



Business Valuation  
& Advisory

Industry Update

# Broadcast Industry

June 2016



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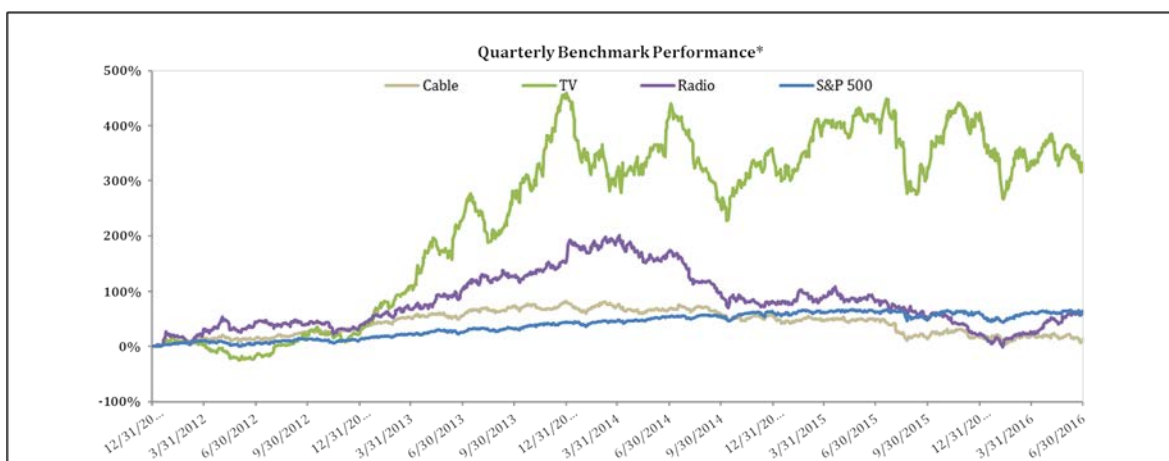
\* This publication is also available in soft copy on the MPI website: <http://www.mpival.com/resources.html>

## Industry Overview

This publication focuses on major events, developments and trends within three segments of the Broadcast Industry: radio broadcasting, television broadcasting and cable programming. Each of the Broadcast Industry segments is dominated by a few sizable players, and most firms operating in the Broadcast Industry are in the mature stage of their business lifecycle. The Broadcast Industry faces the primary challenge of limited advertising dollars, which is a key driver to revenues, and has resulted in significant consolidation among industry participants in recent periods. Other important trends and challenges are discussed below:

- **Radio Broadcasting:** This segment includes broadcasting stations, networks and syndicates that transmit audio programming through AM, FM and satellite radio channels. Radio suffered greatly following the 2009 recession as advertising budgets were slashed and the remaining advertising dollars were largely allocated to television and internet-related marketing efforts. Overall, Radio is struggling to remain relevant in the face of competition from online streaming radio, podcasts and portable music players.
- **Television Broadcasting:** This segment consists of companies operating studios and facilities that program and deliver over-the-air transmission of audiovisual content to the public. TV broadcasting has contended with increased competition for viewing audiences and advertising dollars from online channels and a shift in consumer preferences to cable services. Creating and allowing more content on online platforms will play an important role in growth. TV broadcasters have begun to demand retransmission fees from cable companies for the right to retransmit television broadcast programming.
- **Cable Programming:** This segment consists of studios and facilities that distribute television programs through cable systems on a subscription or fee basis. This segment has experienced a widened selection of channel offerings, which resulted in an increase in the number of consumers willing to pay for upgrades to existing subscriptions in recent years. Despite the recent growth experienced, the industry faces an evolving source of competition from the online content platforms. The industry has begun to introduce its own competing online platforms.

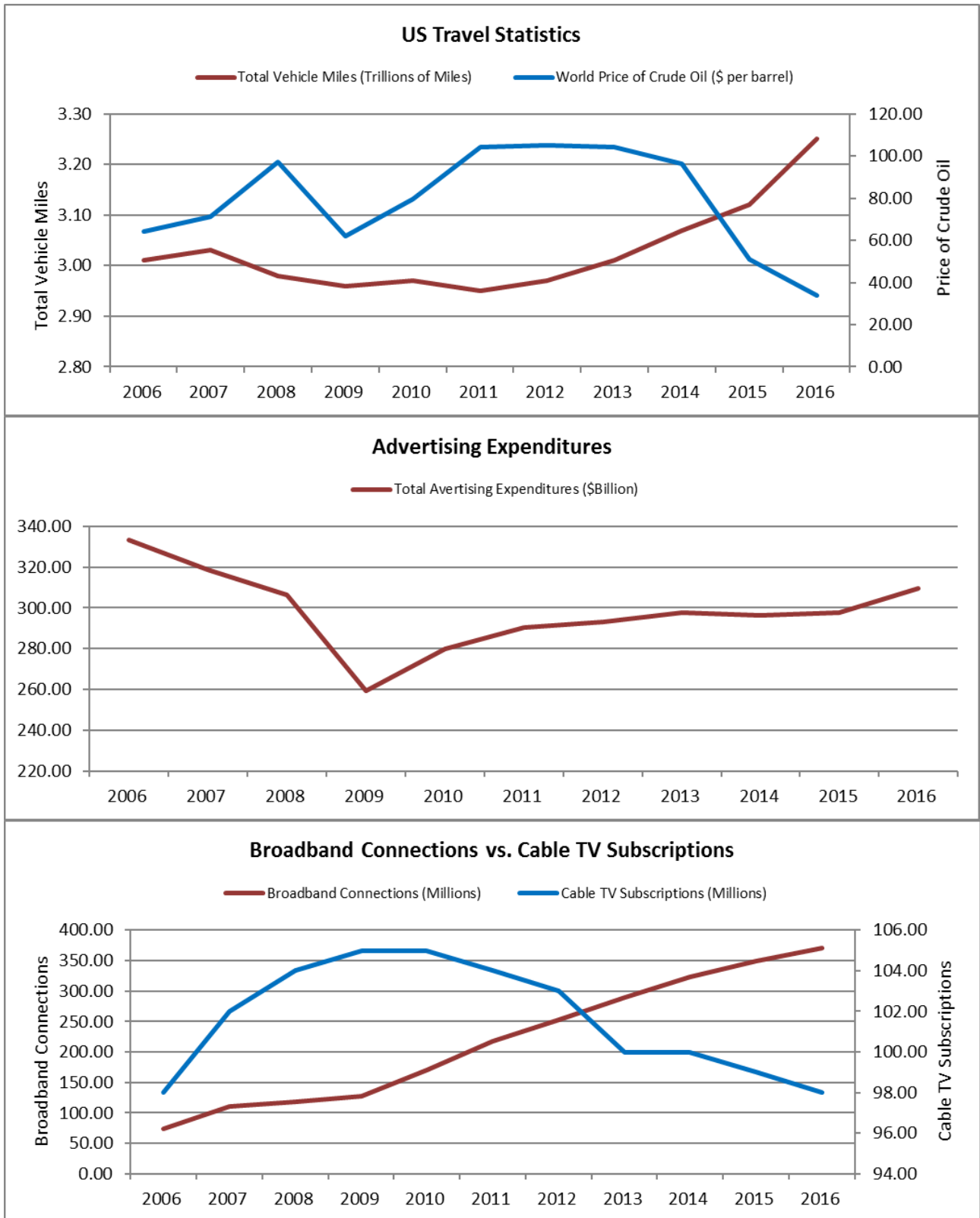
As the stock price performance graph below suggests, the Broadcast Industry as a whole has outpaced the S&P 500 over the last two years. In particular, the television broadcasting segment has led the charge and continues to outpace other subsectors and the S&P, despite continuing significant volatility since 2013.



## In the News...

- CBS's CEO says broadcaster mulling sale of radio division: "CBS Corp., owner of the most-watched U.S. TV network, is putting a for-sale sign on its radio division, a group of stations that dates back to the inception of Columbia Broadcasting System in 1927. Radio is a shrinking business, with advertising revenue falling and the company writing down the value of its station licenses last year. CBS's local broadcasting division, which includes radio and TV outlets, reported sales of \$2.6 billion in 2015, the lowest since 2009. CBS and Showtime are the company's two premium brands, Moonves said. While unloading some assets, the company said it will increase sales by \$3.75 billion through higher retransmission fees, selling CBS All Access and Showtime over the Internet, and licensing TV programs for broadcast outside the U.S. All Access and Showtime will surpass 4 million subscribers apiece by 2020, Chief Operating Officer Joe Ianniello projected." (Bloomberg, 3/15).
- Nexstar broadcasting's Yashi to launch digital mirror, industry's first integrated linear tv and digital programmatic video advertising technology: "Nexstar Broadcasting Group, Inc. (Nasdaq: NXST) and Yashi, Inc., a leading location-focused video advertising company and wholly-owned subsidiary of Nexstar, announced today the launch of Digital Mirror, the industry's first integrated linear television and digital programmatic video advertising technology. Powered by Yashi's location-focused technology, Digital Mirror extends the reach, superior engagement and proven consumer influence of broadcast television advertising through the simultaneous delivery of highly targeted digital pre-roll video advertising online and via mobile devices." (Business Wire, 4/21).
- Cumulus CEO aims to revive radio broadcaster: "When Cumulus Media Inc.'s new chief executive, Mary Berner, made a March visit to classic-rock station KLOS—one of the troubled radio company's most promising assets—a number of employees thanked her for bringing them "the Force," while she answered many questions with an equally cryptic response: "HABU." HABU, an acronym for the "highest and best use" of resources, and the Force, short for "focused, responsible, collaborative and empowered," are two of the code words that have become part of the lexicon since the fast-talking magazine-world veteran took the helm at the country's second-biggest radio broadcaster in October." (WSJ, 5/5).
- Report: U.S. retransmission fees to hit \$7.7B in 2016: "Retransmission fees are on the rise, with S&P Global Market Intelligence division SNL Kagan estimating that U.S. TV station owners fees from multichannel operators could be \$7.7 billion for 2016, a 20 percent increase from 2015's \$6.4 billion. Kagan projects that number could be as high as \$11.6 billion by 2022. In addition, reverse comp, which is the retrans money stations pay to their networks for programming, is also increasing. Per Kagan, reverse comp for 2016 looks to increase by 36 percent, to \$2.1 billion." (TV Technology, 6/29).

## Key Indicators



Sources: S&P Capital IQ, Bloomberg, IBISWorld.

## M&A Overview

### Highlighted Transactions

#### Sinclair Broadcast Group's Acquisition of The Tennis Channel



- Sinclair Broadcast Group purchased The Tennis Channel, Inc. for \$350 million from a group of investors. The purchase was funded through cash on hand and a draw on the Sinclair revolving line of credit. The deal is a sign of the increasing pressure on independent cable channels like the Tennis Channel to merge with bigger players as the pay-TV distributors who carry their programming consolidate.
- It also shows how a new breed of growing local TV station “supergroups” like Sinclair may look to diversify as they bump up against regulations limiting how many TV stations they can own.

#### Corus Entertainment Acquires Shaw Media Inc. from Shaw Communications



- Corus Entertainment completed its acquisition of Shaw Media Inc. from Shaw Communications for CAD 2.7 billion on April 1, 2016. The deal was funded with CAD 1.5 billion in cash and CAD 839 million Corus stock. There was also CAD 335 million required to acquire the full face amount of Shaw Media's outstanding debt. With the addition of Shaw Media, Corus management expects to have the competitive scale, the brands, the content and the team to accelerate our growth.

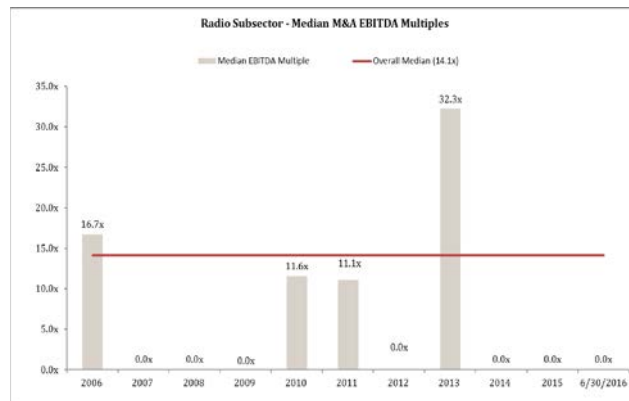
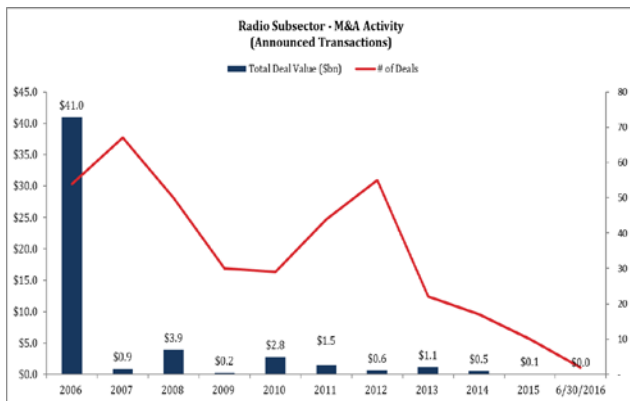
#### Lions Gate Entertainment Agrees to Acquire Starz for \$4.4 Billion



- Lions Gate Entertainment signed an agreement to acquire the final 95.37% stake in Starz for \$4.4 billion in a cash and stock deal. Starz Series A shareholders will receive \$18 in cash along with 0.6784 of a Lionsgate non-voting share, equaling about \$32.73 a share, an 18% premium.
- Lions Gate pursued the deal in order to make a push in the premium cable industry. The combination will immediately become a power player in the world of TV and movies, with around 16,000 films & shows and tens of millions of cable subscribers.

## M&A Overview, cont'd

### Industry Trends – Radio



Note: value of 0.0x indicates no available data for that period.

### Recent Transactions – Radio

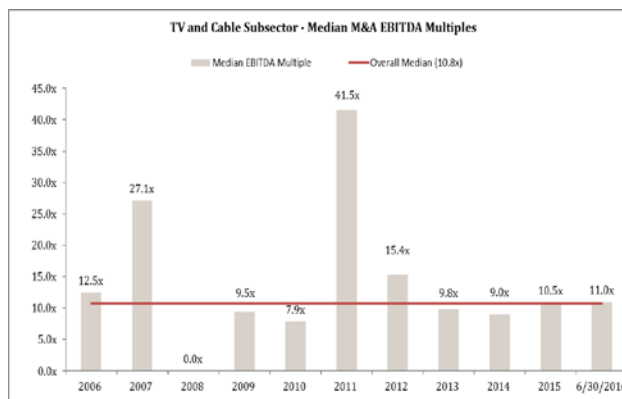
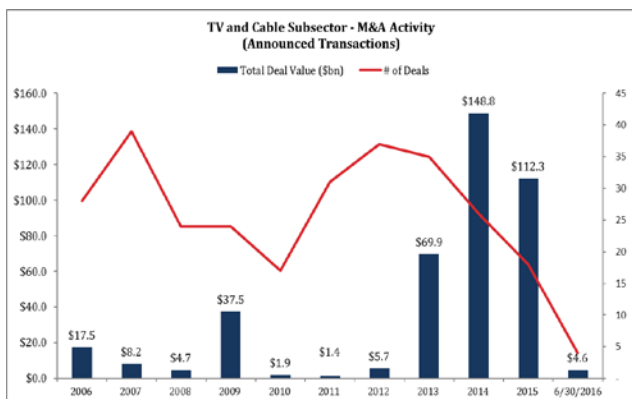
Radio Subsector			
Announced Date	Buyer	Target	Target Description
1/14/2016	Pittsburgh Public Media	AM Guys, LLC, WZUM, AM 1550, Braddock PA	AM Guys, LLC, WZUM, AM 1550, Braddock PA is a radio station.
1/6/2016	Universal Media Access KFVB-AM LLC	KFVB-AM, LLC	Access.1 Communications Corp.-NY., Nine Radio Stations in Shreveport and Tyler-Longview comprises radio stations located in the United States.

Source: S&P Capital IQ\*

\*Only includes deals taking place in the United States.

## M&A Overview, cont'd

### Industry Trends – Television & Cable



Note: value of 0.0x indicates no available data for that period.

### Recent Transactions – Television & Cable

Television and Cable Subsectors			
Announced Date	Buyer	Target	Target Description
01/01/2016	Shenandoah Telecommunications Co.	Colane Cable TV, Inc.	Colane Cable TV, Inc. offers cable system operating services.
01/27/2016	Sinclair Broadcast Group, Inc.	The Tennis Channel, Inc.	The Tennis Channel, Inc. operates a professional sports and tennis lifestyle based television channel.
05/11/2016	Single Digits, Inc.	Signal Share Infrastructure, Inc.	LIN Media LLC, together with its subsidiaries, operates as a local multimedia company in the United States. This transaction closed on December 19, 2014.
06/30/2016	Lions Gate Entertainment Corp.	Starz	LIN Media LLC, together with its subsidiaries, operates as a local multimedia company in the United States. This transaction closed on December 19, 2014.

Source: S&P Capital IQ\*

\*Only includes deals taking place in the United States.

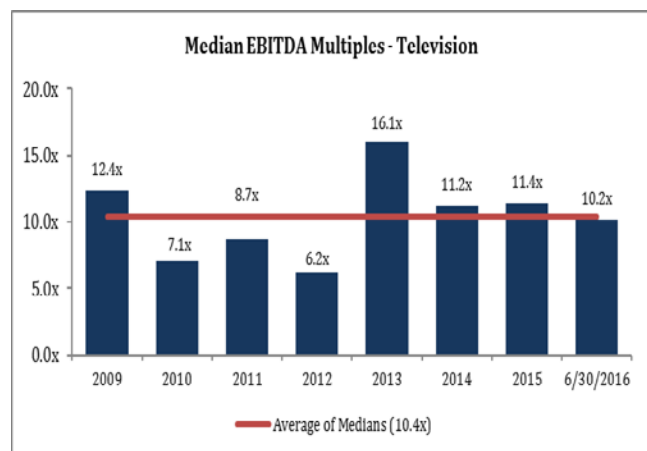
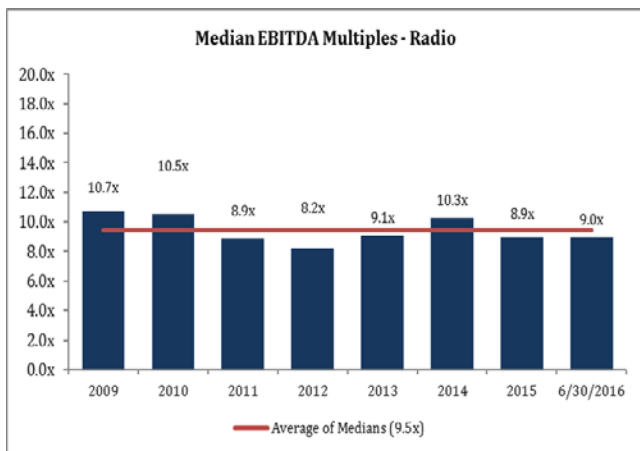


Public Market Data<sup>1</sup>

Company	Guideline Ticker	6/30/2016 Close <sup>(2)</sup>	52-Week		Enterprise Value (EV) <sup>(3)</sup>	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
			High	Low		LTM	NFY	LTM	NFY	LTM	NFY
<b>Radio Broadcasting</b>											
Beasley Broadcast Group Inc.	BBI	4.21	5.00	2.75	168	7.5x	NA	20.5%	NA	14.3x	NA
Cumulus Media Inc.	CMLS	0.31	2.07	0.18	2,419	10.5x	10.5x	19.7%	20.1%	NM	NM
Emmis Communications Corp.	EMMS	0.73	1.49	0.43	315	8.4x	NA	16.1%	NA	16.7x	NA
Entercom Communications Corp.	ETM	13.57	13.93	8.88	1,027	10.1x	8.8x	23.7%	25.5%	16.4x	14.5x
Radio One Inc.	ROIA.K	3.19	3.64	0.98	1,119	9.5x	8.6x	25.8%	27.9%	NM	NA
Saga Communications, Inc.	SGA	39.54	48.09	33.53	253	7.5x	NA	24.8%	NA	16.2x	NA
Salem Media Group, Inc.	SALM	7.22	8.17	3.60	460	9.7x	8.8x	17.6%	18.5%	16.4x	15.2x
Spanish Broadcasting System Inc.	SBSA	3.56	7.30	2.45	272	7.4x	NA	25.3%	NA	NM	NA
<b>Median</b>						<b>9.0x</b>	<b>8.8x</b>	<b>22.1%</b>	<b>22.8%</b>	<b>16.4x</b>	<b>14.9x</b>

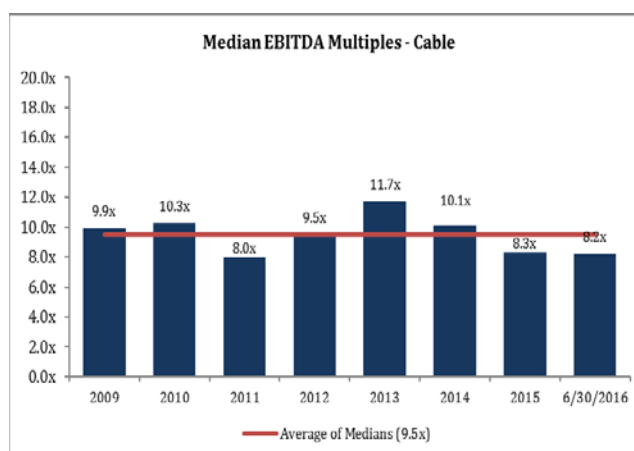
**TV Broadcasting**

Gray Television, Inc.	GTN	10.85	18.07	9.80	2,292	10.5x	6.4x	34.2%	41.0%	18.2x	6.1x
Tribune Media Company	TRCO	39.18	55.75	26.10	6,710	NM	10.4x	17.9%	28.4%	NM	19.0x
Media General, Inc.	MEG	17.19	18.18	9.74	4,445	12.3x	8.2x	26.7%	34.1%	NM	19.6x
Nexstar Broadcasting Group, Inc.	NXST	47.58	61.79	34.65	2,967	9.2x	7.3x	33.9%	36.1%	16.9x	10.9x
Sinclair Broadcast Group, Inc.	SBGI	29.86	35.89	24.04	6,856	9.9x	7.1x	30.1%	34.9%	16.6x	9.3x
<b>Median</b>						<b>10.2x</b>	<b>7.3x</b>	<b>30.1%</b>	<b>34.9%</b>	<b>16.9x</b>	<b>10.9x</b>



Public Market Data, cont'd

Company	Guideline Ticker	6/30/2016 Close <sup>(2)</sup>	52-Week		Enterprise Value (EV) <sup>(3)</sup>	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
			High	Low		LTM	NFY	LTM	NFY	LTM	NFY
<b>Cable TV</b>											
AMC Networks Inc.	AMCX	60.42	87.18	54.81	6,943	8.0x	7.7x	33.1%	32.2%	12.2x	10.8x
Corus Entertainment Inc.	CJR.B	13.32	17.41	8.74	3,156	10.5x	7.3x	36.4%	36.1%	16.9x	NA
Discovery Communications, Inc.	DISCA	25.23	34.94	23.66	21,736	8.9x	8.8x	37.9%	37.1%	13.4x	11.8x
Scripps Networks Interactive, Inc.	SNI	62.27	68.45	47.62	11,784	8.2x	8.5x	45.3%	41.0%	10.4x	10.6x
Viacom, Inc.	VIAB	41.47	64.89	30.11	28,997	7.7x	8.2x	29.1%	27.2%	7.5x	9.3x
<b>Median</b>						<b>8.2x</b>	<b>8.2x</b>	<b>36.4%</b>	<b>36.1%</b>	<b>12.2x</b>	<b>10.7x</b>



Notes:

(1) Source: As reported by S&P Capital IQ.

(2) Reported in local currency.

(3) In millions of local currency.

(4) Represents two-year analyst estimates.

Definitions:

Enterprise Value – defined by S&P Capital IQ as “market cap. + total debt + preferred equity + total minority interest – cash and equivalents”

LTM –latest twelve months.

EBITDA – *adjusted* earnings before interest, taxes, depreciation and amortization.

NFY – next fiscal year.

EPS – earnings per share.

NA – not available, NM – not meaningful.

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