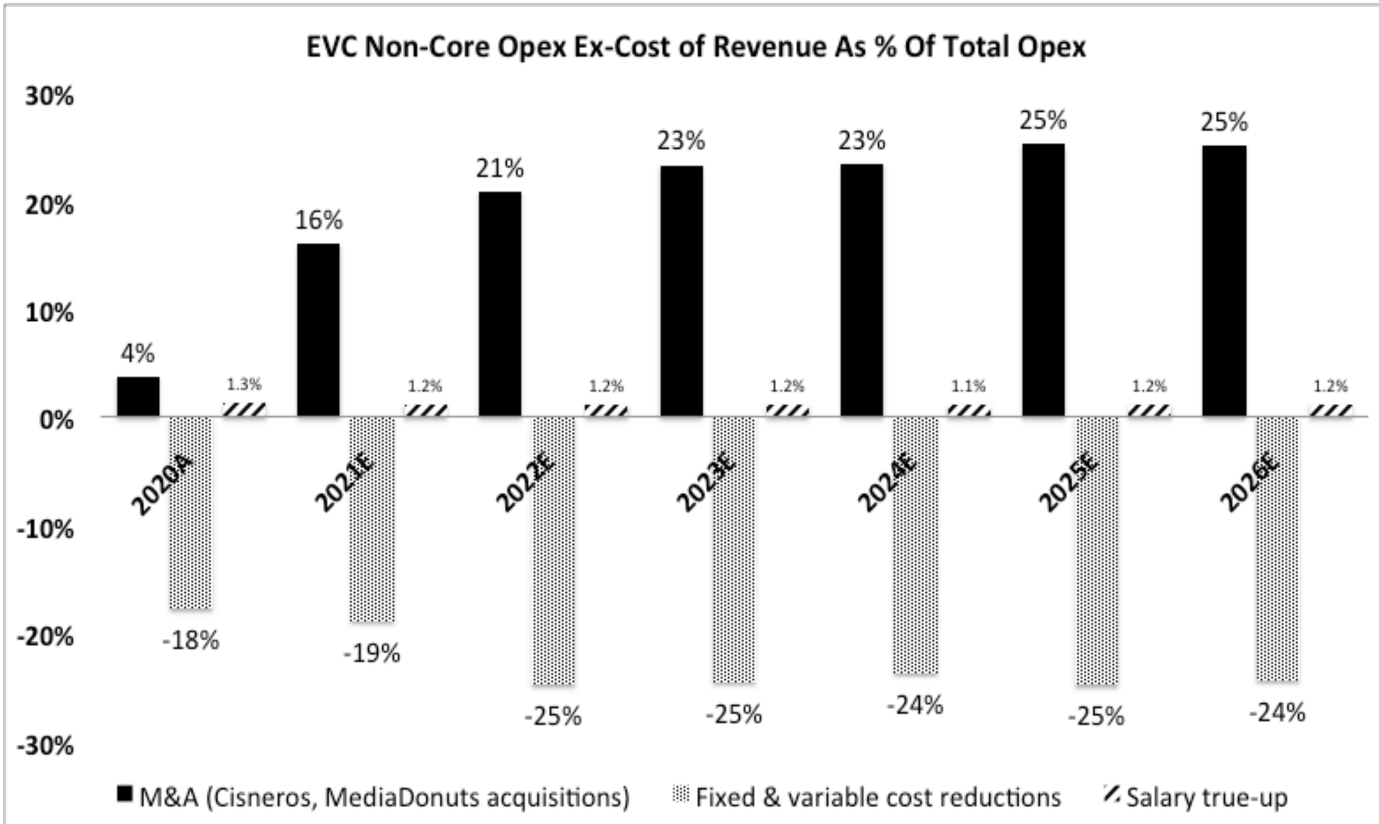
Source: Industry Capital Research estimates and company data

Figure 40: In 2020, Radio's Core Revenue Decline Was Over 2x TV's, Creating Easier Comp



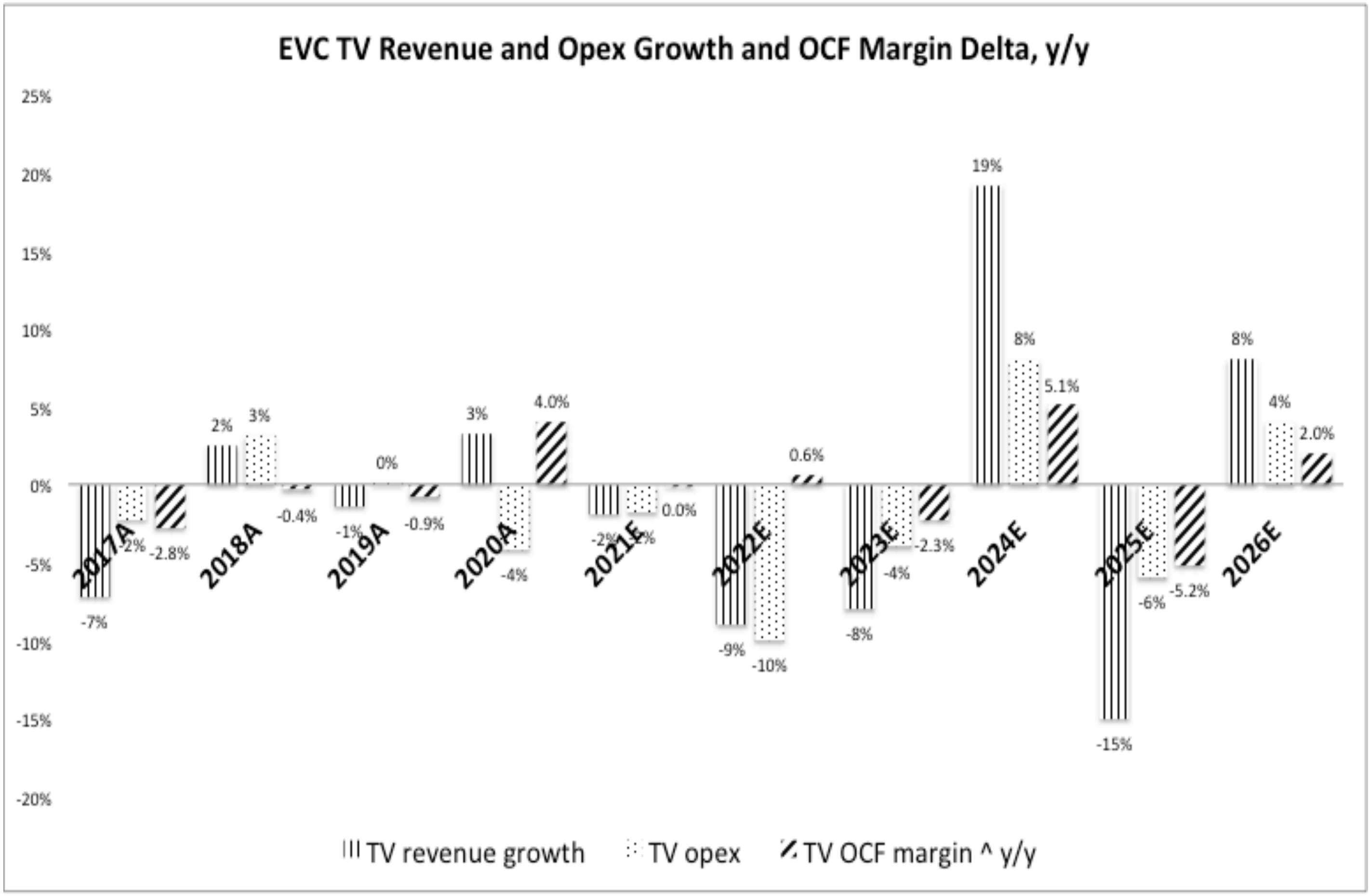
Source: Industry Capital Research estimates and company data

Figure 41: One Key To Profit Will Be Maintaining Broadcasting Cost Cuts



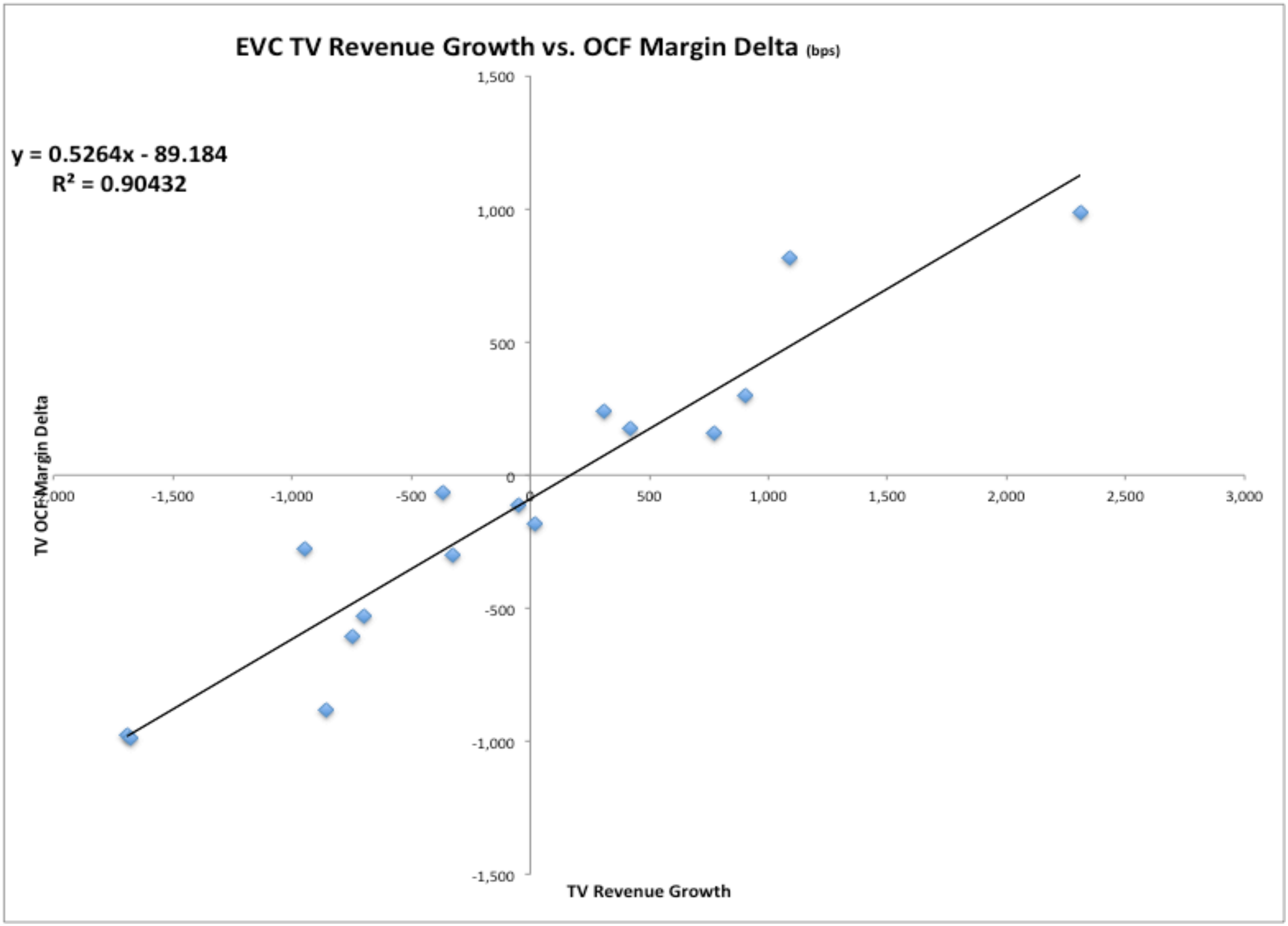
Note: Fixed & variable cost reductions reflect estimates for the end of agreements with Univision for management of three TV stations at the end of 2021. Source: Industry Capital Research estimates and company data

Figure 42: Assuming TV's OCF Margins Hold Gains From 2020 Rebound



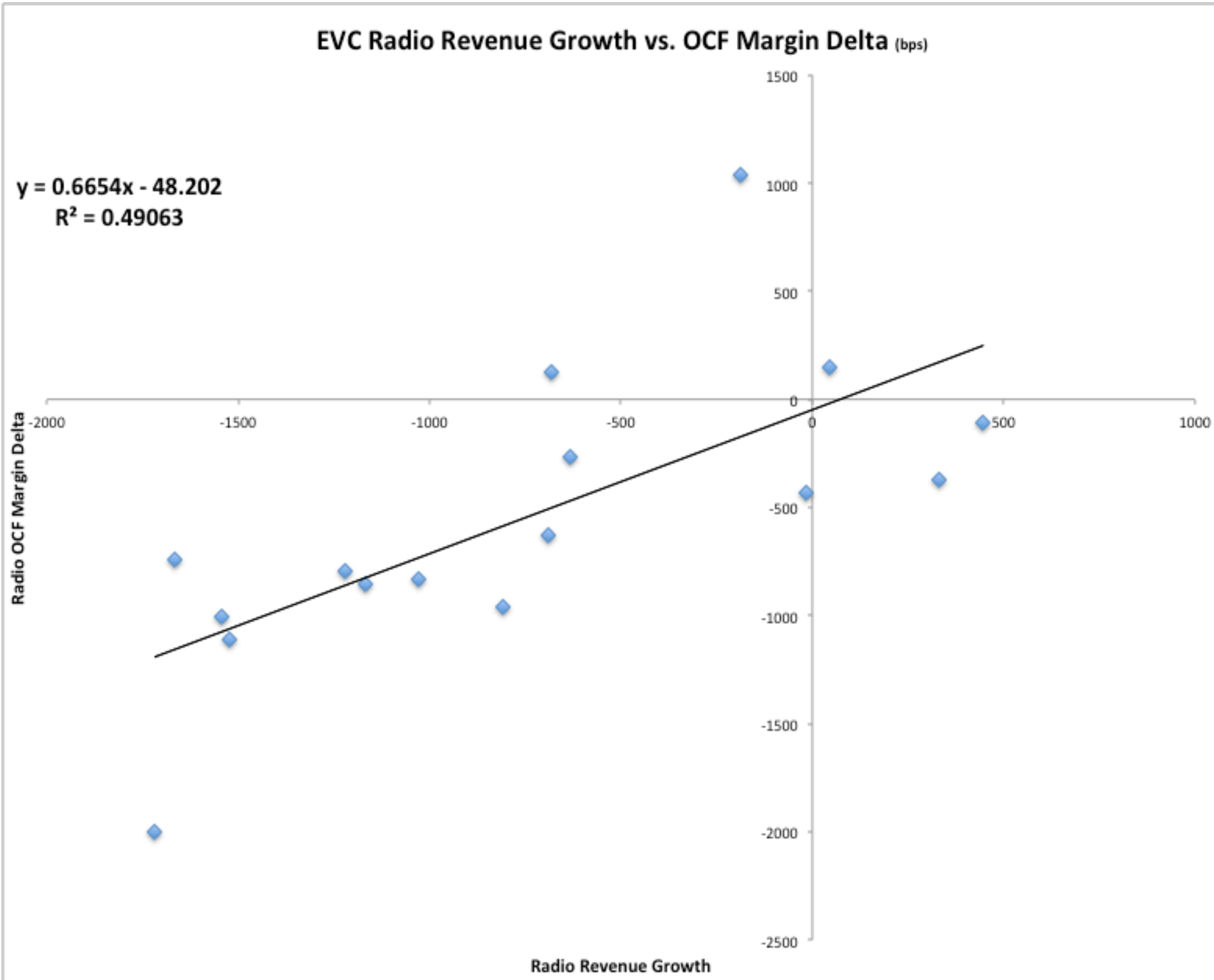
Source: Industry Capital Research estimates and company data

Figure 43: TV Has Needed Roughly 2% Revenue Growth To Hold OCF Margins



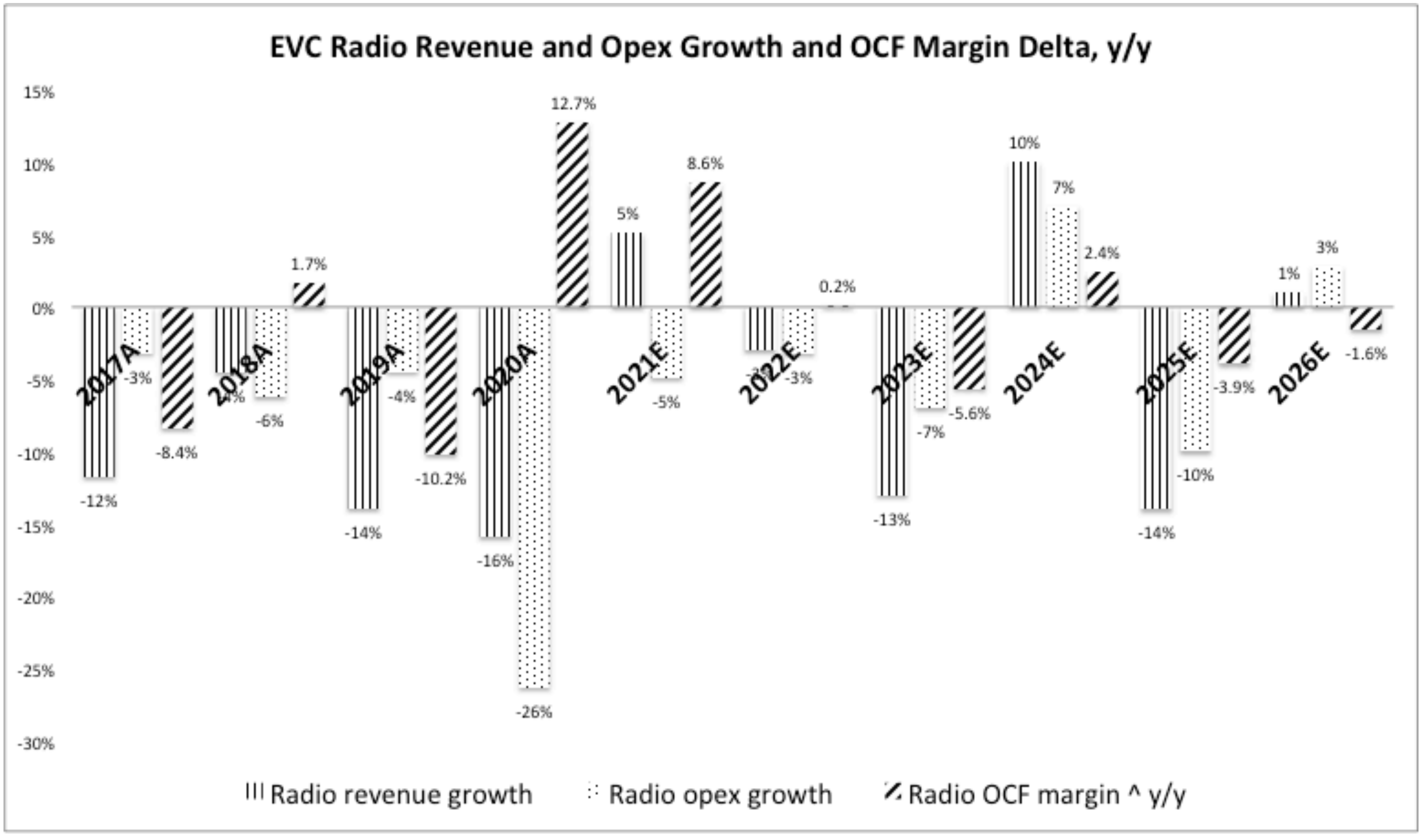
Source: Industry Capital Research estimates and company data

Figure 44: Radio Has Needed ~1% Revenue Growth To Hold Its Lower Margins



Source: Industry Capital Research estimates and company data

Figure 45: Radio Margins Likely To Be Driven By Continuing Cost Control



Source: Industry Capital Research estimates and company data

Figure 46: TV Station Group Built on Duopolies in U.S. Markets With Denser and Faster-Growing Hispanic Populations

Entravision Television Stations								
Market	**Rank by Hisp HH**	**Total Households**	**Hispanic Households**	**% Hisp HH**	**Network Affiliates**			
Orlando	10	1,731,360	358,890	20.7%	Univision	UniMas		
McAllen	11	380,530	352,740	92.7%	Univision	UniMas	Fox	
Tampa	13	2,035,250	315,940	15.5%	Univision	UniMas		
San Diego	16	1,132,300	298,610	26.4%	Univision	UniMas	LATV	
Albuqueque	17	716,800	295,100	41.2%	Univision	UniMas		
Denver	18	1,789,440	292,680	16.4%	Univision	UniMas		
Washington, D.C.	19	2,565,580	288,050	11.2%	Univision	UniMas	SonLife	
El Paso	20	343,530	267,360	77.8%	Univision	UniMas		
Boston	21	2,489,620	230,490	9.3%	Univision	UniMas		
Las Vegas	24	883,510	202,930	23.0%	Univision	UniMas		
Hartford	28	1,002,710	129,150	12.9%	Univision	UniMas		
Corpus Christi	29	210,160	127,880	60.8%	Univision	UniMas		
Monterey-Salinas	35	234,150	90,920	38.8%	Univision	UniMas	Fox	
Odessa	37	173,210	87,430	50.5%	Univision			
Yuma-El Centro	39	116,250	78,570	67.6%	Univision	UniMas		
Laredo	40	77,640	75,890	97.7%	Univision	UniMas	Fox	
Colorado Springs	41	386,620	74,290	19.2%	Univision	UniMas		
Santa Barbara	48	242,220	66,200	27.3%	Univision	UniMas		
Palm Springs	49	167,650	64,740	38.6%	Univision	UniMas	NBC	MyNetworkTV
Lubbock	51	167,660	62,630	37.4%	Univision			
Wichita	59	447,710	50,710	11.3%	Univision			
Reno	60	293,750	48,980	16.7%	Univision	UniMas		
Springfield, MA	64	257,110	45,480	17.7%	Univision			
San Angelo, TX	94	58,000	21,320	36.8%	Univision	UniMas		
Total	24	17,902,760	3,926,980		24	20		

Source: Company data, Nielsen Media Research 2021 Universe estimates; Industry Capital Research

Figure 47: Radio Group Is In Larger U.S. Markets, But Facing More Competition

Entravision Radio Stations

Market	Rank by Hisp HH	Stations	Band	Formats
Los Angeles	1	KLYY	FM	Jose
		KDLD	FM	Viva Cumbia y Mas
		KDLE	FM	Viva Cumbia y Mas
		KSSC	FM	La Suavecita
		KSSD	FM	Jose
		KSSE	FM	Jose
Miami	3	WLQY	AM	Time Brokered
Houston	4	KOOL	AM	La Suavecita
Phoenix	8	KLNZ	FM	La Tricolor
		KDVA	FM	La Suavecita
		KVVA	FM	La Suavecita
		KBMB	AM	Jose, Toca las de tu Rancho
Orlando	10	WNUE	FM	Salsa
McAllen	11	KFRQ	FM	Classic Rock (English)
		KKPS	FM	Fuego
		KNVO	FM	La Suavecita
		KVLY	FM	Adult Contemporary (English)
Sacramento	12	KRCX	FM	La Tricolor
		KNTY	FM	Jose, Toca las de tu Rancho
		KHHM	FM	Fuego
		KXSE	FM	La Suavecita
		KMIX	FM	La Tricolor
		KTSE	FM	La Suavecita
		KCVR	FM	Fuego
Albuqueque	17	KRZY	FM	La Suavecita
		KRZY	AM	TUDN/Jose, Toca las de tu Rancho
Denver	18	KJMN	FM	La Suavecita
		KXPK	FM	La Tricolor
		KMXA	AM	TUDN
Aspen, CO	18	KPVW	FM	La Tricolor
El Paso	20	KOFX	FM	Oldies (English)
		KINT	FM	La Suavecita
		KYSE	FM	La Tricolor
		KSVE	AM	TUDN
		KHRO	AM	La Suavecita
Las Vegas	24	KRRN	FM	La Suavecita
		KQRT	FM	La Tricolor
Monterey-Salinas	35	KLOK	FM	La Tricolor
		KSES	FM	La Suavecita
		KMBX	AM	Time Brokered
Yuma-El Centro	39	KSEH	FM	La Suavecita
		KMXX	FM	La Tricolor
		KWST	AM	Time Brokered
Palm Springs	49	KLOB	FM	La Suavecita
		KPST	FM	La Tricolor
Lubbock	51	KAIQ	FM	La Tricolor
		KBZO	AM	TUDN
Reno	60	KRNV	FM	La Tricolor
Number of FMs			38	
Number of AMs			10	

Source: Company data, Nielsen Media Research 2021 Universe estimates; Industry Capital Research

Digital Media Segment

Figure 48: Digital Segment Forecast Separates Legacy Digital From Cisneros and MediaDonuts Businesses

In millions, except unit data	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	2022E
Legacy												
Revenue	$68.9	$13.3	$11.4	$13.7	$15.8	$54.1	$13.0	$14.5	$15.7	$17.3	$60.5	$64.1
Cost of Revenue	36.8	7.3	6.4	7.8	9.0	30.6	7.4	8.2	9.0	9.9	34.5	36.5
Opex ex-cost of revenue	32.3	6.9	6.2	5.4	6.1	24.5	5.9	6.3	5.7	6.5	24.4	25.2
OCF	(0.1)	(0.9)	(1.2)	0.5	0.6	(1.0)	(0.2)	(0.1)	1.0	0.9	1.6	2.4
OCF Margin	*-0.2%*	*-6.6%*	*-10.8%*	*3.4%*	*4.0%*	*-1.9%*	*-1.9%*	*-0.4%*	*6.3%*	*5.1%*	*2.6%*	*3.7%*
Acquisitions-Pro Forma												
Cisneros revenue	159.4	40.2	42.0	53.3	97.8	233.3	88.5	100.4	95.9	115.4	400.1	480.2
Cisneros cost of revenue	136.2	35.3	36.7	46.0	83.6	201.7	77.6	88.0	82.9	98.7	347.2	416.6
Cisneros opex ex-cost of revenue	13.2	3.2	3.3	4.1	6.7	17.4	4.8	6.3	5.9	7.2	24.1	26.5
Cisneros OCF	9.9	1.7	2.0	3.1	7.4	14.2	6.1	6.1	7.1	9.5	28.8	37.0
OCF Margin	*6.2%*	*4.2%*	*4.8%*	*5.9%*	*7.6%*	*6.1%*	*6.9%*	*6.0%*	*7.4%*	*8.2%*	*7.2%*	*7.7%*
Cisneros EBITDA--EVC 51% share	5.1	0.9	1.0	1.6	3.8	7.3	3.1	3.1	3.6	4.8	14.7	18.9
MediaDonuts revenue	0.0	3.1	4.1	7.9	13.3	28.5	8.0	9.9	13.8	16.4	48.1	60.1
MediaDonuts cost of revenue	0.0	2.5	2.7	6.3	9.4	20.9	6.0	6.9	11.0	12.3	36.2	45.1
MediaDonuts opex ex-cost of revenue	0.0	0.9	0.8	0.7	1.1	3.5	1.8	2.7	1.5	1.8	7.8	9.1
MediaDonuts OCF	0.0	-0.2	0.6	0.9	2.8	4.0	0.2	0.3	1.2	2.3	4.0	6.0
OCF Margin		*-5.5%*	*13.6%*	*11.2%*	*20.9%*	*14.2%*	*2.9%*	*3.0%*	*8.9%*	*13.9%*	*8.4%*	*9.9%*
Acquisitions-As Reported												
Cisneros revenue					89.2	89.2	88.5	100.4	95.9	115.4	400.1	480.2
Cisneros cost of revenue					76.3	76.3	77.6	88.0	82.9	98.7	347.2	416.6
Cisneros opex					5.9	5.9	4.8	6.3	5.9	7.2	24.1	26.5
Cisneros OCF					7.0	7.0	6.1	6.1	7.1	9.5	28.8	37.0
EBITDA to red non-con interests					3.4	3.4	3.0	3.0	3.5	4.7	14.1	18.1
Cisneros EBITDA					3.6	3.6	3.1	3.1	3.6	4.8	14.7	18.9
MediaDonuts revenue						0.0	0.0	0.0	13.8	16.4	30.2	60.1
MediaDonuts cost of revenue						0.0	0.0	0.0	11.0	12.3	36.2	45.1
MediaDonuts opex						0.0	0.0	0.0	1.5	1.8	7.8	9.1
MediaDonuts OCF						0.0	0.0	0.0	1.2	2.3	4.0	6.0
EBITDA to red non-con interests						0.0	0.0	0.0	0.0	0.0	0.0	0.0
MediaDonuts EBITDA						0.0	0.0	0.0	1.2	2.3	3.5	6.0
Digital segment pro forma												
Digital revenue	228.3	56.7	57.5	74.8	126.8	315.9	109.5	124.7	125.4	149.1	508.7	604.4
Digital cost of revenue	173.0	45.1	45.9	60.2	102.1	253.2	91.0	103.1	102.9	120.9	417.9	498.3
Digital opex ex-cost of revenue	45.5	10.9	10.3	10.2	14.0	45.4	12.4	15.3	13.1	15.5	56.3	60.7
Digital OCF	9.8	0.7	1.3	4.5	10.8	17.3	6.1	6.3	9.4	12.6	34.4	45.4
Digital segment as reported												
Digital revenue	68.9	13.3	11.4	13.7	105.0	143.3	101.5	114.8	125.4	149.1	490.8	604.4
Digital cost of revenue	36.8	7.3	6.4	7.8	85.3	106.9	85.0	96.2	102.9	120.9	405.0	498.3
Digital opex	32.3	6.9	6.2	5.4	12.0	30.4	10.6	12.6	13.1	15.5	51.9	60.7
Digital OCF	(0.1)	(0.9)	(1.2)	0.5	7.6	5.9	5.9	6.0	9.4	12.6	33.9	45.4
Digital Adj. EBITDA	(0.1)	-0.9	-1.2	0.5	4.2	2.5	2.9	3.0	5.9	8.0	19.8	27.2

Metrics	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	2022E
Legacy growth												
Reported digital revenue growth					424%	108%	661%	910%	818%	42%	242%	23%
Legacy digital revenue growth	-14.9%	-7.9%	-32.3%	-22.5%	-21.2%	-21.4%	-2.6%	27.1%	15.0%	10.0%	11.7%	6.0%
2-yr CAGR		-14.5%	-25.6%	-22.0%	-10.6%	-18.2%	-5.3%	-7.3%	-5.6%	-6.9%	-6.3%	8.8%
Legacy digital opex growth		-11.1%	-27.4%	-32.4%	-24.7%	-24.1%	-14.4%	2.5%	6.5%	7.0%	-0.2%	3.0%
Legacy digital OCF		-1.1%	128.0%	-257.3%	-60.9%	822.5%	-71.9%	-95.8%	113.6%	38.9%	-254.7%	52.7%
Cisneros growth												
Cisneros revenue growth		31.0%	10.2%	27.8%	100.1%	46.4%	120.0%	138.8%	80.0%	18.0%	71.5%	20.0%
2-yr CAGR							69.8%	62.3%	51.7%	53.6%	58.4%	43.5%
Cisneros opex ex-COR growth		14.2%	5.5%	28.0%	66.7%	31.5%	48.56%	87.6%	43.2%	6.9%	38.7%	10.0%
Cisneros OCF		10%	-13%	8%	132%	43%	258%	204%	128%	28%	102%	28%
Cisneros revenue growth q/q		-17.7%	4.5%	26.7%	83.5%		-9.5%	13.4%	-4.5%	20.3%		
Cisneros cost of revenue growth q/q		-15.2%	3.9%	25.5%	81.6%		-7.2%	13.4%	-5.9%	19.1%		
Cisneros opex ex-COR growth q/q		-20.5%	4.3%	22.8%	63.8%		-29.2%	31.8%	-6.3%	22.3%		
Cisneros OCF growth q/q		-82.8%	16.9%	56.2%	137.7%		-57.0%	-0.9%	17.4%	33.2%		
MediaDonuts growth												
MediaDonuts revenue growth y/y							154.3%	140.0%	75.0%	23.0%	68.9%	25.2%
2-yr CAGR												45.4%
MediaDonuts opex ex-COR growth y/y							108.00%	216.5%	126.9%	60.2%	122.3%	16.4%
MediaDonuts cost of revenue growth y/y							143%	155%	74%	31%	73%	24%
MediaDonuts OCF growth y/y							-233%	-47%	40%	-18%	0%	48%
MediaDonuts revenue growth q/q			31.0%	91.2%	68.9%		-39.9%	23.7%	39.4%	18.7%		
MediaDonuts cost of revenue growth q/q			10.1%	132.8%	48.4%		-36.1%	15.4%	59.3%	11.3%		
MediaDonuts opex ex-COR growth q/q			-0.8%	-20.4%	68.9%		55.9%	50.9%	-42.9%	19.2%		
MediaDonuts OCF growth q/q			NM	57.2%	216.2%		-94.3%	28.9%	315.9%	84.4%		
Digital segment pro forma growth												
Digital revenue					84%	38%	93%	117%	68%	18%	61%	19%
Digital revenue, PF, pro rated for 4Q by days EVC owned Cisneros in 4Q20					67%		83%					
Digital cost of revenue					96%	46%	102%	125%	71%	18%	65%	19%
Digital opex ex-cost of revenue					15%	0%	14%	47%	29%	11%	24%	8%
Digital OCF					125%	76%	831%	376%	110%	17%	99%	32%
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%	43.7%	36.5%	37.6%	40.4%	39.3%
Legacy OCF margin	-0.2%	-6.6%	-10.8%	3.4%	4.0%	-1.9%	-1.9%	-0.4%	6.3%	5.1%	2.6%	3.7%
Legacy OCF margin ^ y/y		-0.5%	-7.6%	5.1%	-4.1%	-1.7%	4.7%	10.5%	2.9%	1.1%	4.5%	1.1%
Cisneros margins												
Cisneros cost of revenue/revenue	85.5%	87.8%	87.3%	86.4%	85.5%	86.4%	87.7%	87.7%	86.4%	85.5%	86.8%	86.8%
Cisneros COR margin ^ y/y		2.0%	1.6%	1.1%	0.3%	1.0%	-0.1%	0.4%	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%	1.3%	1.6%	0.6%	1.1%	0.5%
Cisneros EBITDA margin ^ y/y		-0.8%	-1.3%	-1.1%	1.0%	-0.1%	2.7%	1.3%	1.6%	0.6%	1.1%	0.5%
MediaDonuts margins												
MediaDonuts cost of revenue/revenue		78.5%	65.9%	80.3%	70.6%	73.5%	75.0%	70.0%	80.0%	75.0%	75.4%	75.0%
MediaDonuts COR margin ^ y/y							-3.5%	4.1%	-0.3%	4.4%	1.9%	-0.4%
MediaDonuts OCF margin ^ y/y							8.4%	-10.6%	-2.2%	-7.0%	-5.8%	1.5%
MediaDonuts EBITDA margin ^ y/y							8.4%	-10.6%	-2.2%	-7.0%	-5.8%	1.5%
Revenue mix:												
Total company revenue	273.6	64.2	45.1	63.0	171.7	344.0	148.9	162.3	179.3	200.5	690.9	792.5
Digital as % of company revenue	25%	21%	25%	22%	61%	42%	68%	71%	70%	74%	71%	76%
Minority interest							1.6	1.8	2.1	2.8	8.2	10.9

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

Overview: Fourth Time's The Charm

Our view is that EVC's digital strategy is about to hit, after a track record of mixed success. Faced with headwinds in EVC's core broadcast business, management chose several years ago to embark on building a digital business through a series of measured acquisitions. Raising the reward, but also the risk, of this buy-not-build strategy was EVC's focus on emerging markets. Revenue from legacy digital media, i.e., the business outside of Cisneros and MediaDonuts, is roughly 75% international, while essentially all the revenue of Cisneros and MediaDonuts comes from outside the U.S. Perhaps the biggest difference between EVC's broadcast business model and digital business model is the latter's higher cost of revenue as a share of revenue (over 50% for the legacy digital business, over 70% for MediaDonuts, and over 80% for Cisneros), which consists primarily of the costs of online media acquired from third-party publishers and platforms, as well as third-party server costs.

On balance, the digital business built from three digital deals—Pulpo in 2014, Headway in 2017 and Smadex in 2018 (what we dub in aggregate the legacy digital business)—has struggled to meet longer-term expectations. These businesses comprise the bulk of the digital segment that was shrinking even before the pandemic (e.g., digital segment revenue declined 15% in 2019), and was delivering OCF margins well below the 20%+ expectations which we believe were placed on the segment a few years previously (digital in fact broke even in 2019). Headway and Smadex, focused outside the U.S., compete in what has become the substantially commoditized business of programmatic advertising, while Pulpo has pivoted to focus on being an agent for local U.S. businesses in planning and executing digital advertising strategies.

The fourth major digital deal, the acquisition of a 51% stake in Cisneros last October, is the one to watch. Cisneros acts primarily as a middleman funneling spending of emerging markets advertisers onto large tech platforms across Latin America. Although Cisneros has partnerships with a number of platforms, its partnership with Facebook is the most substantial. Cisneros has an opportunity to expand to other geographies and platform partners, as well as serve as a template for other deals by EVC.

The most recent digital deal, the acquisition of MediaDonuts announced in June slated for a July close, is similar to that of Cisneros, while expanding EVC's footprint into Asia Pacific. MediaDonuts offers digital media planning and buying services, as well as media representation. MediaDonuts has a few key ad platform partnerships, including with TikTok, Twitter, and Spotify, and thus looks to leverage the high growth of spending on these platforms in building its own business. Although MediaDonuts is smaller than Cisneros, it has a presence in some much larger markets, including Singapore, Thailand, Philippines, Vietnam, Indonesia, Malaysia and India.

These media representation businesses appears to be fast growing, with relatively stable if modest OCF margins, and potentially quite scalable. Much of the competitive advantage of Cisneros and MediaDonuts rests on their platform partnerships, as opposed to any particular proprietary technology (such as what parts of EVC's legacy digital media business look to develop). Our understanding is that the sales representation partnerships of Cisneros and MediaDonuts are usually based on one-year terms covering a particular region. A new partnership typically requires some start-up costs for training and systems integration with the ad platform, among other things. A satisfied platform may be inclined to retain a partner from year to year, while a platform looking for better performance might open up the partnership in a region to bidding by others. Revenue to the platform partner is usually a sales commission based on ad spending, which we believe is higher, in the 12-14% range, for smaller platforms (e.g., TikTok, Spotify, and LinkedIn), and lower, in the 8-12% range, for a large platform like Facebook.

Key risks to EVC's digital business come from concentration in platform partners, more than in clients, as well as from regulatory and technological changes affecting the use of data in digital advertising. First, although customer concentration appears to be small—EVC has over 3,000 digital advertising clients—dependence on key tech platform partners is a risk to watch, particularly for Cisneros and MediaDonuts. Cisneros and MediaDonuts depend for much of their business on exclusive partnerships with key ad platform partners in various markets. The loss or modification of terms of these partnerships could affect revenue and/or cash flow growth. Second, EVC's digital businesses face risks of disintermediation over time. For example, a large ad platform might decide to rely less on outsourcing its sales efforts to media resellers in a particular region, thus scaling back or even eliminating the need for the types of partnerships that Cisneros and MediaDonuts offer. On the buy side, the technology solutions for media planning and buying that companies like Cisneros and MediaDonuts offer seem similar to what larger ad agencies, for example, would offer their own clients. Third, EVC has had to incur additional expenses on auditing and internal controls for some of its digital media acquisitions, and may have to do so with its most recent deals as well. Finally, for all of EVC's digital businesses, the impact on advertising from reduced access to third party data because of changes in regulations (e.g., Europe's General Data Protection Regulation) or technology (e.g., Apple's iOS) is another risk worth monitoring.

Legacy Digital Business: More Programmatic, More Local, Less Profitable

What we consider EVC's legacy digital business consists primarily of the acquisitions Smadex, Headway, and Pulpo. Most of the digital segment's employees are outside the U.S, primarily in Argentina and Spain, with smaller contingents in several Latin and South American countries. The digital segment's CEO and CFO are based in Barcelona.

Headway and Smadex largely operate together in a number of international markets, forming the core of EVC's full stack of programmatic solutions for digital advertisers. Headway allows advertisers to target audiences based on many user attributes, such as location, income, gender, interests and intent, as revealed by data gathered on an anonymous basis from user online activity. As part of its audits, EVC upgraded internal controls for Headway, completing the process last year. Smadex offers programmatic advertising for mobile, through a platform allowing advertisers to transparently manage and execute their campaigns. Although this transparency, including as to the cost of inventory used, is attractive to many advertisers, it can contribute to pressure on the margins of an intermediary like Smadex.

Pulpo has evolved into the core of the digital segment's U.S. business, advising local advertisers in executing campaigns across a range of products from online display to social media. As an agency of sorts, Pulpo should look to target OCF margins in the neighborhood of 10%, in our view.

Figure 49: Although Digital Revenue Declined in 2020, Direct Marketing Category Through Cisneros Surged

EVC Digital's Top Ad Categories: 2000 vs. 2019	Revenue		Y/Y Change	
Category	2020 % of Total	2019 % of Total	%	Ranked by Contrib. to Change
Mobile	57%	49%	-13%	2
Direct Marketing	13%	5%	77%	3
Services	8%	25%	-76%	1
Automotive	5%	4%	-1%	5
Media	4%	5%	-41%	4
Total Digital Advertising Revenue			-25%	

Source: Industry Capital Research estimates and company data

Legacy Digital Media Forecast: Looking For Scale To Drive Return to Profit

Headway's revenue growth is starting to turn positive, and we assume its revenue will be up by over 10% for 2021, and up by close to 10% in 2022. That said, the business of Headway and Smadex increasingly depends on programmatic advertising, where competition and the cost of inventory has been a drag on OCF margins, which we assume will remain under 5% both years.

Juiced by COVID-19 comps, Pulpo's U.S. business could double in revenue in 2Q. However, Pulpo's OCF for the year is likely to be small, perhaps $1-2 million, although this should contribute to the increase of OCF margin of the overall legacy digital business to slightly positive this year from slightly negative last year. Over the longer term, assuming Pulpo's business scales, its OCF margins will likely mature in the range of 10%.

Cisneros and MediaDonuts Businesses: Platform Partnerships Are Key

Cisneros is capturing a whole new level of growth, chiefly by partnering with key ad platforms in Latin America, Facebook in particular. Facebook's strategy is to outsource much of its sales effort in smaller emerging markets. One method is by designating and contracting with authorized sales partners (ASPs) in various countries, whose role includes developing expertise in Facebook's ad platforms, educating businesses and agencies on how to advertise on Facebook's platforms, and providing sales and billing support for customers. Facebook has ASP programs in the Latin America, Central and Eastern Europe, and Asia Pacific regions, although we estimate that the countries with ASP programs account for less than 10% of each region's overall advertising market. Founded in 2010, Cisneros began pilot programs with Facebook in Ecuador, Paraguay, and Bolivia in 2017, subsequently becoming an ASP now in 8 countries as well as Puerto Rico. To date, Cisneros is Facebook's only ASP in Latin America, and Facebook may prefer that ASPs be independent of larger ad agency groups, so as to appeal to the broadest range of customers. Cisneros has partnered in somewhat similar fashion with Spotify (in 15 countries and Puerto Rico) and LinkedIn (in 11 countries and Puerto Rico), although these relationships are less mature. Cisneros is looking to increase not only its portfolio of platform partners, but also its geographic footprint.

Source: Facebook

Becoming a subsidiary of EVC helped Cisneros increase its credit line with Facebook, and thereby the credit it could extend to advertisers spending on Facebook's platforms. Cisneros supports advertisers and agencies in their local selling efforts, including by providing credit and local currency payment options. With EVC's financial support, Cisneros kicked into gear of triple digit revenue growth in 4Q20, which looks to be continuing in 1H21. Cisneros works both with large multi-national advertisers, such as DISH and Doritos, and smaller local advertisers.

Source: Facebook

In a DISH Puerto Rico campaign featured by Facebook, Cisneros worked with DISH and DISH's local ad agency on a roughly 6-week campaign across Facebook, Instagram and Messenger to generate calls and leads.

In a Doritos campaign featured by Facebook, Cisneros worked with Doritos and its global media agency to leverage a Spiderman sponsorship in video and image ads for a roughly 7-week campaign to raise awareness and purchase intent for a new product launch.

The MediaDonuts acquisition takes EVC's template for Cisneros to Asia Pac. The deal continues EVC's quest for growth in emerging markets digital media by a strategy that looks to manage risks of an expanding geographic footprint through a focus on similar lines of business. Similarly to Cisneros, MediaDonuts offers media planning and buying services to its customers, and acts in several markets as an exclusive media representation firm for digital ad platforms, with TikTok, Twitter and Spotify being MediaDonuts' larger partners. However, while founded in the same year as Cisneros, 2010, MediaDonuts is a smaller business. Of course, MediaDonuts should have a number of growth catalysts, including ramping its media representation business with the help of financial support from EVC, extending existing media partnerships into new geographies, and adding new media platform partners. MediaDonuts management has the incentive of earnout payment multiples that rise with higher EBITDA growth.

The MediaDonuts business poses challenges worth monitoring as well. In addition to the risks that we highlighted above for both Cisneros and MediaDonuts, MediaDonuts has the challenges associated with being a less mature business, with operations that are far flung from EVC's Santa Monica corporate offices. Although Cisneros is headquartered in Miami, MediaDonuts has headquarters in Singapore and Belgium. Implementing management and financial controls without dampening entrepreneurial drive will be important.

Cisneros Forecast: Half of 2022-26 Dollar Growth by End of 2022

We assume that Cisneros goes from strength to strength, with ~140% revenue growth in 2Q on the way to roughly 70% growth for full-year 2021. The growth comparison does become substantially more difficult in 4Q. In 2022, Cisneros should benefit from the strong growth of Facebook in Latin America, further development of partnerships with other digital ad platforms, and Latin American ad markets being likely to grow faster overall than the U.S. ad market

Cisneros' strong revenue growth should support a modest increase in its OCF and EBITDA margins. On a GAAP basis, EVC books all of Cisneros' revenue, which should help drive EVC's overall revenue mix to being majority digital this year. Cisneros' cost of revenue sold runs in the upper 80s as a percent of revenue. EBITDA margin from the Cisneros business reflects only 51% of the Cisneros EBITDA contribution against 100% of its revenue contribution.

We moderate our growth assumptions for Cisneros in the out years, so that slightly over half the forecast growth in revenue and EBITDA from 2020-26 would occur in 2020-22. Adding more platforms or geographies could extend the high-growth runway of this part of EVC's business, however.

MediaDonuts Forecast: Looking for Roughly $4 Million in Annual EBITDA to Grow Nearly 30% Per Year

MediaDonuts, the most recently added piece of EVC's digital business, should add on a pro forma basis at least $4 million in EBITDA in 2021 and $6 million in EBITDA in 2022, by our estimates. MediaDonuts is a substantially smaller business than Cisneros, but we model it separately for now so as to better track its performance versus expectations. Although smaller, MediaDonuts could see continuing strong growth from the TikTok partnership that provided a strong finish to 2020. As with Cisneros, we assume that MediaDonuts' OCF margins will remain relatively stable, a bit over 10%, with cash flow growth depending primarily on revenue growth.

Figure 50: Facebook's Authorized Sales Partner Program Covers Many Smaller Emerging Markets

Regions In FB's Authorized Sales Partner Program

Latin America	Central and Eastern Europe
Bolivia	Bulgaria
Costa Rica	Croatia
Dominican Republic	Estonia
Ecuador	Latvia
Guatemala	Lithuania
Panama	Serbia
Paraguay	Slovenia
Puerto Rico	
Uruguay	
Asia-Pacific	
Bangladesh	
Cambodia	
Laos	
Myanmar	
Pakistan	
Sri Lanka	

Source: Facebook, Industry Capital Research

Figure 51: Cisneros and Httpool Appear To Be Larger Facebook Authorized Sales Partners

Facebook Authorized Sales Partners by Region

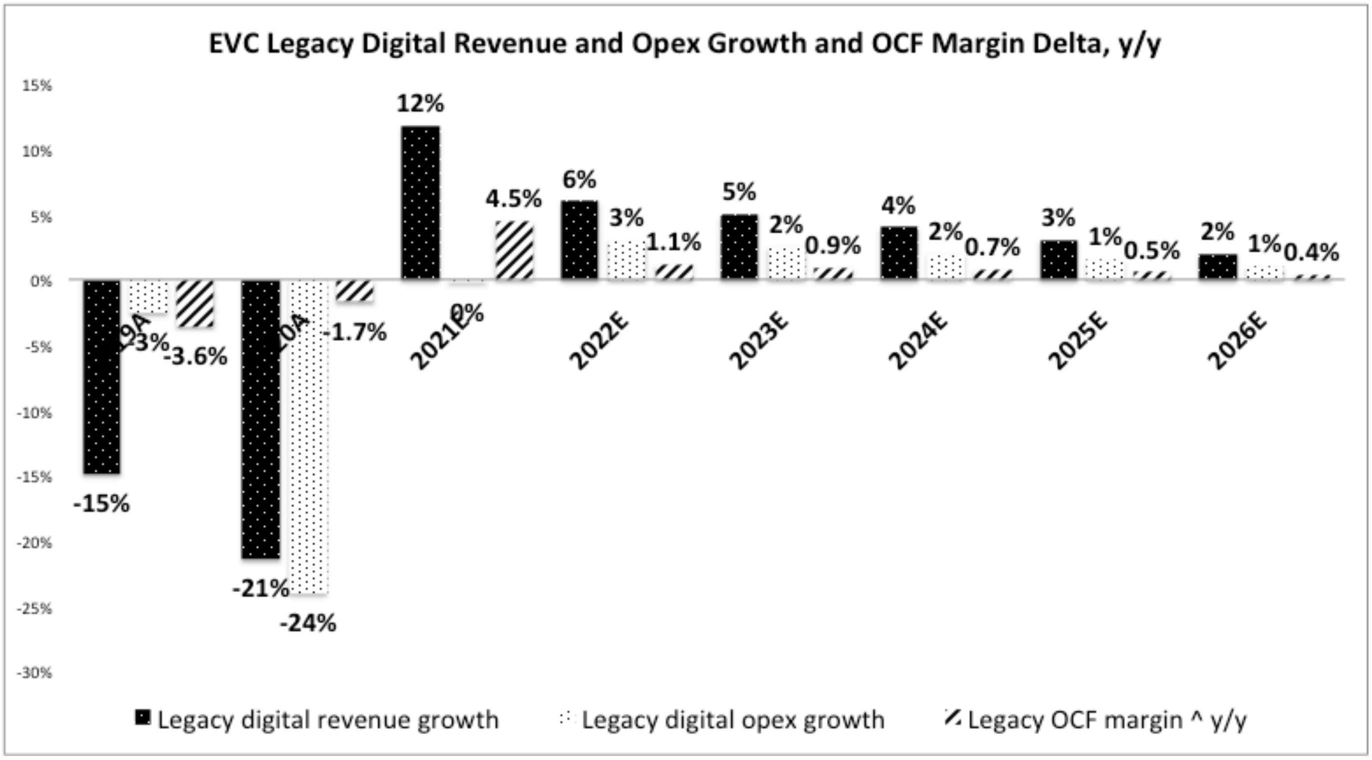
Partner	Region
Cisneros Interactive	Bolivia
	Costa Rica
	Dominican Republic
	Ecuador
	Guatemala
	Panama
	Paraguay
	Puerto Rico
	Uruguay
Dial Zero	Pakistan
Httpool	Bangladesh
	Cambodia
	Laos
	Myanmar
	Bulgaria
	Croatia
	Estonia
	Latvia
	Lithuania
	Serbia
	Slovenia
Roar Digital	Sri Lanka

Facebook Authorized Sales Partner Case Studies

Campaign/Advertiser	Partner	Campaign Description
Dish Puerto Rico	Cisneros	Boosting satellite TV leads and sales with Messenger
Doritos	Cisneros	Increasing purchase intent for a new product through Facebook
iBAN	Cisneros	Fintech company reaches new heights with improved Facebook Ads placement
MultiCenter	Cisneros	Increasing online purchases with Facebook Catalog Sales
Oreo	Cisneros	Increasing registrations with Facebook Pixel and conversions campaigns
Purina	Cisneros	Taking Pet Nutrition to a New Level with Facebook and Instagram
Yuplón	Cisneros	Increasing ROAS and website sales with custom and lookalike audiences
Jomo Technologies	Dial Zero	Optimizing an e-retailer's lower funnel campaigns with Conversions API
Alessa Fashion	Httpool	Fashion company experiences increased ROAS after optimizing ad campaigns on Facebook during a new collection launch.
Barcaffe Black'n'Easy	Httpool	Extending reach across multiple regions with Facebook video ads
Bluesun Hotels & Resorts	Httpool	Increasing hotel bookings with chatbot on Messenger
Donat Mg	Httpool	Increasing number of website registrations with Facebook Campaign Budget Optimization
Dress4Less	Httpool	Fashion company experiences increased ROAS after optimizing ad campaigns on Facebook during a new collection launch.
eKupi	Httpool	Black Friday sales soar during Black Friday weekend, thanks to Facebook ads
Farmina	Httpool	Black Friday sales soar during Black Friday weekend, thanks to Facebook ads
Kesko Senukai	Httpool	Getting the message across with informative Facebook video ads.
Pepsi Myanmar	Httpool	Introducing Pepsi's new look with compelling Facebook Video ads & Static Ads
Rimi Latvia	Httpool	Boosting an in-store promotion with mobile-adapted Facebook ads
SEB ESTONIA	Httpool	Raising brand awareness with Facebook reach and frequency buying
Speedy	Httpool	Increasing brand awareness with Facebook video ads using a brand lift strategy

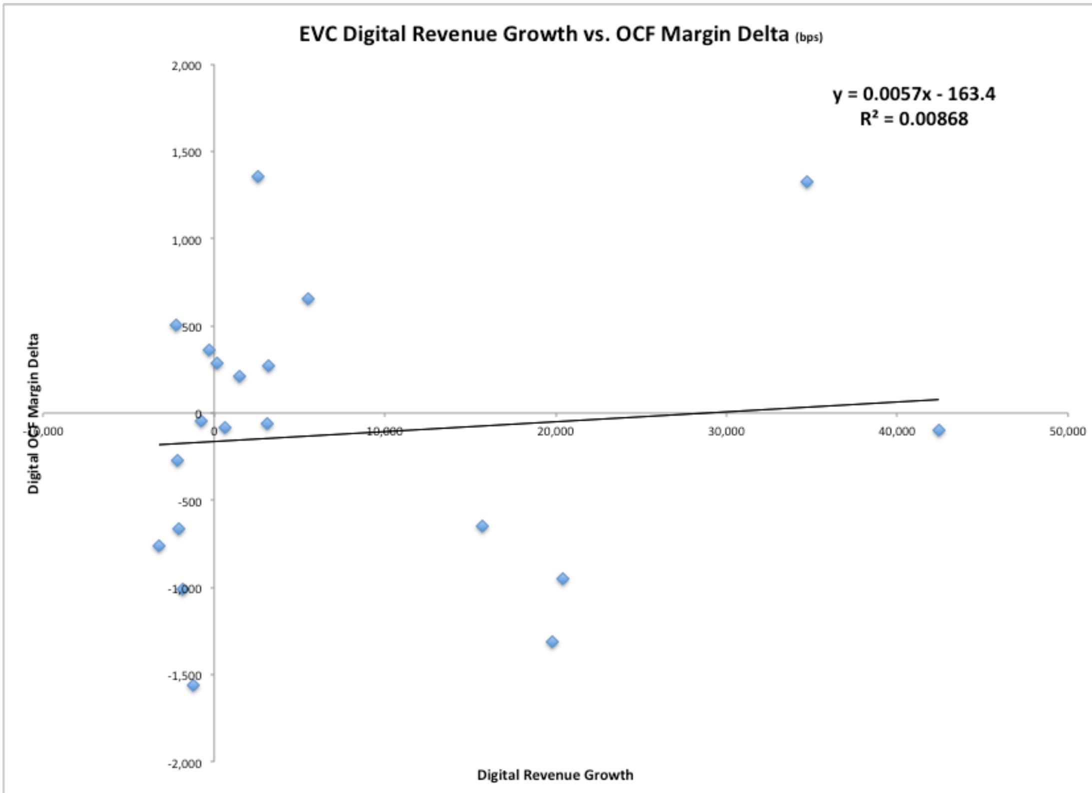
Source: Facebook, company websites, https://www.facebook.com/business/m/authorized-sales-partners/success-stories, Industry Capital Research

Figure 52: Looking For Legacy Digital OCF Margins To Recover In 2021-22 on Return of Revenue Growth



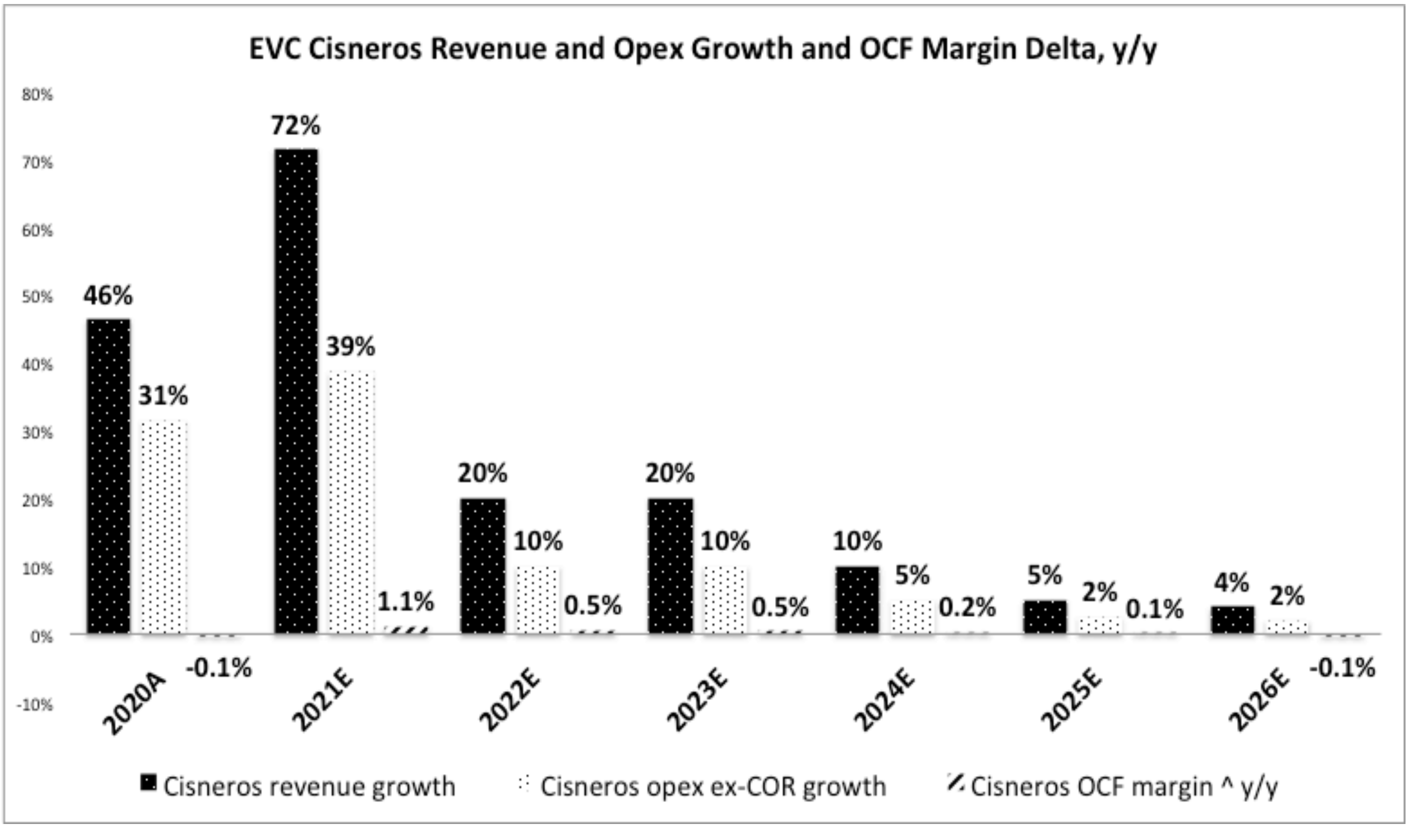
Note: Legacy digital is EVC's digital segment excluding Cisneros and MediaDonuts. Source: Industry Capital Research estimates and company data

Figure 53: Digital Operating Leverage Much Less Sensitive to Revenue Growth



Source: Industry Capital Research estimates and company data

Figure 54: Cisneros A Story Of Revenue Growth, Not Margin Expansion



Source: Industry Capital Research estimates and company data

Regulatory and Technology Trends

Although we do not incorporate in our analysis any separate value for EVC's TV and radio spectrum rights, apart from their use in EVC's broadcast operations, EVC's rights to use spectrum have been a source of incremental value as the government has looked to make more spectrum available to new technologies and as those using various technologies arrange directly with EVC to make use of EVC's spectrum. For example, the FCC conducted a spectrum incentive auction in 2017, as a result of which EVC agreed to relinquish spectrum and make other accommodations in certain markets in exchange for $264 million. The FCC may conduct similar auctions in the future in which EVC may choose to participate. EVC has periodically generated revenue from agreeing to move channel positions or accept interference with its broadcast operations, so as to accommodate the operations of third parties. EVC also currently generates revenue in its TV segment through the lease of spectrum in certain markets to third parties for use in broadcast of multicast networks.

We do not anticipate material revenue to EVC from the implementation of the ATSC 3.0 broadcast transmission standard, but will be monitoring whether this becomes a possibility. TV broadcasters could have an opportunity to introduce new business models in connection with the transition to ATSC 3.0, and our understanding is that as long as TV broadcasters use their licensed spectrum to transmit a signal free over-the-air, they may pursue other "flexible uses" of this spectrum for other services. In the past there has been substantial interest among several TV broadcasters in the potential for this technology, although there appears to be relatively little such interest at the moment.

As referenced in the Digital Media Segment discussion, limits on the ability to acquire or use online user data, either from changes in regulation or technology, could have a negative impact on the revenue of certain EVC businesses. Changes in the use of online user data for ad targeting as a result of regulations such as the California Consumer Privacy Act (CCPA) could have an effect on EVC's ability to generate revenue in connection with some of its advertising services. We will also be monitoring the potential impact of any changes in regulation of consumer practices in emerging markets, from which EVC's digital segment generates most of its revenue. The anticipated blocking of third-party cookies by Apple mobile devices and Google's Chrome browser are among the types of limits that may affect services which EVC offers to generate revenue in the digital media segment.

Capital Structure and Management

Leverage Is Conservative; Free Cash Flow Should Cover Dividends and Share Repurchases

The company's debt leverage has followed its stage of lifecycle. In the years after going public in 2000, leverage was in the range of 6-7x EBITDA, as management looked for acquisitions primarily to expand its TV footprint and build TV/radio clusters in new markets. After entering and managing through the 2008-2009 recession with 5-6x leverage, the company focused on reducing leverage. The sea change in this effort was the receipt in 2017 of $264 million in proceeds from the FCC spectrum incentive auction, largely as compensation for returning the spectrum for four full-service Class A TV stations. Most of those proceeds have been applied either to repayment of debt or to the maintenance of cash balances well in excess of operating needs. As a result, even after the acquisition of Cisneros last year and accounting for the pending MediaDonuts acquisition, the company is still frankly under-levered at under 2x pro forma net debt-to-adjusted EBITDA, and its term loan B facility (which expires on 11/30/24) is covenant-light with a floating interest rate currently of ~3%. We believe management would be willing to increase leverage to the 2-3x range over time, such as through making additional acquisitions or investments in digital media.

FCF should cover expected uses for debt amortization under the credit agreement, dividends, and share purchases, which we expect to resume at some point in 2021. Until the pandemic, the company regularly repurchased its shares, and has ~$13 million remaining on its current $45 million repurchase authorization. From July 2017 to the end of 2020, EVC repurchased 8.6 million shares at an average price of $3.76 per share. In response to the pandemic, the company reduced the quarterly dividend to $0.025 per share, and our forecast assumes the restoration of the prior $0.05 per share dividend rate in the second half of this year, given improving business conditions and our outlook for FCF/share to return to and even exceed pre-pandemic levels. The board has also periodically declared special cash dividends, which is another possibility going forward.

Figure 55: From 2017-2020, EVC Repurchased Roughly 8.6 Million Shares For $32 Million (~$3.76 Average Price)

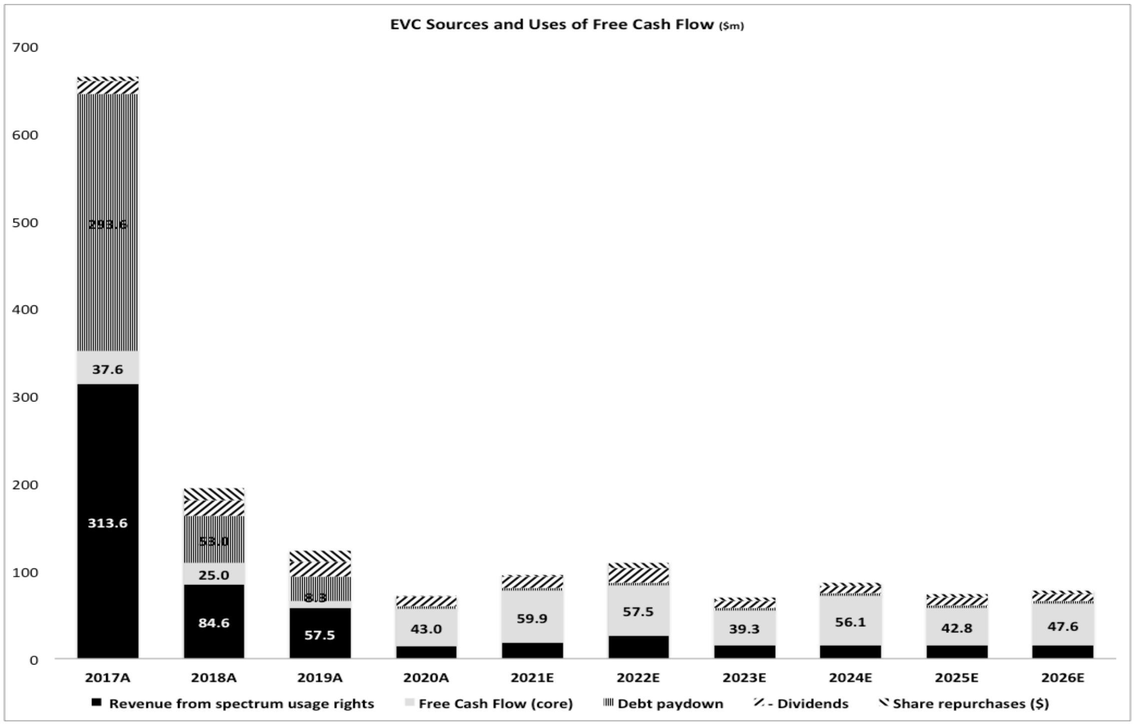
Entravision Share Repurchase History
Current Plan

(in millions except unit data)

Date	Period	Authorization ($)	Repurchase ($)	Authorization Balance ($)
7/13/17		15.0		15.0
	3Q		-1.8	13.2
	4Q		-3.6	9.7
2018	1Q		-2.4	7.3
4/11/18		15.0		22.3
	2Q		-5.3	17.0
	3Q		0.0	17.0
	4Q		-6.2	10.9
2019	1Q		-7.7	3.2
	2Q		-1.3	1.9
8/27/19		15.0		16.9
	3Q		-1.3	15.5
	4Q		-2.2	13.3
2020	1Q		-0.5	12.8
	2Q		0.0	12.8
	3Q		0.0	12.8
	4Q		0.0	12.8
2021	1Q		0.0	12.8
	2Q		0.0	**12.8**
Total		**45.0**	**-32.2**	

Source: Industry Capital Research estimates and company data

Figure 56: Debt Paydown Has Been Driven By Spectrum Sales, With FCF Covering Dividends and Share Repurchases



Source: Industry Capital Research estimates and company data

Management Has Voting Control

EVC's CEO owns roughly 1% of Class A shares and 77% of Class B shares, giving him over half of the total voting power and effective control of the company. Management as a whole owns slightly less than one quarter of the equity in the company.

Figure 57: CEO Has Majority Voting Control Through Ownership of Class B Shares

Entravision equity ownership and control of insiders and Univision							
Person/Entity	Class A % of Outstanding	Class A Options % of Outstanding	Class A RSUs % of Outstanding	Class B % of Outstanding	Class U % of Outstanding	All Classes % of Outstanding	% of Voting Power
Walter Ulloa, CEO	1.4%	23.7%	0.0%	77.0%	0.0%	14.5%	54.8%
All other officers & directors	4.3%	76.3%	100.0%	23.0%	0.0%	8.6%	18.2%
Univision	0.0%	0.0%	0.0%	0.0%	100.0%	10.8%	0.0%
Subtotal, Univision + Insiders	5.7%	100.0%	100.0%	100.0%	100.0%	33.9%	72.9%
Public Float, estimated	94.3%	0.0%	0.0%	0.0%	0.0%	66.1%	27.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Industry Capital Research estimates and company data

The company was founded in 1996 to operate Spanish-language TV stations. In 1996, Entravision received $10 million from Univision in exchange for a subordinated note and Univision obtained the option to acquire roughly 28% of Entravision stock. The strategy was for EVC to focus on smaller U.S. Hispanic markets, while Univision focused its own TV station group on the top-10 U.S. Hispanic markets. Some of EVC's early success can be attributed to management's cultivating and maintaining a good working relationship with Univision. The CEO and company co-founder Philip Wilkinson created the predecessors to EVC starting in 1989, and founded the company in 1996. Both had previously worked at Univision.

Management took the company to the next level over 20 years ago. In 1999, EVC acquired a TV station in Albuquerque from Univision's in exchange for $1 million and an increase in Univision's purchase option by 2%. In 2000, EVC received an additional $110 million from Univision in exchange for increasing the subordinated note to $120 million face value and increasing Univision's purchase option to 40%. On August 2, 2000, the company completed an initial public offering of 46.4 million shares of Class A common stock at $16.50 per share and sold an additional 6.5 million shares of Class A shares to Univision for $15.47 per share (the share price to the public less the underwriting discount), generating $814 million in net proceeds to the company. In connection with EVC's IPO in August 2000, Univision exchanged its purchase option and its $120 million subordinated note for 22 million shares of EVC's Class C common stock. Thus, combined with the 6.5 million shares of Class A common stock which Univision acquired in the IPO, Univision had a roughly 26% equity stake in EVC after the IPO.

EVC entered the radio business with the acquisition in 2000 of Latin Communications Group for $256 million and expanded this radio presence with the acquisition later that year of Z-Spanish Media for $585 million. As a result, at the time of the IPO, the company's revenue was roughly 41% from TV, 38% from radio, and 21% from outdoor advertising. Current COO Jeffrey Liberman became president of the radio division in May 2001, having joined the company after EVC's radio acquisitions.

Management has been willing not only to enter businesses, but also to exit them. EVC sold its outdoor advertising business in 2008 and its newspaper operations in 2003.

As a vestige of Univision's original partnership in support of EVC's building out its TV station group with Univision network affiliates, Univision owns slightly more than 10% of the equity through its non-voting Class U shares. Whether Univision ultimately consolidates EVC and its TV station group remains an open question.

Top Holders Have Recently Increased Their Stake, Apart From Exit of Angelo Gordon

We estimate that the public float, all by means of Class A shares, is roughly 2/3 of total shares outstanding. The top-10 institutional holders own slightly over half of EVC's Class A shares. Based on 1Q21 SEC filings, we note the following:

- **Top holders activity—**
  - Angelo Gordon, formerly a top-10 holder with a ~8% position, was the big seller in 1Q21, reducing its position by 99%, and accounting for over 3x the total net selling of the institutional holders in the quarter.
  - The current top-10 holders bought ~1.6m shares (~2.6% of Class A) in 1Q21. The top-10 hold 33.6m or ~55% of Class A shares outstanding.

- **Buying activity—**
  - The biggest purchases by share count were by Credit Suisse at ~1.5%, Rentech at ~0.5%, Oberweiss at ~0.5%, Wells Fargo at ~0.4% and Blackrock at ~0.3%.
  - There were 18 new holders, with the bigger being Oberweiss at ~0.5%, Marshall Wace at ~0.3%, Connor Clark at ~0.1%, Squarepoint at ~0.1%, and AXA at ~0.1%.

  - Apart from the new positions, the biggest position increases by percentage were by Pangora, Goldman Sachs, Two Sigma, Bank of America and Pendal Group.

- **Selling activity—**
  - The biggest sales by share count were by Angelo Gordon at ~7.6%, Mackay Shields at ~0.4%, Hotchkis & Wiley at ~0.2%, Wedge Capital at ~0.1% and Bailard at ~0.1% (exit).
  - There were ~7 exits, the largest being Bailard at ~0.1%.

Univision Could Veto A Sale, But Could Be A Buyer As Well

Although a sale of EVC to Univision is a possibility worth monitoring, and may have been slightly facilitated by the recent merger of Univision and Televisa given the structure of the license fee that Univision pays to Televisa, we do not consider such a transaction to be a likely near-term prospect, given Univision's other strategic priorities, such as its direct-to-consumer business. Under terms of the approval by the Department of Justice of the Univision-Hispanic Broadcasting merger, Univision was required to reduce its equity stake in EVC to 10% by 2009, although this mandate has now expired. Univision's current equity ownership is through ownership of all of the Class U shares of the company. Although the Class U shares are non-voting, as long as Univision owns these shares, it has the right to veto the merger of EVC with another company, among other actions. If Univision and Entravision were to combine, there would likely need to be some the divestiture of radio stations, given the competitive positions of the two companies in several radio markets.

Figure 58: Former Top-10 Holder Angelo Gordon largely exited Class A share position in 1Q21

Entravision Institutional Ownership at 3/31/21

Institution	City	Holdings	<==Rank	% O/S (Class A)	^ 1Q21	<==Rank	% O/S (Class A)	Prior Holdings	<==Rank	% O/S (Class A)	% ^ 1Q21	<==Rank
American Century Investments	KANSAS CITY	10,288,787	1	16.90%	144,543	10	0.24%	10,144,244	1	16.67%	1.4%	32
BlackRock	NEW YORK	6,187,377	2	10.17%	186,648	5	0.31%	6,000,729	2	9.86%	3.1%	29
Dimensional Fund Advisors	AUSTIN	3,946,458	3	6.48%	43,010	26	0.07%	3,903,448	4	6.41%	1.1%	33
Credit Suisse Group AG	ZURICH	3,384,704	4	5.56%	903,133	1	1.48%	2,481,571	7	4.08%	36.4%	17
Renaissance Technologies LLC	NEW YORK	3,059,767	5	5.03%	305,372	2	0.50%	2,754,395	5	4.53%	11.1%	24
The Vanguard Group, Inc.	VALLEY FORGE	2,558,946	6	4.20%	10,114	44	0.02%	2,548,832	6	4.19%	0.4%	36
D. E. Shaw & Company	NEW YORK	1,195,389	7	1.96%	27,548	32	0.05%	1,167,841	9	1.92%	2.4%	30
State Street Corporation	BOSTON	1,154,199	8	1.90%	-50,844	103	-0.08%	1,205,043	8	1.98%	-4.2%	59
Geode Capital Management i	BOSTON	923,157	9	1.52%	51,126	22	0.08%	872,031	11	1.43%	5.9%	26
Foundry Partners, LLC	MINNEAPOLIS	903,888	10	1.48%	-38,250	99	-0.06%	942,138	10	1.55%	-4.1%	56
Bridgeway Capital Management	HOUSTON	807,600	11	1.33%	-2,500	74	0.00%	810,100	12	1.33%	-0.3%	52
RBF Capital, LLC	SAN FRANCISCO	791,410	12	1.30%	0	57	0.00%	791,410	13	1.30%	0.0%	39
Acadian Asset Management LLC	BOSTON	782,973	13	1.29%	183,200	6	0.30%	599,773	17	0.99%	30.5%	19
The Bank of New York Mellon Corporation	NEW YORK	678,085	14	1.11%	15,178	38	0.02%	662,907	15	1.09%	2.3%	31
Hillsdale Investment Management Inc.	TORONTO	638,005	15	1.05%	78,605	15	0.13%	559,400	18	0.92%	14.1%	22
Nuveen Asset Management, LLC	CHICAGO	612,372	16	1.01%	63,653	19	0.10%	548,719	19	0.90%	11.6%	23
Northern Trust Corporation	CHICAGO	599,114	17	0.98%	-44,601	101	-0.07%	643,715	16	1.06%	-6.9%	61
Hotchkis & Wiley Capital Management	LOS ANGELES	532,441	18	0.87%	-133,440	107	-0.22%	665,881	14	1.09%	-20.0%	69
SEI Investments Company t	OAKS	496,078	19	0.82%	35,426	28	0.06%	460,652	21	0.76%	7.7%	25
Arrowstreet Capital, Limited Partnership	BOSTON	392,755	20	0.65%	92,900	14	0.15%	299,855	22	0.49%	31.0%	18
Wells Fargo & Company	SAN FRANCISCO	365,349	21	0.60%	222,282	4	0.37%	143,067	31	0.24%	155.4%	8
Oberweis Asset Management, Inc.	LISLE	293,300	22	0.48%	293,300	3	0.48%	0	92	0.00%	NM	New
Jacobs Levy Equity Management	FLORHAM PARK	286,210	23	0.47%	-12,161	88	-0.02%	298,371	23	0.49%	-4.1%	57
Millennium Management, LLC	NEW YORK	267,693	24	0.44%	108,321	13	0.18%	159,372	29	0.26%	68.0%	13
MacKay Shields LLC	NEW YORK	263,719	25	0.43%	-238,628	108	-0.39%	502,347	20	0.83%	-47.5%	78
JPMorgan Chase & Co.	NEW YORK	248,980	26	0.41%	68,572	17	0.11%	180,408	26	0.30%	38.0%	15
Pendal Group Ltd	SYDNEY	234,408	27	0.39%	161,712	9	0.27%	72,696	42	0.12%	222.4%	6
PanAgora Asset Management, Inc.	BOSTON	218,439	28	0.36%	172,965	7	0.28%	45,474	51	0.07%	380.4%	2
Victory Capital Management Inc.	BROOKLYN	205,868	29	0.34%	-34,365	98	-0.06%	240,233	24	0.39%	-14.3%	66
LSV Asset Management	CHICAGO	203,187	30	0.33%	-5,400	83	-0.01%	208,587	25	0.34%	-2.6%	54
Two Sigma Investments LP	NEW YORK	189,930	31	0.31%	142,890	11	0.23%	47,040	49	0.08%	303.8%	4
Two Sigma Advisers LP	NEW YORK	175,700	32	0.29%	50,400	24	0.08%	125,300	32	0.21%	40.2%	14
The Goldman Sachs Group, Inc.	NEW YORK	168,819	33	0.28%	131,328	12	0.22%	37,491	56	0.06%	350.3%	3
Marshall Wace LLP	LONDON	165,863	34	0.27%	165,863	8	0.27%	0	92	0.00%	NM	New
Charles Schwab Investment Management, Inc.	SAN FRANCISCO	148,515	35	0.24%	0	57	0.00%	148,515	30	0.24%	0.0%	39
IEQ Capital	FOSTER CITY	119,004	36	0.20%	0	57	0.00%	119,004	33	0.20%	0.0%	39
Parametric Portfolio Associates LLC	SEATTLE	118,380	37	0.19%	73,084	16	0.12%	45,296	52	0.07%	161.3%	7
The California Public Employees Retirement System	SACRAMENTO	116,611	38	0.19%	0	57	0.00%	116,611	34	0.19%	0.0%	39
Unison Advisors LLC	WASHINGTON	115,920	39	0.19%	814	49	0.00%	115,106	37	0.19%	0.7%	35
The State Teachers Retirement System of Ohio	COLUMBUS	115,500	40	0.19%	0	57	0.00%	115,500	36	0.19%	0.0%	39
Invesco Ltd.	ATLANTA	106,178	41	0.17%	-65,707	104	-0.11%	171,885	28	0.28%	-38.2%	75
Morgan Stanley	NEW YORK	104,599	42	0.17%	-6,065	84	-0.01%	110,664	38	0.18%	-5.5%	60
RhumbLine Advisers	BOSTON	102,195	43	0.17%	-4,370	80	-0.01%	106,565	39	0.18%	-4.1%	58
WEDGE Capital Management L.L.P.	CHARLOTTE	93,636	44	0.15%	-82,309	106	-0.14%	175,945	27	0.29%	-46.8%	77
The California State Teachers' Retirement System	WEST SACRAMENTO	88,683	45	0.15%	0	57	0.00%	88,683	40	0.15%	0.0%	39
Bank of America Corp.	CHARLOTTE	78,486	46	0.13%	57,700	21	0.09%	20,786	69	0.03%	277.6%	5
Citadel Advisors LLC	CHICAGO	76,341	47	0.13%	13,753	40	0.02%	62,588	45	0.10%	22.0%	20
Ameriprise Financial, Inc.	MINNEAPOLIS	70,035	48	0.12%	-45,477	102	-0.07%	115,512	35	0.19%	-39.4%	76
Barclays plc	LONDON	66,451	49	0.11%	3,459	46	0.01%	62,992	44	0.10%	5.5%	27
Connor, Clark & Lunn Investment Management Ltd.	VANCOUVER	63,683	50	0.10%	63,683	18	0.10%	0	92	0.00%	NM	New
Tudor Investment Corp Et Al	STAMFORD	62,877	51	0.10%	-12,901	92	-0.02%	75,778	41	0.12%	-17.0%	67
Squarepoint Ops LLC	NEW YORK	62,294	52	0.10%	62,294	20	0.10%	0	92	0.00%	NM	New
HSBC Holdings plc	LONDON	58,818	53	0.10%	-1,417	72	0.00%	60,235	47	0.10%	-2.4%	53
AllianceBernstein L.P.	NEW YORK	55,300	54	0.09%	-5,300	82	-0.01%	60,600	46	0.10%	-8.7%	65
Occudo Quantitative Strategies LP	WHITE PLAINS	52,506	55	0.09%	30,551	29	0.05%	21,955	68	0.04%	139.2%	9
AXA S.A.	PARIS	50,900	56	0.08%	50,900	23	0.08%	0	92	0.00%	NM	New
Connors Investor Services, Inc.	WYOMISSING	50,000	57	0.08%	0	57	0.00%	50,000	48	0.08%	0.0%	39
Caxton Associates LP	NEW YORK	49,161	58	0.08%	49,161	25	0.08%	0	92	0.00%	NM	New
The New York State Common Retirement Fund	ALBANY	45,977	59	0.08%	22,977	33	0.04%	23,000	66	0.04%	99.9%	11
Susquehanna International Group LLP	BALA CYNWYD	41,000	60	0.07%	17,000	36	0.03%	24,000	65	0.04%	70.8%	12

Source: Company data; whalewisdom.com; Industry Capital Research

Figure 59: Former Top-10 Holder Angelo Gordon largely exited Class A share position in 1Q21 (cont.)

Entravision Institutional Ownership at 3/31/21

Institution	City	Holdings	<==Rank	% O/S (Class A)	^ 1Q21	<==Rank	% O/S (Class A)	Prior Holdings	<==Rank	% O/S (Class A)	% ^ 1Q21	<==Rank
Deutsche Bank AG	FRANKFURT AM MAIN GE	40,126	61	0.07%	-3,573	79	-0.01%	43,699	53	0.07%	-8.2%	64
State Board Of Administration Of Florida Retirement System	TALLAHASSEE	38,298	62	0.06%	38,298	27	0.06%	0	92	0.00%	NM	New
BNP Paribas Arbitrage SA	NEW YORK	37,435	63	0.06%	10,133	43	0.02%	27,302	63	0.04%	37.1%	16
The Manufacturers Life Insurance Company	CANADA	37,110	64	0.06%	-2,798	75	0.00%	39,908	55	0.07%	-7.0%	62
American International Group, Inc.	NEW YORK	34,287	65	0.06%	91	53	0.00%	34,196	59	0.06%	0.3%	37
Winton Group Ltd	LONDON	31,820	66	0.05%	-14,675	94	-0.02%	46,495	50	0.08%	-31.6%	73
HighVista Strategies LLC	BOSTON	29,946	67	0.05%	29,946	30	0.05%	0	92	0.00%	NM	New
Algert Global, LLC.	SAN FRANCISCO	29,645	68	0.05%	29,645	31	0.05%	0	92	0.00%	NM	New
Royal Bank of Canada	TORONTO	29,358	69	0.05%	-2,323	73	0.00%	31,681	60	0.05%	-7.3%	63
Voya Investment Management LLC.	ATLANTA	28,822	70	0.05%	-785	70	0.00%	29,607	61	0.05%	-2.7%	55
Angelo, Gordon & Co., L.P.	NEW YORK	28,147	71	0.05%	-4,625,061	109	-7.60%	4,653,208	3	7.64%	-99.4%	84
Engineers Gate Manager LP	NEW YORK	23,805	72	0.04%	-12,280	90	-0.02%	36,085	57	0.06%	-34.0%	74
Jump Financial, LLC	CHICAGO	22,501	73	0.04%	22,501	34	0.04%	0	92	0.00%	NM	New
New Jersey State Employees Deferred Compensation Plan	TRENTON	22,000	74	0.04%	0	57	0.00%	22,000	67	0.04%	0.0%	39
Group One Trading, LP	CHICAGO	18,282	75	0.03%	562	50	0.00%	17,720	71	0.03%	3.2%	28
Lazard Asset Management LLC	NEW YORK	18,251	76	0.03%	18,251	35	0.03%	0	92	0.00%	NM	New
Citadel Advisors LLC	CHICAGO	16,900	77	0.03%	16,900	37	0.03%	0	92	0.00%	NM	New
The Ohio Public Employee Retirement System	COLUMBUS	16,748	78	0.03%	0	57	0.00%	16,748	72	0.03%	0.0%	39
ProShare Advisors LLC	BETHESDA	15,717	79	0.03%	2,683	48	0.00%	13,034	76	0.02%	20.6%	21
Mackenzie Financial Corp	TORONTO ONTARIO	15,600	80	0.03%	-4,800	81	-0.01%	20,400	70	0.03%	-23.5%	71
AMP Capital Investors Ltd	SYDNEY	14,000	81	0.02%	14,000	39	0.02%	0	92	0.00%	NM	New
Jane Street Group, LLC	NEW YORK	13,007	82	0.02%	13,007	41	0.02%	0	92	0.00%	NM	New
Diversified Trust Company, Inc.	MEMPHIS	12,992	83	0.02%	0	57	0.00%	12,992	77	0.02%	0.0%	39
Susquehanna International Group, LLP	BALA CYNWYD	12,700	84	0.02%	12,700	42	0.02%	0	92	0.00%	NM	New
SG Americas Securities, LLC	NEW YORK	12,409	85	0.02%	-3,488	78	-0.01%	15,897	73	0.03%	-21.9%	70
Group One Trading, LP	CHICAGO	11,200	86	0.02%	-2,800	76	0.00%	14,000	74	0.02%	-20.0%	68
O'Shaughnessy Asset Management, LLC	STAMFORD	8,647	87	0.01%	-18,898	95	-0.03%	27,545	62	0.05%	-68.6%	81
UBS Group AG	ZURICH	7,138	88	0.01%	-3,018	77	0.00%	10,156	83	0.02%	-29.7%	72
Ameritas Investment Partners, Inc.	LINCOLN	5,618	89	0.01%	0	57	0.00%	5,618	84	0.01%	0.0%	39
Tower Research Capital LLC	NEW YORK	5,596	90	0.01%	-29,187	97	-0.05%	34,783	58	0.06%	-83.9%	83
Legal & General Group plc	LONDON	5,230	91	0.01%	-6,948	85	-0.01%	12,178	81	0.02%	-57.1%	79
Citigroup Inc.	NEW YORK	5,186	92	0.01%	-7,553	87	-0.01%	12,739	78	0.02%	-59.3%	80
Advisor Group Holdings, Inc.	PHOENIX	4,604	93	0.01%	4	55	0.00%	4,600	85	0.01%	0.1%	38
Simplex Trading, LLC	CHICAGO	3,772	94	0.01%	3,772	45	0.01%	0	92	0.00%	NM	New
Meeder Asset Management, Inc.	DUBLIN	3,309	95	0.01%	3,309	47	0.01%	0	92	0.00%	NM	New
Accel Wealth Management	WAVERLY	3,000	96	0.00%	0	57	0.00%	3,000	86	0.00%	0.0%	39
Bank of Montreal	TORONTO	2,821	97	0.00%	-7,458	86	-0.01%	10,279	82	0.02%	-72.6%	82
TCI Wealth Advisors, Inc.	TUCSON	480	98	0.00%	480	51	0.00%	0	92	0.00%	NM	New
Simplex Trading, LLC	CHICAGO	251	99	0.00%	132	52	0.00%	119	89	0.00%	110.9%	10
First Horizon Corporation	MEMPHIS	161	100	0.00%	0	57	0.00%	161	88	0.00%	0.0%	39
RMR Wealth Builders, Inc.	TEANECK	109	101	0.00%	1	56	0.00%	108	90	0.00%	0.9%	34
Simplex Trading, LLC	CHICAGO	74	102	0.00%	73	54	0.00%	1	91	0.00%	7300.0%	1
Assenagon Asset Management S.A.	SENNINGERBERG	0	103	0.00%	-26,379	96	-0.04%	26,379	64	0.04%	-100.0%	Exited
Bailard, Inc.	FOSTER CITY	0	103	0.00%	-66,500	105	-0.11%	66,500	43	0.11%	-100.0%	Exited
Federated Hermes, Inc.	PITTSBURGH	0	103	0.00%	-1,201	71	0.00%	1,201	87	0.00%	-100.0%	Exited
Prudential Financial, Inc.	NEWARK	0	103	0.00%	-12,250	89	-0.02%	12,250	80	0.02%	-100.0%	Exited
Russell Investments Group, Ltd.	LONDON	0	103	0.00%	-13,687	93	-0.02%	13,687	75	0.02%	-100.0%	Exited
Susquehanna International Group, LLP	BALA CYNWYD	0	103	0.00%	-41,692	100	-0.07%	41,692	54	0.07%	-100.0%	Exited
Wolverine Trading, LLC	CHICAGO	0	103	0.00%	-12,700	91	-0.02%	12,700	79	0.02%	-100.0%	Exited
Subtotal		**46,001,122**		**75.57%**	**-1,383,836**		**-2.27%**	**47,384,958**		**77.85%**	**-2.9%**	
Subtotal Top-10		**33,602,672**		**55.21%**	**1,582,400**		**2.60%**	**32,020,272**		**52.61%**	**4.9%**	
Number of new positions												18
Number of exits												7

Note: Ownership percentage is based on 60,868,215 shares of EVC Class A common stock outstanding as of 4/5/2021.

Source: Company data; whalewisdom.com; Industry Capital Research

Deal Trends

Substantial Acquisition Capacity

Figure 60: Plenty of Powder Even After Recent Deals

Acquisition Capacity Analysis
(in $millions, except unit values)

Company	Entravision
Max. Leverage	3.0x
Max. Acq. Mult.	6.0x
Pro Forma Net Debt	100
Pro Forma Leverage	1.4x
Current Capacity	**236**

Source: Industry Capital Research estimates and company data

With over $200 million in acquisition capacity by our estimates—roughly 3x its annual adjusted EBITDA and one-third of its enterprise value—EVC has substantial dry powder for deals. This estimate assumes an average acquisition multiple of 6x EBITDA, in the range of the valuations estimated for the recent Cisneros and MediaDonuts deals. The minimal interest that EVC earns on its substantial cash balance, estimated at ~$150 million pro forma for MediaDonuts, is another prod to look for deals.

Acquisition Strategy Now Digital First

In recent years, EVC's acquisition priorities have been firstly on digital media assets, and secondly on TV acquisitions in U.S. Hispanic markets ranked 10-50, while largely shying away from radio acquisitions. Digital acquisitions have taken the company into international markets, and we expect management to continue to be open to international acquisitions. With TV acquisitions, the focus has been on starting Univision television affiliates in new markets and acquiring or starting UniMás network affiliates in markets where the company already owns a Univision-affiliated station. We would expect these priorities to continue, with the pandemic perhaps creating more targets of opportunity in the broadcasting space.

EVC may look for other opportunities to put its balance sheet to work not only to make acquisitions, but also to find businesses where additional financial support could help trigger more growth. This appears to be one of the dynamics at play with the recent Cisneros and MediaDonuts transactions.

MediaDonuts is the most recent acquisition pushing EVC's digital business further into international markets, Asia Pac in particular. For the MediaDonuts acquisition, we assume the $15 million cash purchase price and an estimated $38 million to cover projected earnout payments to be completed by 2025.

Under the terms of the Cisneros acquisition, EVC has a right to call in the remaining 49% minority interest and the sellers have a right to put the minority interest to EVC at a price of 6x trailing 12-month EBITDA. The sellers may have the right to put their minority interest to EVC as soon as March 2022, and the put right is set to expire in June 2024. By our estimates, completing the acquisition of all of the equity in Cisneros could result in a purchase price of over $100 million if the transaction were completed, for example, in 2023. Although EVC carries the value of the Cisneros minority stake on its balance sheet as a redeemable noncontrolling interest (of $30.8 million as of 12/31/20), our enterprise value estimate excludes this amount, given that our consolidated EBITDA estimates only reflect 51% of Cisneros' EBITDA.

Industries in consolidation offer opportunities both to acquire and to sell, of course. Aleph Holdings, a privately held company in a similar line of business to Cisneros and MediaDonuts across many markets, has said publicly that it is tracking to $1 billion in revenue for 2021. In comparison, by our estimates, EVC's digital segment is tracking to pro forma revenue of roughly $500 million for 2021, almost 90% of which would be from its Cisneros and MediaDonuts acquisitions. Although Aleph provides potential competition to EVC for additional acquisitions, it also provides some further validation of the underlying business model, as well as a potential source of deals down the road.

Valuation

Figure 61: Trading at ~8x EV/Adj. EBITDA

Summary Valuation Metrics
(in millions, except unit values)

Company	Entravision
Ticker	EVC
Recommendation	Buy
Stock Price	$6.76
Price Target, 12 Months	$9.00
Expected Return w/o Dividend	31%
Dividend Yield	2%
Expected Total Return	33%
Eq. Mkt Cap	$581.6
Ent. Value	620.1
Avg. Daily Trading Volume	$3.9
EV / EBITDA	
2022E	7.6x
2021E	7.9x
2020E	8.5x
Adj EV / EBITDA (FCF repays debt)	
2022E	6.1x
2021E	7.1x
2020E	8.5x
Adj EV / EBITDA (M&A)	
2022E	7.3x
2021E	7.6x
2020E	8.5x
EV / Revenue	
2022E	0.8x
2021E	0.9x
2020E	1.2x
2019E	1.4x
Price / FCF per share	
2022E	9.7x
2021E	9.8x
2020E	13.3x
2019E	67.6x
P/E (Calendar Year)	
2022E	18.3x
2021E	17.3x
2020E	15.7x
2019E	NM
P/E (Ex-Cash)	
2022E	13.5x
2021E	12.8x
2020E	11.6x
2019E	NM
Dividend Yield	
2021E	2%
2020E	2%

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

Current Valuation of ~8x EV/Adjusted EBITDA

On our current estimates, EVC trades at ~8x current year EV/EBITDA. Assuming that FCF were used to repay debt would reduce this multiple by roughly half a turn on our 2021 estimates and by roughly 1.5 turns on our 2022 estimates. On the other hand, assuming that the company purchased the minority interest of Cisneros would leave the trading multiple relatively little changed, by our estimates.

Discounted Cash Flow Valuation Supports Price Target

Although a DCF analysis can seem anachronistic in an era of negative real interest rates and meme stocks, it remains our tool of choice for setting valuation expectations. The DCF combines a sound theoretical basis with a typical lack of investor curiosity about its details.

We value EVC's business first as a single entity and second as separate broadcast media and digital media components. Our price target reflects the lower of the two valuations.

Our valuation of EVC as a single business uses public company broadcasters Sinclair Broadcast Group (SBGI), Nexstar Media Group (NXST) and Gray Television (GTN) as comparables for estimating the WACC. These comps have the advantage of being in the same principal line of business as EVC, namely TV broadcasting. Using these comparables results in an 8% WACC estimate.

We choose 0% for the stable growth rate for EVC's business, reflecting the likely challenges a broadcast-centric business will have in growing along with the overall economy, as well as an EVC forecast that assumes a FCF CAGR of ~3% for 2022-26, when the boost from digital media initiatives is likely to be above-trend. We assume that the current risk-free rate is a reasonable proxy for the nominal growth rate of the economy, and thus a cap for EVC's stable free cash flow growth rate.

These DCF assumptions applied to our EVC forecasts through 2026 result in a 12-month target valuation of ~$10.00 per share.

Next, looking at EVC as separate broadcast media and digital media businesses requires choosing a set of public company comparables for the digital media business. For this purpose, we select MDC Partners (MDCA), Perion Network (PERI) and QuinStreet (QNST). MDCA is a smaller public ad agency holding company with U.S. and international operations, capturing the agency-like role that much of EVC's digital media business performs. PERI provides online advertising and search solutions to brands and publishers, and thus more directly captures the reliance of much of EVC's digital media business on the growth of large digital ad platforms. QNST focuses on digital performance marketing, and has among its platform partners Facebook, Twitter, YouTube, LinkedIn, and Snapchat, providing some similarity to the key partnerships of EVC's Cisneros and MediaDonuts units.

Using these comparables results in an 8% WACC estimate for EVC's digital business. For EVC's broadcast business, we use the same comparables as before, and thus the same 6% WACC estimate.

We choose roughly -1% for the stable growth rate for EVC's broadcast business and 1% for the stable growth rate of EVC's digital media business. Isolating on the broadcast business without digital media supports a lower stable growth assumption than before. Conversely, isolating on the digital media business supports a higher stable growth assumption, although we still assume that this rate is below the long-term growth rate of the economy, given that agency businesses typically do not grow as fast as the digital platforms with which they partner.

These DCF assumptions applied to our EVC forecasts for the broadcast and digital media businesses through 2026 result in a 12-month target valuation of ~$4 per share for the broadcast business and ~$5 for the digital media business. This supports our 12-month target valuation for EVC shares of $9.00. On our current estimates, EVC's buying in the 49% minority interest in Cisneros would be accretive to this target valuation.

For those interested in assessing this DCF valuation, as opposed to moving on to some multiple-based rules of thumb, key intuitive tests concern: 1) the convergence of FCF growth in the explicit forecast toward the stable growth rate(s), 2) the stable growth rate(s) used for the terminal value(s), and 3) whether the discount rate(s) look reasonable. Our long-term forecast assumes ~2% FCF growth by 2026, so that a stable growth rate assumption of ~0% does not seem particularly jarring. Assuming that the risk-free rate is a reasonable cap on the stable growth rate assumptions, a negative stable growth rate for broadcast media is hardly unreasonable, given broadcast's ad share losses and the potential peaking of retransmission consent revenue, along with the challenge of improving on TV segment OCF margins that are near historical highs. Even the most optimistic stable growth rate assumption for digital media would only be only slightly higher, perhaps 50bps, than our ~1% assumption, given current long-term government bond yields. Finally, the ~8% discount rate for the digital media business is logically higher than the ~6% rate used for the broadcast business, given that this business operates primarily as intermediaries in the relatively fast-changing sector of digital marketing. These discount rates, while low by historical standards, do reflect current market conditions (low interest rates and equity risk premium). Boosting the digital media discount rate even further to account for the relative immaturity of the recently acquired businesses would inappropriately demand a premium for idiosyncratic risk. We choose rather to do our best to monitor the operational volatility of these digital media businesses, and assume that EVC management will as well.

EVC's Price Momentum Is Helping On Certain Screens

Fans of James (Jim) O'Shaughnessy's investment approach might take particular interest in EVC at the moment. According to the implementation of a number of screens by the American Association of Individual Investors (AAII), EVC passes three screens associated with O'Shaughnessy: Small Cap Growth & Value Screen, Growth Screen II and All Cap Screen. As implemented by AAII, all three of these screens look for low price-to-sales combined with strong price momentum. The All Cap screen looks in addition for low price-to-cash flow and high dividend yield, while the two other screens add a focus on earnings growth over the last year. Further detail on AAII's implementation of these screens is at www.aaii.com/stock-investor-pro/powerrankings.

Stock Price Can Be Sticky

We close by noting that EVC's stock can present opportunities on the long and short side likely peculiar to its small-cap status. Last year, for example, while the overall U.S. equity market had a big bounce off the bottom from March-October, EVC's stock was stuck in a relatively narrow trading range, despite the fact that its underlying ad business is heavily exposed to the cyclical consumer trends whose outlook seemed most to be recovering. Catalysts in October-November seemed to finally spark a recovery in EVC's share price. With 3Q20 results in November came management's first public comments on the Cisneros acquisition announced in October, whose bullishness was reinforced by color on the strong growth expected of Cisneros for 4Q20. In that sense, the acquisition announcement in October and EVC's results in early November were a linked set of catalysts, helping to spur strong stock performance until a pause in March of this year.

Figure 62: 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**	**2Q21E**	**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	$34.9	$41.2	$39.4	$151.5	$137.9
Radio	75.8	66.9	63.9	55.0	11.7	6.8	11.5	16.2	46.3	11.3	12.5	12.7	12.1	48.6	47.2
Net broadcast revenue	235.4	215.0	215.7	204.7	50.9	33.7	49.3	66.7	200.7	47.4	47.4	53.9	51.5	200.2	185.1
Digital	23.1	57.1	81.0	68.9	13.3	11.4	13.7	105.0	143.3	101.5	114.8	125.4	149.1	490.8	604.4
Total net revenue (core)	**258.5**	**272.1**	**296.6**	**273.6**	**64.2**	**45.1**	**63.0**	**171.7**	**344.0**	**148.9**	**162.3**	**179.3**	**200.5**	**690.9**	**789.5**
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	162.3	179.3	200.5	690.9	789.5
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	96.2	102.9	120.9	404.8	498.3
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%	83.8%	82.1%	81.1%	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**	**96.2**	**102.9**	**120.9**	**404.8**	**498.3**
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	96.2	102.9	120.9	404.8	498.3
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	19.9	20.1	79.4	71.5
Radio opex	65.4	63.3	59.4	56.7	11.6	9.1	9.7	11.3	41.8	9.7	9.8	10.0	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	12.6	13.1	15.5	52.1	60.7
Total opex (core)	**160.2**	**168.4**	**176.8**	**173.4**	**40.3**	**33.0**	**34.1**	**45.9**	**153.3**	**40.4**	**41.9**	**43.1**	**45.9**	**171.3**	**170.7**
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	41.9	43.1	45.9	171.3	170.7
OCF															
Television OCF	75.9	66.3	67.4	65.2	$17.4	$9.2	$18.8	$28.1	73.6	$16.2	$15.4	$21.3	$19.2	72.1	66.4
TV OCF Margin	47.6%	44.8%	44.4%	43.6%	44.5%	34.2%	49.8%	55.6%	47.6%	44.9%	44.1%	51.6%	48.9%	47.6%	48.2%
Incremental Margin	-566.3%	83.6%	30.3%	105.6%					173.4%					50.1%	41.8%
Radio OCF	10.5	3.6	4.6	(1.7)	0.1	(2.4)	1.8	4.9	4.5	1.6	2.7	2.6	1.9	8.9	8.7
Radio OCF margin	13.8%	5.4%	7.1%	-3.1%	0.6%	-34.7%	15.9%	30.4%	9.7%	14.4%	21.8%	20.8%	15.5%	18.3%	18.4%
Incremental Margin	1189.2%	76.7%	-31.0%	70.1%					-70.4%					186.8%	12.8%
Digital OCF	2.4	0.7	2.8	(0.1)	(0.9)	(1.2)	0.5	7.4	5.7	5.9	6.0	9.4	12.6	33.9	45.4
Digital OCF margin	10.2%	1.3%	3.4%	-0.2%	-6.6%	-10.8%	3.4%	7.0%	4.0%	5.8%	5.2%	7.5%	8.5%	6.9%	7.5%
Incremental Margin	28.8%	-4.8%	8.5%	23.9%					7.9%					8.1%	10.1%
Total OCF (core)	**88.7**	**70.7**	**74.8**	**63.4**	**16.6**	**5.6**	**21.1**	**40.4**	**83.8**	**23.7**	**24.1**	**33.3**	**33.8**	**114.9**	**120.5**
Margin	34.3%	26.0%	25.2%	23.2%	25.9%	12.5%	33.5%	23.5%	24.4%	15.9%	14.9%	18.5%	16.8%	16.6%	15.3%
Incremental Margin	-114.5%	-132.9%	16.6%	49.1%	-542.5%	47.9%	-94.2%	23.9%		8.4%	15.8%	10.4%	-23.0%		
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	24.1	33.3	33.8	114.9	120.5
Total OCF Margin	34.3%	60.1%	25.5%	23.2%	25.9%	12.5%	33.5%	23.5%	24.4%	15.9%	14.9%	18.5%	16.8%	16.6%	15.3%
Incremental Margin	-114.5%	84.2%	103.4%	51.6%	-542.5%	47.9%	-94.2%	23.9%		8.4%	15.8%	10.4%	-23.0%		
Corporate Expense	24.5	27.9	26.9	28.1	6.8	5.4	6.3	9.3	27.8	7.2	5.7	6.6	8.6	28.1	28.6
GAAP EBITDA	64.2	294.4	49.1	35.4	9.8	0.2	14.8	31.1	56.0	16.6	18.4	26.6	25.1	86.8	91.8
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)	(0.130)	(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	0.131	0.1	0.1	0.9	1.2	0.316	0.3	0.4	0.3	1.3	1.3
Non-recurring cash severance			0.8	2.3	0.606	0.5		0.5	1.7	0.000					
EBITDA attributable to redeemable noncontrolling interest								3.4	3.4	2.837	3.0	3.5	4.7	14.0	18.1
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	2.7	3.1	4.3	12.6	16.8
Foreign currency (gain) loss	0.0	0.4	1.6	0.8	1.5	(0.2)	(0.7)	(1.7)	(1.1)	0.6	0.0	0.0	(0.6)	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	16.5	24.3	23.1	78.1	79.1
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**	**16.5**	**24.3**	**23.1**	**78.1**	**79.1**
Memo: adj. EBITDA (core) reported	69.2	50.6	54.0	41.2	9.7	1.7	16.4	32.6	60.4	14.2					
Model variance: adj. EBITDA	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%	10.2%	13.6%	11.5%	11.3%	10.0%
Incremental Margin	-161.7%	-137.3%	14.0%	55.6%	-376.3%	45.0%	-123.8%	21.4%	27.3%	5.3%	12.6%	6.8%	-33.2%	5.1%	1.0%

Source: Industry Capital Research estimates and company data

Figure 63: Financial Statement Forecasts Supporting Our Valuation (cont.)

In millions, except per share data	2016A	2017A	2018A	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	2022E
Memo: cash opex (core)	$158.9	$167.2	$175.3	$170.4	$39.5	$32.4	$33.9	$48.0	$153.8	$42.9	$44.6	$46.2	$50.2	$183.9	$187.5
Memo: cash corporate expense	20.8	23.1	21.8	24.4	6.2	4.7	5.6	7.4	23.9	6.4	4.9	5.8	7.0	24.1	$24.6
Memo: total non-cash comp	5.0	6.1	5.8	4.4	0.8	0.8	0.8	2.7	5.1	1.1	1.1	1.1	2.0	5.2	$5.3
Memo: adj. EBITDA - (OCF - cash corporate)	1.3	3.0	1.1	2.2	(0.8)	0.8	0.9	(0.3)	0.6	(3.1)	(2.7)	(3.1)	(3.7)	(12.6)	($16.8)
Memo: PF EBITDA attributable to redeemable noncontrolling interest					0.8										
D&A	15.3	16.4	16.3	16.6	4.5	3.9	3.9	5.0	17.3	5.2	5.3	5.3	5.3	21.0	21.5
D&A % of Revenue	5.9%	6.0%	5.5%	6.1%	7.0%	8.6%	6.2%	2.9%	5.0%	3.5%	3.3%	2.9%	2.6%	3.0%	0.0
Change in fair value contingent consideration			(1.2)	(6.478)	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.00	0.0	0.0
Impairments	0.0	0.0	0.0	32.1	39.8	0.0	0.0	0.2	40.0	1.3	0.0	0.0	(1.3)	0.0	0.0
Other operating (gain) loss		(0.3)	(1.2)	(6.0)	(0.8)	(2.0)	(2.7)	(1.3)	(6.9)	(1.9)	(1.3)	(1.5)	(0.9)	(5.7)	(0.8)
Gain (Loss) on Sale	(0.1)	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
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	0.0	0.0
Operating Income (EBIT Inc. Impairments)	**48.9**	**277.9**	**33.6**	**(1.7)**	**(35.2)**	**(1.4)**	**14.3**	**29.0**	**6.6**	**11.4**	**14.5**	**22.9**	**22.7**	**71.4**	**71.1**
Operating Margin %	18.9%	51.8%	11.3%	-0.6%	-54.8%	-3.2%	22.6%	16.9%	1.9%	7.6%	8.9%	12.8%	11.3%	10.3%	9.0%
Interest expense	(15.5)	(16.7)	(13.7)	(13.7)	(2.7)	(2.0)	(2.0)	(1.6)	(8.3)	(1.7)	(1.7)	(1.8)	(1.9)	(7.1)	(8.0)
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	0.0	0.0
Interest income	0.3	0.8	2.0	3.4	0.6	0.5	0.5	0.1	1.7	0.1	0.0	0.0	(0.1)	0.0	0.0
Net interest expense	(15.2)	(15.9)	(11.8)	(10.3)	(2.1)	(1.5)	(1.5)	(1.5)	(6.5)	(1.6)	(1.7)	(1.8)	(2.0)	(7.1)	(8.0)
Loss on debt extinguishment	(0.2)	(3.3)	(0.6)	(0.3)	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	0.0	0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0
Pretax income	**33.5**	**258.6**	**21.4**	**(11.3)**	**(37.3)**	**(2.9)**	**12.8**	**27.6**	**0.1**	**9.8**	**12.8**	**21.1**	**20.6**	**64.3**	**63.0**
Pretax margin	13.0%	48.2%	7.2%	NM	NM	NM	20.2%	16.0%	0.0%	6.6%	7.9%	11.8%	10.3%	9.3%	8.0%
Income (taxes) benefit	(13.1)	(82.6)	(7.9)	(8.2)	1.7	5.3	(3.7)	(4.7)	(1.5)	(2.8)	(4.5)	(7.4)	(7.2)	(21.9)	(22.1)
Effective tax rate	39.1%	31.9%	36.8%	-72.1%	4.5%	179.9%	29.3%	17.1%	1276.3%	28.5%	35.0%	35.0%	35.0%	34.0%	35.0%
Cash tax rate	1.8%	0.3%	15.2%	-25.2%	-0.4%	-11.0%	39.9%	7.9%	6552.5%	-2.0%	1.5%	14.7%	7.8%	7.4%	7.5%
Net Income (Before Equity Investments)	20.4	176.0	13.5	(19.5)	(35.6)	2.3	9.0	22.9	(1.4)	7.0	8.3	13.7	13.4	42.4	41.0
Equity in net of noncon. affils.	0.0	(0.3)	(1.4)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.2	0.0	0.0
Reported Net income	20.4	175.7	12.2	(19.7)	(35.6)	2.3	9.0	22.9	(1.4)	7.0	8.2	13.6	13.6	42.4	41.0
Net margin	26.8%	9.4%	18.1%	15.1%	15.1%	3.8%	26.0%	19.0%	17.6%	9.5%	10.2%	13.6%	11.5%	11.3%	10.0%
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	0.0	0.0
Minority Interest								2.5	2.5	1.6	1.8	2.1	2.8	8.2	10.9
Net inc. to common pre-1-time	20.4	175.7	12.2	(19.7)	(35.6)	2.3	9.0	20.3	(3.9)	5.4	6.4	11.5	10.8	34.2	30.1
Net margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EPS - Basic, Continuing Operations	$0.23	$1.95	$0.14	($0.23)	($0.42)	$0.03	$0.11	$0.24	($0.05)	$0.06	$0.07	$0.13	$0.12	$0.40	$0.36
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	0.0	0.0
Net income to common	**20.4**	**175.7**	**12.2**	**(19.712)**	**(35.592)**	**2.337**	**9.016**	**20.328**	**(3.911)**	**5.4**	**6.4**	**11.5**	**10.8**	**34.2**	**30.1**
EPS - basic	$0.23	$1.95	$0.14	($0.23)	($0.42)	$0.03	$0.11	$0.24	($0.05)	$0.06	$0.08	$0.14	$0.13	$0.40	$0.36
EPS - diluted	**$0.22**	**$1.91**	**$0.13**	**($0.23)**	**($0.42)**	**$0.03**	**$0.11**	**$0.24**	**($0.05)**	**$0.06**	**$0.07**	**$0.13**	**$0.12**	**$0.39**	**$0.35**
EPS reported by company	$0.22	$1.91	$0.13	($0.23)	($0.42)	$0.03	$0.11	$0.24	($0.05)	$0.06					
Model variance: EPS	$0.00	$0.00	$0.00	$0.00	($0.00)	($0.00)	($0.00)	($0.00)	$0.00	$0.00					
Pro forma adjustments	0.0	0.0	0.0	0.0	39.8	0.0	0.0	0.0	39.8	0.0	0.0	0.0	0.0	0.0	0.0
Pro forma net income	20.4	175.7	12.2	(19.7)	4.2	2.3	9.0	20.3	35.9	5.4	6.4	11.5	10.8	34.2	30.1
Pro forma EPS - basic	$0.23	$1.95	$0.14	($0.23)	$0.05	$0.03	$0.11	$0.24	$0.43	$0.06	$0.08	$0.14	$0.13	$0.40	$0.36
Pro forma EPS	**$0.22**	**$1.91**	**$0.13**	**($0.23)**	**$0.05**	**$0.03**	**$0.11**	**$0.24**	**$0.43**	**$0.06**	**$0.07**	**$0.13**	**$0.12**	**$0.39**	**$0.35**
EPS shares - Basic	89.3	90.3	89.1	85.1	84.3	84.1	84.2	84.3	84.2	85.0	85.1	85.1	84.8	85.0	83.9
EPS shares - Diluted	91.3	91.9	90.3	86.2	84.3	84.7	84.9	86.0	84.2	87.0	87.1	87.0	86.7	87.0	85.8
Free Cash Flow:															
EBITDA	69.2	50.6	54.0	41.2	9.7	1.7	16.4	32.6	60.4	14.2	16.5	24.3	23.1	78.1	79.1
Cash net interest	-14.4	-12.7	-10.6	-9.4	-1.9	-1.3	-1.3	-1.3	-5.9	-1.4	-1.7	-1.8	-2.0	-7.0	-8.0
Other adjustments to cash		250.0	1.9	4.7	0.3	1.5	2.7	0.8	5.3	1.9				1.9	0.0
- Cash taxes	-0.6	-0.8	-3.3	-2.8	-0.1	-0.3	-5.1	-2.2	-7.7	0.2	-0.2	-3.1	-1.6	-4.7	-4.7
Cash taxes / EBITDA	1%	2%	6%	7%	1%	19%	31%	7%	13%	0.0	1%	13%	7%	6%	6%
Minus: capex	-9.1	-12.1	-17.0	-25.3	-2.7	-3.0	-2.1	-1.3	-9.1	-1.8	-1.8	-1.8	-2.9	-8.4	-8.8
Capex / D&A	59%	74%	105%	152%	59%	78%	52%	27%	52%	35%	35%	35%	55%	40%	41%
Capex / EBITDA	13%	24%	31%	61%	28%	174%	13%	4%	15%	13%	11%	8%	13%	11%	11%
Plus: cost of revenue for spectrum usage rights		12.1													
= Free Cash Flow	**45.2**	**287.1**	**25.0**	**8.3**	**5.2**	**(1.4)**	**10.6**	**28.6**	**43.0**	**13.0**	**12.8**	**17.6**	**16.5**	**59.9**	**57.5**
Free cash flow (reported by company)	45.2	287.1	25.0	8.3	5.2	(1.4)	10.6	28.6	43.0	13.0					
Model variance: free cash flow	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0					
Free Cash Flow (core)	**45.2**	**37.6**	**25.0**	**8.3**	**5.2**	**(1.4)**	**10.6**	**28.6**	**43.0**	**13.0**	**12.8**	**17.6**	**16.5**	**59.9**	**57.5**
FCF per share (core)	**$0.50**	**$0.41**	**$0.28**	**$0.10**	**$0.06**	**($0.02)**	**$0.12**	**$0.33**	**$0.51**	**$0.15**	**$0.15**	**$0.20**	**$0.19**	**$0.69**	**$0.67**
Memo: FCF/Adjusted EBITDA (core)	65.3%	74.3%	46.3%	20.1%	54.0%	-81.8%	64.5%	87.7%	71.2%	91.8%	77.4%	72.3%	71.6%	76.7%	72.7%
Dividends per share	**$0.12**	**$0.16**	**$0.20**	**$0.20**	**$0.05**	**$0.02**	**$0.02**	**$0.02**	**$0.13**	**$0.02**	**$0.03**	**$0.05**	**$0.05**	**$0.15**	**$0.20**
Dividends as % of FCF	24%	39%	70%	197%	83%	-124%	21%	7%	25%	16%	17%	25%	26%	22%	30%
- Dividends	(11.2)	(14.7)	(17.8)	(17.0)	(4.2)	(2.1)	(2.1)	(2.1)	(10.5)	(2.1)	(2.2)	(4.4)	(4.3)	(13.0)	(17.2)

Source: Industry Capital Research estimates and company data

Figure 64: Financial Statement Forecasts Supporting Our Valuation (cont.)

ANNUAL PERCENTAGE CHANGE	2016A	2017E	2018A	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21E	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%	259.6%	184.6%	16.8%	100.8%	14.3%
Net revenue (core) growth	**1.7%**	**5.3%**	**9.0%**	**-7.8%**	**-0.7%**	**-34.8%**	**-8.5%**	**142.4%**	**25.8%**	**131.7%**	**259.6%**	**184.6%**	**16.8%**	**100.8%**	**14.3%**
TV revenue growth	0.3%	-7.2%	2.5%	-1.4%	2.5%	-29.2%	3.7%	36.9%	3.2%	-7.9%	29.5%	9.0%	-22.1%	-1.9%	-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%	84.4%	10.0%	-25.4%	5.1%	-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%	909.7%	818.2%	42.0%	242.5%	23.2%
Cost of revenue	31.7%	NM	36.7%	-18.5%	-3.9%	-27.2%	-21.5%	NM	NM	NM	NM	NM	41.7%	NM	23.1%
Direct expense	3.7%	-2.2%	3.1%	41.7%	-7.8%	-25.3%	-21.5%	6.3%	-12.1%	-25.5%	-11.9%	-17.6%	-37.0%	-24.3%	-10.0%
SG&A	5.9%	NM	NM	-21.1%	-1.6%	-19.5%	-20.7%	-0.8%	-10.3%	-28.8%	-10.2%	1.7%	NM	NM	16.1%
Opex	5.9%	NM	NM	-4.8%	-5.5%	-24.2%	-21.3%	NM	23.8%	NM	NM	NM	27.0%	NM	16.1%
Opex (core)	**4.6%**	**5.1%**	**5.0%**	**-1.9%**	**-5.8%**	**-23.5%**	**-21.3%**	**4.0%**	**-11.6%**	**0.4%**	**26.8%**	**26.6%**	**-0.2%**	**11.7%**	**-0.3%**
TV opex	3.7%	-2.2%	3.1%	0.1%	4.9%	-14.7%	-10.3%	3.2%	-4.2%	-8.6%	10.0%	5.0%	-10.3%	-1.8%	-10.0%
Radio opex	5.5%	-3.2%	-6.2%	-4.5%	-18.4%	-34.3%	-31.4%	-21.3%	-26.3%	-16.9%	7.0%	3.6%	-9.5%	-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%	104.4%	144.0%	27.0%	70.1%	16.6%
Total OCF (core)	**-5.3%**	**-20.3%**	**5.8%**	**-15.2%**	**16.4%**	**-67.2%**	**35.2%**	**NM**	**32.1%**	**42.6%**	**NM**	**57.5%**	**-16.5%**	**37.1%**	**4.9%**
TV OCF	-3.2%	-12.6%	1.7%	-3.3%	-0.4%	-46.6%	23.2%	85.0%	12.8%	-7.1%	67.0%	13.0%	-31.5%	-2.0%	-7.9%
Radio OCF	-26.3%	-65.4%	25.8%	NM	NM	NM	NM	NM	NM	NM	NM	43.8%	-61.8%	98.5%	-2.1%
Digital OCF	NM	-68.5%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	71.0%	NM	33.8%
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**	**48.6%**	**-29.4%**	**29.3%**	**1.2%**
D & A	-4.0%	7.0%	-0.8%	2.3%	15.2%	-10.1%	-6.1%	17.2%	3.8%	14.9%	36.4%	34.3%	6.5%	21.7%	2.4%
Operating income	-11.5%	NM	-88.5%	-36.9%	31.0%	NM	NM	NM	88.3%	81.4%	NM	54.2%	-36.7%	36.4%	0.7%
Pretax income	-20.3%	NM	-91.7%	NM	NM	NM	NM	NM	NM	NM	NM	65.4%	-25.1%	NM	-2.0%
Net income pre-extra.	-20.5%	NM	-93.1%	NM	NM	NM	NM	NM	NM	NM	NM	27.6%	-46.9%	NM	-12.0%
EPS, Continuing Operations	-20.7%	NM	-92.8%	NM	NM	NM	NM	NM	NM	NM	NM	18.2%	-50.0%	NM	-10.0%
EPS - diluted	**-21.4%**	**NM**	**-93.0%**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**24.5%**	**-47.3%**	**NM**	**-10.8%**
FCF/share	NM	-18.0%	-31.7%	-64.3%	NM	NM	NM	NM	NM	NM	NM	66.7%	-42.4%	35.3%	-2.9%
EPS shares - Diluted	1.1%	0.6%	-1.7%	-4.5%	-3.3%	-0.8%	0.1%	0.6%	-2.3%	3.2%	2.9%	2.5%	0.9%	3.2%	-1.3%

Source: Industry Capital Research estimates and company data

Figure 65: Financial Statement Forecasts Supporting Our Valuation (cont.)

Segments

In millions															
AS REPORTED	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**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	$34.9	$41.2	$39.4	$151.5	$137.9
Radio	75.8	66.9	63.9	55.0	11.7	6.8	11.5	16.2	46.3	11.3	12.5	12.7	12.1	48.6	47.2
Digital	23.1	57.1	81.0	68.9	13.3	11.4	13.7	105.0	143.3	101.5	114.8	125.4	149.1	490.8	604.4
Revenue	258.5	272.1	296.6	273.6	64.2	45.1	63.0	171.7	344.0	148.9	162.3	179.3	200.5	690.9	789.5
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	96.2	102.9	120.9	404.8	498.3
Cost of revenue	9.5	33.0	45.1	36.8	7.3	6.4	7.8	85.3	106.9	84.8	96.2	102.9	120.9	404.8	498.3
Opex:															
Television	83.6	81.7	84.3	84.4	21.8	17.7	19.0	22.4	80.9	19.9	19.5	19.9	20.1	79.4	71.5
Radio	65.4	63.3	59.4	56.7	11.6	9.1	9.7	11.3	41.8	9.7	9.8	10.0	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	12.6	13.1	15.5	52.1	60.7
Opex	160.2	168.4	176.8	173.4	40.3	33.0	34.1	45.9	153.3	40.4	41.9	43.1	45.9	171.3	170.7
OCF:															
Television	75.9	66.3	67.4	65.2	17.4	9.2	18.8	28.1	73.6	16.2	15.4	21.3	19.2	72.1	66.4
Radio	10.5	3.6	4.6	(1.7)	0.1	(2.4)	1.8	4.9	4.5	1.6	2.7	2.6	1.9	8.9	8.7
Digital	2.4	0.7	2.8	(0.1)	(0.9)	(1.2)	0.5	7.4	5.7	5.9	6.0	9.4	12.6	33.9	45.4
OCF	88.7	70.7	74.8	63.4	16.6	5.6	21.1	40.4	83.8	23.7	24.1	33.3	33.8	114.9	120.5
PRO FORMA	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**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	34.9	41.2	39.4	151.5	137.9
Radio	75.8	66.9	63.9	55.0	11.7	6.8	11.5	16.2	46.3	11.3	12.5	12.7	12.1	48.6	47.2
Digital			92.1	228.3	56.7	57.5	74.8	126.8	315.9	109.5	124.7	125.4	149.1	508.7	604.4
Revenue	273.7	281.7	307.8	433.0	107.6	91.3	124.1	194.4	517.4	156.9	172.1	179.3	200.5	708.8	789.5
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	103.1	102.9	120.9	417.9	498.3
Cost of revenue	9.5	33.0	45.1	173.0	45.1	45.9	60.2	102.1	253.2	91.0	103.1	102.9	120.9	417.9	498.3
Opex:															
Television	83.6	81.7	84.3	84.4	21.8	17.7	19.0	22.4	80.9	19.9	19.5	19.9	20.1	79.4	71.5
Radio	65.4	63.3	59.4	56.7	11.6	9.1	9.7	11.3	41.8	9.7	9.8	10.0	10.2	39.7	38.5
Digital			43.9	45.5	10.9	10.3	10.2	14.0	45.4	12.4	15.3	13.1	15.5	56.3	60.7
Opex	160.2	168.4	187.6	186.6	44.3	37.2	38.8	47.7	168.1	42.0	44.6	43.1	45.9	175.5	170.7
OCF:															
Television	75.9	66.3	67.4	65.2	17.4	9.2	18.8	28.9	74.4	16.2	15.4	21.3	19.2	72.1	66.4
Radio	10.5	3.6	4.6	(1.7)	0.1	(2.4)	1.8	4.9	4.5	1.6	2.7	2.6	1.9	8.9	8.7
Digital	17.5	10.4	3.2	9.8	0.7	1.3	4.5	10.8	17.3	6.1	6.3	9.4	12.6	34.4	45.4
OCF	103.9	80.3	75.2	73.4	18.2	8.2	25.1	44.7	96.1	23.9	24.4	33.3	33.8	115.4	120.5
CONSOLIDATED PRO FORMA	**2016A**	**2017A**	**2018A**	**2019A**	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**2020A**	**1Q21A**	**2Q21E**	**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**	**172.1**	**179.3**	**200.5**	**708.8**	**789.5**
Growth	7.7%	2.9%	9.3%	40.7%	12.8%	-15.0%	12.3%	62.4%	19.5%	45.8%	88.6%	44.4%	3.2%	37.0%	11.4%
Cost of Revenue	9.5	33.0	45.1	173.0	45.1	45.9	60.2	102.1	253.2	91.0	103.1	102.9	120.9	417.9	498.3
Growth	31.7%	246.0%	36.7%	283.6%	32.8%	10.5%	32.2%	96.5%	46.4%	101.6%	124.9%	71.0%	18.5%	65.0%	19.2%
Opex	160.2	168.4	187.6	186.6	44.3	37.2	38.8	47.7	168.1	42.0	44.6	43.1	45.9	175.5	170.7
Growth	4.6%	5.1%	11.4%	-0.5%	-2.7%	-19.7%	-16.4%	-1.1%	-9.9%	-5.3%	19.7%	11.0%	-3.8%	4.4%	-2.7%
OCF	103.9	80.3	75.2	73.4	18.2	8.2	25.1	44.7	96.1	23.9	24.4	33.3	33.8	115.4	120.5
Growth	2.9%	-22.7%	-6.4%	-2.4%	14.6%	-58.0%	35.7%	128.3%	31.0%	31.8%	198.5%	32.4%	-24.4%	20.1%	4.4%
Corporate	20.8	23.1	21.8	24.4	6.2	4.7	5.6	7.4	23.9	6.4	4.9	5.8	7.0	24.1	24.6
Growth	8.5%	10.8%	-5.5%	12.0%	-0.7%	-19.0%	-7.0%	16.8%	-2.0%	3.6%	4.6%	3.9%	-6.1%	0.8%	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)	(2.7)	(3.1)	(3.7)	(12.6)	(16.8)
EBITDA	**84.4**	**60.2**	**54.4**	**51.2**	**10.4**	**4.3**	**20.4**	**36.9**	**72.7**	**14.4**	**16.8**	**24.3**	**23.1**	**78.6**	**79.1**
Growth	3.2%	-28.7%	-9.6%	-6.0%	7.9%	-71.2%	69.3%	158.7%	42.2%	39.0%	293.0%	19.4%	-37.5%	8.1%	0.6%

Source: Industry Capital Research estimates and company data

Figure 66: Separate Sets Of Broadcasting and Digital Media Comparables Support the WACC Assumptions for our DCFs

Entravision Weighted Average Cost of Capital Analysis

			EVC Broadcasting Media Comparables				EVC Digital Media Comparables			
Metric	**EVC**	**EVC-Digital**	**NXST**	**SBGI**	**GTN**	**N-S-G AVG**	**MDCA**	**PERI**	**QNST**	**M-P-Q AVG**
WACC assumptions										
Equity beta (based on May 2019-May 2021 weekly returns)	**0.67**	1.53	1.78	1.69	1.65	1.71	1.12	1.61	1.43	1.39
Std error	**0.08**		0.06	0.08	0.06		0.12	0.10	0.06	
Equity beta (based on comparables & projected leveraage)	**1.50**									
Debt beta	**0.4**		0.6	0.6	0.7		1.6	0.8	0.8	
Unlevered beta	**1.10**	1.53	1.10	0.85	1.04	0.99	1.55	1.61	1.43	1.53
Unlevered cost of capital	**6.2%**	**8.0%**	6.2%	5.1%	5.9%		8.1%	8.4%	7.6%	8.0%
Equity cost of capital	**7.9%**	**8.0%**	9.1%	8.7%	8.5%		6.2%	8.4%	7.6%	7.4%
Debt cost of capital	**3.0%**	**3.0%**	4.0%	4.0%	4.5%		8.5%	5.0%	7.5%	7.0%
Debt value (D)/Equity value (E)	**0.55**	**-**	1.5	4.0	2.0		4.5	-	-	
D/Total Value (V)	**0.36**	**-**	0.60	0.80	0.67		0.82	-	-	
E/V	**0.64**	1.00	0.40	0.20	0.33		0.18	1.00	1.00	
Projected long-term net debt/EBITDA	**2.0x**									
Tax rate	**40%**		40%	40%	40%		40%	40%	40%	
WACC (based on unlevered cost of capital)	**6%**	**8%**	5.2%	3.8%	4.7%		5.3%	8.4%	7.6%	
Historical capital structure										
D/E										
12/31/20	**0.6**		1.5	4.4	2.3		4.4	(0.1)	(0.1)	
12/31/19	**0.7**		1.5	4.2	2.0		4.1	(0.0)		
12/31/18	**0.3**		1.1	1.1	1.4		5.7			
Average	**0.5**		1.4	3.2	1.9		4.7	-	-	
Projected D/E	**0.55**		1.50	4.00	2.00		4.50	-	-	
Market assumptions										
Risk-free interest rate	**1.51%**	**1.51%**	1.51%	1.51%	1.51%		1.51%	1.51%	1.51%	
Equity market risk premium	**4.24%**	**4.24%**	4.24%	4.24%	4.24%		4.24%	4.24%	4.24%	

Source: Company data, Yahoo Finance, Damodaran Online, Moody's and Industry Capital Research estimates

Figure 67: DCF Analysis Supports $9.00 12-Month Price Target

Entravision DCF analysis

	Current	YE 2021	YE 2022
Firm Value	783	797	806
(-) Total Net Debt	100	41	(17)
(+) NOLs/Tax Assets	62	62	62
(-) Options (Claims on Entravision)	(2.3)	(2.3)	(2.3)
Common Equity Value	742.4	816.4	882.9
Shares Outstanding	87.0	87.0	87.0
Current Share Price	$6.76	$6.76	$6.76
Value Per Share	$8.53	$9.39	$10.15
12-month	$10.00		
12-month (SoTP)	*$9.00*	1	

ASSUMPTIONS

Risk Free Rate	1.5%
Equity Premium	4.24%
Assumed LT Growth Rate (g)	0%
MV of Equity Calculation	
Share Price	$6.76
Outstanding Shares	87.0
MV of Equity	588.0
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	6.00%
Wgtd Avg Maturity of Debt	
BV of Debt	100.5
Estimate MV of Debt	100.5

CAGRs	2018-22	2020-24	2022-26	2025-26
EBITDA	10%	14%	4%	10%
Free Cash Flow to Firm	35%	10%	7%	7%

$ in millions except per share amounts

Discounted Cash Flow	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal	
EBITDA	54.0	41.2	60.4	78.1	79.1	74.6	100.5	82.9	91.1		
EBIT	37.8	24.6	43.1	57.1	57.5	48.1	70.9	52.9	59.8	56.4	
Less Cash Taxes	(15.1)	(9.8)	(17.3)	(22.8)	(23.0)	(19.2)	(28.4)	(21.2)	(23.9)	0.0	
Plus D&A	16.3	16.6	17.3	21.0	21.5	26.5	29.6	30.0	31.3	30.0	
Less Cap Ex	(17.0)	(25.3)	(9.1)	(8.4)	(8.8)	(9.3)	(9.7)	(10.2)	(10.7)	(30.0)	
Less Increase in WC	(9.4)	(8.7)	8.7	(10.8)	(5.2)	(5.0)	(0.7)	(0.7)	(2.3)	(1.5)	
Free Cash Flow to Firm	12.5	(2.6)	42.8	36.1	42.0	41.1	61.7	50.8	54.2	54.9	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	100										
Leverage Mult.	1.7x										
D/Equity	17%										
D/EV	15%										
E/EV	85%										
Unlevered Beta	1.1										
Levered Beta	1.5										
D/Equity (projected long term)	55%										
Cost of Debt (AT)	3.6%										
Cost of Equity	8.0%										
WACC	6%		6%	6%	6%	6%	6%	6%	6%		
PV of CF				33.9	37.1	34.1	48.2	37.3	37.3		
					39.5	36.3	51.2	39.7	39.7		
						38.6	54.5	42.2	42.3		
										857.5	9x EBITDA

	Current	YE 2021	YE 2022
Sum of PV	227.9	206.4	177.6
PV of Terminal Value	555.5	591.0	628.8
NPV of all CF	783.4	797.4	806.5

Source: Industry Capital Research estimates and company data

Figure 68: DCF Analysis Allocates $4 of Price Target To Broadcasting Business

Entravision DCF analysis - Broadcasting

	Current	YE 2021	YE 2022
Firm Value	306	292	282
(-) Total Net Debt	100	41	(17)
(+) NOLs	62	62	62
(-) Options (Claims on Entravision)	(2.3)	(2.3)	(2.3)
Common Equity Value	265.2	311.3	358.7
Shares Outstanding	87.0	87.0	87.0
Current Share Price	$6.76	$6.76	$6.76
Value Per Share	$3.05	$3.58	$4.12
12-month	$4.00		

ASSUMPTIONS

Risk Free Rate	1.5%
Equity Premium	4.24%
Assumed LT Growth Rate (g)	-1%
MV of Equity Calculation	
Share Price	$6.76
Outstanding Shares	87.0
MV of Equity	588.0
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	6.00%
Wgtd Avg Maturity of Debt	
BV of Debt	100.5
Estimate MV of Debt	100.5

CAGRs	2018-22	2020-24	2022-26	2025-26
EBITDA	0%	1%	-3%	17%
Free Cash Flow to Firm	28%	-4%	-3%	17%

$ in millions except per share amounts

Discounted Cash Flow	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal	
EBITDA	51.3	41.3	58.1	58.2	51.8	39.8	59.7	38.5	45.0		
EBIT	35.0	24.7	40.8	40.9	35.4	19.8	37.8	16.9	22.4	19.4	
Less Cash Taxes	(14.0)	(9.9)	(16.3)	(16.4)	(14.2)	(7.9)	(15.1)	(6.8)	(8.9)	0.0	
Plus D&A	16.3	16.6	17.3	17.3	16.4	19.9	21.9	21.6	22.6	21.6	
Less Cap Ex	(17.0)	(25.3)	(9.1)	(8.4)	(8.8)	(9.3)	(9.7)	(10.2)	(10.7)	(21.6)	
Less Increase in WC	(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	33.4	28.8	22.6	34.9	21.6	25.3	19.4	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	100										
Leverage Mult.	1.7x										
D/Equity	17%										
D/EV	15%										
E/EV	85%										
Unlevered Beta	1.1										
Levered Beta	1.5										
D/Equity (long term)	55%										
Cost of Debt (AT)	3.6%										
Cost of Equity	8.0%										
WACC	6%		6%	6%	6%	6%	6%	6%	6%		
PV of CF				31.4	25.5	18.7	27.2	15.8	17.4		
					27.1	19.9	29.0	16.8	18.6		
						21.2	30.8	17.9	19.7		
										262.6	6x EBITDA

	Current	YE 2021	YE 2022
Sum of PV	136.1	111.4	89.7
PV of Terminal Value	170.1	181.0	192.6
NPV of all CF	306.2	292.4	282.2

Source: Industry Capital Research estimates and company data

Figure 69: DCF Analysis Allocates $5 of Price Target To Digital Media Business

Entravision DCF analysis - Digital

	Current	YE 2021	YE 2022
Firm Value	383	411	431
(-) Total Net Debt	-	-	-
(+) NOLs			
(-) Options (Claims on Entravision)			
Common Equity Value	383.2	411.2	431.0
Shares Outstanding	87.0	87.0	87.0
Current Share Price	$6.76	$6.76	$6.76
Value Per Share	$4.41	$4.73	$4.95
12-month	$5.00	56% <= Share of SoTP PT	
Minority Interest	1		

ASSUMPTIONS

Risk Free Rate	1.5%
Equity Premium	4.24%
Assumed LT Growth Rate (g)	1%
MV of Equity Calculation	
Share Price	$6.76
Outstanding Shares	87.0
MV of Equity	588.0
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	6.00%
Wgtd Avg Maturity of Debt	
BV of Debt	-
Estimate MV of Debt	-

CAGRs	2018-22	2020-24	2022-26	2025-26
EBITDA	77%	105%	14%	4%
Free Cash Flow to Firm	68%	110%	22%	-1%

$ in millions except per share amounts

Discounted Cash Flow	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal	
EBITDA	2.8	(0.1)	2.3	19.9	27.2	34.9	40.8	44.4	46.1		
EBIT	2.8	(0.1)	2.3	16.2	22.1	28.3	33.1	36.0	37.4	37.1	
Less Cash Taxes	(1.1)	0.0	(0.9)	(6.5)	(8.8)	(11.3)	(13.2)	(14.4)	(15.0)	0.0	
Plus D&A				3.8	5.1	6.6	7.7	8.4	8.7	8.4	
Less Cap Ex										(8.4)	
Less Increase in WC				(10.8)	(5.2)	(5.0)	(0.7)	(0.7)	(2.3)	(1.5)	
Free Cash Flow to Firm	1.7	(0.1)	1.4	2.6	13.2	18.5	26.8	29.3	28.9	35.6	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	0										
Leverage Mult.	0.0x										
D/Equity	0%										
D/EV	0%										
E/EV	100%										
Unlevered Beta	1.5										
Levered Beta	1.5										
D/Equity (projected long term)	0.0%										
Cost of Debt (AT)	3.6%										
Cost of Equity	8.0%										
WACC	8%		8%	8%	8%	8%	8%	8%	8%		
PV of CF				2.4	11.3	14.7	19.7	19.9	18.2		
					12.2	15.9	21.3	21.5	19.7		
						17.2	23.0	23.2	21.2		
										508.8	11x EBITDA

	Current	YE 2021	YE 2022
Sum of PV	86.3	90.6	84.6
PV of Terminal Value	296.9	320.7	346.3
NPV of all CF	383.2	411.2	431.0

Source: Industry Capital Research estimates and company data

Table of Figures

APPENDIX

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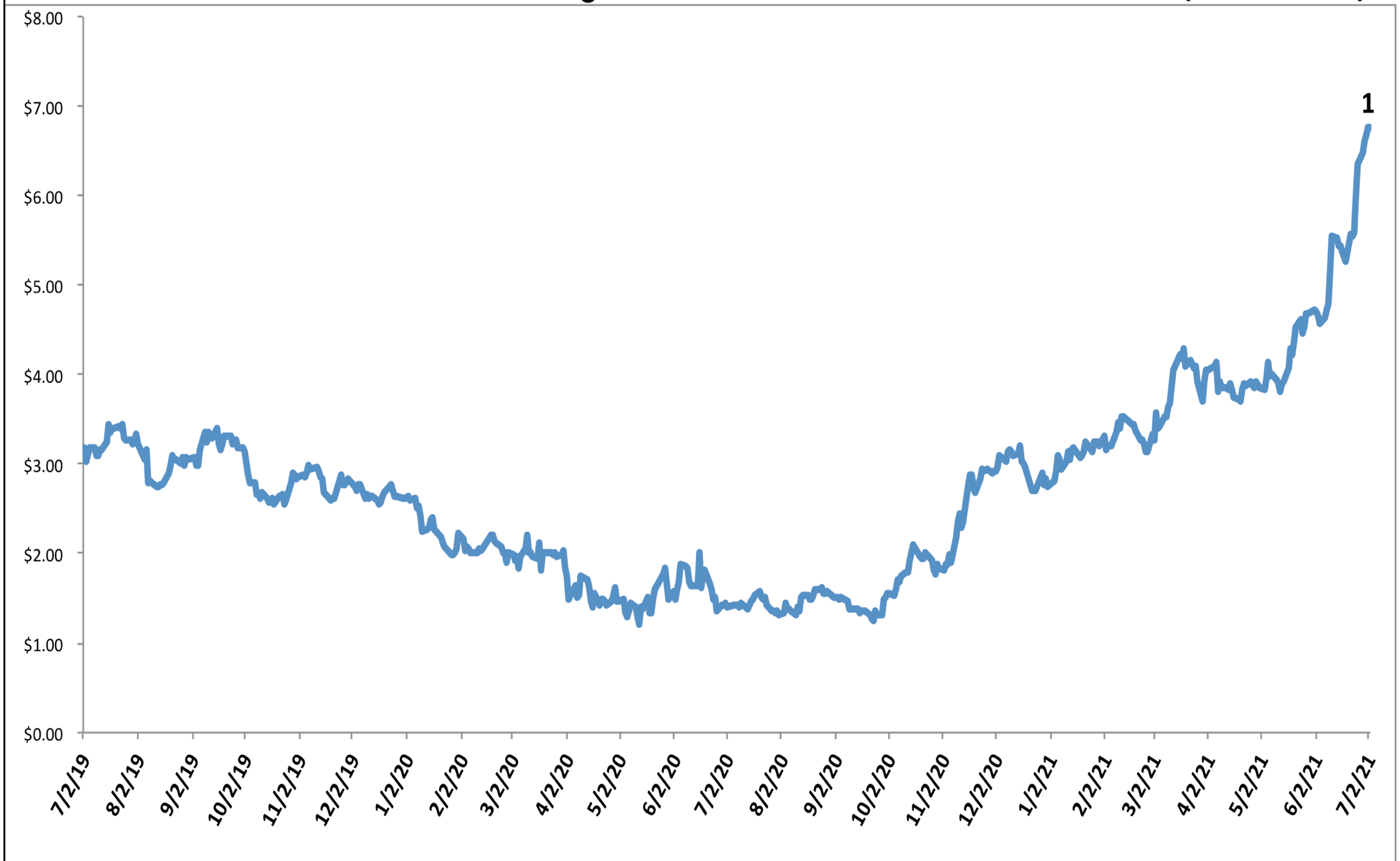

7/6/21 Initiated Buy, Target Price $9.00

Ratings Definitions	% of Securities Covered	% Investment Banking Clients
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%

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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