Entravision Communications Corporation (EVC)

Price Target Trimmed On Higher Discount Rate For Emerging Markets Transformation; Buy

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We trim our price target to $10 from $10.50, based on updating our DCF valuation, while reaffirming our Buy rating. The upshot of our revised valuation analysis is that the valuation range narrows to ~$9.50-13 from ~$9.50-17. The key change in our analysis is to rely on EVC's daily trading data over the past year rather than on weekly data over the past two years. We believe this more accurately captures the risk profile of the company after its large digital acquisitions that began in October 2020. This raises our estimate of the WACC for the entire firm by roughly 1 point to ~5.5%, bringing down the upper end of our 12-month price target range.

The lower end of our valuation range holds, even after revising the digital comps we use in estimating the discount rate for EVC's digital media segment. In addition to valuing EVC with a single WACC for its entire business, we also estimate separate discount rates based on industry comparables for its digital media and broadcast media businesses separately. In addition to updating all comps for more recent market data, we reshuffle and expand the group of public companies used to capture the risks faced by EVC's digital business. For digital comps, we now use Meta Platforms (FB), MercadoLibre (MELI), Perion Network (PERI), PubMatic (PUBM), and S4 Capital (SFOR.L), a group that we believe better captures the key operational risks from EVC's exposure to large social media platforms, the consumer Internet in emerging markets (and Latam in particular), and the digital ad tech stack.

Macro valuation trends since EVC reported results in November create a tiny headwind. Revised macro market inputs help push up discount rates, as greater equity market volatility increasing the equity risk premium is only partially offset by falling bond yields reducing the risk-free rate.

Competitor Aleph Holding could create a more direct comp, and more formidable competitor, for EVC's digital media business. Aleph is reportedly looking to go public early next year, and has sold almost $500m in equity privately this year to help with its positioning.

Our 12-month price target for EVC is now $10.00; risks on p.2. Our PT is supported by a discounted cash flow valuation based on explicit financial forecasts through 2026.

BUY			
Price at 12/20/21 (USD)			6.40
Price Target			10.00
52-week range			2.66 - 9.34
Performance (%)	1m	3m	12m
Absolute	-19	-6	130
S&P 500	-3	5	24
Market Cap (USDm)			552.4
Shares outstanding (m)			86.3
Float (%)			72
Average volume			660,750
S&P 500			4,568.0
Forecasts and ratios			
Year ended 12/31	2020A	2021E	2022E
1Q EPS (USD)	-0.42	0.06	0.02
2Q EPS (USD)	0.03	0.09	0.04
3Q EPS (USD)	0.11	0.14	0.10
4Q EPS (USD)	0.24	0.15	0.26
FY EPS (USD)	-0.05	0.44	0.42
% Change	NE	NM	-3%
P/E (x)	NM	14.7	15.2
EV/EBITDA (x)	9.3	7.9	7.2
Revenue (USDm)	344.0	751.8	845.8
% Change	NE	119%	13%

Investment Thesis and Valuation: Buy With $10.00 Price Target

Positives supporting our Buy rating include: 1) EVC's share price is not fully capturing the potential of digital media acquisitions over the past year because the higher growth with a different business model is more difficult for investors to assess; 2) EVC's lower post-pandemic expense base looks sustainable; 3) apart from the industry-wide pressure on auto advertising because of supply shortages, and any transitional risks introduced by measures to mitigate covid-19 variants, operating risk at the core U.S. media business should be ebbing based on the cyclical rebound in the U.S. Hispanic economy and secular growth of political advertising; 4) stability of net retransmission fee revenue (61% of 2020 EBITDA) and pro forma net debt leverage under 3x enhance management's longer-term options; and 5) our DCF valuation supports substantial stock price upside over the next 12 months.

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

Risks to our investment thesis include: 1) sensitivity of EVC's advertising-based businesses to macroeconomic shocks, such as pandemic flare-ups, 2) secular challenges and potentially increasing competition from Univision for EVC's broadcast media business, 3) potential volatility of EVC's digital media business, given its increasing focus on emerging markets, its dependence on a small number of relationships with media tech platforms, and increasing competition, 4) potential barriers to sale of all or a portion of the company; and 5) risk of regression to mean in share price performance given shares' substantial appreciation relative to the overall market and sector peers over the past year.

Figure 1: EVC Investment Thesis, Metrics and Valuation Summary

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

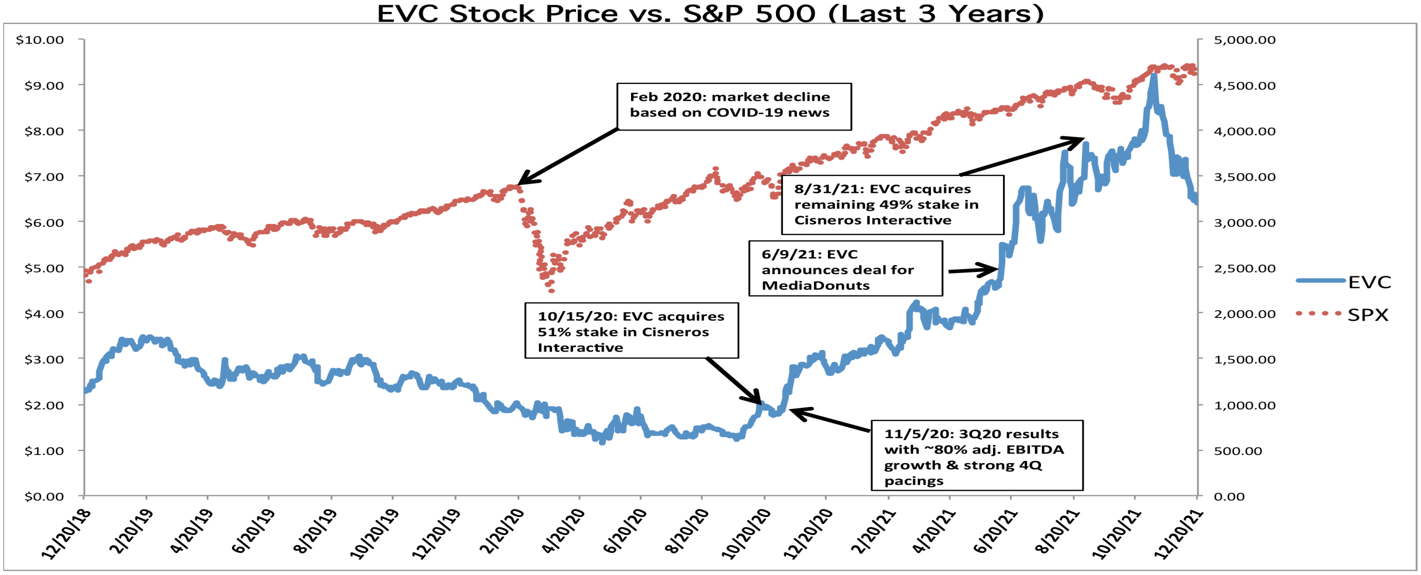
ENTERPRISE VALUE	
Price per share	$6.40
Diluted shares outstanding	86.3
Equity market capitalization	552
+Pro forma net debt	183
-Hidden value	62
=Pro forma EV	$673

OPERATING PROJECTIONS	
Pro forma net revenue	
2021	$770
2020	517
% Chg	*48.8%*
Pro forma EBITDA	
2021	$86
2020	73
% Chg	*17.5%*
Pro forma EBITDA margin	
2021	*11.1%*
2020	*14.1%*
Free cash flow per share	
2021	$0.83
2020	$0.51
% Chg	*62.7%*
Est. 3-5 yr FCF Growth rate	7%

VALUATION AND LEVERAGE	
Pro forma EV/EBITDA	
2021	7.9x
2020	9.3x
Price / Free cash flow per share	
2021	7.7x
2020	12.5x
Pro forma net debt / EBITDA	
2021	2.1x
2020	2.5x
Dividend yield	
2021	1.6%
2020	2.0%

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	**$190**
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 * 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, reflecting early stage and potential competition * 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 3/4 of firm value to digital media business
Recent events	August 2021 - acquired remaining 49% interest in Cisneros Interactive. July **2021** – announced acquisition of MediaDonuts AsiaPac digital media business for $17 million plus earnouts. October 2020 – acquired 51% stake in Cisneros Interactive for $29 million. May 2020 – announced substantial expense costs targeting broadcast operations.
Upcoming potential catalysts	2021/22 rebound in U.S. Hispanic employment and spending as pandemic recedes - Additional digital media M&A - 2022 U.S. midterm election ad spending

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



Our Note In A Nutshell: Looking Harder At Risk … And Competition

No free lunch—as EVC's asset mix has moved abroad, the cozy discount rate of its broadcast media business is less appropriate. We narrow the period of EVC trading data in estimating its beta, to focus on the period after EVC's initial acquisition of Cisneros Interactive. This results in a higher beta, perhaps reflecting the greater volatility of the digital media business in the emerging markets compared to the remaining U.S. broadcasting business. The result is a higher WACC in our DCF valuation of EVC as a whole.

New comps should help better capture risks associated with EVC's digital ad representation business, including FB for social and MELI for Latam exposure; the good news is these changes leave our sum-of-the-parts valuation essentially unchanged. First, we dropped QNST and STGW as comparables. Despite similarity to EVC's digital business in a number of operating metrics, QNST focuses on just two verticals, financial and home services, and its competitive moat as a two-sided ad marketplace may be wider than EVC's, given EVC's dependence on a small set of media tech partners. STGW merged with MDC Partners in August, calling into question whether STGW's recent trading data yields a stable estimate of its new risk profile. We did retain PERI as a comp, because half its business reflects operating risks in social/display advertising, which is the bulk of EVC's representation business, and the other half heavily depends on a relationship with Microsoft, akin to EVC's dependence on FB. PERI also has fairly similar operating margins to EVC's digital media segment, indicating broadly similar risks in managing operating expenses.

We go into detail later on the four digital comps we added—a brief summary here will suffice. We include PUBM, using one year of trading data because it went public last December, primarily because PUBM, as a sell-side platform, represents foremost the interests of digital publishers, similarly to how EVC represents the interests of large media tech platforms. To replace STGW, we now include SFOR.L because, as a marketing communications company operating globally, SFOR.L bears similar risks of managing client portfolios and operating expenses that primarily depend on the cost of labor, as opposed to technology, and SFOR.L has a higher revenue growth profile (+20% pro forma in 2020) than larger ad agency holding companies, and thus more similar to EVC's digital business. We added two larger companies into the mix. First, we include FB in our estimate of the sector beta for valuing EVC's business because the growth trends for FB are at present the most relevant for EVC's digital segment, given Cisneros' substantial dependence on FB for commission revenue. Second, we now include Latin American e-commerce giant MELI, because, with ~80% of its revenue from Latin America, MELI is exposed to trends in the Latam consumer Internet, which reflects a key similarity in operating risk to Cisneros Interactive, which we estimate accounts for ~80% of EVC's digital segment revenue.

EVC's share price pullback may reflect the higher sensitivity of Latam consumer Internet businesses to flux from Covid-19. As poorly as EVC shares have performed since reporting 3Q results after market close on 11/4, down 27%, MELI's shares have declined about as much, down 24%. Of course, there may be other factors at play, such as disappointment that EVC's outlook with results reined in more than unleashed expectations, or perhaps trash talk by Aleph as it tries to warm up investors for its potential IPO.

Speaking of Aleph, will EVC and Aleph sign their own Treaty of Tordesillas? The fun you can have with search engines—this was 15th century treaty aiming to divide newly discovered lands between Portugal and Spain. The thought now is that a mano-a-mano rivalry may be developing between EVC and Aleph in the media tech representation business in the emerging markets. If Aleph has a smashing IPO debut, that could reinvigorate valuations that investors put on EVC's own digital media business. If Aleph stumbles, either in the run-up to or trading after any IPO, EVC's valuation could be dragged down with it. In either case, given that Aleph's revenue base is reportedly roughly twice what we estimate for EVC's digital media segment, Aleph's outlook, either as valuation validator or mandate-by-mandate competitor, is going to be increasingly relevant to EVC investors.

Overview of EVC's Digital Media Segment

By far the largest part of EVC's business is the advertising representation that Cisneros and MediaDonuts perform for their media tech platform partners. Cisneros does so in the Americas outside of the U.S., primarily for FB, for which Cisneros Interactive serves as exclusive Facebook Authorized Sales Partner in over half of the 17 regions where Cisneros Interactive operates. Cisneros Interactive has been expanding its portfolio of platform partners, most notably to include Spotify on an exclusive basis in 16 Latin American regions (15 countries and Puerto Rico). On a substantially smaller scale, MediaDonuts represents platforms like Twitter and TikTok in Southeast Asian countries such as Thailand, Philippines, and Vietnam, and has a representation business in India as well. Although EVC provides tools for ad agencies and advertisers to manage their spending, we would not go so far as to say that its ad representation business provides programmatic tools comparable to those offered by a number of other public companies.

Given its marginal profitability, EVC's legacy digital business is not material to our valuation. What we deem the legacy business consists largely of Pulpo (acquired in 2014), Headway (acquired in 2017) and Smadex (acquired in 2018). 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.

Figure 2: Cisneros Interactive Is The Lion's Share of Revenue and Operating Cash Flow for EVC's Digital Segment

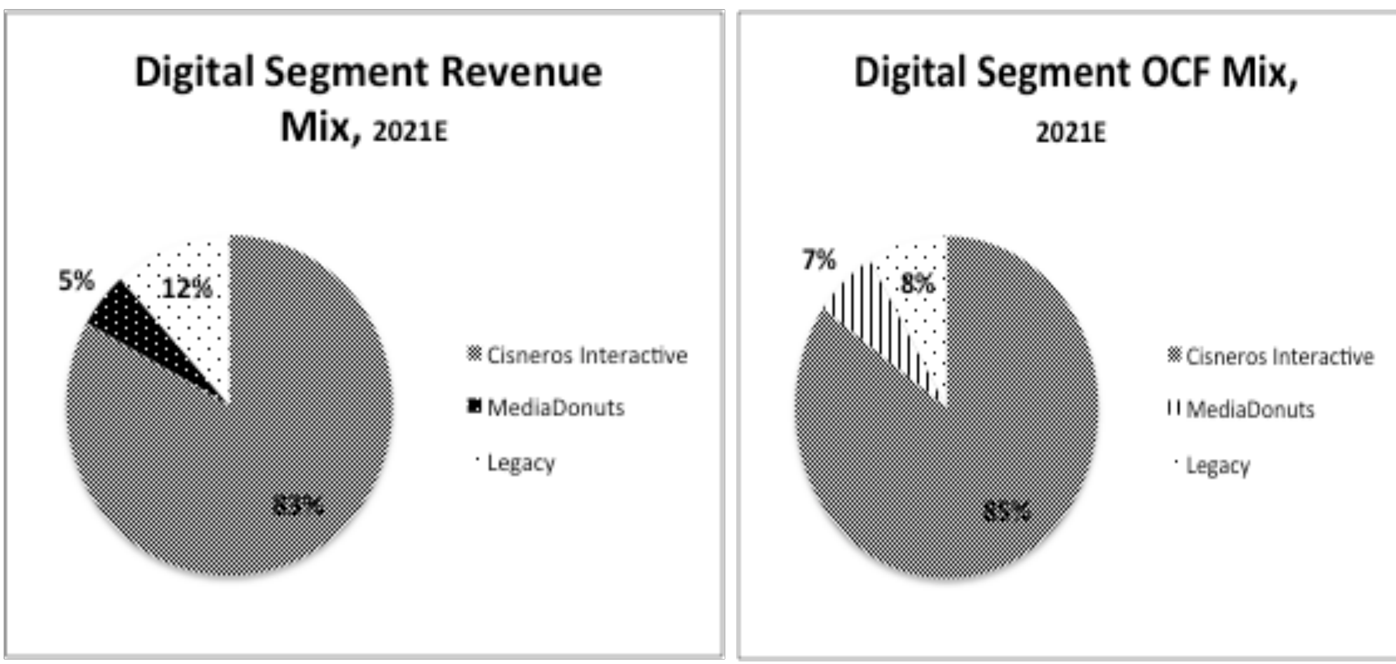


Figure 3: Digital Segment Forecast Separates Legacy Digital From Cisneros and MediaDonuts Businesses

In millions, except unit data	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E
Legacy												
Revenue	$68.9	$13.3	$11.4	$13.7	$15.8	$54.1	$13.0	$15.3	$17.4	$18.3	$64.0	$65.8
Cost of Revenue	36.8	7.3	6.4	7.8	9.0	30.6	7.4	8.7	9.9	10.5	36.5	37.5
Opex ex-cost of revenue	32.3	6.9	6.2	5.4	6.1	24.5	5.9	5.6	6.5	6.4	24.4	29.3
OCF	(0.1)	(0.9)	(1.2)	0.5	0.6	(1.0)	(0.2)	1.0	0.908	1.4	3.1	(1.0)
OCF Margin	*-0.2%*	*-6.6%*	*-10.8%*	*3.4%*	*4.0%*	*-1.9%*	*-1.9%*	*6.8%*	*5.2%*	*7.5%*	*4.8%*	*-1.6%*
Acquisitions-Stand Alone												
Cisneros revenue	159.4	40.2	42.0	53.3	97.8	233.3	88.5	114.9	116.6	136.8	456.8	524.6
Cisneros cost of revenue	136.2	35.3	36.7	46.0	83.6	201.7	77.6	100.4	104.7	120.0	402.6	462.3
Cisneros opex ex-cost of revenue	13.2	3.2	3.3	4.1	6.7	17.4	4.6	6.3	5.0	6.8	22.8	26.5
Cisneros OCF	9.9	1.7	2.0	3.1	7.4	14.2	6.3	8.3	6.920	9.9	31.4	35.9
OCF Margin	*6.2%*	*4.2%*	*4.8%*	*5.9%*	*7.6%*	*6.1%*	*7.1%*	*7.2%*	*5.9%*	*7.2%*	*6.9%*	*6.8%*
MediaDonuts revenue	0.0	3.1	4.1	7.9	13.3	28.5	8.0	9.9	12.1	17.2	47.2	66.1
MediaDonuts cost of revenue	0.0	2.5	2.7	6.3	9.4	20.9	6.0	6.9	9.7	13.4	36.1	49.5
MediaDonuts opex ex-cost of revenue	0.0	0.9	0.8	0.2	0.6	2.5	1.8	2.7	1.5	2.2	8.1	10.2
MediaDonuts OCF	0.0	-0.2	0.6	1.4	3.3	5.0	0.2	0.3	0.9	1.6	3.0	6.3
OCF Margin		*-5.5%*	*13.6%*	*17.5%*	*24.7%*	*17.7%*	*3.0%*	*3.1%*	*7.5%*	*9.1%*	*6.4%*	*9.6%*
Acquisitions-PF Adjustments												
Cisneros revenue												
Cisneros cost of revenue												
Cisneros opex ex-cost of revenue							0.1	0.1	0.1	0.1	0.5	
Cisneros OCF							(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	
MediaDonuts revenue												
MediaDonuts cost of revenue												
MediaDonuts opex ex-cost of revenue				0.5	0.5	1.0	0.0	0.0	0.0	0.0	0.1	
MediaDonuts OCF		0.0	0.0	(0.5)	(0.5)	(1.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	
Acquisitions-Pro Forma												
Cisneros revenue	159.4	40.2	42.0	53.3	97.8	233.3	88.5	114.9	116.6	136.8	456.8	524.6
Cisneros cost of revenue	136.2	35.3	36.7	46.0	83.6	201.7	77.6	100.4	104.7	120.0	402.6	462.3
Cisneros opex ex-cost of revenue	13.2	3.2	3.3	4.1	6.7	17.4	4.8	6.4	5.2	7.0	23.3	26.5
Cisneros OCF	9.9	1.7	2.0	3.1	7.4	14.2	6.1	8.1	6.799	9.8	30.8	35.9
OCF Margin	*6.2%*	*4.2%*	*4.8%*	*5.9%*	*7.6%*	*6.1%*	*6.9%*	*7.1%*	*5.8%*	*7.2%*	*6.8%*	*6.8%*
MediaDonuts revenue		3.1	4.1	7.9	13.3	28.5	8.0	9.9	12.1	17.2	47.2	66.1
MediaDonuts cost of revenue		2.5	2.7	6.3	9.4	20.9	6.0	6.9	9.7	13.4	36.1	49.5
MediaDonuts opex ex-cost of revenue		0.9	0.8	0.7	1.1	3.5	1.8	2.7	1.5	2.2	8.2	10.2
MediaDonuts OCF		(0.2)	0.6	0.879	2.8	4.0	0.2	0.3	0.9	1.6	3.0	6.3
OCF Margin												
Acquisitions-Adjustments to Reported												
Cisneros revenue	(159.4)	(40.2)	(42.0)	(53.3)	(8.6)	(144.1)	0.0	0.0	0.0	0.0	0.0	0.0
Cisneros cost of revenue	(136.2)	(35.3)	(36.7)	(46.0)	(7.3)	(125.4)	0.0	0.0	0.0	0.0	0.0	0.0
Cisneros opex ex-cost of revenue	(13.2)	(3.2)	(3.3)	(4.1)	(0.6)	(11.2)	0.0	0.0	0.0	0.0	0.0	0.0
Cisneros OCF pre-minority interest	(9.9)	(1.7)	(2.0)	(3.1)	(0.7)	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0
MediaDonuts revenue	0.0	-3.1	-4.1	-7.9	-13.3	(28.5)	-8.0	-9.9	0.0	0.0	(17.9)	0.0
MediaDonuts cost of revenue	0.0	-2.5	-2.7	-6.3	-9.4	(20.9)	-6.0	-6.9	0.0	0.0	(12.9)	0.0
MediaDonuts opex ex-cost of revenue	0.0	-0.9	-0.8	-0.7	-1.1	(3.5)	-1.8	-2.7	0.0	0.0	(4.4)	0.0
MediaDonuts OCF pre-minority interest	0.0	0.2	-0.6	-0.9	-2.8	(4.0)	-0.2	-0.3	0.0	0.0	(0.5)	0.0
Memo: MediaDonuts minority interest	0.0					0.0					0.0	0.0
Acquisitions-As Reported												
Cisneros revenue	0.0	0.0	0.0	0.0	89.2	89.2	88.5	114.9	116.6	136.8	456.8	524.6
Cisneros cost of revenue	0.0	0.0	0.0	0.0	76.3	76.3	77.6	100.4	104.7	120.0	402.6	462.3
Cisneros opex	0.0	0.0	0.0	0.0	6.1	6.1	4.8	6.4	5.2	7.0	23.3	26.5
Cisneros OCF	0.0	0.0	0.0	0.0	6.8	6.8	6.1	8.1	6.8	9.8	30.8	35.9
MediaDonuts revenue		0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.1	17.2	29.3	66.1
MediaDonuts cost of revenue		0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.7	13.4	23.1	49.5
MediaDonuts opex		0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	2.2	3.7	10.2
MediaDonuts OCF		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	1.6	2.4	6.3
EBITDA to red non-con interests						0.0	0.0	0.0	0.0	0.0	0.0	0.0
Digital segment standalone												
Digital revenue	228.3	56.7	57.5	74.8	126.8	315.9	109.5	140.1	146.1	172.3	568.0	656.4
Digital cost of revenue	173.0	45.1	45.9	60.2	102.1	253.2	91.0	116.0	124.3	143.9	475.2	549.3
Digital opex ex-cost of revenue	45.5	10.9	10.3	9.7	13.5	44.4	12.3	14.5	13.1	15.5	55.3	66.0
Digital OCF	9.8	0.7	1.3	5.0	11.3	18.3	6.3	9.6	8.7	12.9	37.5	41.2
Digital segment pro forma												
Digital revenue	228.3	56.7	57.5	74.8	126.8	315.9	109.5	140.1	146.1	172.3	568.0	656.4
Digital cost of revenue	173.0	45.1	45.9	60.2	102.1	253.2	91.0	116.0	124.3	143.9	475.2	549.3
Digital opex ex-cost of revenue	45.5	10.9	10.3	10.2	14.0	45.4	12.4	14.7	13.2	15.6	55.9	66.0
Digital OCF	9.8	0.7	1.3	4.5	10.8	17.3	6.1	9.5	8.6	12.7	36.9	41.2
Digital segment as reported												
Digital revenue	68.9	13.3	11.4	13.7	105.0	143.3	101.5	130.2	146.1	172.3	550.1	656.4
Digital cost of revenue	36.8	7.3	6.4	7.8	85.3	106.9	85.0	109.0	124.3	143.9	462.3	549.3
Digital opex	32.3	6.9	6.2	5.4	12.2	30.6	10.6	12.0	13.187	15.6	51.5	66.0
Digital OCF	(0.1)	(0.9)	(1.2)	0.5	7.4	5.7	5.9	9.2	8.602	12.7	36.4	41.2
Digital Adj. EBITDA	(0.1)	-0.9	-1.2	0.5	7.4	5.7	5.9	9.2	8.6	12.7	36.4	41.2

Source: Company reports; Industry Capital Research estimates

Metrics	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E
Legacy growth												
Reported digital revenue growth					424%	108%	661%	1045%	970%	64%	284%	19%
Legacy digital revenue growth	-14.9%	-7.9%	-32.3%	-22.5%	-21.2%	-21.4%	-2.6%	34.5%	27.4%	16.2%	18.2%	2.8%
2-yr CAGR		-14.5%	-25.6%	-22.0%	-10.6%	-18.2%	-5.3%	-4.6%	-0.6%	-4.3%	-3.6%	10.2%
Legacy digital opex growth		-11.1%	-27.4%	-32.4%	-24.7%	-24.1%	-14.4%	-9.2%	21.5%	5.6%	-0.2%	19.9%
Legacy digital OCF		-1.1%	128.0%	-257.3%	-60.9%	822.5%	-71.9%	-184.0%	95.7%	118.4%	-403.0%	-133.5%
Cisneros growth												
Cisneros revenue growth		31.0%	10.2%	27.8%	100.1%	46.4%	120.0%	173.4%	118.9%	39.9%	95.8%	14.8%
2-yr CAGR							69.8%	73.6%	67.3%	67.3%	69.3%	50.0%
Cisneros opex ex-COR growth		14.2%	5.5%	28.0%	66.7%	31.5%	44.3%	88.2%	22.7%	1.8%	31.2%	16.1%
Cisneros OCF		10%	-13%	8%	132%	43%	266%	314%	122%	34%	120%	14%
Cisneros revenue growth q/q		-17.7%	4.5%	26.7%	83.5%		-9.5%	29.9%	1.5%	17.3%		
Cisneros cost of revenue growth q/q		-15.2%	3.9%	25.5%	81.6%		-7.2%	29.3%	4.3%	14.7%		
Cisneros opex ex-COR growth q/q		-20.5%	4.3%	22.8%	63.8%		-31.2%	36.1%	-20.0%	35.9%		
Cisneros OCF growth q/q		-82.8%	16.9%	56.2%	137.7%		-56.0%	32.2%	-16.4%	43.2%		
MediaDonuts growth												
MediaDonuts revenue growth y/y							154.3%	140.0%	53.5%	29.2%	65.8%	40.0%
2-yr CAGR												52.4%
MediaDonuts opex ex-COR growth y/y							106.5%	215.0%	757.3%	248.6%	223.9%	25.7%
MediaDonuts cost of revenue growth y/y							143%	155%	54%	43%	72%	37%
MediaDonuts OCF growth y/y							-240%	-45%	-34%	-52%	-40%	109%
MediaDonuts revenue growth q/q			31.0%	91.2%	68.9%		-39.9%	23.7%	22.3%	42.1%		
MediaDonuts cost of revenue growth q/q			10.1%	132.8%	48.4%		-36.1%	15.4%	40.3%	38.0%		
MediaDonuts opex ex-COR growth q/q			-0.8%	-79.6%	269.2%		176.8%	51.3%	-44.5%	50.1%		
MediaDonuts OCF growth q/q			NM	146.5%	138.0%		-95.2%	27.5%	193.6%	72.9%		
Digital segment pro forma growth												
Digital revenue					84%	38%	93%	144%	95%	36%	80%	16%
Digital revenue, PF, pro rated for 4Q by days EVC owned Cisneros in 4Q20					67%		83%					
Digital cost of revenue					96%	46%	102%	153%	107%	41%	88%	16%
Digital opex ex-cost of revenue					15%	0%	14%	42%	30%	12%	23%	18%
Digital OCF					125%	76%	831%	613%	93%	17%	114%	12%
Legacy margins												
Legacy cost of revenue/revenue	53.3%	55.1%	56.7%	57.2%	57.4%	56.6%	56.6%	56.7%	57.2%	57.4%	57.0%	57.0%
Legacy COR margin ^ y/y		2.3%	4.0%	0.7%	5.8%	3.3%	1.5%	0.0%	0.0%	0.0%	0.4%	0.0%
Legacy opex ex-COR/revenue	46.8%	51.5%	54.1%	39.4%	38.6%	45.3%	45.3%	36.6%	37.6%	35.1%	38.2%	44.6%
Legacy OCF margin	-0.2%	-6.6%	-10.8%	3.4%	4.0%	-1.9%	-1.9%	6.8%	5.2%	7.5%	4.8%	-1.6%
Legacy OCF margin ^ y/y		-0.5%	-7.6%	5.1%	-4.1%	-1.7%	4.7%	17.6%	1.8%	3.5%	6.7%	-6.4%
Cisneros margins												
Cisneros cost of revenue/revenue	85.5%	87.8%	87.3%	86.4%	85.5%	86.4%	87.7%	87.3%	89.7%	87.7%	88.1%	88.1%
Cisneros COR margin ^ y/y		2.0%	1.6%	1.1%	0.3%	1.0%	-0.1%	0.0%	3.3%	2.2%	1.7%	0.0%
Cisneros OCF margin ^ y/y		-0.8%	-1.3%	-1.1%	1.0%	-0.1%	2.8%	2.4%	0.1%	-0.3%	0.8%	0.0%
Cisneros EBITDA margin ^ y/y		-0.8%	-1.3%	-1.1%	1.0%	-0.1%	2.8%	2.4%	0.1%	-0.3%	0.8%	0.0%
MediaDonuts margins												
MediaDonuts cost of revenue/revenue		78.5%	65.9%	80.3%	70.6%	73.5%	75.0%	70.0%	80.3%	78.0%	76.4%	75.0%
MediaDonuts COR margin ^ y/y							-3.5%	4.1%	0.0%	7.4%	2.9%	-1.4%
MediaDonuts OCF margin ^ y/y							8.5%	-10.5%	-10.0%	-15.5%	-11.3%	3.2%
MediaDonuts EBITDA margin ^ y/y							8.5%	-10.5%	-10.0%	-15.5%	-11.3%	3.2%
Digital Segment margins												
Digital Segment cost of revenue/revenue		55.1%	56.7%	57.2%	81.3%	74.6%	83.7%	83.7%	85.1%	83.5%	84.0%	83.7%
MediaDonuts COR margin ^ y/y							28.6%	27.0%	27.9%	2.2%	9.4%	-0.4%
MediaDonuts OCF margin ^ y/y							-83.7%	-97.9%	-152.9%	-363.3%	-697.9%	0.0%
MediaDonuts EBITDA margin ^ y/y							-83.7%	-97.9%	-152.9%	-363.3%	-697.9%	0.0%
Revenue mix:												
Digital as % of company revenue	25%	21%	25%	22%	61%	42%	68%	73%	73%	76%	73%	78%
Minority interest					2.5	2.5	1.6	2.6	1.8	0.0	5.9	0.0

Source: Company reports; Industry Capital Research estimates

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

Choosing Comparables for Measuring EVC's Digital Sector Risk

Measuring Sector Risk: The Initial Consideration Set

Given our view that most of EVC's firm value depends on its digital business, we have taken another, more detailed, look at public companies that reflect similar operating risks to those faced by EVC's digital segment. This leads us to our updated estimates for the appropriate discount rate to apply to EVC in our sum-of-the-parts valuation of EVC.

In the absence of direct public comparables, we consider public companies in a few different categories: programmatic advertising technology; online advertising serving particular publishers or verticals; larger consumer-facing Internet platforms that face similar risks in terms of social media or geographical exposure. Programmatic advertising companies are digital middlemen catering to ad buyers and sellers (publishers), much as EVC's representations of media tech platforms do. Niche online advertising companies depend more on economically developing tools and expertise for slices of the online ad market, similarly to how EVC relies on tools and expertise in the key media tech platforms that it represents. Finally, a company like FB itself faces user and revenue growth trends that are highly relevant for the long-term growth and economics of EVC's business, while MELI's large e-commerce business depends substantially on the growth of the consumer Internet in emerging markets, Latin America in particular, and this regional technology growth is quite relevant to EVC as well.

There may be different limits on scale of ad representation businesses than on programmatic firms like demand side platforms (DSPs) or supply side platforms (SSPs). Ad representation firms focus on having a portfolio of larger media tech partners in the regions where they operate, as opposed to the hundreds of publishers with which a programmatic platform could deal. However, a media tech platform may balk at the potential conflict of interest created when its sales representative represents a competing media tech platform. A similar dynamic exists with advertising agencies, and indeed holding companies often maintain multiple agency brands in part to manage potential conflicts of interest among competing clients. Thus, in some regions, there may be room for at least two ad representation players. Another possible, related limit on growth of the representation business is that media tech platforms could take their sales operations in-house in various markets over time.

Other public companies offer programmatic solutions—either as DSPs such as Viant, or as SSPs that have expanded their tools for buyers over time, like PUBM and Magnite (MGNI)—where the key driver of company revenue is the take rate charged in some fashion on the volume of ad spending handled by the solutions. In this sense, these companies share an important operating driver with EVC's ad representation business, whose key revenue driver is the commission revenue generated on the spending on the platforms that EVC represents. More broadly, regardless of whether the advertising buyer or advertising seller (publisher) is the paying client, EVC and these other public companies depend on the growth of the ad marketplaces where they offer their services. PUBM and MGNI will grow if they can offer competitive yields to publishers through their SSP solutions, but this will also mean that the ad buyers using the tools that PUBM and MGNI provide for allocating their programmatic spending are achieving competitive returns on ad spending. Similarly, if Viant can deliver effective campaigns to the buyers using its platform, Viant will grow, but this will necessarily mean that the publishers supplying the inventory used in these campaigns are receiving a competitive yield as well. Now, EVC's business depends on the growth of a much smaller set of larger publishers, namely the media tech partners it represents like Facebook and Twitter, but this growth also depends on the success of those advertisers and agencies using EVC to access large platforms.

The importance of the growth of the spending in the relevant online ad markets—either the markets of Facebook or Twitter advertising, for example, for EVC, or the programmatic ad markets which Viant, MGNI and PUBM service—suggests that other public companies could face operating risks similar enough to make them useful comparables for EVC. For example, QNST operates online ad marketplaces focused on the financial services and home services verticals, generating revenue from advertisers on a performance, or lead-gen, basis. PERI has two somewhat distinct businesses, with roughly one half a social/display ad campaign management tool sold to agencies and brand marketers, and the other half a customized tool PERI syndicates for search partner Microsoft under a multi-year agreement. QNST and PERI also have revenue and operating margins not substantially dissimilar from those estimated for EVC's digital segment, although their margins are lower.

Finally, EVC's digital business has enough similarities to the creative execution, media planning on partner platforms, and performance monitoring that could be supplied by an advertising agency as to support including at least one public ad agency holding company in the comparable set. Including an agency also adds exposure to some risk from operating outside of the U.S., which is somewhat lacking in the comparables from the ad/mar-tech space, given the relatively small share of revenue they generate from the emerging markets where EVC focuses.

Perion Network Ltd. (PERI)

Within the peer group considered, PERI appears to have moderate similarity to EVC's digital segment in operating risks, despite some lack of comparability in key operating and valuation metrics. Both PERI and EVC seem exposed to a broad range of verticals of advertising demand. However, PERI has two somewhat distinct businesses, with roughly one half a social/display ad campaign management tool sold to agencies and brand marketers, and the other half a customized search tool PERI syndicates for partner Microsoft under a multi-year agreement. PERI's customers in display and social advertising are primarily advertising agencies, which hire PERI to help manage aspects of client campaigns, in particular to efficiently "Capture and Convince" users across multiple platforms and channels, including interactive connected television – or iCTV. For search advertising, PERI syndicates to publishers paid search listings on behalf of search partners like MSFT, with PERI's search revenue generated primarily from monthly transaction volume-based fees earned for making the applications available to online publishers and app developers. Let's look at operating risk for the social/display and search businesses separately.

Catering to advertising agencies is important to driving demand both for EVC and for PERI's social/display business. In social/display, much of PERI's revenue is from advertising agencies, which contract with PERI to execute ad campaigns on behalf of the agencies' clients. PERI also generates some revenue from working with advertisers directly, as opposed to through an ad agency. Similarly, although EVC is paid a sales commission by its media tech partner publishers, its revenue largely depends on its ability to sell advertising to agencies and direct clients. PERI depends on the effectiveness of its social/display and search advertising tools, whereas EVC depends more on the effectiveness of advertising on its platform partners.

PERI's key moat in the social/display business rests on the existing advertiser agency and brand customer base for its cross-platform social/display advertising management platform, which is more subject to near-term risks of advertising agency buying decisions, but is less subject to the potentially large and lumpy gain and loss of representation engagements from large media tech partners that EVC faces. PERI has less of a moat in its supply relationships, because PERI's sources of supply of ad inventory are typically non-exclusive, and PERI faces risks that these publishers enter into exclusive supply agreements with other companies. PERI sources its social/display ad inventory across a much larger number of smaller publishers than the relatively few that supply the inventory generating EVC's sales commissions. EVC reduces operational risk by having a greater number of geographies and platform partners. Sharing learnings becomes a source of institutional expertise useful in retaining and gaining new platform partners/geographies.

PERI's search advertising business shares more operating risks with EVC. In search, PERI's revenue depends on general trends in search advertising, which are usually similar to the trends in social network advertising relevant for EVC's revenue. Within the search business, PERI's dependence on Microsoft for distribution of its search tool for the execution of campaigns on which it generates revenue is similar to EVC's dependence on FB for ad representation commissions. The multi-year search partner agreement with Microsoft, extending through the end of 2024, under which PERI syndicates paid search listings to numerous publishers, provides PERI with slightly greater visibility in its search business than EVC has in its business, where representation agreements are not multi-year.

Two final differences between PERI and EVC are of note. First, PERI's business is primarily dependent on digital ad growth in the U.S., where PERI generates over 80% of its revenue, whereas EVC generates over 90% of its digital revenue from emerging markets. Second, the fact that PERI recognizes its revenue on a net basis creates a lack of comparability with EVC in scale of revenue and gross margins, as well as in EV/revenue.

PubMatic, Inc. (PUBM)

PUBM, an SSP competitor of MGNI, also seems moderately similar to EVC in operational risks. PUBM is a large legacy SSP that has expanded through offers of header bidding for ad sellers and improved tools for ad buyers. Having a large scale of access to ad buyers is an important part of PUBM's offer to publishers, because greater buy side demand contributes to higher pricing and yield to publishers for their ad inventory. PUBM charges publishers a fee that is a percentage of the value of impressions monetized on PUBM's platform, invoicing buyers of this inventory typically on a monthly basis. As in the case of MGNI, there are several areas of apparently greater operational risk for PUBM, such as in technology, lower cost structure visibility, and some concentration of ad buying demand, balanced against areas of apparently greater risk for EVC, including emerging markets exposure, concentration of key partners, and dependence on ad buyer financing.

As does MGNI, PUBM operates in a relatively crowded tech stack, a greater area of operational risk than for EVC. Digital ad buyers are engaging in supply path optimization to reduce the number of vendors and intermediaries, so as to reduce costs of non-working media purchased in the process of acquiring the ad inventory necessary to execute the advertisers' campaigns.

Although PUBM's visibility into its cost structure is perhaps higher than MGNI's, it is still likely lower than EVC's. PUBM has an annual recurring agreement with publisher Verizon Media that accounted for 20% of its 2020 revenue, providing some longer-term visibility into access to and cost of inventory. Nevertheless, given EVC's exclusive representation agreements, PUBM likely has less visibility into this side of its business than EVC does.

PUBM may have some additional source of risk in demand concentration. PUBM flags annual recurring agreements with Google and The Trade Desk as DSPs as a source of demand concentration. EVC does not flag any particular large ad buyers as constituting a material share of its digital ad demand.

Once again, EVC-C faces the greater volatility of emerging markets growth. PUBM's business is primarily dependent on digital ad growth in the Americas, where it generates roughly 2/3 of its revenue, whereas EVC generates over 90% of its digital segment revenue from emerging markets.

EVC's risk in securing inventory to sell is more episodic than PUBM's, given EVC's reliance on exclusive representation agreements. While PUBM acquires inventory on a programmatic, real-time basis, EVC acquires inventory through longer-term, exclusive sales representation agreements with a relatively small number of key partners. One risk here for EVC is that media tech platform partners take their sales operations in-house in markets where they currently use EVC for ad representation.

As with MGNI, one higher operational risk of EVC is the level of credit extended to its advertising purchasers. PUBM flags no such reliance on credit extended to ad buyers to support PUBM's growth.

PUBM's moat for mitigating risks is similar to MGNI's, depending primarily on technology and scale. As does MGNI, PUBM looks to mitigate operational risk in the digital ad market by ensuring its technology maintains PUBM's substantial scale among publishers looking to sell ad inventory. Contributing to PUBM's technology advantages is its expertise in header bidding technology increasingly used by programmatic publishers. The development and growth of header bidding among digital ad sellers in the monetization of their inventory is one key part of the technology risk in PUBM's business; roughly 2/3 of U.S. digital publishers have adopted header bidding. PUBM more recently has been extending header bidding into OTT/CTV. The goal of PUBM's technology is to win new publisher partners; in 2020, PUBM added 360 publishing partners and at year-end had 1,200 publisher and app developer partners. PUBM's large scale of publisher and app developer partners across multiple channels, including CTV, which sell through PUBM's sell-side advertising platform, makes PUBM a high priority channel for ad buyers. As noted above, EVC's moat relies more on exclusive representation of large social media platforms, regional scale, and to a lesser extent scale in representing multiple media tech partners in a market.

As does MGNI, PUBM reports most of its revenue on a net basis, whereas EVC reports most of its revenue on a gross basis, substantially reducing the comparability of margin and revenue-based valuation metrics for PUBM and EVC. PUBM generally reports its fee revenue on a net basis because it does not act as a principal in the sale of the publisher's ad inventory.

Magnite, Inc. (MGNI)

Within the peer group, MGNI seems moderately similar to EVC in operational risks. MGNI is the largest independent sell-side advertising platform, with a growing focus on the higher-growth connected television ("CTV") ad market. MGNI bills ad buyers on a monthly basis for the full purchase price of impressions filled. MGNI and EVC have similar dependence on the growth of the online ad market and broad diversification of ad verticals. However, there are several areas of apparently greater operational risk for MGNI, such as in technology, exposure to earlier-stage markets like CTV, and lower cost structure visibility, balanced against areas of apparently greater risk for EVC-C, including emerging markets exposure, concentration of key partners, and dependence on ad buyer financing.

More than does EVC's, MGNI's operational risk lies in technology rather than concentration of demand among a certain set of customers or supply among a certain set of publishers. MGNI competes with a solution that allows for programmatic, centralized buying of digital ad inventory across a range of ad types (CTV, video, mobile, desktop), at rates that, after deduction of MGNI's take-rate, are competitive for the various publishers making their inventory available to MGNI's sell-side platform. MGNI's revenue is largely a function of the number of advertising transactions and the price, or CPM, at which the inventory is sold, which results in total advertising spend on its platform, and the take rate MGNI charges for its services. MGNI operates in a relatively crowded tech stack, where buyers are engaging in supply path optimization to reduce the number of vendors and intermediaries, so as to reduce costs of non-working media purchased in the process of acquiring the ad inventory necessary to execute the advertisers' campaigns. Another technology risk for MGNI is header bidding, whereby sellers offer inventory to multiple platforms like MGNI's. Finally, MGNI generates over 40% of its revenue from CTV, and expects CTV will be its biggest revenue growth driver going forward. The growth and volatility of the CTV market—which MGNI describes as still early stage—depend on, among other things, the shift of advertising demand from linear TV to CTV and the demand of streaming publishers for solutions like MGNI's to monetize their ad inventory. CTV is an ad channel to which neither EVC nor its ad platform partners have any direct exposure.

MGNI has less visibility into its cost structure than EVC does. MGNI says its agreements with buyers and sellers of ad inventory are generally not exclusive. Thus, MGNI has greater risk in access to and cost of inventory than does EVC, where its commission rates are set by contract with its media tech partners. Furthermore, the mix of business across publisher platforms can affect MGNI's revenue, as MGNI's take rates vary across platforms. EVC's commission rates do not have similar variability for any particular ad platform partner, although EVC does receive different commission rates across its portfolio of platform partners, with FB's typically at the low end.

On the flip side, EVC faces the greater volatility of emerging markets growth. MGNI's business is primarily dependent on digital ad growth in the U.S., where it generates over 70% of its revenue, whereas EVC generates over 90% of its revenue from emerging markets.

Although both MGNI and EVC act as agents on behalf of publishers in selling ad inventory (setting aside for now EVC's accounting treatment of these transactions), EVC's risk in having inventory to sell is more episodic than MGNI's, given EVC's reliance on exclusive representation agreements. While MGNI acquires inventory on a programmatic, real-time basis, EVC acquires inventory through longer-term, exclusive sales representation agreements with a relatively small number of key partners.

One higher operational risk of EVC is the level of credit extended to its advertising purchasers. For example, the expansion of credit extended by FB to buyers of its advertising through EVC was an important growth catalyst for Cisneros Interactive starting in the latter part of 2020. If this level of credit were reduced, then the level of spending by advertisers through EVC, and accordingly EVC's sales commission revenue, could be reduced as well. This risk is part of the ad representation model in many of the markets in which EVC operates.

MGNI's moat to mitigate risks depends more on technology and scale, whereas EVC's moat depends most on its exclusive relationships with large media tech platforms. MGNI looks to mitigate operational risk in the digital ad market by ensuring its technology maintains MGNI's substantial scale among publishers looking to sell ad inventory. In turn, MGNI believes that its scale, platform features, and omni-channel offering makes it an essential partner for buyers. As noted above, EVC's moat relies more on exclusive representation of large social media platforms, regional scale, and to a lesser extent scale in representing multiple media tech partners in a markets.

Despite similarities noted above, a number of key operating and valuation metrics for MGNI and EVC lack comparability. Most of MGNI's revenue is booked on a net basis, while most of EVC's is booked on a gross basis, although an increasing share of EVC's revenue recognized through CTV is booked on a gross basis. This difference in revenue recognition contributes to a higher valuation of MGNI on EV/revenue. MGNI has had operating losses recently, in contrast to EVC's relatively stable positive digital operating margins. Finally, MGNI has engaged in material acquisitions over the past two years, in particular of Telaria in April 2020 and SpotX in February 2021, changing its asset and operational risks, so that beta calculations for MGNI using data over this period may have a larger margin of error.

QuinStreet, Inc. (QSNT)

Within the peer group we consider, QNST appears to have relatively low similarity to EVC in operating risks, despite reasonably high similarity in key operating metrics. QNST is a 2-sided ad online market focused on the financial services and home services verticals, generating revenue from advertisers on a performance, or lead-gen, basis. The revenue of EVC and QNST depends on the growth of digital advertising. In addition, QNST relies on performance-based marketing, and performance marketing is an important use case driving spending on EVC's platform partners.

However, EVC's revenue depends in particular on the growth of its key social media tech platform partners, whereas QNST's revenue depends primarily on the demand from its advertisers, which come from two verticals in particular, financial services and home services verticals. EVC does not have similar vertical-specific dependence. Because of the dominance of FB as an Internet platform in the Latam markets where EVC represents FB, QNST's vertical risk seems somewhat greater than EVC's publisher partner risk.

QNST has less visibility into costs and margins than EVC. QNST bears the risk of the media purchases necessary to drive traffic to advertisers selling in those verticals. Thus, although QNST's cost of revenue as a percentage of sales is only a bit higher than EVC's, the risk from its cost structure seems greater. QNST must apply technology, data and media buying expertise to manage its cost of traffic, while EVC's cost is relatively predictable, reflecting the set sales commission rates in its agreements with its media tech partners.

EVC does face higher macroeconomic volatility than QNST. EVC currently depends more on growth trends in Latin America, and to a much lesser degree, Southeast Asia, while most of QNST's revenue comes from U.S. advertisers.

The moats that QNST and EVC use to mitigate operating risks are somewhat different. QNST's 2-sided marketplace for matching advertisers with traffic in two particular verticals serves as a barrier to competition, given the challenges of launching and scaling two-sided markets. EVC's moat relies more on exclusive representation of large social media platforms, regional scale (in Latam in particular), and to a lesser extent scale in representing multiple partners in its markets, which increases its access to advertisers in any given market.

Despite the above differences, QNST and EVC share some fairly similar key operating and valuation metrics. They have similar scale in revenue, which both recognize largely on a gross basis. QNST has only slightly lower gross and operating margins. Finally, we note that QNST's EV/revenue is similar to what we estimate for EVC, slightly over 1x.

Viant Technology Inc. (DSP)

Within our consideration set, despite some similarities in operating risks to EVC, Viant seems less suitable as a comparable because it has less than a year of public trading history, it relies for revenue on ad buyers that almost always have other options, and it could benefit from the same regulatory trends that pose some threat to EVC's revenue base. Viant is a people-based demand side platform ("DSP") looking to benefit from the trend to targeting consumers with real world and first-party, as opposed to cookie-based third-party, data. Viant's primary offering to ad buyers is the Adelphic enterprise software platform, an omni-channel, people-based DSP that provides enterprise-ready, self-service technology to purchase programmatic advertising inventory. Using Viant's identity resolution capabilities and identity graph, marketers and their advertising agencies can identify targeted consumers using real-world identifiers rather than relying primarily on cookies to track users.

Let us note some basic similarities in the operational risks that Viant and EVC face. First, both Viant and EVC seem exposed to a broad range of verticals of digital advertising demand. Second, Viant's customers are advertising buyers including large advertising holding companies, independent advertising agencies, mid-market advertising service organizations as well as marketers that rely on its self-service software platform for their programmatic ad buying needs. EVC targets similar types of customers for spending on the media tech platforms where EVC is the ad representative. That said, while Viant and EVC have similar revenue excluding cost-of-revenue, EVC has 10x the customers that Viant has, reflecting Viant's greater reliance on spending by large U.S. advertising agencies.

On the other hand, Viant seems to have higher technology risk and less visibility into demand and margins than does EVC.

As for technology risk, in that its software tool must integrate numerous data sources, access numerous sources of supply, and deliver competitive returns on ad spend to its ad buyer customers. Viant must upgrade the usability and effectiveness of its software platform, while EVC needs primarily to ensure that it is staying expert in the features of its media tech platform partners and is effectively training and advising advertisers to use these media tech platforms. Viant is more subject to its customers shifting spending to solutions of competitors than is EVC, whose risk here is more related to customers shifting spending to competing media tech platforms that EVC does not represent. EVC primarily focuses on assisting ad buyers in placing and managing ad campaigns on a small number of media tech platforms that it represents. The performance of EVC's campaigns will largely reflect the performance that its media tech platforms can deliver, while the performance of Viant's campaigns will reflect a more proprietary mix of Viant's software, data, and inventory access capabilities.

Viant has less visibility into demand, as EVC's demand is derived to a large degree from the demand for well-established media tech partners, for which EVC is the exclusive representative in its markets. Viant customers typically have relationships with numerous providers and can use Viant's platform or those of Viant's competitors without incurring significant costs or disruption. By contrast, EVC has exclusive relationships with large media tech platforms in its geographies. Many advertisers are still in the early stages of moving a greater percentage of their advertising budgets to programmatic channels, making the pace and magnitude of the shifts in spending an operational risk for Viant. By contrast, the pace of shift of ad spending to the larger, more "must-have" media tech platforms which EVC represents is likely more predictable. Viant has few agreements with buyers committing to any minimum spending with Viant's platform over time. Although EVC does not benefit from such agreements either, it is likely that many of those spending on EVC's platform partners plan on regular allocations of spending to those platforms.

Viant likely has less visibility into margins than EVC does. Viant is subject to pricing risk from competitors who may offer similar buying services at below-cost as part of a broader service offering, while EVC has little risk of such pricing pressure on its operating margins.

On the flip side, EVC-C faces the greater volatility of emerging markets growth. Viant's business is primarily dependent on digital ad growth in the U.S., where Viant generates most of its revenue, whereas EVC generates over 90% of its revenue from emerging markets.

EVC may also face greater regulatory risk than Viant, given the increasing focus on social media network practices and privacy policies. Viant sees increasing privacy regulation as favoring the people-based approach of its DSP, relative to competitors more reliant on third-party cookies to deliver performance to their ad buyers. By contrast, spending on some of EVC's key platform partners could be adversely affected by increasing privacy regulations.

As with the SSPs, Viant's moat relies more on technology, while EVC's relies more on its exclusive media tech platform representations. Viant's primary moat to buffer risks is its people-based demand side platform allowing advertisers to target consumers using real-world and first-party identifiers. Viant holds roughly 26 issued patents, 10 pending patent applications and 306 issued trademarks. This provides some competitive advantage in Viant's business, whereas EVC has little intellectual property that would serve as a buffer to competition.

One important limitation of Viant for estimating the appropriate industry beta for EVC is that Viant has a limited trading history as a public company. Viant completed the IPO of its Class A common stock on February 12, 2021. Moreover, Viant has substantially less revenue than EVC. One similarity to EVC is that Viant reports revenue on a gross basis, including any traffic acquisition costs in cost of revenue. This contributes to the EV/revenue of Viant being in the range of what we estimate for EVC, ~1x.

Stagwell (STGW)

The combination of MDC Partners and STGW was completed on August 2, 2021. That is the primary reason we do not include STGW as a comparable in our analysis.

S4 Capital plc (SFOR.L)

SFOR.L is a larger ad agency holding company than STGW, with a business focused on the Americas. Given the broad similarities between EVC's digital ad representation business and the business of advertising agencies, in particular their dependence on digital advertising trends, economic conditions outside the U.S., client service, and management of employee expense, we have included SFOR.L as a comparable in our cost of capital analysis.

Two Big Platforms Relevant to Estimating A Sector Beta for EVC: FB and MELI

Two large consumer Internet platforms are worth consideration. They are FB, which is by far the most important media tech partner for EVC's business, and MELI, the largest publicly traded consumer Internet platform focused on the Americas outside of the U.S.

First, given that we estimate Cisneros Interactive generates ~80% of EVC's digital media revenue and that Cisneros Interactive's representation of FB in Latam markets accounts for most of Cisneros Interactive's revenue, FB itself could be a useful comparable. Although Cisneros Interactive is a much earlier stage business, and has been growing much faster than FB over the past year, and likely substantially faster even than FB in the markets where Cisneros Interactive operates, Cisneros Interactive's revenue growth depends on many of the same factors as FB's. The visibility into expenses for both Cisneros Interactive and FB is fairly similar. Of course, despite the numerous other social and display networks with which FB competes, FB's moat seems greater and different in kind from EVC's moat. In many emerging markets, FB's platform is almost synonymous with the Internet, and thus unlikely to see the type of shocks to its usage or monetization that could befall EVC if EVC lost representations of any important media tech partners in important geographies. Nevertheless, FB is worth assessing primarily because it is by far the most important platform that EVC represents, although EVC's reliance on FB may moderate over time.

Second, none of the comparables reviewed thus far are particularly dependent on growth of the consumer Internet in the emerging markets, in particular the Americas outside of the U.S., and for this reason, MELI is worth considering. MELI is a large e-commerce platform focused on Latin America. Although MELI has a presence in 18 countries, in 2020, it generated almost 95% of its revenue from just three: Brazil (55.2%), Argentina (24.7%) and Mexico (14.5%). Of course, similarly to FB, MELI is in a fundamentally different business than EVC's, and it has a larger moat as a buffer against operational risks, reflecting its greater scale ($4 billion in gross revenue in 2020) and maturity of operations (founded in 1999). Nevertheless, the focus of MELI on the Americas outside of the U.S., its dependence on the growth of the consumer Internet, and its exposure to the advertising market, both through its own platform as well as its recent investment in EVC competitor Aleph, in aggregate weigh in favor of considering MELI in the determination of a relevant industry sector beta for EVC's digital business.

Aleph Holding: The Pure Play Digital Comp We May Soon Have

There is no public company with a business directly comparable to EVC's digital segment, although Aleph is a pure-play comparable looking to go public, possibly early next year. After two private equity sales in the past six months for almost $500m (with CVC's $470m investment in July being the biggest venture deal out of Miami this year), Aleph seems set to scale its footprint in the media tech platform representation business focused on emerging markets. There are other tealeaves. MELI invested $25m in Aleph in August, MELI's CFO has reportedly joined Aleph's board, and Aleph's own CFO previously worked at MELI. In mid-October, Aleph confidentially filed with the SEC a Form F-1, and press reports state that Aleph could look to go public in early 2022. Nor do we rule out Aleph going public through a merger with a SPAC. In October, MELI partnered with a Latin American venture capital fund to take public MELI Kaszek Pioneer Corp, raising $287m in a SPAC listed on NASDAQ (MEKA). Per Bloomberg, MEKA has shortlisted 30 companies for investment, targeting late stage growth companies. The vision is for MEKA to be one of a series of SPACs that could serve as options for Latin American companies to go public.

This year's investments in Aleph and the company's positioning to go public provide validation of the place of the representation business in the digital advertising value chain. In a fragmented marketing tech space, middlemen can be prone to embellishment, such as concerning the value of and technology in the tools and services they offer. Aleph describes itself as an "enabler of digital advertising sales" for digital media platforms like Twitter and Facebook, with "innovative proprietary technology, digital expertise and deeply embedded local market knowledge" that allows it to provide "a complete suite of services that help advertisers maximize the value of their digital marketing investments." Of course, offering services to sellers and tools to buyers is not uncharacteristic of digital middlemen; sell-side platforms make similar claims, for example. That said, media tech companies like Facebook, Twitter and TikTok provide their own tools for purchasing, managing and tracking ads on their platforms. The edge which firms like Aleph—as well as EVC's Cisneros and MediaDonuts units—would seem to provide rather consists more of the training and experience necessary to best make use of these media tech platforms.

Aleph's business is reportedly roughly twice the size of EVC's, assuming that Aleph is tracking to a reported $1 billion in gross revenue this year, as compared to our estimate of roughly $550m in digital segment revenue for EVC. The core value proposition of both Aleph and EVC is exclusive representation of major social network platforms in a number of regions, primarily in emerging markets. Aleph operates in over 90 markets worldwide through a number of subsidiary brands, including: IMS (founded in 2005); Httpool (acquired in 2017), which operates WISE.BLUE, a Twitter-specific solution; Ad Dynamo (acquired this year); and Social Snack (acquired in 2014).

IMS operates in a number of Latam countries, including Argentina, Brazil, Colombia, Chile, and Peru, as well as in Mexico in North America. IMS began working in Latam with Twitter in 2012 and with Snapchat in 2016. Thus, in Latam, through exclusive representation agreements, IMS is for Twitter and Snapchat what Cisneros Interactive is for Facebook. IMS' COO joined IMS after having worked for eleven years at MELI. IMS' work with major social platforms in Latam and its efforts to demonstrate expertise about the region suggest that IMS will continue to compete vigorously with EVC's Cisneros Interactive.

Httpool exclusively represents social platforms like Facebook, Twitter, LinkedIn, Snapchat and Spotify in over 20 markets, predominantly in Eastern Europe and Asia. Httpool says that its representation brings to the table "an innovative set of technology and performance solutions, seasoned vertical teams, and extensive market know-how." Httpool operates WISE.BLUE as a dedicated solution for Twitter, offering "power users" set-up, automation, machine learning integration, and campaign management tools.

Social Snack positions itself as an advertising agency alternative, reinforcing the relevance of including a publicly traded ad agency holding company in the set of comparables for EVC. Much of the work in market research, vertical expertise, and ad campaign management and monitoring that representation firms perform is akin to work that creative and media buying units of advertising agencies might do.

Figure 4: We Update Our Weighted Average Cost Of Capital Estimates

Entravision Weighted Average Cost of Capital Analysis

Metric	EVC	EVC-B	EVC-Digital	EVC Broadcasting Media Comparables: NXST	SBGI	GTN	Broadcast Comp AVG	EVC Digital Media Comparables: SFOR.L (GBP)	PERI	PUBM	FB	MELI	Digital Comp AVG
WACC assumptions													
Equity beta (based on Dec 2019-Dec 2021 weekly returns)	1.02	1.77	1.51	1.83	1.79	1.68	1.77	1.23	1.86	2.03	0.97	1.39	1.45
Std error	0.03	0.06		0.06	0.07	0.05	0.06	0.05	0.10	0.07	0.04	0.06	0.07
Equity beta (based on projected leverage)	1.00	1.22											
Debt beta	0.74	0.74		0.7	0.7	0.8		0.9	0.9	0.9	0.7	0.7	
Unlevered beta	0.94	1.10	1.51	1.22	0.97	1.13	1.10	1.22	1.86	2.10	0.99	1.39	1.51
Unlevered cost of capital	6.0%	6.8%	8.8%	7.3%	6.1%	6.9%		7.4%	10.5%	11.6%	6.2%	8.2%	8.8%
Equity cost of capital	6.3%	7.4%	8.8%	10.3%	10.1%	9.6%		7.4%	10.4%	11.3%	6.2%	8.1%	8.7%
Debt cost of capital	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%		6.0%	6.0%	6.0%	5.0%	5.0%	5.6%
Debt value (D)/Equity value (E)	0.33	0.33	-	1.5	4.0	2.0		0.1	-	-	(0.1)	-	
D/Total Value (V)	0.25	0.25	-	0.60	0.80	0.67		0.09	-	-	(0.06)	-	
E/V	0.75	0.75	1.00	0.40	0.20	0.33		0.91	1.00	1.00	1.06	1.00	
Projected long-term net debt/EBITDA	2.0x	2.0x											
Tax rate	40%	40%		40%	40%	40%		40%	40%	40%	40%	40%	
WACC (based on unlevered cost of capital)	5.5%	6.3%	8.8%	6.1%	4.5%	5.4%		7.1%	10.5%	11.6%	6.3%	8.2%	
Historical capital structure													
D/E													
9/30/21	0.1	0.1		1.1	4.9	2.0			-	(0.1)	(0.0)	0.0	
12/31/20	0.6	0.6		1.5	4.4	2.3		(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	
12/31/19	0.7	0.7		1.5	4.2	2.0		0.1	0.0		(0.1)	(0.0)	
12/31/18	0.3	0.3		1.1	1.1	1.4		0.0	0.0		(0.1)	0.0	
Average	0.4	0.4		1.3	3.7	1.9		0.0	(0.0)	(0.1)	(0.1)	(0.0)	
Target D/E	0.33	0.33		1.5	4.0	2.0		0.10	-	-	(0.1)	-	
Market assumptions													
Risk-free interest rate	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%		1.43%	1.43%	1.43%	1.43%	1.43%	
Equity market risk premium	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%		4.85%	4.85%	4.85%	4.85%	4.85%	

Source: Company data, U.S. Department of the Treasury, Yahoo Finance, Damodaran Online, Moody's and Industry Capital Research estimates

Figure 5: Financial Statement Forecasts Supporting Our Valuation

Consolidated Income Statement
Fiscal Year Ends December 31
In millions, except per share data

AS REPORTED	2016A	2017A	2018A	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E
Net revenue:															
Television	$159.5	$148.1	$151.7	$149.7	$39.2	$27.0	$37.8	$50.5	$154.5	$36.1	$34.1	$36.5	$38.0	$144.6	$128.3
Radio	75.8	66.9	63.9	55.0	11.7	6.8	11.5	16.2	46.3	11.3	14.1	16.4	15.2	57.1	61.1
Net broadcast revenue	235.4	215.0	215.7	204.7	50.9	33.7	49.3	66.7	200.7	47.4	48.2	52.9	53.2	201.7	189.4
Digital	23.1	57.1	81.0	68.9	13.3	11.4	13.7	105.0	143.3	101.5	130.2	146.121	172.3	550.1	656.4
Total net revenue (core)	**258.5**	**272.1**	**296.6**	**273.6**	**64.2**	**45.1**	**63.0**	**171.7**	**344.0**	**148.9**	**178.4**	**199.0**	**225.5**	**751.8**	**845.8**
Revenue from spectrum usage rights		263.9	1.2	0.0					0.0					0.0	0.0
Total net revenue	258.5	536.0	297.8	273.6	64.2	45.1	63.0	171.7	344.0	148.9	178.4	199.0	225.5	751.8	845.8
Cost of Revenue															
Television		0.0													
Radio		0.0													
Digital	9.5	33.0	45.1	36.8	7.3	6.4	7.8	85.3	106.9	84.8	109.0	124.3	143.9	462.0	549.3
Digital cost of revenue as % of revenue	41.2%	57.8%	55.7%	53.3%	55.1%	56.7%	57.2%	81.3%	74.6%	83.5%	83.7%	85.1%	83.5%	84.0%	83.7%
Total cost of revenue (core)	**9.5**	**33.0**	**45.1**	**36.8**	**7.3**	**6.4**	**7.8**	**85.3**	**106.9**	**84.8**	**109.0**	**124.3**	**143.9**	**462.0**	**549.3**
Cost of revenue from spectrum usage rights (television)		12.340													
Total cost of revenue	9.5	45.3	45.1	36.8	7.3	6.4	7.8	85.3	106.9	84.8	109.0	124.3	143.9	462.0	549.3
Opex															
Television opex	83.6	81.7	84.3	84.4	21.8	17.7	19.0	22.4	80.9	19.9	19.5	20.1	21.1	80.6	71.0
Radio opex	65.4	63.3	59.4	56.7	11.6	9.1	9.7	11.3	41.8	9.7	9.9	9.8	10.2	39.5	41.8
Digital opex	11.2	23.4	33.1	32.3	6.9	6.2	5.4	12.2	30.6	10.9	12.0	13.2	15.6	51.7	66.0
Total opex (core)	**160.2**	**168.4**	**176.8**	**173.4**	**40.3**	**33.0**	**34.1**	**45.9**	**153.3**	**40.4**	**41.4**	**43.1**	**46.9**	**171.9**	**178.8**
Spectrum usage rights															
Total Opex	160.2	168.4	176.8	173.4	40.3	33.0	34.1	45.9	153.3	40.4	41.4	43.1	46.9	171.9	178.8
OCF															
Television OCF	75.9	66.3	67.4	65.2	$17.4	$9.2	$18.8	$28.1	73.6	$16.2	$14.5	$16.3	$17.0	64.0	57.3
TV OCF Margin	47.6%	44.8%	44.4%	43.6%	44.5%	34.2%	49.8%	55.6%	47.6%	44.9%	42.7%	44.7%	44.6%	44.3%	44.7%
Incremental Margin	-566.3%	83.6%	30.3%	105.6%					173.4%					97.3%	40.8%
Radio OCF	10.5	3.6	4.6	(1.7)	0.1	(2.4)	1.8	4.9	4.5	1.6	4.2	6.7	5.0	17.6	19.3
Radio OCF margin	13.8%	5.4%	7.1%	-3.1%	0.6%	-34.7%	15.9%	30.4%	9.7%	14.4%	29.9%	40.5%	33.1%	30.7%	31.5%
Incremental Margin	1189.2%	76.7%	-31.0%	70.1%					-70.4%					120.8%	42.6%
Digital OCF	2.4	0.7	2.8	(0.1)	(0.9)	(1.2)	0.5	7.4	5.7	5.9	9.167	8.6	12.7	36.4	41.2
Digital OCF margin	10.2%	1.3%	3.4%	-0.2%	-6.6%	-10.8%	3.4%	7.0%	4.0%	5.8%	7.0%	5.9%	7.4%	6.6%	6.3%
Incremental Margin	28.8%	-4.8%	8.5%	23.9%					7.9%					7.5%	4.5%
Total OCF (core)	**88.7**	**70.7**	**74.8**	**63.4**	**16.6**	**5.6**	**21.1**	**40.4**	**83.8**	**23.7**	**27.9**	**31.6**	**34.7**	**117.9**	**117.7**
Margin	34.3%	26.0%	25.2%	23.2%	25.9%	12.5%	33.5%	23.5%	24.4%	15.9%	15.7%	15.9%	15.4%	15.7%	13.9%
Incremental Margin	-114.5%	-132.9%	16.6%	49.1%	-542.5%	47.9%	-94.2%	23.9%		8.4%	16.7%	7.7%	-10.6%		
Spectrum sales	0.0	251.6	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000
Total OCF	88.7	322.3	75.9	63.4	16.6	5.6	21.1	40.4	83.8	23.7	27.9	31.6	34.7	117.9	117.7
Total OCF Margin	34.3%	60.1%	25.5%	23.2%	25.9%	12.5%	33.5%	23.5%	24.4%	15.9%	15.7%	15.9%	15.4%	15.7%	13.9%
Incremental Margin	-114.5%	84.2%	103.4%	51.6%	-542.5%	47.9%	-94.2%	23.9%		8.4%	16.7%	7.7%	-10.6%		
Corporate Expense	24.5	27.9	26.9	28.1	6.8	5.4	6.3	9.3	27.8	7.2	7.3	7.3	7.3	29.1	29.8
GAAP EBITDA	64.2	294.4	49.1	35.4	9.8	0.2	14.8	31.1	56.0	16.6	20.6	24.3	27.4	88.8	88.0
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)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.5)
Payments on syndication contracts	(0.4)	(0.4)	(0.6)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.5)
Non-cash comp in direct opex	1.3	1.2	0.7	0.7	0.1	0.1	0.1	0.9	1.2	0.3	0.3	0.3	0.3	1.3	1.3
Non-recurring cash severance			0.8	2.3	0.6	0.5		0.5	1.7	0.0					
EBITDA attributable to redeemable noncontrolling interest								3.4	3.4	2.8	4.3	2.0	0.0	9.1	0.0
Total opex (positive) adjustments to cash	(1.3)	(1.2)	(1.5)	(2.9)	(0.7)	(0.6)	(0.2)	2.0	0.5	2.5	3.9	1.7	(0.3)	7.8	(1.3)
Foreign currency (gain) loss	0.0	0.4	1.6	0.8	1.5	(0.2)	(0.7)	(1.7)	(1.1)	0.6	(0.3)	0.2	(0.5)	0.0	0.0
Total Adjusted EBITDA	69.2	300.1	54.0	41.2	9.7	1.7	16.4	32.6	60.4	14.2	17.8	23.2	29.8	85.0	93.4
Other opex for spectrum (in corporate)		2.1	1.2												
Adjusted EBITDA (core)	**69.2**	**50.6**	**54.0**	**41.2**	**9.7**	**1.7**	**16.4**	**32.6**	**60.4**	**14.2**	**17.8**	**23.2**	**29.8**	**85.0**	**93.4**
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	17.8	23.2			
Model variance: adj. EBITDA	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0			
Adj. EBITDA core margin	26.8%	18.6%	18.2%	15.1%	15.1%	3.8%	26.0%	19.0%	17.6%	9.5%	10.0%	11.7%	13.2%	11.3%	11.0%
Incremental Margin	-161.7%	-137.3%	14.0%	55.6%	-376.3%	45.0%	-123.8%	21.4%	27.3%	5.3%	12.1%	5.0%	-5.3%	6.0%	8.9%

Source: Industry Capital Research estimates and company data

Figure 6: Financial Statement Forecasts Supporting Our Valuation (cont.)

In millions, except per share data	2016A	2017A	2018A	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21A	3Q21A	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	$45.4	$44.8	$46.5	$179.7	$177.4
Memo: cash corporate expense	20.8	23.1	21.8	24.4	6.2	4.7	5.6	7.4	23.9	6.4	6.5	6.5	5.7	25.1	$25.7
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	1.9	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)	(3.6)	(1.9)	0.8	(7.8)	$1.3
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	5.1	5.9	5.9	22.1	24.0
D&A % of Revenue	5.9%	6.0%	5.5%	6.1%	7.0%	8.6%	6.2%	2.9%	5.0%	3.5%	2.8%	3.0%	2.6%	2.9%	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	0.1	0.2	0.0	1.6	0.0
Other operating (gain) loss		(0.3)	(1.2)	(6.0)	(0.8)	(2.0)	(2.7)	(1.3)	(6.9)	(1.9)	(0.5)	(2.4)	0.0	(4.9)	(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**	**16.2**	**20.5**	**21.9**	**70.0**	**64.8**
Operating Margin %	18.9%	51.8%	11.3%	-0.6%	-54.8%	-3.2%	22.6%	16.9%	1.9%	7.6%	9.1%	10.3%	9.7%	9.3%	7.7%
Interest expense	(15.5)	(16.7)	(13.7)	(13.7)	(2.7)	(2.0)	(2.0)	(1.6)	(8.3)	(1.7)	(1.8)	(1.7)	(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	(0.2)	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)	(1.8)	(1.7)	(2.1)	(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	0.2	(0.2)	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**	**14.5**	**19.0**	**19.7**	**62.9**	**56.8**
Pretax margin	13.0%	48.2%	7.2%	NM	NM	NM	20.2%	16.0%	0.0%	6.6%	8.1%	9.5%	8.7%	8.4%	6.7%
Income (taxes) benefit	(13.1)	(82.6)	(7.9)	(8.2)	1.7	5.3	(3.7)	(4.7)	(1.5)	(2.8)	(4.0)	(5.1)	(6.9)	(18.8)	(19.9)
Effective tax rate	39.1%	31.9%	36.8%	-72.1%	4.5%	179.9%	29.3%	17.1%	1276.3%	28.5%	27.6%	26.9%	35.0%	29.9%	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%	22.7%	2.5%	3.8%	6.8%	7.6%
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	10.5	13.9	12.8	44.1	36.9
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	0.0	0.0	0.0	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	10.5	13.9	12.8	44.1	36.9
Net margin	26.8%	9.4%	18.1%	15.1%	15.1%	3.8%	26.0%	19.0%	17.6%	9.5%	10.0%	11.7%	13.2%	11.3%	11.0%
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	2.6	1.8	0.0	5.9	0.0
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	7.9	12.1	12.8	38.2	36.9
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	$0.09	$0.14	$0.15	$0.45	$0.44
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)**	**(35.6)**	**2.3**	**9.0**	**20.3**	**(3.9)**	**5.4**	**7.9**	**12.1**	**12.8**	**38.2**	**36.9**
EPS - basic	$0.23	$1.95	$0.14	($0.23)	($0.42)	$0.03	$0.11	$0.24	($0.05)	$0.06	$0.09	$0.14	$0.15	$0.45	$0.44
EPS - diluted	**$0.22**	**$1.91**	**$0.13**	**($0.23)**	**($0.42)**	**$0.03**	**$0.11**	**$0.24**	**($0.05)**	**$0.06**	**$0.09**	**$0.14**	**$0.15**	**$0.44**	**$0.42**
EPS reported by company	$0.22	$1.91	$0.13	($0.23)	($0.42)	$0.03	$0.11	$0.24	($0.05)	$0.06	$0.09	$0.14			
Model variance: EPS	$0.00	$0.00	$0.00	$0.00	($0.00)	($0.00)	($0.00)	($0.00)	$0.00	$0.00	($0.00)	($0.00)			
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	7.9	12.1	12.8	38.2	36.9
Pro forma EPS - basic	$0.23	$1.95	$0.14	($0.23)	$0.05	$0.03	$0.11	$0.24	$0.43	$0.06	$0.09	$0.14	$0.15	$0.45	$0.44
Pro forma EPS	**$0.22**	**$1.91**	**$0.13**	**($0.23)**	**$0.05**	**$0.03**	**$0.11**	**$0.24**	**$0.43**	**$0.06**	**$0.09**	**$0.14**	**$0.15**	**$0.44**	**$0.42**
EPS shares - Basic	89.3	90.3	89.1	85.1	84.3	84.1	84.2	84.3	84.2	85.0	85.2	85.4	85.1	85.1	84.8
EPS shares - Diluted	91.3	91.9	90.3	86.2	84.3	84.7	84.9	86.0	84.2	87.0	87.8	88.3	88.1	87.7	87.8
Free Cash Flow:															
EBITDA	69.2	50.6	54.0	41.2	9.7	1.7	16.4	32.6	60.4	14.2	17.8	23.2	29.8	85.0	93.4
Cash net interest	-14.4	-12.7	-10.6	-9.4	-1.9	-1.3	-1.3	-1.3	-5.9	-1.4	-1.6	-1.5	-2.1	-6.7	-8.0
Other adjustments to cash		250.0	1.9	4.7	0.3	1.5	2.7	0.8	5.3	1.9	0.5	2.6		5.1	0.0
- Cash taxes	-0.6	-0.8	-3.3	-2.8	-0.1	-0.3	-5.1	-2.2	-7.7	0.2	-3.3	-0.5	-0.8	-4.3	-4.3
Cash taxes / EBITDA	1%	2%	6%	7%	1%	19%	31%	7%	13%	0.0	18%	2%	3%	5%	5%
Minus: capex	-9.1	-12.1	-17.0	-25.3	-2.7	-3.0	-2.1	-1.3	-9.1	-1.8	-1.0	-1.4	-2.2	-6.5	-8.8
Capex / D&A	59%	74%	105%	152%	59%	78%	52%	27%	52%	35%	20%	24%	38%	29%	37%
Capex / EBITDA	13%	24%	31%	61%	28%	174%	13%	4%	15%	13%	6%	6%	7%	8%	9%
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**	**12.4**	**22.4**	**24.8**	**72.6**	**72.3**
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		22.4			
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**	**12.4**	**22.4**	**24.8**	**72.6**	**72.3**
FCF per share (core)	**$0.50**	**$0.41**	**$0.28**	**$0.10**	**$0.06**	**($0.02)**	**$0.12**	**$0.33**	**$0.51**	**$0.15**	**$0.14**	**$0.25**	**$0.28**	**$0.83**	**$0.82**
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%	69.8%	96.5%	83.1%	85.4%	77.4%
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**	**$0.03**	**$0.03**	**$0.10**	**$0.10**
Dividends as % of FCF	24%	39%	70%	197%	83%	-124%	21%	7%	25%	16%	18%	10%	9%	12%	12%
- Dividends	(11.2)	(14.7)	(17.8)	(17.0)	(4.2)	(2.1)	(2.1)	(2.1)	(10.5)	(2.1)	(2.2)	(2.2)	(2.2)	(8.7)	(8.8)

Source: Industry Capital Research estimates and company data

Figure 7: Financial Statement Forecasts Supporting Our Valuation (cont.)

ANNUAL PERCENTAGE CHANGE	2016A	2017E	2018A	2019A	1Q20	2Q20	3Q20	4Q20	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E
Net revenue growth	1.7%	107.4%	-44.4%	-8.1%	-0.7%	-34.8%	-8.5%	142.4%	25.8%	131.7%	295.5%	216.0%	31.4%	118.5%	12.5%
Net revenue (core) growth	**1.7%**	**5.3%**	**9.0%**	**-7.8%**	**-0.7%**	**-34.8%**	**-8.5%**	**142.4%**	**25.8%**	**131.7%**	**295.5%**	**216.0%**	**31.4%**	**118.5%**	**12.5%**
TV revenue growth	0.3%	-7.2%	2.5%	-1.4%	2.5%	-29.2%	3.7%	36.9%	3.2%	-7.9%	26.3%	-3.5%	-24.7%	-6.4%	-11.3%
Radio revenue growth	-0.4%	-11.8%	-4.5%	-13.9%	-2.0%	-52.7%	-22.0%	16.6%	-15.9%	-3.5%	NM	42.5%	-6.2%	23.4%	7.0%
Digital revenue growth	22.5%	146.7%	41.8%	-14.9%	-7.9%	-32.3%	-22.5%	424.2%	108.0%	661.2%	1045.0%	970.1%	64.2%	283.9%	19.3%
Cost of revenue	31.7%	NM	36.7%	-18.5%	-3.9%	-27.2%	-21.5%	NM	NM	NM	NM	NM	68.7%	NM	18.9%
Direct expense	3.7%	-2.2%	3.1%	41.7%	-7.8%	-25.3%	-21.5%	6.3%	-12.1%	-25.5%	-11.9%	-16.7%	-33.9%	-23.1%	-12.0%
SG&A	5.9%	NM	NM	-21.1%	-1.6%	-19.5%	-20.7%	-0.8%	-10.3%	-28.8%	-9.2%	-1.1%	NM	NM	14.9%
Opex	5.9%	NM	NM	-4.8%	-5.5%	-24.2%	-21.3%	NM	23.8%	NM	NM	NM	45.4%	NM	14.9%
Opex (core)	**4.6%**	**5.1%**	**5.0%**	**-1.9%**	**-5.8%**	**-23.5%**	**-21.3%**	**4.0%**	**-11.6%**	**0.4%**	**25.4%**	**26.6%**	**2.1%**	**12.1%**	**4.0%**
TV opex	3.7%	-2.2%	3.1%	0.1%	4.9%	-14.7%	-10.3%	3.2%	-4.2%	-8.6%	10.0%	6.2%	-6.0%	-0.3%	-12.0%
Radio opex	5.5%	-3.2%	-6.2%	-4.5%	-18.4%	-34.3%	-31.4%	-21.3%	-26.3%	-16.9%	8.2%	0.8%	-9.9%	-5.4%	5.8%
Digital opex	7.0%	107.8%	41.8%	-2.6%	-11.1%	-27.4%	-32.4%	51.1%	-5.0%	58.1%	95.3%	145.0%	27.9%	68.8%	27.6%
Total OCF (core)	**-5.3%**	**-20.3%**	**5.8%**	**-15.2%**	**16.4%**	**-67.2%**	**35.2%**	**NM**	**32.1%**	**42.6%**	**NM**	**49.5%**	**-14.1%**	**40.7%**	**-0.1%**
TV OCF	-3.2%	-12.6%	1.7%	-3.3%	-0.4%	-46.6%	23.2%	85.0%	12.8%	-7.1%	57.7%	-13.3%	-39.7%	-13.0%	-10.4%
Radio OCF	-26.3%	-65.4%	25.8%	NM	NM	NM	NM	NM	NM	NM	NM	NM	2.3%	NM	9.7%
Digital OCF	NM	-68.5%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	71.9%	NM	13.2%
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**	**41.7%**	**-8.7%**	**40.6%**	**9.9%**
D & A	-4.0%	7.0%	-0.8%	2.3%	15.2%	-10.1%	-6.1%	17.2%	3.8%	14.9%	31.0%	50.0%	18.9%	27.6%	8.8%
Operating income	-11.5%	NM	-88.5%	-36.9%	31.0%	NM	NM	NM	88.3%	81.4%	NM	39.4%	-12.0%	51.8%	11.0%
Pretax income	-20.3%	NM	-91.7%	NM	NM	NM	NM	NM	NM	NM	NM	49.0%	-28.6%	NM	-9.8%
Net income pre-extra.	-20.5%	NM	-93.1%	NM	NM	NM	NM	NM	NM	NM	NM	34.5%	-37.1%	NM	-3.4%
EPS, Continuing Operations	-20.7%	NM	-92.8%	NM	NM	NM	NM	NM	NM	NM	NM	27.3%	-37.5%	NM	-2.2%
EPS - diluted	**-21.4%**	**NM**	**-93.0%**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**	**29.3%**	**-38.6%**	**NM**	**-3.4%**
FCF/share	NM	-18.0%	-31.7%	-64.3%	NM	NM	NM	NM	NM	NM	NM	NM	-15.2%	62.7%	-1.2%
EPS shares - Diluted	1.1%	0.6%	-1.7%	-4.5%	-3.3%	-0.8%	0.1%	0.6%	-2.3%	3.2%	3.7%	4.1%	2.4%	4.2%	0.0%

Source: Industry Capital Research estimates and company data

Figure 8: DCF Analysis Supports $10.00 Per Share 12-Month Price Target, Within $9.50-13 Range

Entravision DCF analysis

	Current	YE 2021	YE 2022
Firm Value	1,217	1,248	1,270
(-) Total Net Debt	183	183	183
(+) NOLs/Tax Assets	62	62	62
(-) Options (Claims on Entravision)	(2.1)	(2.1)	(2.1)
Common Equity Value	1,093.5	1,125.0	1,146.9
Shares Outstanding	88.3	88.3	88.3
Current Share Price	$6.40	$6.40	$6.40
Value Per Share	$12.38	$12.74	$12.99
12-month	$13.00	1	
12-month (SoTP)	*$9.50*		

ASSUMPTIONS

Risk Free Rate	1.4%
Equity Premium	4.9%
Assumed LT Growth Rate (g)	0%
MV of Equity Calculation	
Share Price	$6.40
Outstanding Shares	88.3
MV of Equity	565.2
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	5.00%
Wgtd Avg Maturity of Debt	
BV of Debt	182.7
Estimate MV of Debt	182.7

CAGRs	2018-22	2020-24	2022-26	2025-26
EBITDA	15%	21%	7%	8%
Free Cash Flow to Firm	43%	16%	9%	5%

$ 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	85.0	93.4	98.7	127.5	111.9	120.4		
EBIT	37.8	24.6	43.1	62.9	69.4	70.3	95.8	79.6	86.7	83.2	
Less Cash Taxes	(15.1)	(9.8)	(17.3)	(25.2)	(27.7)	(28.1)	(38.3)	(31.8)	(34.7)	0.0	
Plus D&A	16.3	16.6	17.3	22.1	24.0	28.5	31.8	32.3	33.7	32.3	
Less Cap Ex	(17.0)	(25.3)	(9.1)	(6.5)	(8.8)	(9.2)	(9.7)	(10.2)	(10.7)	(32.3)	
Less Increase in WC	(9.4)	(8.7)	8.7	(12.7)	(4.8)	(5.3)	(0.9)	(0.9)	(2.4)	(1.6)	
Free Cash Flow to Firm	12.5	(2.6)	42.8	40.6	52.0	56.1	78.6	69.0	72.6	81.5	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	183										
Leverage Mult.	3.0x										
D/Equity	32%										
D/EV	24%										
E/EV	76%										
Unlevered Beta	0.94										
Levered Beta	1.13										
D/Equity (long-term target)	33%										
Cost of Debt (AT)	3.0%										
Cost of Equity	6.9%										
WACC	5.9%		6%	6%	6%	6%	6%	6%	6%		
PV of CF				38.3	46.3	47.2	62.5	51.7	51.4		
					49.1	50.0	66.2	54.8	54.4		
						53.0	70.1	58.0	57.7		
										1,375.5	11x EBITDA

	Current	YE 2021	YE 2022
Sum of PV	297.4	274.5	238.7
PV of Terminal Value	919.2	973.7	1,031.4
NPV of all CF	1,216.7	1,248.2	1,270.1

Source: Industry Capital Research estimates and company data

Figure 9: DCF Analysis Allocates Roughly 20% Of Firm Value To Broadcasting Business

Entravision DCF analysis - Broadcasting

	Current	YE 2021	YE 2022
Firm Value	304	289	279
(-) Total Net Debt	183	183	183
(+) NOLs	62	62	62
(-) Options (Claims on Entravision)	(2.1)	(2.1)	(2.1)
Common Equity Value	180.8	165.9	155.8
Shares Outstanding	87.0	87.0	87.0
Current Share Price	$6.40	$6.40	$6.40
Value Per Share	$2.08	$1.91	$1.79
12-month	$2.00		

ASSUMPTIONS

Risk Free Rate	1.4%
Equity Premium	4.9%
Assumed LT Growth Rate (g)	-1%
MV of Equity Calculation	
Share Price	$6.40
Outstanding Shares	87.0
MV of Equity	556.7
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	5.00%
Wgtd Avg Maturity of Debt	
BV of Debt	182.7
Estimate MV of Debt	182.7

	CAGRs			
	2018-22	2020-24	2022-26	2025-26
EBITDA	0%	0%	-5%	16%
Free Cash Flow to Firm	28%	-5%	-5%	18%

$ 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	57.7	52.2	39.3	58.6	37.4	43.4		
EBIT	35.0	24.7	40.8	40.5	35.4	21.2	38.9	18.2	23.2	20.5	
Less Cash Taxes	(14.0)	(9.9)	(16.3)	(16.2)	(14.2)	(8.5)	(15.6)	(7.3)	(9.3)	0.0	
Plus D&A	16.3	16.6	17.3	17.3	16.8	18.0	19.7	19.2	20.2	19.2	
Less Cap Ex	(17.0)	(25.3)	(9.1)	(6.5)	(8.8)	(9.2)	(9.7)	(10.2)	(10.7)	(19.2)	
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	35.1	29.2	21.5	33.3	19.9	23.4	20.5	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	183										
Leverage Mult.	3.1x										
D/Equity	33%										
D/EV	25%										
E/EV	75%										
Unlevered Beta	1.1										
Levered Beta	1.3										
D/Equity (long-term target)	33%										
Cost of Debt (AT)	3.0%										
Cost of Equity	7.8%										
WACC	6.6%		7%	7%	7%	7%	7%	7%	7%		
PV of CF				32.9	25.7	17.8	25.8	14.4	15.9		
					27.4	18.9	27.5	15.4	17.0		
						20.2	29.3	16.4	18.1		
										268.7	6x EBITDA

Sum of PV	132.5	106.2	84.0
PV of Terminal Value	171.5	182.9	195.0
NPV of all CF	304.0	289.1	279.0

Source: Industry Capital Research estimates and company data

Figure 10: DCF Analysis Allocates Roughly 75% Of Firm Value To Digital Media Business

Entravision DCF analysis - Digital

	Current	YE 2021	YE 2022
Firm Value	588	634	667
(-) Total Net Debt	-	-	-
(+) NOLs			
(-) Options (Claims on Entravision)			
Common Equity Value	588.3	634.3	667.0
Shares Outstanding	87.0	87.0	87.0
Current Share Price	$6.40	$6.40	$6.40
Value Per Share	**$6.76**	**$7.29**	**$7.67**
12-month	$7.50		
Minority Interest	1		

ASSUMPTIONS

Risk Free Rate	1.4%
Equity Premium	4.9%
Assumed LT Growth Rate (g)	1%
MV of Equity Calculation	
Share Price	$6.40
Outstanding Shares	87.0
MV of Equity	556.7
Estimate MV of Debt Calculation	
Interest Expense	7.1
Current Cost of Debt	5.00%
Wgtd Avg Maturity of Debt	
BV of Debt	-
Estimate MV of Debt	-

CAGRs	2018-22	2020-24	2022-26	2025-26
EBITDA	96%	134%	17%	3%
Free Cash Flow to Firm	92%	139%	21%	0%

$ 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	27.2	41.2	59.5	68.9	74.5	77.0		
EBIT	2.8	(0.1)	2.3	22.5	33.9	49.0	56.8	61.4	63.5	63.1	
Less Cash Taxes	(1.1)	0.0	(0.9)	(9.0)	(13.6)	(19.6)	(22.7)	(24.6)	(25.4)	0.0	
Plus D&A				4.8	7.2	10.4	12.1	13.1	13.5	13.1	
Less Cap Ex										(13.1)	
Less Increase in WC				(12.7)	(4.8)	(5.3)	(0.9)	(0.9)	(2.4)	(1.7)	
Free Cash Flow to Firm	**1.7**	**(0.1)**	**1.4**	**5.5**	**22.8**	**34.6**	**45.3**	**49.1**	**49.2**	**61.4**	
Tax Rate	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	0.0%	
Net Debt	0										
Leverage Mult.	0.0x										
D/Equity	0%										
D/EV	0%										
E/EV	100%										
Unlevered Beta	1.51										
Levered Beta	1.5										
D/Equity (projected long term)	0.0%										
Cost of Debt (AT)	3.0%										
Cost of Equity	8.8%										
WEIGHT OF DEBT	0.0%										
WEIGHT OF EQUITY	8.8%										
WACC	8.8%		9%	9%	9%	9%	9%	9%	9%		
PV of CF				5.1	19.2	26.9	32.4	32.2	29.7		
					20.9	29.2	35.2	35.1	32.3		
						31.8	38.3	38.1	35.2		
										796.6	10x EBITDA

	Current	YE 2021	YE 2022
Sum of PV	145.6	152.8	143.4
PV of Terminal Value	442.7	481.5	523.6
NPV of all CF	588.3	634.3	667.0

Source: Industry Capital Research estimates and company data

APPENDIX

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

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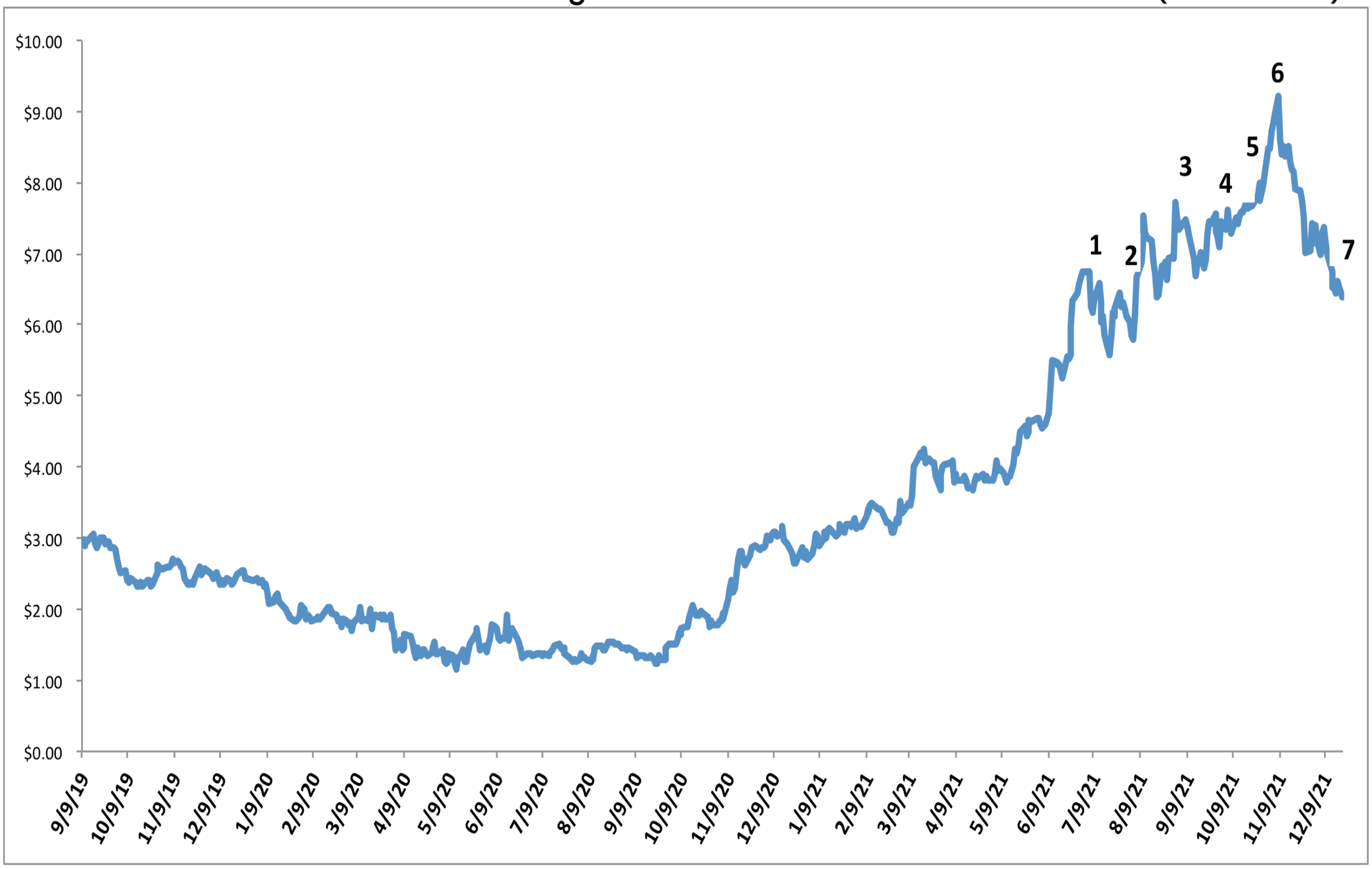

1	7/6/21	Initiated Buy @ $6.76, Target Price $9.00
2	8/6/21	Reaffirmed Buy @ $6.15, Target Price $9.00
3	9/2/21	Reaffirmed Buy @ $7.75, Target Price $10.00
4	10/5/21	Reaffirmed Buy @ $7.60, Target Price $10.00
5	10/28/21	Reaffirmed Buy @ $7.85, Target Price $10.00
6	11/5/21	Reaffirmed Buy @ $8.83, Target Price $10.50
7	12/20/21	Reaffirmed Buy @ $6.40, Target Price $10.00

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

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