

Entravision Communications Corporation (EVC)

Reaffirm \$8 Price Target Based on Updated Valuation; No Change to Estimates; Reaffirm Buy

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We reaffirm our price target, which offers an attractive reward/risk. Our valuation range remains \$7.00-\$9.00, as favorable balance sheet updates are offset by unfavorable changes to market-based inputs. We reduce EVC's pro forma net debt estimate to reflect a lower carrying value of the contingent consideration given in its 1Q 10-Q. On the other hand, higher beta estimates based on updated trading data, in particular for the comparables used in valuing EVC's digital segment, contribute to a drag on EVC's discounted cash flow (DCF) valuation. We include in our analysis updated risk-free rate and equity risk premium assumptions. See Figure 2 for a summary of the puts and takes.

There are no changes to our financial forecasts. We note that our 2022 estimates are 2% above consensus on revenue and in-line on adjusted EBITDA. Given management's recent expressions at conferences of confidence in its outlook going into 2022, we are comfortable with our 2022 estimates. At the all-important digital segment, probably our most important assumption is that Cisneros Interactive's 2-year revenue CAGR holds up until 4Q, at which point we assume it notches down. At the legacy digital business (primarily mobile performance demand side platform Smadex), we assume operating cash flow margins are generally stable until 4Q, when we assume a decline against a tougher comp. The most notable feature of our TV segment forecast is our assumption of negative revenue growth and OCF margin declines throughout 2022, reflecting the Univision affiliation losses at the end of 2021. At the radio segment, we model a core advertising revenue growth deceleration in 2H, although political spending should provide a boost to total radio ad spending in 4Q in particular.

Our 2023 estimates are ~3 points below consensus revenue growth (7% vs. 10%) and ~1 point below on EBITDA growth (5% vs. 6%). Given the higher risk of a slowdown or recession next year, we are comfortable being slightly below consensus on these 2023 metrics.

Despite the risk of recession, our longer-term forecast for EVC's EBITDA growth is unchanged. We assume a 2021-25 EBITDA CAGR of 9% and 2023-27 EBITDA CAGR of 7%. Note that, given the exhaustion of federal net operating losses, leading to higher forecast cash taxes, our assumptions for free cash flow growth over these periods show more of a deceleration, to 7% for 2023-27 from 14% for 2021-25.

Although market and technical factors are neutral, we see additional growth spurts from more partnerships and M&A as potential catalysts. EVC shares are currently not turning up in stock screens we have reviewed across a range of styles. However, as we discussed in our comment last week, we see valuations as favorable not only for more growth-oriented M&A, which has been a stock catalyst in the past, but also for continuing share repurchases.

Our 12-month price target for EVC remains \$8.00; risks on p.2. Our PT is supported by a DCF valuation based on explicit financial forecasts through 2027.

BUY

| | | | | |
|-----------------------|----|-----|-----|-------------|
| Price at 6/8/22 (USD) | | | | 5.16 |
| Price Target | | | | 8.00 |
| 52-week range | | | | 4.21 - 9.34 |
| Performance (%) | 1m | 3m | 12m | |
| Absolute | 16 | -17 | 10 | |
| S&P 500 | 0 | -1 | -3 | |

| | | | | |
|------------------------|--|--|--|---------|
| Market Cap (USDm) | | | | 450.9 |
| Shares outstanding (m) | | | | 87.4 |
| Float (%) | | | | 73 |
| Average volume | | | | 359,209 |
| S&P 500 | | | | 4,115.8 |

Forecasts and ratios

| Year ended 12/31 | 2021A | 2022E | 2023E |
|------------------|-------|-------|---------|
| 1Q EPS (USD) | 0.06 | 0.02 | 0.14 |
| 2Q EPS (USD) | 0.09 | 0.08 | 0.11 |
| 3Q EPS (USD) | 0.14 | 0.12 | 0.12 |
| 4Q EPS (USD) | 0.04 | 0.15 | 0.06 |
| FY EPS (USD) | 0.33 | 0.37 | 0.43 |
| % Change | NM | 10% | 18% |
| P/E (x) | 15.5 | 14.0 | 11.9 |
| EV/EBITDA (x) | 6.0 | 5.5 | 5.2 |
| Revenue (USDm) | 760.2 | 942.9 | 1,008.5 |
| % Change | 121% | 24% | 7% |

ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES ARE LOCATED IN THE APPENDIX. Industry Capital Research does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm might have a conflict of interest that could affect the objectivity of this report.

Investment Thesis and Valuation: Buy With \$8.00 Price Target

Positives supporting our Buy rating include: 1) EVC's share price is not fully capturing the potential of digital media acquisitions in 2020-21 because their higher growth and different business models are 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) relative stability of net retransmission fee revenue (42% of 2021 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.

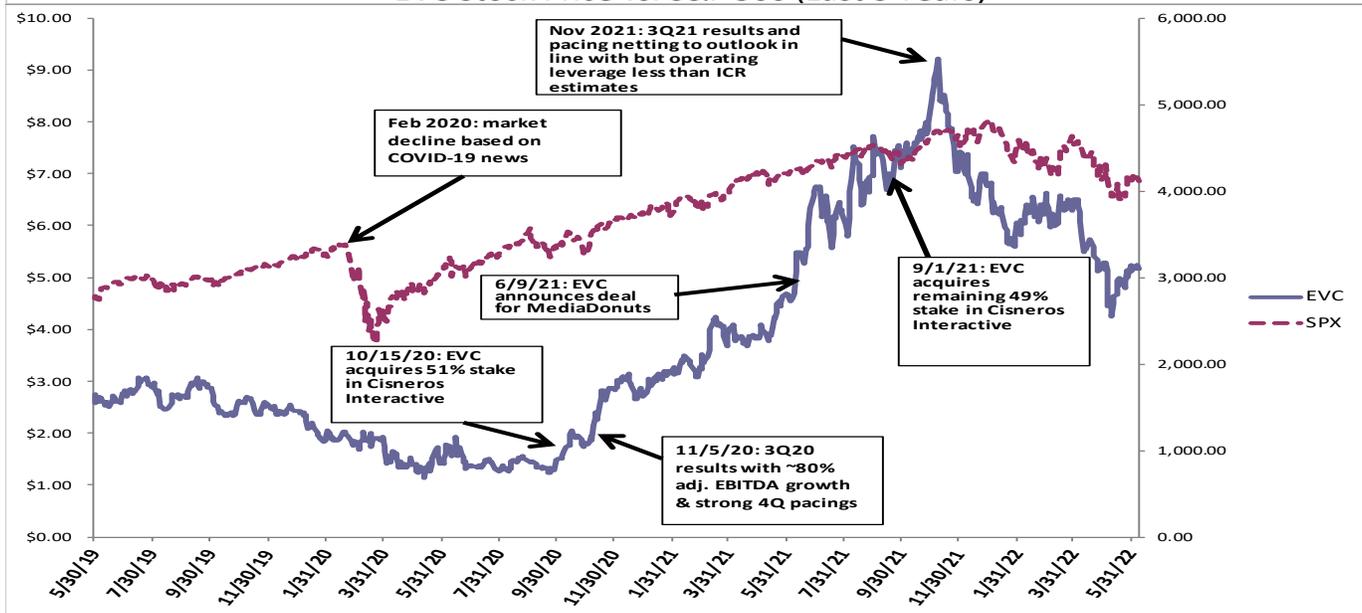
Our DCF-based 12-month price target is a weighted average of projected equity valuations at year-end 2022 and 2023. First, we adjust the current net debt with the estimated free cash flow to be generated by each valuation date. Second, we adjust the current net debt for any estimated payments remaining on the acquisitions (e.g., earnouts), which are currently scheduled to occur from early 2022 to 2025. Finally, we value EVC both using a weighted average cost of capital (WACC) reflecting its own stock price trading and using separate WACCs for its broadcast and digital media businesses based on sector comparables, applied to separate free cash flow forecasts for each of these businesses. The results of these two methods set the range for our valuation, with the EVC-specific method incorporating market data on EVC shares' actual volatility setting the upper bound, and the sector method relying on measures of risk of comparables setting the lower bound. Note that in our DCF, for our terminal value estimates, we assume that capex equals D&A, which results in a substantially higher capex estimate than in our financial statement forecasts because capex should be like D&A for a terminal value forecast, to support the need for an asset base in perpetuity.

Risks to our investment thesis include: 1) sensitivity of EVC's advertising-based businesses to macroeconomic shocks, such as a recession, 2) potential volatility of EVC's digital media business, given its increasing focus on emerging markets, its dependence on a small number of commercial relationships with media tech platforms, and increasing competition, 3) secular challenges and potentially increasing competition from TelevisaUnivision for EVC's broadcast media business, 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: \$8.00 | | |
| ENTERPRISE VALUE | | COMPANY CHARACTERISTICS AND INVESTMENT THESIS | | |
| Price per share | \$5.16 | Company description | Entravision is a multimedia company focused primarily on Spanish-language markets globally. The company operates a digital media segment serving the U.S. and roughly 30 international markets, 49 TV stations (mostly Univision network affiliates) in 16 of the top-50 U.S. Hispanic markets, and 46 radio stations (37 FM and 9 AM) as well as a radio network with distribution to over 100 U.S. markets. The company's 2021 revenue by segment was 73% from digital, 19% from TV, and 8% from audio. TelevisaUnivision owns ~11% of Entravision's stock. On August 2, 2000, Entravision completed an initial public offering at \$16.50 per share of its Class A common stock, which is listed on the NYSE under the symbol "EVC." | |
| Diluted shares outstanding | 87.4 | | | |
| Equity market capitalization | 451 | | | |
| +Pro forma net debt | 107 | | | |
| -Hidden value | 31 | Strategy Expand digital media operations into fast-growing markets outside the United States and manage for free cash flow and asset value TV-driven broadcast local platforms in U.S. Hispanic markets. \$339 | 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). | |
| =Pro forma EV | \$527 | | | |
| OPERATING PROJECTIONS | | | | Est. acquisition capacity |
| Pro forma net revenue | | | | |
| 2022 | \$943 | | | |
| 2021 | 778 | | | Management |
| % Chg | 21.2% | | | |
| Pro forma EBITDA | | | | Positives |
| 2022 | \$96 | | | |
| 2021 | 89 | | | |
| % Chg | 8.4% | Risks | | |
| Pro forma EBITDA margin | | | | |
| 2022 | 10.2% | | | |
| 2021 | 11.4% | | | |
| Free cash flow per share | | | Recent events | |
| 2022 | \$0.78 | | | |
| 2021 | \$0.90 | | | |
| % Chg | -13.3% | | | |
| Est. 3-5 yr FCF Growth rate | | | 7% | Upcoming potential catalysts |
| VALUATION AND LEVERAGE | | | Valuation | |
| Pro forma EV/EBITDA | | | | |
| 2022 | 5.5x | Attributing ~80% of firm value to digital media business | | |
| 2021 | 6.0x | | | |
| Price / Free cash flow per share | | Valuation | | |
| 2022 | 6.6x | | | |
| 2021 | 5.7x | Recent events | | |
| Pro forma net debt / EBITDA | | | | |
| 2022 | 1.1x | | | |
| 2021 | 1.2x | September 2021 - acquired remaining 49% interest in Cisneros Interactive for \$84 million. July 2021 - announced acquisition of MediaDonuts AsiaPac digital media business for \$36 million. October 2020 - acquired 51% stake in Cisneros Interactive for \$29 million. May 2020 - announced substantial expense costs targeting broadcast operations. | | |
| Dividend yield | | | | |
| 2022 | 1.9% | | | |
| 2021 | 1.9% | 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)



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

Figure 2: No change to our valuation range, as lower earn-out estimates are offset by higher betas due to increasing stock volatility

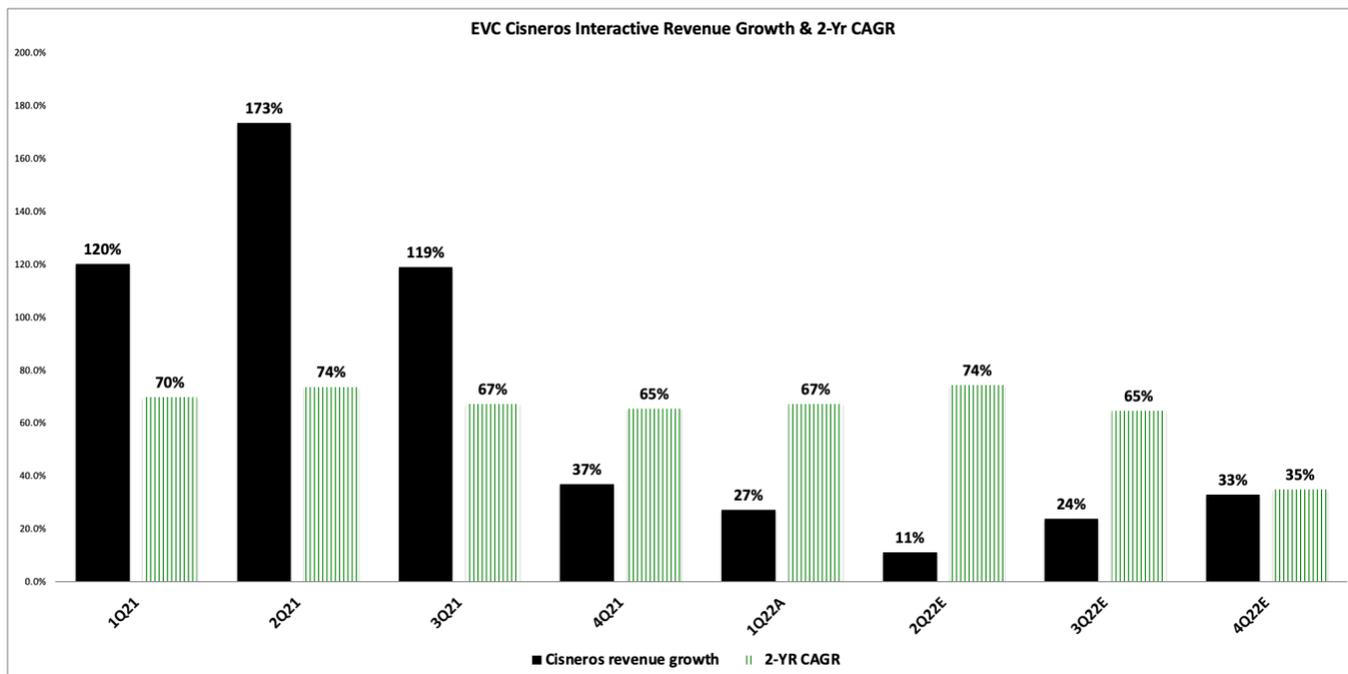
| Entravision Communications | | | | | | | | | | | | |
|--|-------|--------|---------------|----------|--------------|---------|---------|----------------|----------------|----------|------------|------------|
| Summary of Changes to Forecast and Valuation | | | | | | | | | | | | |
| (in \$ million except unit data) | | | | | | | | | | | | |
| CAGRs | 2022 | | DCF Valuation | | EBITDA CAGRs | | | Risk Free Rate | Equity Premium | WACC-EVC | WACC-EVC-D | WACC-EVC-B |
| | Rev | EBITDA | Low | High | 2019-23 | 2021-25 | 2023-27 | | | | | |
| Prior | 942.9 | 96.0 | \$7.00 | \$9.00 | 25% | 9% | 7% | 3.0% | 5.2% | 7.7% | 10.9% | 8.4% |
| Current | 942.9 | 96.0 | \$7.00 | \$9.00 | 25% | 9% | 7% | 2.9% | 5.2% | 8.3% | 11.3% | 8.2% |
| Delta | 0.0 | 0.0 | \$0.00 | \$0.00 | 0.0% | 0.0% | 0.0% | -0.1% | -0.1% | 0.6% | 0.4% | -0.3% |
| Delta attribution: | | | | | | | | | | | | |
| | | | \$0.00 | \$0.00 | | | | | | | | |
| | | | \$0.50 | \$0.50 | | | | | | | | |
| | | | (\$0.50) | (\$0.50) | | | | | | | | |
| Subtotal | | | \$0.00 | \$0.00 | | | | | | | | |

Source: Company data and Industry Capital Research estimates

Figure 3: Our 2022 estimates are above consensus on revenue and in-line on EBITDA, while our 2023 estimates are below consensus on growth

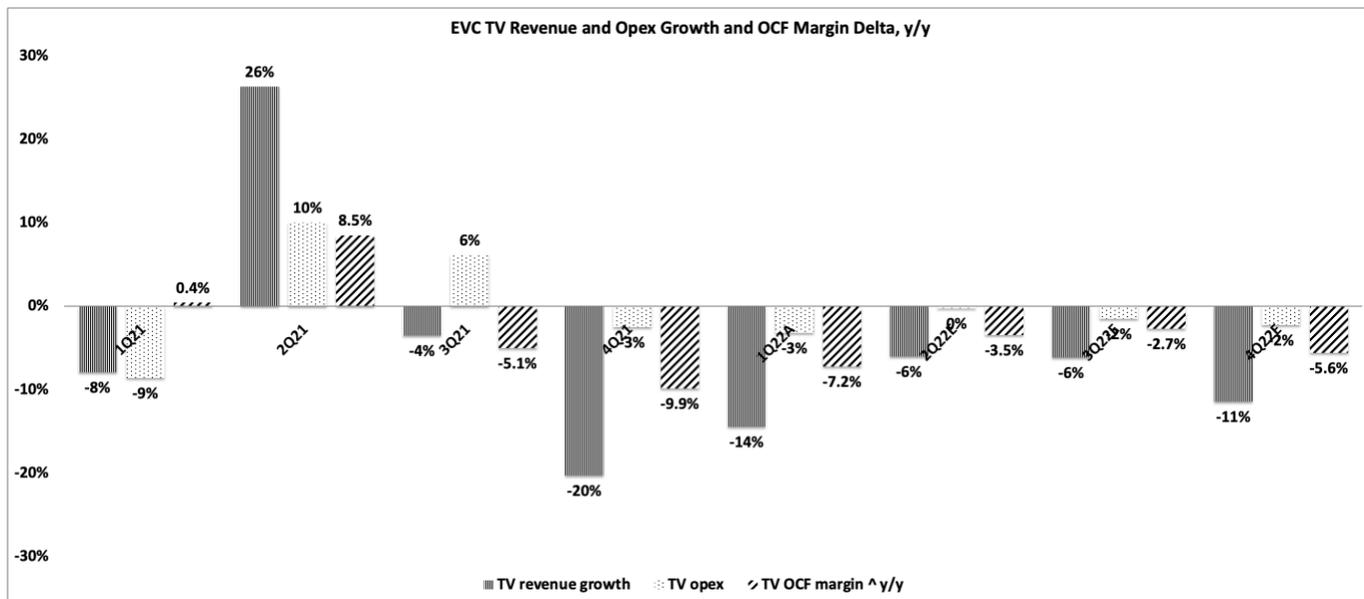
| Entravision Communications (NYSE: EVC) | | | | | | | | | |
|---|---------|---------|--------------------------------------|---|----------|------|---------|---|------------------|
| Summary of Annual Estimates | | | | | | | | | |
| In millions, except per share data | | | | | | | | | |
| | Last Yr | Prior | Estimates | | YoY %CHG | | | Consensus | ICR vs Consensus |
| | | | Chg | Current | Prior | Chg | Current | | |
| 2022E | | | | | | | | | |
| Pro Forma * | | | | | | | | | |
| Revenue | 778.1 | 942.9 | 0.0 ▲ | 942.9 | 21.2% | 0.0% | 21.2% | | |
| Op expense | 689.5 | 846.9 | 0.0 | 846.9 | 22.8% | 0.0% | 22.8% | | |
| Adjusted EBITDA | 88.6 | 96.0 | 0.0 | 96.0 | 8.4% | 0.0% | 8.4% | | |
| As Reported | | | | | | | | | |
| Revenue | 760.2 | 942.9 | 0.0 | 942.9 | 24.0% | 0.0% | 24.0% | 924 ▲ | 2.1% |
| Op expense | 672.2 | 846.9 | 0.0 | 846.9 | 26.0% | 0.0% | 26.0% | | |
| Adjusted EBITDA | 88.0 | 96.0 | 0.0 | 96.0 ▲ | 9.0% | 0.0% | 9.0% | 96 | 0.3% |
| Margin | 11.6% | 10.2% | 0.0% | 10.2% | | | | 10.4% | -0.2% |
| EPS | \$0.33 | \$0.37 | \$0.00 | \$0.37 ▲ | 10.4% | 0.0% | 10.4% | \$0.48 ▲ | -23.4% |
| Cash FCF/sh | \$0.90 | \$0.78 | \$0.00 | \$0.78 | -13.3% | 0.0% | -13.3% | | |
| 2023E | | | | | | | | | |
| Pro Forma * | | | | | | | | | |
| Revenue | 942.9 | 1,008.5 | 0.0 | 1,008.5 | 7.0% | 0.0% | 7.0% | | |
| Op expense | 846.9 | 907.5 | 0.0 | 907.5 | 7.2% | 0.0% | 7.2% | | |
| Adjusted EBITDA | 96.0 | 101.0 | 0.0 | 101.0 | 5.2% | 0.0% | 5.2% | | |
| As Reported | | | | | | | | | |
| Revenue | 942.9 | 1,008.5 | 0.0 | 1,008.5 | 7.0% | 0.0% | 7.0% | 1,013 | -0.5% |
| Op expense | 846.9 | 907.5 | 0.0 | 907.5 | 7.2% | 0.0% | 7.2% | | |
| Adjusted EBITDA | 96.0 | 101.0 | 0.0 | 101.0 | 5.2% | 0.0% | 5.2% | 102 | -0.7% |
| Margin | 10.2% | 10.0% | 0.0% | 10.0% | | | | 10.0% | 0.0% |
| EPS | \$0.37 | \$0.43 | \$0.00 | \$0.43 | 17.9% | 0.0% | 17.9% | \$0.57 | -23.9% |
| Cash FCF/sh | \$0.78 | \$0.81 | \$0.00 | \$0.81 | 3.8% | 0.0% | 3.8% | | |
| * reflects announced acquisitions and dispositions | | | | | | | | | |
| Source: Company reports, FactSet, Industry Capital Research estimates | | | | | | | | | |

Figure 4: We assume Cisneros Interactive's 2-year revenue CAGR holds up until 4Q



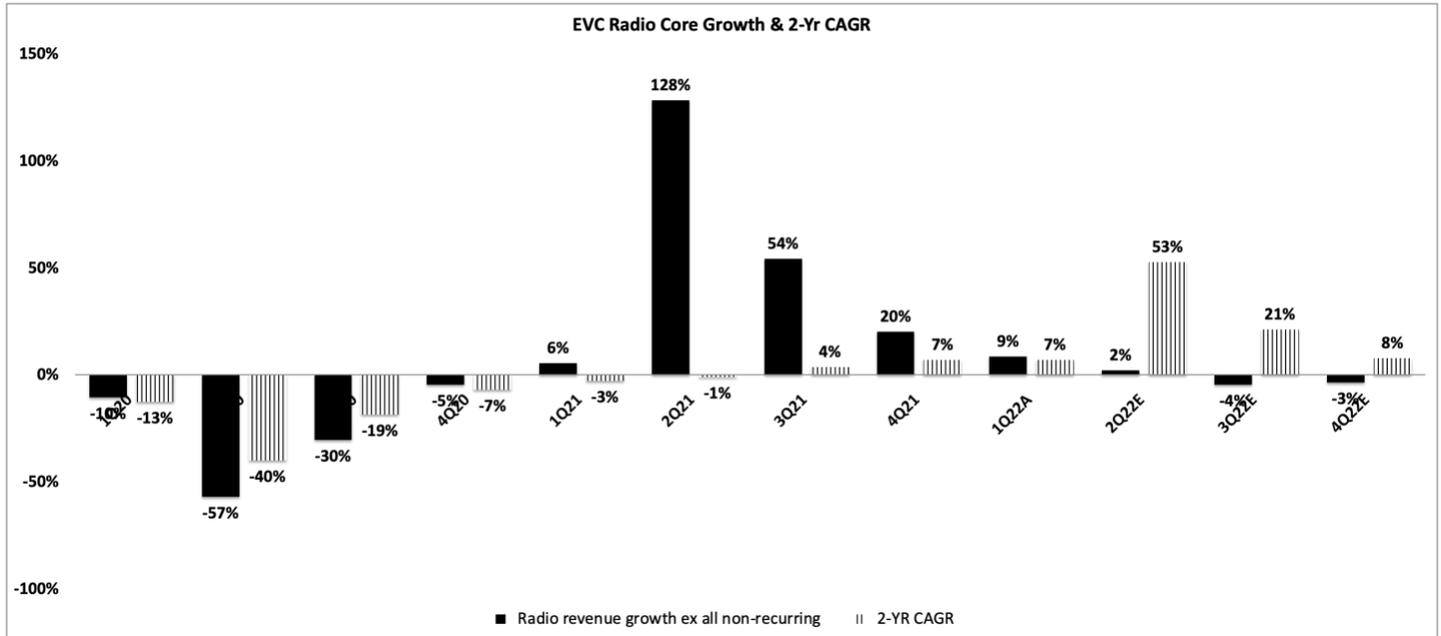
Source: Industry Capital Research estimates and company data

Figure 5: We assume negative TV revenue growth and OCF margin declines throughout 2022, reflecting Univision affiliation losses



Source: Industry Capital Research estimates and company data

Figure 6: We assume core radio revenue decelerates throughout 2022



Source: Industry Capital Research estimates and company data

Figure 7: Financial Statement Forecasts supporting our valuation

| Fiscal Year Ends December 31 | | | | | | | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| In millions, except per share data | | | | | | | | | | | | | | | | |
| AS REPORTED | 2016A | 2017A | 2018A | 2019A | 2020A | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 2021A | 1Q22A | 2Q22E | 3Q22E | 4Q22E | 2022E | 2023E |
| Net revenue: | | | | | | | | | | | | | | | | |
| Television | \$159.5 | \$148.1 | \$151.7 | \$149.7 | \$154.5 | \$36.1 | \$34.1 | \$36.5 | \$40.2 | \$146.8 | \$30.9 | \$32.0 | \$34.2 | \$35.6 | \$132.7 | 120.8 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 46.3 | 11.3 | 14.1 | 16.4 | 16.1 | 58.0 | 12.6 | 14.7 | 15.5 | 17.0 | 59.8 | 52.6 |
| Net broadcast revenue | 235.4 | 215.0 | 215.7 | 204.7 | 200.7 | 47.4 | 48.2 | 52.9 | 56.4 | 204.9 | 43.5 | 46.7 | 49.7 | 52.7 | 192.5 | 173.4 |
| Digital | 23.1 | 57.1 | 81.0 | 68.9 | 143.3 | 101.5 | 130.2 | 146.1 | 177.5 | 555.3 | 153.7 | 174.9 | 188.5 | 233.2 | 750.3 | 835.1 |
| Total net revenue (core) | 258.5 | 272.1 | 296.6 | 273.6 | 344.0 | 148.9 | 178.4 | 199.0 | 233.9 | 760.2 | 197.2 | 221.6 | 238.2 | 285.9 | 942.9 | 1,008.5 |
| Revenue from spectrum usage rights | | 263.9 | 1.2 | 0.0 | 0.0 | | | | | 0.0 | | | | | 0.0 | 0.0 |
| Total net revenue | 258.5 | 536.0 | 297.8 | 273.6 | 344.0 | 148.9 | 178.4 | 199.0 | 233.9 | 760.2 | 197.2 | 221.6 | 238.2 | 285.9 | 942.9 | 1,008.5 |
| Cost of Revenue | | | | | | | | | | | | | | | | |
| Television | | 0.0 | | | | | | | | | | | | | | |
| Radio | | 0.0 | | | | | | | | | | | | | | |
| Digital | 9.5 | 33.0 | 45.1 | 36.8 | 106.9 | 84.8 | 109.0 | 124.3 | 148.4 | 466.5 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Digital cost of revenue as % of revenue | 41.2% | 57.8% | 55.7% | 53.3% | 74.6% | 83.5% | 83.7% | 85.1% | 83.6% | 84.0% | 84.5% | 82.2% | 85.1% | 84.7% | 84.2% | 83.1% |
| Total cost of revenue (core) | 9.5 | 33.0 | 45.1 | 36.8 | 106.9 | 84.8 | 109.0 | 124.3 | 148.4 | 466.5 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Cost of revenue from spectrum usage rights (television) | | 12.340 | | | | | | | | | | | | | | |
| Total cost of revenue | 9.5 | 45.3 | 45.1 | 36.8 | 106.9 | 84.8 | 109.0 | 124.3 | 148.4 | 466.5 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Opex | | | | | | | | | | | | | | | | |
| Television opex | 83.6 | 81.7 | 84.3 | 84.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.8 | 81.4 | 19.2 | 19.5 | 19.8 | 21.3 | 79.9 | 73.5 |
| Radio opex | 65.4 | 63.3 | 59.4 | 56.7 | 41.8 | 9.7 | 9.9 | 9.8 | 10.7 | 40.0 | 9.4 | 10.3 | 10.5 | 10.3 | 40.4 | 37.6 |
| Digital opex | 11.2 | 23.4 | 33.1 | 32.3 | 30.6 | 10.9 | 12.0 | 13.2 | 15.5 | 51.6 | 15.2 | 20.0 | 15.5 | 19.8 | 70.5 | 77.0 |
| Total opex (core) | 160.2 | 168.4 | 176.8 | 173.4 | 153.3 | 40.4 | 41.4 | 43.1 | 48.1 | 173.0 | 43.9 | 49.7 | 45.8 | 51.5 | 190.9 | 188.1 |
| Spectrum usage rights | | | | | | | | | | | | | | | | |
| Total Opex | 160.2 | 168.4 | 176.8 | 173.4 | 153.3 | 40.4 | 41.4 | 43.1 | 48.1 | 173.0 | 43.9 | 49.7 | 45.8 | 51.5 | 190.9 | 188.1 |
| OCF | | | | | | | | | | | | | | | | |
| Television OCF | 75.9 | 66.3 | 67.4 | 65.2 | 73.6 | \$16.2 | \$14.5 | \$16.3 | \$18.4 | 65.4 | \$11.6 | \$12.5 | \$14.4 | \$14.3 | 52.8 | 47.3 |
| TV OCF Margin | 47.6% | 44.8% | 44.4% | 43.6% | 47.6% | 44.9% | 42.7% | 44.7% | 45.7% | 44.6% | 37.7% | 39.2% | 42.0% | 40.1% | 39.8% | 39.1% |
| Incremental Margin | -566.3% | 83.6% | 30.3% | 105.6% | 173.4% | | | | | 106.6% | | | | | 89.3% | 46.5% |
| Radio OCF | 10.5 | 3.6 | 4.6 | (1.7) | 4.5 | 1.6 | 4.2 | 6.7 | 5.5 | 18.0 | 3.2 | 4.4 | 5.0 | 6.7 | 19.4 | 15.0 |
| Radio OCF margin | 13.8% | 5.4% | 7.1% | -3.1% | 9.7% | 14.4% | 29.9% | 40.5% | 33.9% | 31.0% | 25.5% | 30.0% | 32.6% | 39.4% | 32.4% | 28.5% |
| Incremental Margin | 1189.2% | 76.7% | -31.0% | 70.1% | -70.4% | | | | | 114.9% | | | | | | 60.6% |
| Digital OCF | 2.4 | 0.7 | 2.8 | (0.1) | 5.7 | 5.9 | 9.167 | 8.6 | 13.6 | 37.2 | 8.6 | 11.1 | 12.6 | 15.9 | 48.1 | 63.8 |
| Digital OCF margin | 10.2% | 1.3% | 3.4% | -0.2% | 4.0% | 5.8% | 7.0% | 5.9% | 7.6% | 6.7% | 5.6% | 6.3% | 6.7% | 6.8% | 6.4% | 7.6% |
| Incremental Margin | 28.8% | -4.8% | 8.5% | 23.9% | 7.9% | | | | | 7.6% | | | | | 5.6% | 18.5% |
| Total OCF (core) | 88.7 | 70.7 | 74.8 | 63.4 | 83.8 | 23.7 | 27.9 | 31.6 | 37.4 | 120.6 | 23.4 | 28.0 | 32.0 | 36.9 | 120.3 | 126.1 |
| Margin | 34.3% | 26.0% | 25.2% | 23.2% | 24.4% | 15.9% | 15.7% | 15.9% | 16.0% | 15.9% | 11.9% | 12.7% | 13.4% | 12.9% | 12.8% | 12.5% |
| Incremental Margin | -114.5% | -132.9% | 16.6% | 49.1% | | 8.4% | 16.7% | 7.7% | -4.8% | | -0.6% | 0.2% | 1.0% | -1.1% | | |
| 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 | 0.0 | 0.0 |
| Total OCF | 88.7 | 322.3 | 75.9 | 63.4 | 83.8 | 23.7 | 27.9 | 31.6 | 37.4 | 120.6 | 23.4 | 28.0 | 32.0 | 36.9 | 120.3 | 126.1 |
| Total OCF Margin | 34.3% | 60.1% | 25.5% | 23.2% | 24.4% | 15.9% | 15.7% | 15.9% | 16.0% | 15.9% | 11.9% | 12.7% | 13.4% | 12.9% | 12.8% | 12.5% |
| Incremental Margin | -114.5% | 84.2% | 103.4% | 51.6% | | 8.4% | 16.7% | 7.7% | -4.8% | | -0.6% | 0.2% | 1.0% | -1.1% | | |
| Corporate Expense | 24.5 | 27.9 | 26.9 | 28.1 | 27.8 | 7.2 | 7.3 | 7.3 | 11.2 | 33.0 | 8.7 | 8.8 | 8.5 | 8.6 | 34.7 | 35.7 |
| GAAP EBITDA | 64.2 | 294.4 | 49.1 | 35.4 | 56.0 | 16.6 | 20.6 | 24.3 | 26.2 | 87.6 | 14.7 | 19.2 | 23.5 | 28.2 | 85.6 | 90.4 |
| Corporate non-cash comp | 3.7 | 4.9 | 5.1 | 3.6 | 3.9 | 0.8 | 0.8 | 0.8 | 4.0 | 6.4 | 1.6 | 1.7 | 1.7 | 1.5 | 6.5 | 6.6 |
| Opex adjustments to cash: | | | | | | | | | | | | | | | | |
| Amortization of syndication contracts | (0.4) | (0.5) | (0.7) | (0.5) | (0.5) | (0.1) | (0.1) | (0.1) | (0.1) | (0.5) | (0.1) | (0.1) | (0.1) | (0.1) | (0.5) | (0.5) |
| Payments on syndication contracts | (0.4) | (0.4) | (0.6) | (0.5) | (0.5) | (0.1) | (0.1) | (0.1) | (0.1) | (0.5) | (0.1) | (0.1) | (0.1) | (0.1) | (0.5) | (0.5) |
| Non-cash comp in direct opex | 1.3 | 1.2 | 0.7 | 0.7 | 1.2 | 0.3 | 0.3 | 0.3 | 2.3 | 3.2 | 1.0 | 1.0 | 1.0 | 1.0 | 3.9 | 4.0 |
| Non-recurring cash severance | | | 0.8 | 2.3 | 1.7 | 0.0 | 0.0 | 0.0 | 0.4 | 0.4 | | | | | | |
| EBITDA attributable to redeemable noncontrolling interest | | | | 3.4 | 2.8 | 4.3 | 2.0 | 0.0 | 0.0 | 9.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total opex (positive) adjustments to cash | (1.3) | (1.2) | (1.5) | (2.9) | 0.5 | 2.5 | 3.9 | 1.7 | (2.7) | 5.5 | (1.0) | (1.0) | (1.0) | (0.9) | (3.9) | (4.0) |
| Foreign currency (gain) loss | 0.0 | 0.4 | 1.6 | 0.8 | (1.1) | 0.6 | (0.3) | 0.2 | 0.1 | 0.5 | (0.8) | 0.2 | 0.3 | 0.3 | 0.0 | 0.0 |
| Total Adjusted EBITDA | 69.2 | 300.1 | 54.0 | 41.2 | 60.4 | 14.2 | 17.8 | 23.2 | 32.9 | 88.0 | 18.1 | 21.7 | 25.8 | 30.3 | 96.0 | 101.0 |
| Other opex for spectrum (in corporate) | | 2.1 | 1.2 | | | | | | | | | | | | | |
| Adjusted EBITDA (core) | 69.2 | 50.6 | 54.0 | 41.2 | 60.4 | 14.2 | 17.8 | 23.2 | 32.9 | 88.0 | 18.1 | 21.7 | 25.8 | 30.3 | 96.0 | 101.0 |
| Memo: adj. EBITDA (core) reported | 69.2 | 50.6 | 54.0 | 41.2 | 60.4 | 14.2 | 17.8 | 23.2 | 32.9 | 88.0 | 18.1 | 21.7 | 25.8 | 30.3 | 96.0 | 101.0 |
| Model variance: adj. EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.0) | | | | | |
| Adj. EBITDA core margin | 26.8% | 18.6% | 18.2% | 15.1% | 17.6% | 9.5% | 10.0% | 11.7% | 14.0% | 11.6% | 9.2% | 9.8% | 10.8% | 10.6% | 10.2% | 10.0% |
| Incremental Margin | -161.7% | -137.3% | 14.0% | 55.6% | 27.3% | 5.3% | 12.1% | 5.0% | 0.3% | 6.6% | 8.1% | 9.2% | 6.7% | -4.9% | 4.4% | 7.6% |

Source: Industry Capital Research estimates and company data

Figure 8: Financial Statement Forecasts supporting our valuation (cont.)

| In millions, except per share data | 2016A | 2017A | 2018A | 2019A | 2020A | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 2021A | 1Q22A | 2Q22E | 3Q22E | 4Q22E | 2022E | 2023E |
|--|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Memo: cash opex (core) | \$158.9 | \$167.2 | \$175.3 | \$170.4 | \$153.8 | \$42.9 | \$45.4 | \$44.8 | \$45.4 | \$178.5 | \$42.9 | \$48.7 | \$44.8 | \$50.5 | \$187.0 | \$184.1 |
| Memo: cash corporate expense | 20.8 | 23.1 | 21.8 | 24.4 | 23.9 | 6.4 | 6.5 | 6.5 | 7.2 | 26.6 | 7.1 | 7.1 | 6.8 | 7.1 | 28.2 | 29.1 |
| Memo: total non-cash comp | 5.0 | 6.1 | 5.8 | 4.4 | 5.1 | 1.1 | 1.1 | 1.1 | 6.3 | 9.6 | 2.6 | 2.7 | 2.6 | 2.5 | 10.4 | 10.6 |
| Memo: adj. EBITDA - (OCF - cash corporate) | 1.3 | 3.0 | 1.1 | 2.2 | 0.6 | (3.1) | (3.6) | (1.9) | 2.6 | (6.0) | 1.8 | 0.8 | 0.7 | 0.6 | 3.9 | 4.0 |
| Memo: PF EBITDA attributable to redeemable noncontrolling interest | | | | | | | | | | | | | | | | |
| D&A | 15.3 | 16.4 | 16.3 | 16.6 | 17.3 | 5.2 | 5.1 | 5.9 | 6.3 | 22.4 | 6.4 | 6.4 | 6.4 | 6.4 | 25.6 | 26.2 |
| D&A % of Revenue | 5.9% | 6.0% | 5.5% | 6.1% | 5.0% | 3.5% | 2.8% | 3.0% | 2.7% | 2.9% | 3.2% | 2.9% | 2.7% | 2.2% | 2.7% | 2.6% |
| Change in fair value contingent consideration | | | (1.2) | (6.478) | 0.000 | 0.0 | 0.0 | 0.0 | 8.2 | 8.2 | 5.1 | 0.0 | 0.0 | 0.0 | 5.1 | 0.0 |
| Impairments | 0.0 | 0.0 | 0.0 | 32.1 | 40.0 | 1.3 | 0.1 | 0.2 | 1.4 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating (gain) loss | (0.3) | (1.2) | (1.2) | (6.0) | (6.9) | (1.9) | (0.5) | (2.4) | (2.1) | (7.0) | (0.1) | (0.1) | (0.1) | (0.1) | (0.4) | (0.4) |
| 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 | 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 | 0.0 |
| Operating Income (EBIT Inc. Impairments) | 48.9 | 277.9 | 33.6 | (1.7) | 6.6 | 11.4 | 16.2 | 20.5 | 12.4 | 60.5 | 4.2 | 12.7 | 16.9 | 21.6 | 55.3 | 64.6 |
| Operating Margin % | 18.9% | 51.8% | 11.3% | -0.6% | 1.9% | 7.6% | 9.1% | 10.3% | 5.3% | 8.0% | 2.1% | 5.7% | 7.1% | 7.5% | 5.9% | 6.4% |
| Interest expense | (15.5) | (16.7) | (13.7) | (13.7) | (8.3) | (1.7) | (1.8) | (1.7) | (1.7) | (6.9) | (1.4) | (1.5) | (1.5) | (1.5) | (6.0) | (8.4) |
| 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 | 0.0 |
| Interest income | 0.3 | 0.8 | 2.0 | 3.4 | 1.7 | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest expense | (15.2) | (15.9) | (11.8) | (10.3) | (6.5) | (1.6) | (1.8) | (1.7) | (1.7) | (6.8) | (1.4) | (1.5) | (1.5) | (1.5) | (6.0) | (8.4) |
| 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 | 0.0 |
| Other income, net | 0.0 | 0.0 | 0.2 | 0.9 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 |
| Pretax income | 33.5 | 258.6 | 21.4 | (11.3) | 0.1 | 9.8 | 14.5 | 19.0 | 10.6 | 53.9 | 2.7 | 11.2 | 15.4 | 20.0 | 49.4 | 56.2 |
| Pretax margin | 13.0% | 48.2% | 7.2% | NM | 0.0% | 6.6% | 8.1% | 9.5% | 4.6% | 7.1% | 1.4% | 5.1% | 6.4% | 7.0% | 5.2% | 5.6% |
| Income (taxes) benefit | (13.1) | (82.6) | (7.9) | (8.2) | (1.5) | (2.8) | (4.0) | (5.1) | (6.8) | (18.7) | (0.9) | (4.0) | (5.1) | (7.3) | (17.3) | (19.7) |
| Effective tax rate | 39.1% | 31.9% | 36.8% | -72.1% | 1276.3% | 28.5% | 27.6% | 26.9% | 63.7% | 34.6% | 31.1% | 35.5% | 33.3% | 36.5% | 35.0% | 35.0% |
| Cash tax rate | 1.8% | 0.3% | 15.2% | -25.2% | 6552.5% | -2.0% | 22.7% | 2.5% | 5.4% | 7.7% | 44.2% | 23.1% | 16.9% | 19.8% | 21.0% | 24.6% |
| Net Income (Before Equity Investments) | 20.4 | 176.0 | 13.5 | (19.5) | (1.4) | 7.0 | 10.5 | 13.9 | 3.9 | 35.2 | 1.9 | 7.2 | 10.2 | 12.7 | 32.1 | 36.5 |
| 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 | (0.1) | (0.1) | 0.2 | 0.0 | 0.0 |
| Reported Net income | 20.4 | 175.7 | 12.2 | (19.7) | (1.4) | 7.0 | 10.5 | 13.9 | 3.9 | 35.2 | 1.9 | 7.2 | 10.1 | 12.9 | 32.1 | 36.5 |
| Net margin | 26.8% | 9.4% | 18.1% | 15.1% | 17.6% | 9.5% | 10.0% | 11.7% | 14.0% | 11.6% | 9.2% | 9.8% | 10.8% | 10.6% | 10.2% | 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 | 0.0 |
| Minority Interest | | | | | 2.5 | 1.6 | 2.6 | 1.8 | 0.0 | 5.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net inc. to common pre-1-time | 20.4 | 175.7 | 12.2 | (19.7) | (3.9) | 5.4 | 7.9 | 12.1 | 3.9 | 29.3 | 1.9 | 7.2 | 10.1 | 12.9 | 32.1 | 36.5 |
| Net margin | NM | 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) | (\$0.05) | \$0.06 | \$0.09 | \$0.14 | \$0.04 | \$0.34 | \$0.02 | \$0.08 | \$0.12 | \$0.15 | \$0.38 | \$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 | 0.0 |
| Net income to common | 20.4 | 175.7 | 12.2 | (19.7) | (3.9) | 5.4 | 7.9 | 12.1 | 3.9 | 29.3 | 1.9 | 7.2 | 10.1 | 12.9 | 32.1 | 36.5 |
| EPS - basic | \$0.23 | \$1.95 | \$0.14 | (\$0.23) | (\$0.05) | \$0.06 | \$0.09 | \$0.14 | \$0.05 | \$0.34 | \$0.02 | \$0.08 | \$0.12 | \$0.15 | \$0.38 | \$0.44 |
| EPS - diluted | \$0.22 | \$1.91 | \$0.13 | (\$0.23) | (\$0.05) | \$0.06 | \$0.09 | \$0.14 | \$0.04 | \$0.33 | \$0.02 | \$0.08 | \$0.12 | \$0.15 | \$0.37 | \$0.43 |
| EPS reported by company | \$0.22 | \$1.91 | \$0.13 | (\$0.23) | (\$0.05) | \$0.06 | \$0.09 | \$0.14 | \$0.04 | \$0.33 | \$0.02 | \$0.08 | \$0.12 | \$0.15 | \$0.37 | \$0.43 |
| Model variance: EPS | \$0.00 | \$0.00 | \$0.00 | (\$0.00) | \$0.00 | \$0.00 | (\$0.00) | (\$0.00) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$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 | 9.6 | 9.6 | 5.1 | 0.0 | 0.0 | 0.0 | 5.1 | 0.0 |
| Pro forma net income | 20.4 | 175.7 | 12.2 | (19.7) | 35.9 | 5.4 | 7.9 | 12.1 | 13.5 | 38.9 | 7.0 | 7.2 | 10.1 | 12.9 | 37.2 | 36.5 |
| Pro forma EPS - basic | \$0.23 | \$1.95 | \$0.14 | (\$0.23) | \$0.43 | \$0.06 | \$0.09 | \$0.14 | \$0.16 | \$0.46 | \$0.08 | \$0.08 | \$0.12 | \$0.15 | \$0.44 | \$0.44 |
| Pro forma EPS | \$0.22 | \$1.91 | \$0.13 | (\$0.23) | \$0.43 | \$0.06 | \$0.09 | \$0.14 | \$0.15 | \$0.44 | \$0.08 | \$0.08 | \$0.12 | \$0.15 | \$0.43 | \$0.43 |
| EPS shares - Basic | 89.3 | 90.3 | 89.1 | 85.1 | 84.2 | 85.0 | 85.2 | 85.4 | 85.6 | 85.3 | 86.5 | 86.0 | 84.7 | 83.3 | 85.1 | 82.1 |
| EPS shares - Diluted | 91.3 | 91.9 | 90.3 | 85.1 | 84.2 | 87.0 | 87.8 | 88.3 | 88.6 | 87.9 | 88.6 | 88.2 | 86.8 | 85.4 | 87.3 | 84.2 |
| Free Cash Flow: | | | | | | | | | | | | | | | | |
| EBITDA | 69.2 | 50.6 | 54.0 | 41.2 | 60.4 | 14.2 | 17.8 | 23.2 | 32.9 | 88.0 | 18.1 | 21.7 | 25.8 | 30.3 | 96.0 | 101.0 |
| Cash net interest | -14.4 | -12.7 | -10.6 | -9.4 | -5.9 | -1.4 | -1.6 | -1.5 | -1.6 | -6.2 | -1.2 | -1.5 | -1.5 | -1.8 | -6.0 | -8.4 |
| Other adjustments to cash | | 250.0 | 1.9 | 4.7 | 5.3 | 1.9 | 0.5 | 2.6 | 1.7 | 6.8 | 0.1 | | | | 0.1 | |
| - Cash taxes | -0.6 | -0.8 | -3.3 | -2.8 | -7.7 | 0.2 | -3.3 | -0.5 | -0.6 | -4.1 | -1.2 | -2.6 | -2.6 | -4.0 | -10.4 | -13.8 |
| Cash taxes / EBITDA | 1% | 2% | 6% | 7% | 13% | 0.0 | 18% | 2% | 2% | 5% | 7% | 12% | 10% | 13% | 11% | 14% |
| Minus: capex | -9.1 | -12.1 | -17.0 | -25.3 | -9.3 | -1.8 | -1.0 | -1.4 | -1.3 | -5.6 | -1.5 | -3.5 | -3.5 | -3.5 | -12.0 | -10.6 |
| Capex / D&A | 59% | 74% | 105% | 152% | 55% | 35% | 20% | 24% | 21% | 25% | 24% | 54% | 54% | 54% | 47% | 40% |
| Capex / EBITDA | 13% | 24% | 31% | 61% | 16% | 13% | 6% | 6% | 4% | 6% | 9% | 16% | 14% | 11% | 13% | 10% |
| Plus: cost of revenue for spectrum usage rights | | 12.1 | | | | | | | | | | | | | | |
| = Free Cash Flow | 45.2 | 287.1 | 25.0 | 8.3 | 42.6 | 13.0 | 12.4 | 22.4 | 31.1 | 78.9 | 14.3 | 14.2 | 18.2 | 21.0 | 67.8 | 68.2 |
| Free cash flow (reported by company) | 45.2 | 287.1 | 25.0 | 8.3 | 43.0 | 13.0 | 12.4 | 22.4 | 31.1 | 78.9 | 14.3 | 14.2 | 18.2 | 21.0 | 67.8 | 68.2 |
| Free Cash Flow (core) | 45.2 | 37.6 | 25.0 | 8.3 | 42.6 | 13.0 | 12.4 | 22.4 | 31.1 | 78.9 | 14.3 | 14.2 | 18.2 | 21.0 | 67.8 | 68.2 |
| FCF per share (core) | \$0.50 | \$0.41 | \$0.28 | \$0.10 | \$0.51 | \$0.15 | \$0.14 | \$0.25 | \$0.35 | \$0.90 | \$0.16 | \$0.16 | \$0.21 | \$0.25 | \$0.78 | \$0.81 |
| Memo: FCF/Adjusted EBITDA (core) | 65.3% | 74.3% | 46.3% | 20.1% | 70.5% | 91.8% | 69.8% | 96.5% | 94.6% | 89.6% | 79.1% | 65.3% | 70.6% | 69.4% | 70.6% | 67.5% |
| Dividends per basic share | \$0.13 | \$0.16 | \$0.20 | \$0.20 | \$0.13 | \$0.02 | \$0.03 | \$0.03 | \$0.02 | \$0.10 | \$0.03 | \$0.03 | \$0.03 | \$0.03 | \$0.10 | \$0.10 |
| - Dividends | (11.2) | (14.7) | (17.8) | (17.0) | (10.5) | (2.1) | (2.1) | (2.1) | (2.1) | (8.5) | (2.2) | (2.2) | (2.1) | (2.1) | (8.5) | (8.2) |
| Dividends as % of FCF | 24.7% | 39.0% | 71.1% | 204.6% | 24.7% | 16.3% | 17.2% | 9.5% | 6.9% | 10.8% | 15.1% | 15.2% | 11.6% | 9.9% | 12.6% | 12.0% |

Source: Industry Capital Research estimates and company data

Figure 9: Financial Statement Forecasts supporting our valuation (cont.)

| ANNUAL PERCENTAGE CHANGE | 2016A | 2017E | 2018A | 2019A | 2020A | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 2021A | 1Q22A | 2Q22E | 3Q22E | 4Q22E | 2022E | 2023E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|--------------|
| Net revenue growth | 1.7% | 107.4% | -44.4% | -8.1% | 25.8% | 131.7% | 295.5% | 216.0% | 36.2% | 121.0% | 32.4% | 24.2% | 19.7% | 22.2% | 24.0% | 7.0% |
| Net revenue (core) growth | 1.7% | 5.3% | 9.0% | -7.8% | 25.8% | 131.7% | 295.5% | 216.0% | 36.2% | 121.0% | 32.4% | 24.2% | 19.7% | 22.2% | 24.0% | 7.0% |
| TV revenue growth | 0.3% | -7.2% | 2.5% | -1.4% | 3.2% | -7.9% | 26.3% | -3.5% | -20.3% | -4.9% | -14.5% | -6.0% | -6.2% | -11.4% | -9.6% | -9.0% |
| Radio revenue growth | -0.4% | -11.8% | -4.5% | -13.9% | -15.9% | -3.5% | NM | 42.5% | -0.5% | 25.4% | 11.4% | 4.0% | -5.7% | 5.5% | 3.1% | -12.0% |
| Digital revenue growth | 22.5% | 146.7% | 41.8% | -14.9% | 108.0% | 661.2% | 1045.0% | 970.1% | 69.1% | 287.5% | 51.5% | 34.3% | 29.0% | 31.4% | 35.1% | 11.3% |
| Cost of revenue | 31.7% | NM | 36.7% | -18.5% | NM | NM | NM | NM | 73.9% | NM | 53.3% | 31.9% | 29.0% | 33.1% | 35.4% | 9.9% |
| Direct expense | 3.7% | -2.2% | 3.1% | 41.7% | -12.1% | -25.5% | -11.9% | -16.7% | -31.5% | -22.4% | -3.2% | -0.3% | -1.5% | -2.3% | -1.9% | -8.0% |
| SG&A | 5.9% | NM | NM | -21.1% | -10.3% | -28.8% | -9.2% | -1.1% | NM | NM | -3.0% | 4.0% | 6.9% | 33.1% | 28.6% | 7.3% |
| Opex | 5.9% | NM | NM | -4.8% | 23.8% | NM | NM | NM | 49.7% | NM | 38.8% | 28.6% | 23.2% | 26.8% | 28.6% | 7.3% |
| Opex (core) | 4.6% | 5.1% | 5.0% | -1.9% | -11.6% | 0.4% | 25.4% | 26.6% | 4.6% | 12.9% | 8.5% | 20.0% | 6.3% | 7.1% | 10.3% | -1.4% |
| TV opex | 3.7% | -2.2% | 3.1% | 0.1% | -4.2% | -8.6% | 10.0% | 6.2% | -2.6% | 0.6% | -3.2% | -0.3% | -1.5% | -2.3% | -1.9% | -8.0% |
| Radio opex | 5.5% | -3.2% | -6.2% | -4.5% | -26.3% | -16.9% | 8.2% | 0.8% | -5.5% | -4.2% | -3.0% | 4.0% | 6.9% | -3.4% | 1.0% | -7.0% |
| Digital opex | 7.0% | 107.8% | 41.8% | -2.6% | -5.0% | 58.1% | 95.3% | 145.0% | 27.1% | 68.5% | 40.4% | 66.2% | 17.8% | 27.4% | 36.7% | 9.2% |
| Total OCF (core) | -5.3% | -20.3% | 5.8% | -15.2% | 32.1% | 42.6% | NM | 49.5% | -7.4% | 44.0% | -1.2% | 0.4% | 1.3% | -1.5% | -0.3% | 4.8% |
| TV OCF | -3.2% | -12.6% | 1.7% | -3.3% | 12.8% | -7.1% | 57.7% | -13.3% | -34.5% | -11.0% | -28.3% | -13.8% | -11.9% | -22.3% | -19.3% | -10.5% |
| Radio OCF | -26.3% | -65.4% | 25.8% | NM | NM | NM | NM | NM | 11.0% | NM | 97.1% | 4.2% | -24.2% | 22.9% | 7.8% | -22.4% |
| Digital OCF | NM | -68.5% | NM | NM | NM | NM | NM | NM | 83.5% | NM | 46.1% | 21.0% | 46.0% | 16.8% | 29.2% | 32.7% |
| Corporate expense | 9.0% | 12.1% | 1.0% | 3.0% | 3.0% | 2.0% | 15.0% | -4.0% | -18.0% | 3.0% | -2.0% | -13.0% | 4.2% | 47.9% | 3.0% | 3.0% |
| Adjusted EBITDA (core) | -9.3% | -26.9% | 6.8% | -23.7% | 46.6% | 46.7% | NM | 41.7% | 0.6% | 45.7% | 27.6% | 22.3% | 11.2% | -7.7% | 9.0% | 5.2% |
| D & A | -4.0% | 7.0% | -0.8% | 2.3% | 3.8% | 14.9% | 31.0% | 50.0% | 26.2% | 29.7% | 23.4% | 26.0% | 8.4% | 2.1% | 14.1% | 2.5% |
| Operating income | -11.5% | NM | -88.5% | -36.9% | 88.3% | 81.4% | NM | 39.4% | -18.7% | 47.4% | 15.2% | 9.1% | 3.6% | 5.8% | 7.2% | -100.0% |
| Pretax income | -20.3% | NM | -91.7% | NM | NM | NM | NM | 49.0% | -61.4% | NM | -72.0% | -22.3% | -19.2% | 88.2% | -8.4% | 13.8% |
| Net income pre-extra. | -20.5% | NM | -93.1% | NM | NM | NM | NM | 34.5% | -81.0% | NM | -65.2% | -8.7% | -16.4% | NM | 9.6% | 13.8% |
| EPS, Continuing Operations | -20.7% | NM | -92.8% | NM | NM | NM | NM | 27.3% | -83.3% | NM | -66.7% | -11.1% | -14.3% | NM | 11.8% | 15.8% |
| EPS - diluted | -21.4% | NM | -93.0% | NM | NM | NM | NM | 29.3% | -81.5% | NM | -65.9% | -9.1% | -15.0% | NM | 10.4% | 17.9% |
| FCF/share | NM | -18.0% | -31.7% | -64.3% | NM | NM | NM | NM | 6.1% | 76.5% | 6.7% | 14.3% | -16.0% | -28.6% | -13.3% | 3.8% |
| EPS shares - Diluted | 1.1% | 0.6% | -1.7% | -5.8% | -1.0% | 3.2% | 3.7% | 4.1% | 3.0% | 4.4% | 1.9% | 0.4% | -1.7% | -3.5% | -0.7% | -3.5% |

Source: Industry Capital Research estimates and company data

Figure 10: Financial Statement Forecasts supporting our valuation (cont.)

| Segments | | | | | | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|--------|--------|--------|--------|---------|--------|--------|--------|--------|---------|---------|
| In millions | 2016A | 2017A | 2018A | 2019A | 2020A | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 2021A | 1Q22A | 2Q22E | 3Q22E | 4Q22E | 2022E | 2023E |
| AS REPORTED | | | | | | | | | | | | | | | | |
| Revenue: | | | | | | | | | | | | | | | | |
| Television | \$159.5 | \$148.1 | \$151.7 | \$149.7 | \$154.5 | \$36.1 | \$34.1 | \$36.5 | \$40.2 | \$146.8 | \$30.9 | \$32.0 | \$34.2 | \$35.6 | \$132.7 | \$120.8 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 46.3 | 11.3 | 14.1 | 16.4 | 16.1 | 58.0 | 12.6 | 14.7 | 15.5 | 17.0 | 59.8 | 52.6 |
| Digital | 23.1 | 57.1 | 81.0 | 68.9 | 143.3 | 101.5 | 130.2 | 146.1 | 177.5 | 555.3 | 153.7 | 174.9 | 188.5 | 233.2 | 750.3 | 835.1 |
| Revenue | 258.5 | 272.1 | 296.6 | 273.6 | 344.0 | 148.9 | 178.4 | 199.0 | 233.9 | 760.2 | 197.2 | 221.6 | 238.2 | 285.9 | 942.9 | 1,008.5 |
| 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 | 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 | 0.0 |
| Digital | 9.5 | 33.0 | 45.1 | 36.8 | 106.9 | 84.8 | 109.0 | 124.3 | 148.4 | 466.5 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Cost of revenue | 9.5 | 33.0 | 45.1 | 36.8 | 106.9 | 84.8 | 109.0 | 124.3 | 148.4 | 466.5 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Opex: | | | | | | | | | | | | | | | | |
| Television | 83.6 | 81.7 | 84.3 | 84.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.8 | 81.4 | 19.2 | 19.5 | 19.8 | 21.3 | 79.9 | 73.5 |
| Radio | 65.4 | 63.3 | 59.4 | 56.7 | 41.8 | 9.7 | 9.9 | 9.8 | 10.7 | 40.0 | 9.4 | 10.3 | 10.5 | 10.3 | 40.4 | 37.6 |
| Digital | 11.2 | 23.4 | 33.1 | 32.3 | 30.6 | 10.9 | 12.0 | 13.2 | 15.5 | 51.6 | 15.2 | 20.0 | 15.5 | 19.8 | 70.5 | 77.0 |
| Opex | 160.2 | 168.4 | 176.8 | 173.4 | 153.3 | 40.4 | 41.4 | 43.1 | 48.1 | 173.0 | 43.9 | 49.7 | 45.8 | 51.5 | 190.9 | 188.1 |
| OCF: | | | | | | | | | | | | | | | | |
| Television | 75.9 | 66.3 | 67.4 | 65.2 | 73.6 | 16.2 | 14.5 | 16.3 | 18.4 | 65.4 | 11.6 | 12.5 | 14.4 | 14.3 | 52.8 | 47.3 |
| Radio | 10.5 | 3.6 | 4.6 | (1.7) | 4.5 | 1.6 | 4.2 | 6.7 | 5.5 | 18.0 | 3.2 | 4.4 | 5.0 | 6.7 | 19.4 | 15.0 |
| Digital | 2.4 | 0.7 | 2.8 | (0.1) | 5.7 | 5.9 | 9.2 | 8.6 | 13.6 | 37.2 | 8.6 | 11.1 | 12.6 | 15.9 | 48.1 | 63.8 |
| OCF | 88.7 | 70.7 | 74.8 | 63.4 | 83.8 | 23.7 | 27.9 | 31.6 | 37.4 | 120.6 | 23.4 | 28.0 | 32.0 | 36.9 | 120.3 | 126.1 |
| PRO FORMA | | | | | | | | | | | | | | | | |
| Revenue: | | | | | | | | | | | | | | | | |
| Television | 159.5 | 148.1 | 151.7 | 149.7 | 154.5 | 36.1 | 34.1 | 36.5 | 40.2 | 146.8 | 30.9 | 32.0 | 34.2 | 35.6 | 132.7 | 120.8 |
| Radio | 75.8 | 66.9 | 63.9 | 55.0 | 46.3 | 11.3 | 14.1 | 16.4 | 16.1 | 58.0 | 12.6 | 14.7 | 15.5 | 17.0 | 59.8 | 52.6 |
| Digital | | | 92.1 | 228.3 | 315.9 | 109.5 | 140.1 | 146.1 | 177.5 | 573.2 | 153.7 | 174.9 | 188.5 | 233.2 | 750.3 | 835.1 |
| Revenue | 273.7 | 281.7 | 307.8 | 433.0 | 516.6 | 156.9 | 188.3 | 199.0 | 233.9 | 778.1 | 197.2 | 221.6 | 238.2 | 285.9 | 942.9 | 1,008.5 |
| 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 | 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 | 0.0 |
| Digital | 9.5 | 33.0 | 45.1 | 173.0 | 253.2 | 91.0 | 116.0 | 124.3 | 148.4 | 479.7 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Cost of revenue | 9.5 | 33.0 | 45.1 | 173.0 | 253.2 | 91.0 | 116.0 | 124.3 | 148.4 | 479.7 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Opex: | | | | | | | | | | | | | | | | |
| Television | 83.6 | 81.7 | 84.3 | 84.4 | 80.9 | 19.9 | 19.5 | 20.1 | 21.8 | 81.4 | 19.2 | 19.5 | 19.8 | 21.3 | 79.9 | 73.5 |
| Radio | 65.4 | 63.3 | 59.4 | 56.7 | 41.8 | 9.7 | 9.9 | 9.8 | 10.7 | 40.0 | 9.4 | 10.3 | 10.5 | 10.3 | 40.4 | 37.6 |
| Digital | | | 43.9 | 45.5 | 45.4 | 12.4 | 14.7 | 13.2 | 15.5 | 55.8 | 15.2 | 20.0 | 15.5 | 19.8 | 70.5 | 77.0 |
| Opex | 160.2 | 168.4 | 187.6 | 186.6 | 168.1 | 42.0 | 44.1 | 43.1 | 48.1 | 177.3 | 43.9 | 49.7 | 45.8 | 51.5 | 190.9 | 188.1 |
| OCF: | | | | | | | | | | | | | | | | |
| Television | 75.9 | 66.3 | 67.4 | 65.2 | 73.6 | 16.2 | 14.5 | 16.3 | 18.4 | 65.4 | 11.6 | 12.5 | 14.4 | 14.3 | 52.8 | 47.3 |
| Radio | 10.5 | 3.6 | 4.6 | (1.7) | 4.5 | 1.6 | 4.2 | 6.7 | 5.5 | 18.0 | 3.2 | 4.4 | 5.0 | 6.7 | 19.4 | 15.0 |
| Digital | 17.5 | 10.4 | 3.2 | 9.8 | 17.3 | 6.1 | 9.5 | 8.6 | 13.6 | 37.7 | 8.6 | 11.1 | 12.6 | 15.9 | 48.1 | 63.8 |
| OCF | 103.9 | 80.3 | 75.2 | 73.4 | 95.3 | 23.9 | 28.2 | 31.6 | 37.4 | 121.2 | 23.4 | 28.0 | 32.0 | 36.9 | 120.3 | 126.1 |
| CONSOLIDATED PRO FORMA | | | | | | | | | | | | | | | | |
| Revenue | 273.7 | 281.7 | 307.8 | 433.0 | 516.6 | 156.9 | 188.3 | 199.0 | 233.9 | 778.1 | 197.2 | 221.6 | 238.2 | 285.9 | 942.9 | 1,008.5 |
| Growth | 7.7% | 2.9% | 9.3% | 40.7% | 19.3% | 45.8% | 106.3% | 60.3% | 20.8% | 50.6% | 25.7% | 17.7% | 19.7% | 22.2% | 21.2% | 7.0% |
| Cost of Revenue | 9.5 | 33.0 | 45.1 | 173.0 | 253.2 | 91.0 | 116.0 | 124.3 | 148.4 | 479.7 | 129.9 | 143.8 | 160.4 | 197.6 | 631.7 | 694.3 |
| Growth | 31.7% | 246.0% | 36.7% | 283.6% | 46.4% | 101.6% | 152.8% | 106.6% | 45.4% | 89.4% | 42.8% | 24.0% | 29.0% | 33.1% | 31.7% | 9.9% |
| Opex | 160.2 | 168.4 | 187.6 | 186.6 | 168.1 | 42.0 | 44.1 | 43.1 | 48.1 | 177.3 | 43.9 | 49.7 | 45.8 | 51.5 | 190.9 | 188.1 |
| Growth | 4.6% | 5.1% | 11.4% | -0.5% | -9.9% | -5.3% | 18.5% | 11.0% | 0.8% | 5.5% | 4.5% | 12.8% | 6.3% | 7.1% | 7.7% | -1.4% |
| OCF | 103.9 | 80.3 | 75.2 | 73.4 | 95.3 | 23.9 | 28.2 | 31.6 | 37.4 | 121.2 | 23.4 | 28.0 | 32.0 | 36.9 | 120.3 | 126.1 |
| Growth | 2.9% | -22.7% | -6.4% | -2.4% | 29.9% | 31.8% | 244.8% | 25.7% | -14.6% | 27.1% | -2.2% | -0.7% | 1.3% | -1.5% | -0.7% | 4.8% |
| Corporate | 20.8 | 23.1 | 21.8 | 24.4 | 23.9 | 6.4 | 6.5 | 6.5 | 7.2 | 26.6 | 7.1 | 7.1 | 6.8 | 7.1 | 28.2 | 29.1 |
| Growth | 8.5% | 10.8% | -5.5% | 12.0% | -2.0% | 3.6% | 39.7% | 15.3% | -3.2% | 11.3% | 11.0% | 8.6% | 5.7% | -1.0% | 5.9% | 3.2% |
| Memo: adj. EBITDA - (OCF - cash corporate) | 1.3 | 3.0 | 1.1 | 2.2 | 0.6 | (3.1) | (3.6) | (1.9) | 2.6 | (6.0) | 1.8 | 0.8 | 0.7 | 0.6 | 3.9 | 4.0 |
| EBITDA | 84.4 | 60.2 | 54.4 | 51.2 | 71.9 | 14.4 | 18.1 | 23.2 | 32.9 | 88.6 | 18.1 | 21.7 | 25.8 | 30.3 | 96.0 | 101.0 |
| Growth | 3.2% | -28.7% | -9.6% | -6.0% | 40.6% | 39.0% | 322.5% | 13.9% | -8.9% | 23.1% | 25.6% | 20.3% | 11.2% | -7.7% | 8.4% | 5.2% |

Source: Industry Capital Research estimates and company data

Figure 11: Rolling forward market data used in beta estimates contributes to slightly higher discount rates

| Entrevision Weighted Average Cost of Capital Analysis | | | | EVC Broadcasting Media Comparables | | | | EVC Digital Media Comparables | | | | | |
|---|-------|-------|-------------|------------------------------------|-------|-------|--------------------|-------------------------------|-------|-------|--------|-------|------------------|
| Metric | EVC | EVC-B | EVC-Digital | NKST | SBI | GTN | Broadcast Comp Avg | SFOR.L (GBP) | PERI | PUBM | FB | MELI | Digital Comp Avg |
| WACC assumptions | | | | | | | | | | | | | |
| Equity beta (based on May 2020-May 2022 weekly returns) | 1.24 | 1.22 | 1.61 | 1.13 | 1.22 | 1.30 | 1.22 | 1.06 | 1.61 | 2.10 | 1.26 | 1.94 | 1.59 |
| Std error | 0.03 | 0.06 | | 0.05 | 0.07 | 0.05 | 0.06 | 0.06 | 0.10 | 0.04 | 0.04 | 0.07 | 0.06 |
| Equity beta (based on projected leverage) | 1.22 | 0.89 | | | | | | | | | | | |
| Debt beta | 0.59 | 0.59 | | 0.6 | 0.6 | 0.7 | 0.62 | 0.8 | 0.8 | 0.8 | 0.6 | 0.6 | |
| Unlevered beta | 1.05 | 1.03 | 1.61 | 0.83 | 0.72 | 0.87 | 0.80 | 1.05 | 1.60 | 2.16 | 1.30 | 1.95 | 1.61 |
| Unlevered cost of capital | 8.4% | 7.1% | 11.3% | 7.2% | 6.7% | 7.5% | | 8.4% | 11.2% | 14.1% | 9.7% | 13.0% | 11.3% |
| Equity cost of capital | 9.2% | 7.5% | 11.3% | 8.8% | 9.3% | 9.7% | | 8.4% | 11.3% | 13.8% | 9.5% | 13.0% | 11.2% |
| Debt cost of capital | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.5% | | 7.0% | 7.0% | 7.0% | 6.0% | 6.0% | 6.6% |
| Debt value (D)/Equity value (E) | 0.37 | 0.37 | - | 1.5 | 4.0 | 2.0 | | 0.1 | - | - | (0.1) | - | |
| D/Total Value (V) | 0.27 | 0.27 | - | 0.60 | 0.80 | 0.67 | | 0.09 | - | - | (0.06) | - | |
| E/V | 0.73 | 0.73 | 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) | 7.7% | 6.5% | 11.3% | 5.8% | 4.7% | 5.7% | | 8.1% | 11.2% | 14.1% | 9.8% | 13.0% | 11.2% |
| Historical capital structure | | | | | | | | | | | | | |
| D/E | | | | | | | | | | | | | |
| 12/31/21 | 0.1 | 0.1 | | 1.1 | 6.0 | 3.8 | | 0.0 | (0.0) | (0.0) | (0.0) | 0.0 | |
| 12/31/20 | 0.6 | 0.6 | | 1.5 | 4.4 | 2.3 | | 0.0 | 0.1 | (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 | 3.9 | 2.4 | | 0.0 | 0.0 | (0.0) | (0.1) | (0.0) | |
| Target D/E | 0.37 | 0.37 | | 1.5 | 4.0 | 2.0 | | 0.10 | - | - | (0.1) | - | |
| Market assumptions | | | | | | | | | | | | | |
| Risk-free interest rate | 2.94% | 2.94% | 2.94% | 2.94% | 2.94% | 2.94% | | 2.94% | 2.94% | 2.94% | 2.94% | 2.94% | |
| Equity market risk premium | 5.17% | 5.17% | 5.17% | 5.17% | 5.17% | 5.17% | | 5.17% | 5.17% | 5.17% | 5.17% | 5.17% | |

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

Source: Industry Capital Research estimates and company data

Figure 12: DCF analysis supports \$8.00 per share 12-month price target, within \$7.00-9.00 range

| Entravision DCF analysis | | | |
|---|---------|---------|---------|
| \$ in millions except per share amounts | | | |
| | Current | YE 2022 | YE 2023 |
| Firm Value | 748 | 750 | 747 |
| (-) Total Net Debt | 107 | 40 | (29) |
| (+) NOLs/Tax Assets | 30 | 30 | 30 |
| (-) Options (Claims on Entravision) | (2.9) | (2.9) | (2.9) |
| Common Equity Value | 667.5 | 737.0 | 802.6 |
| Shares Outstanding | 87.4 | 87.4 | 87.4 |
| Current Share Price | \$5.16 | \$5.16 | \$5.16 |
| Value Per Share | \$7.64 | \$8.43 | \$9.18 |
| 12-month | \$9.00 | | |
| 12-month (SoTP) | \$7.00 | | |

| ASSUMPTIONS | | | | | |
|---------------------------------|--------|---------|---------|---------|---------|
| | | CAGRs | | | |
| | | 2018-22 | 2020-24 | 2022-26 | 2025-26 |
| Risk Free Rate | 2.94% | | | | |
| Equity Premium | 5.17% | | | | |
| Assumed LT Growth Rate (g) | 0% | | | | |
| MV of Equity Calculation | | | | | |
| Share Price | \$5.16 | | | | |
| Outstanding Shares | 87.4 | | | | |
| MV of Equity | 450.9 | | | | |
| Estimate MV of Debt Calculation | | | | | |
| Interest Expense | 6.9 | | | | |
| Current Cost of Debt | 6.0% | | | | |
| Wgtd Avg Maturity of Debt | | | | | |
| BV of Debt | 107.4 | | | | |
| Estimate MV of Debt | 107.4 | | | | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Terminal |
|-------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Discounted Cash Flow | | | | | | | | | | | |
| EBITDA | 54.0 | 41.2 | 60.4 | 88.0 | 96.0 | 101.0 | 128.8 | 123.3 | 138.8 | 130.7 | |
| EBIT | 37.8 | 24.6 | 43.1 | 65.6 | 70.4 | 74.7 | 95.1 | 87.5 | 100.5 | 91.7 | 96.1 |
| Less Cash Taxes | (11.3) | (7.4) | (12.9) | (19.7) | (21.1) | (22.4) | (28.5) | (26.2) | (30.2) | (27.5) | (33.6) |
| Plus D&A | 16.3 | 16.6 | 17.3 | 22.4 | 25.6 | 26.2 | 33.7 | 35.8 | 38.3 | 39.1 | 39.1 |
| Less Cap Ex | (17.0) | (25.3) | (9.5) | (5.6) | (12.0) | (10.6) | (11.1) | (11.7) | (12.3) | (12.9) | (39.1) |
| Less Increase in WC | (9.4) | (8.7) | 8.7 | (15.5) | (2.7) | (3.4) | (4.5) | (4.5) | (5.2) | (4.9) | (5.1) |
| Free Cash Flow to Firm | 16.3 | (0.1) | 46.6 | 47.2 | 60.2 | 64.5 | 84.7 | 80.8 | 91.2 | 85.4 | 57.4 |
| Tax Rate | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 35.0% |
| Net Debt | 107 | | | | | | | | | | |
| Leverage Mult. | 1.8x | | | | | | | | | | |
| D/Equity | 24% | | | | | | | | | | |
| D/EV | 19% | | | | | | | | | | |
| E/EV | 81% | | | | | | | | | | |
| Unlevered Beta | 1.05 | | | | | | | | | | |
| Levered Beta | 1.29 | | | | | | | | | | |
| D/Equity (long-term target) | 33% | | | | | | | | | | |
| Cost of Debt (AT) | 4.2% | | | | | | | | | | |
| Cost of Equity | 9.6% | | | | | | | | | | |
| WACC | 8.3% | | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | |
| PV of CF | | | | | 55.6 | 55.1 | 66.7 | 58.8 | 61.3 | 53.0 | |
| | | | | | | 59.6 | 72.2 | 63.7 | 66.3 | 57.4 | |
| | | | | | | | 78.2 | 68.9 | 71.8 | 62.2 | |
| Sum of PV | 350.4 | 319.2 | 281.1 | | | | | | | | 693.4 |
| PV of Terminal Value | 397.4 | 430.3 | 465.9 | | | | | | | | 5x EBITDA |
| NPV of all CF | 747.8 | 749.5 | 747.0 | | | | | | | | |

Source: Industry Capital Research estimates and company data

Figure 13: DCF analysis allocates ~70% of firm value to digital media business

| Entravision DCF analysis - Digital | | | |
|---|---------|---------|---------|
| \$ in millions except per share amounts | | | |
| | Current | YE 2022 | YE 2023 |
| Firm Value | 438 | 454 | 461 |
| (-) Total Net Debt | - | - | - |
| (+) NOLs | | | |
| (-) Options (Claims on Entravision) | | | |
| Common Equity Value | 438.4 | 454.2 | 460.6 |
| Shares Outstanding | 87.4 | 87.4 | 87.4 |
| Current Share Price | \$5.16 | \$5.16 | \$5.16 |
| Value Per Share | \$5.02 | \$5.20 | \$5.27 |
| 12-month | \$5.00 | | |
| Minority Interest | | 1 | |

| ASSUMPTIONS | | | | | | | | | | | | |
|--|--------------|--|--|--|--|--|--|--|--|--|--|--|
| Risk Free Rate | 2.9% | | | | | | | | | | | |
| Equity Premium | 5.2% | | | | | | | | | | | |
| Assumed LT Growth Rate (g) | 1% | | | | | | | | | | | |
| MV of Equity Calculation | | | | | | | | | | | | |
| Share Price | \$5.16 | | | | | | | | | | | |
| Outstanding Shares | 87.4 | | | | | | | | | | | |
| MV of Equity | 450.9 | | | | | | | | | | | |
| Estimate MV of Debt Calculation | | | | | | | | | | | | |
| Interest Expense | 6.9 | | | | | | | | | | | |
| Current Cost of Debt | 6.0% | | | | | | | | | | | |
| Wgtd Avg Maturity of Debt | | | | | | | | | | | | |
| BV of Debt | - | | | | | | | | | | | |
| Estimate MV of Debt | - | | | | | | | | | | | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Terminal |
|--------------------------------|--------------|--------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Discounted Cash Flow | | | | | | | | | | | |
| EBITDA | 2.8 | (0.1) | 2.3 | 28.1 | 48.1 | 63.8 | 76.8 | 89.1 | 99.7 | 105.1 | |
| EBIT | 2.8 | (0.1) | 2.3 | 23.0 | 39.3 | 52.1 | 62.7 | 72.8 | 81.5 | 85.8 | 78.0 |
| Less Cash Taxes | (0.8) | 0.0 | (0.7) | (6.9) | (11.8) | (15.6) | (18.8) | (21.9) | (24.4) | (25.8) | (27.3) |
| Plus D&A | | | | 5.1 | 8.8 | 11.7 | 14.0 | 16.3 | 18.2 | 19.2 | 16.3 |
| Less Cap Ex | | | | | | | | | | | (16.3) |
| Less Increase in WC | | | | (15.5) | (2.7) | (3.4) | (4.5) | (4.5) | (5.2) | (4.9) | (4.9) |
| Free Cash Flow to Firm | 1.9 | (0.1) | 1.6 | 5.7 | 33.6 | 44.8 | 53.4 | 62.8 | 70.1 | 74.4 | 45.8 |
| Tax Rate | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 35.0% |
| Net Debt | 0 | | | | | | | | | | |
| Leverage Mult. | 0.0x | | | | | | | | | | |
| D/Equity | 0% | | | | | | | | | | |
| D/EV | 0% | | | | | | | | | | |
| E/EV | 100% | | | | | | | | | | |
| Unlevered Beta | 1.61 | | | | | | | | | | |
| Levered Beta | 1.6 | | | | | | | | | | |
| D/Equity (projected long term) | 0.0% | | | | | | | | | | |
| Cost of Debt (AT) | 4.2% | | | | | | | | | | |
| Cost of Equity | 11.3% | | | | | | | | | | |
| WACC | 11.3% | | 11% | 11% | 11% | 11% | 11% | 11% | 11% | 11% | |
| PV of CF | | | | | 30.2 | 36.2 | 38.8 | 41.0 | 41.1 | 39.2 | |
| | | | | | | 40.2 | 43.2 | 45.6 | 45.7 | 43.6 | |
| | | | | | | | 48.0 | 50.7 | 50.9 | 48.5 | |
| | | | | | | | | | | | 447.5 |
| | | | | | | | | | | | 4x EBITDA |

| | Current | YE 2022 | YE 2023 |
|----------------------|--------------|--------------|--------------|
| Sum of PV | 226.4 | 218.3 | 198.1 |
| PV of Terminal Value | 212.0 | 235.9 | 262.4 |
| NPV of all CF | 438.4 | 454.2 | 460.6 |

Source: Industry Capital Research estimates and company data

Figure 14: DCF analysis allocates ~30% of firm value to broadcasting business

| Entravision DCF analysis - Broadcasting | | | |
|---|---------|---------|---------|
| \$ in millions except per share amounts | | | |
| | Current | YE 2022 | YE 2023 |
| Firm Value | 169 | 156 | 149 |
| (-) Total Net Debt | 107 | 40 | (29) |
| (+) NOLs | 30 | 30 | 30 |
| (-) Options (Claims on Entravision) | (2.9) | (2.9) | (2.9) |
| Common Equity Value | 88.2 | 143.2 | 204.3 |
| Shares Outstanding | 87.4 | 87.4 | 87.4 |
| Current Share Price | \$5.16 | \$5.16 | \$5.16 |
| Value Per Share | \$1.01 | \$1.64 | \$2.34 |
| 12-month | \$2.00 | | |

| ASSUMPTIONS | | | | | |
|--|--------------|---------|---------|---------|---------|
| | | CAGRs | | | |
| | | 2018-22 | 2020-24 | 2022-26 | 2025-26 |
| Risk Free Rate | 2.9% | | | | |
| Equity Premium | 5.2% | | | | |
| Assumed LT Growth Rate (g) | -1% | | | | |
| MV of Equity Calculation | | | | | |
| Share Price | \$5.16 | | | | |
| Outstanding Shares | 87.4 | | | | |
| MV of Equity | 450.9 | | | | |
| Estimate MV of Debt Calculation | | | | | |
| Interest Expense | 6.9 | | | | |
| Current Cost of Debt | 6.0% | | | | |
| Wgtd Avg Maturity of Debt | | | | | |
| BV of Debt | 107.4 | | | | |
| Estimate MV of Debt | 107.4 | | | | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Terminal |
|-------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Discounted Cash Flow | | | | | | | | | | | |
| EBITDA | 51.3 | 41.3 | 58.1 | 59.9 | 47.9 | 37.2 | 52.1 | 34.1 | 39.1 | 25.7 | |
| EBIT | 35.0 | 24.7 | 40.8 | 42.7 | 31.1 | 22.6 | 32.4 | 14.6 | 19.0 | 5.8 | 16.7 |
| Less Cash Taxes | (10.5) | (7.4) | (12.2) | (12.8) | (9.3) | (6.8) | (9.7) | (4.4) | (5.7) | (1.7) | (5.8) |
| Plus D&A | 16.3 | 16.6 | 17.3 | 17.3 | 16.8 | 14.6 | 19.7 | 19.5 | 20.1 | 19.9 | 19.5 |
| Less Cap Ex | (17.0) | (25.3) | (9.5) | (5.6) | (12.0) | (10.6) | (11.1) | (11.7) | (12.3) | (12.9) | (19.5) |
| Less Increase in WC | (9.4) | (8.7) | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Free Cash Flow to Firm | 14.3 | (0.0) | 45.0 | 41.5 | 26.6 | 19.8 | 31.2 | 18.0 | 21.1 | 11.0 | 10.8 |
| Tax Rate | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 35.0% |
| Net Debt | 107 | | | | | | | | | | |
| Leverage Mult. | 1.8x | | | | | | | | | | |
| D/Equity | 24% | | | | | | | | | | |
| D/EV | 19% | | | | | | | | | | |
| E/EV | 81% | | | | | | | | | | |
| Unlevered Beta | 1.03 | | | | | | | | | | |
| Levered Beta | 1.3 | | | | | | | | | | |
| D/Equity (long-term target) | 33% | | | | | | | | | | |
| Cost of Debt (AT) | 4.2% | | | | | | | | | | |
| Cost of Equity | 9.5% | | | | | | | | | | |
| WACC | 8.2% | | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | |
| PV of CF | | | | | 24.6 | 16.9 | 24.7 | 13.2 | 14.2 | 6.9 | |
| | | | | | | 18.3 | 26.7 | 14.2 | 15.4 | 7.5 | |
| | | | | | | | 28.9 | 15.4 | 16.7 | 8.1 | |
| Sum of PV | 100.4 | 82.1 | 69.0 | | | | | | | | 118.1 |
| PV of Terminal Value | 68.1 | 73.7 | 79.7 | | | | | | | | 3x EBITDA |
| NPV of all CF | 168.5 | 155.7 | 148.7 | | | | | | | | |

Source: Industry Capital Research estimates and company data

APPENDIX

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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 |
| 8 | 2/2/22 | Reaffirmed Buy @ \$5.87, Target Price \$8.00 |
| 9 | 3/4/22 | Reaffirmed Buy @ \$6.42, Target Price \$8.50 |
| 10 | 4/15/22 | Reaffirmed Buy @ \$5.53, Target Price \$8.50 |
| 11 | 5/6/22 | Reaffirmed Buy @ \$5.14, Target Price \$8.00 |

Ratings Definitions

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

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

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

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

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