

Media Transactions and Valuations Update

2017 MFM Conference
May 24, 2017
Orlando, Florida



Valuation Considerations

Industries:

- Television
- Radio
- Cable Program Networks
- Newspaper
- Digital Media

Key Assumptions/Underlying Factors:

- Industry Revenues – Local Market and Overall
- Market Share
- Profitability
- Transactional Metrics
- Protective Intangibles – FCC License, Franchise, Patents, Trademarks/Brands, Unique Technology

Key Factors in a Business Valuation

- Size of the Market Served – Local, Regional, National, Global
- Future Growth Outlook for the Industry and Business
- Historical and Expected Profitability
- Current and Future Risk Profile
- Competition
- Cost and Availability of Capital
- Supply and Demand
- Perceptions of the Marketplace

Revenue Growth

	2013	2014	2015	2016	Long-range Outlook
Television	-8.7%	8.9%	-5.8%	4.7%	3.0%
Radio	1.4%	0.0%	-0.8%	-0.8%	-0.5%
Cable Networks	6.5%	1.6%	1.9%	4.8%	3.5%
Newspapers	-3.9%	-3.4%	-5.5%	-3.9%	-3.0%
Digital Advertising	15.4%	15.9%	17.5%	14.0%	11.0%

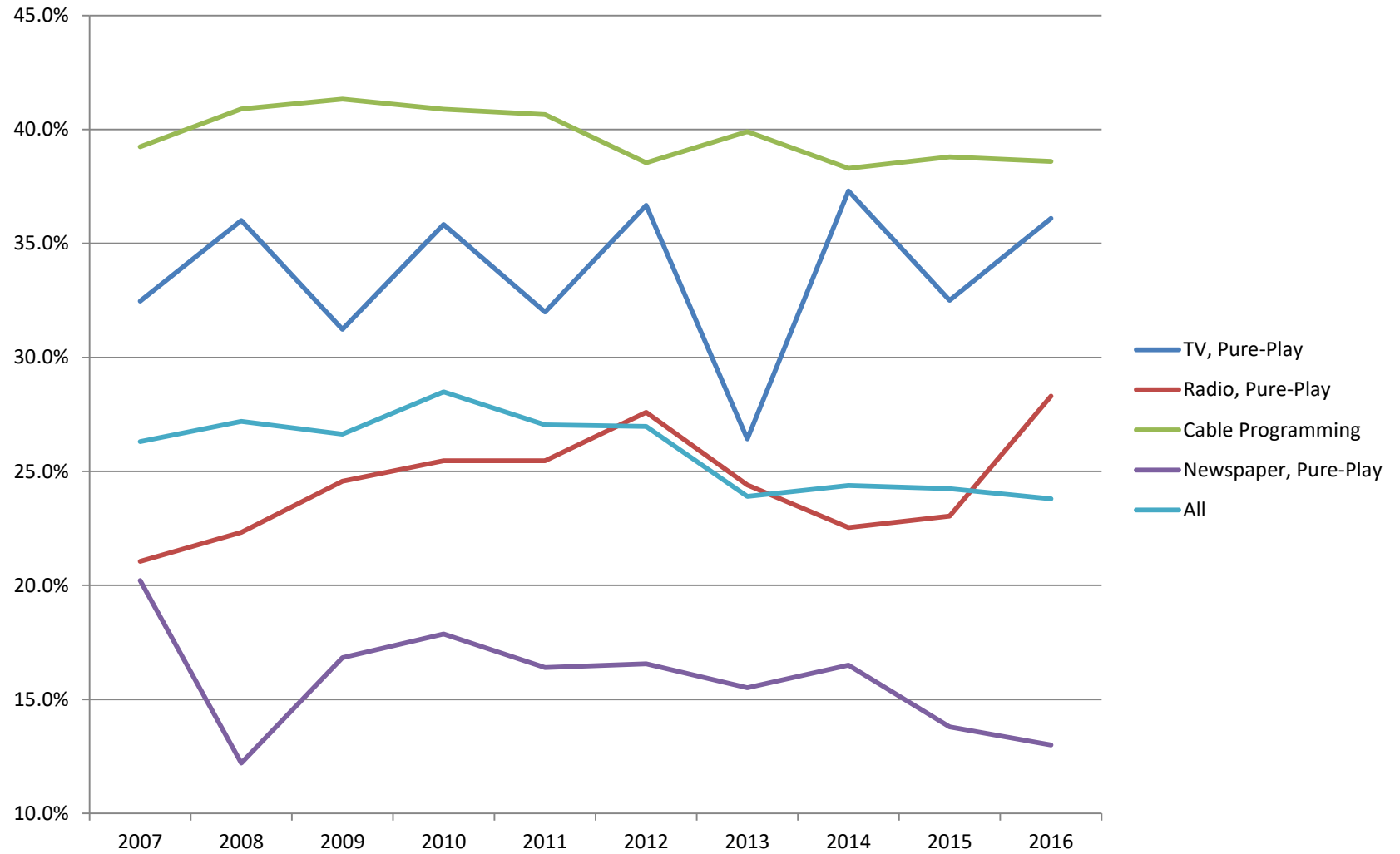
Profitability

	2014	2015	2016	Long-range Outlook
Television	37.3%	32.5%	36.1%	33-38%
Radio	26.6%	26.4%	28.3%	22-28%
Cable Networks	38.9%	39.0%	39.4%	38-42%
Newspapers	16.5%	13.8%	13.0%	10-15%

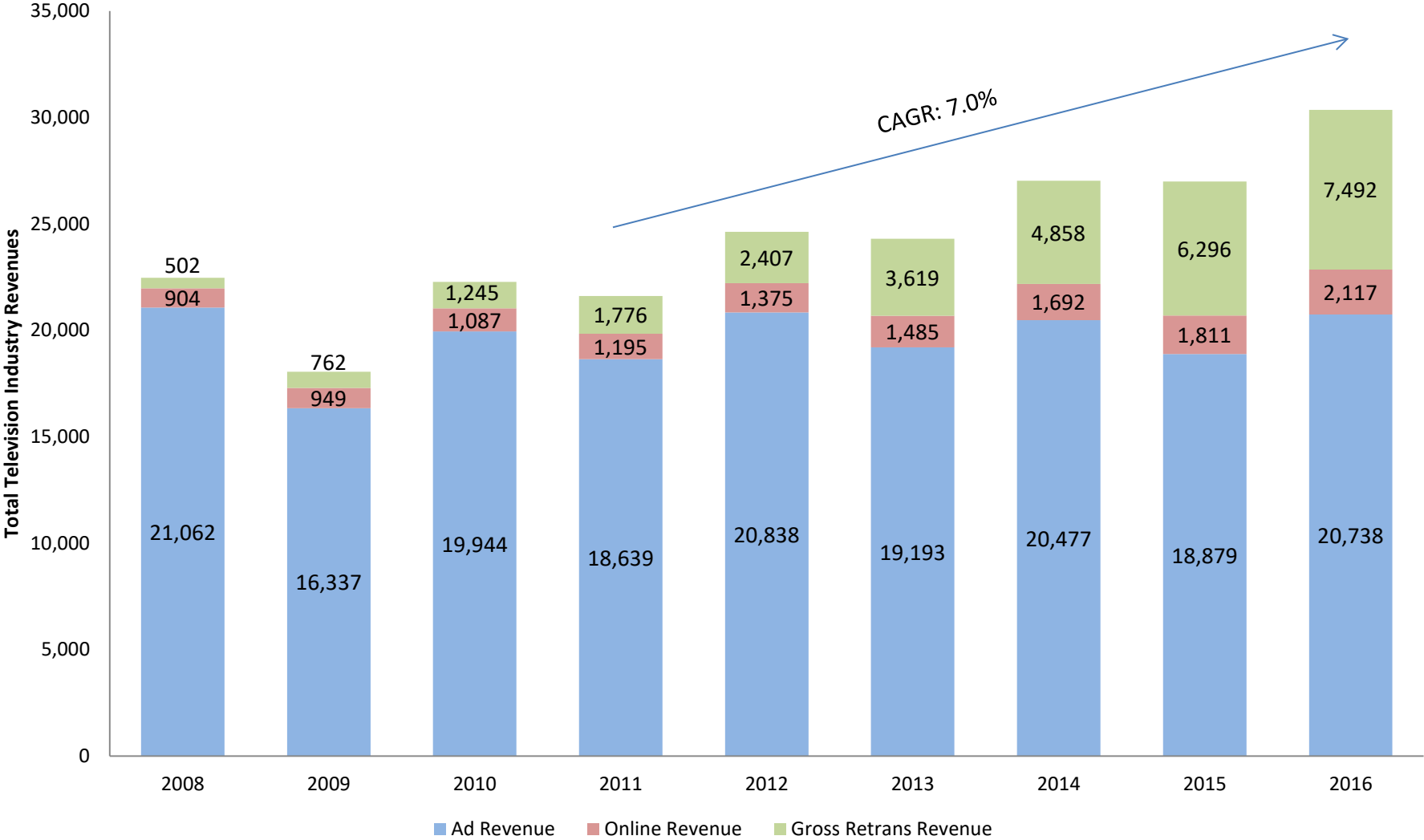
Cost of Capital and Outlook

	2014	2015	2016	Long-range Outlook
Television	9.4%	10.8%	9.2%	9.0-10.0%
Radio	8.9%	8.7%	7.9%	8.0%-10.5%
Cable Networks	8.2%	9.1%	8.9%	8.5-9.0%
Newspapers	10.6%	12.2%	9.5%	10.0%-12.0%

EBITDA Margins by Industry

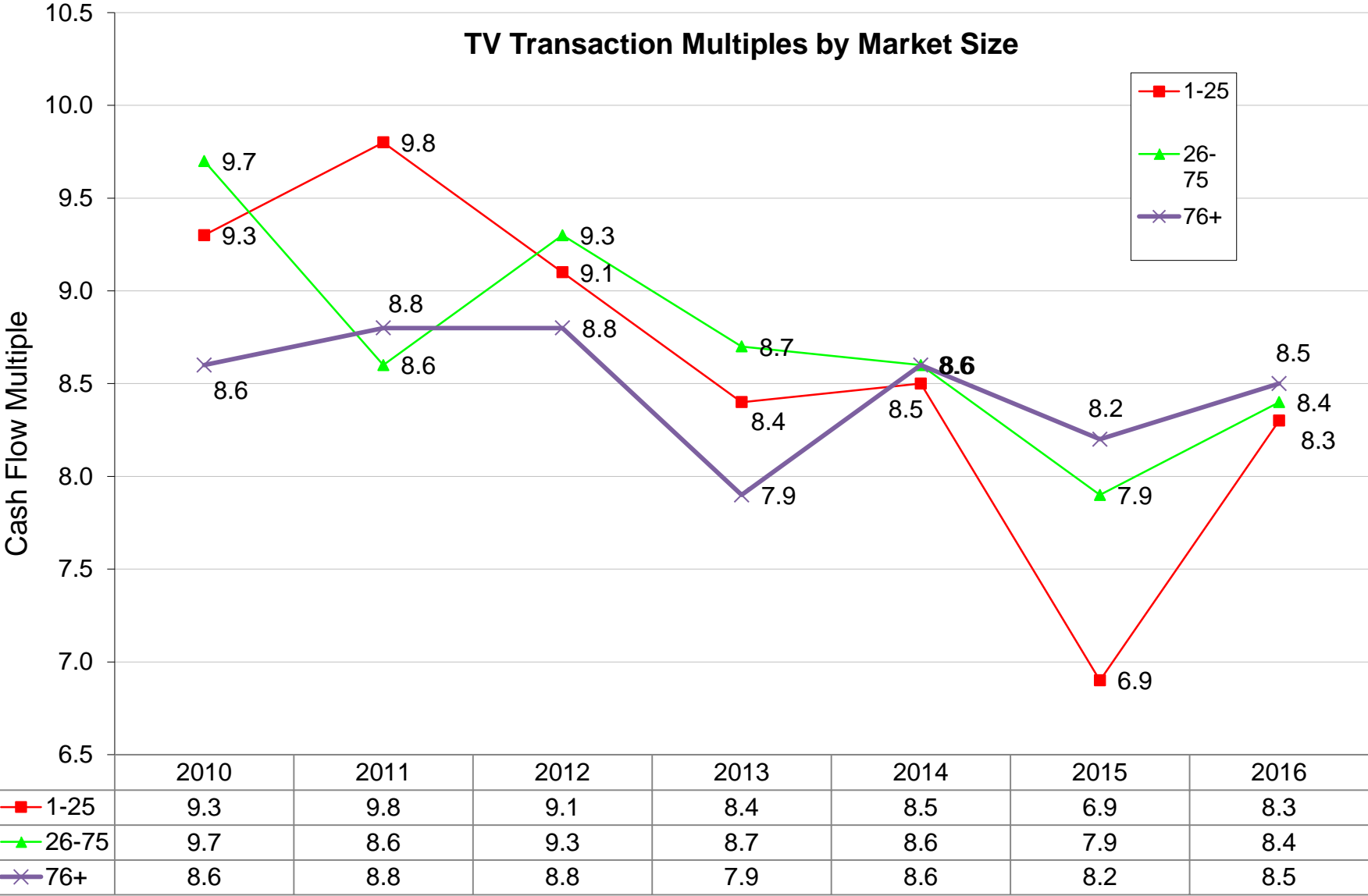


Television Industry – Total Revenues

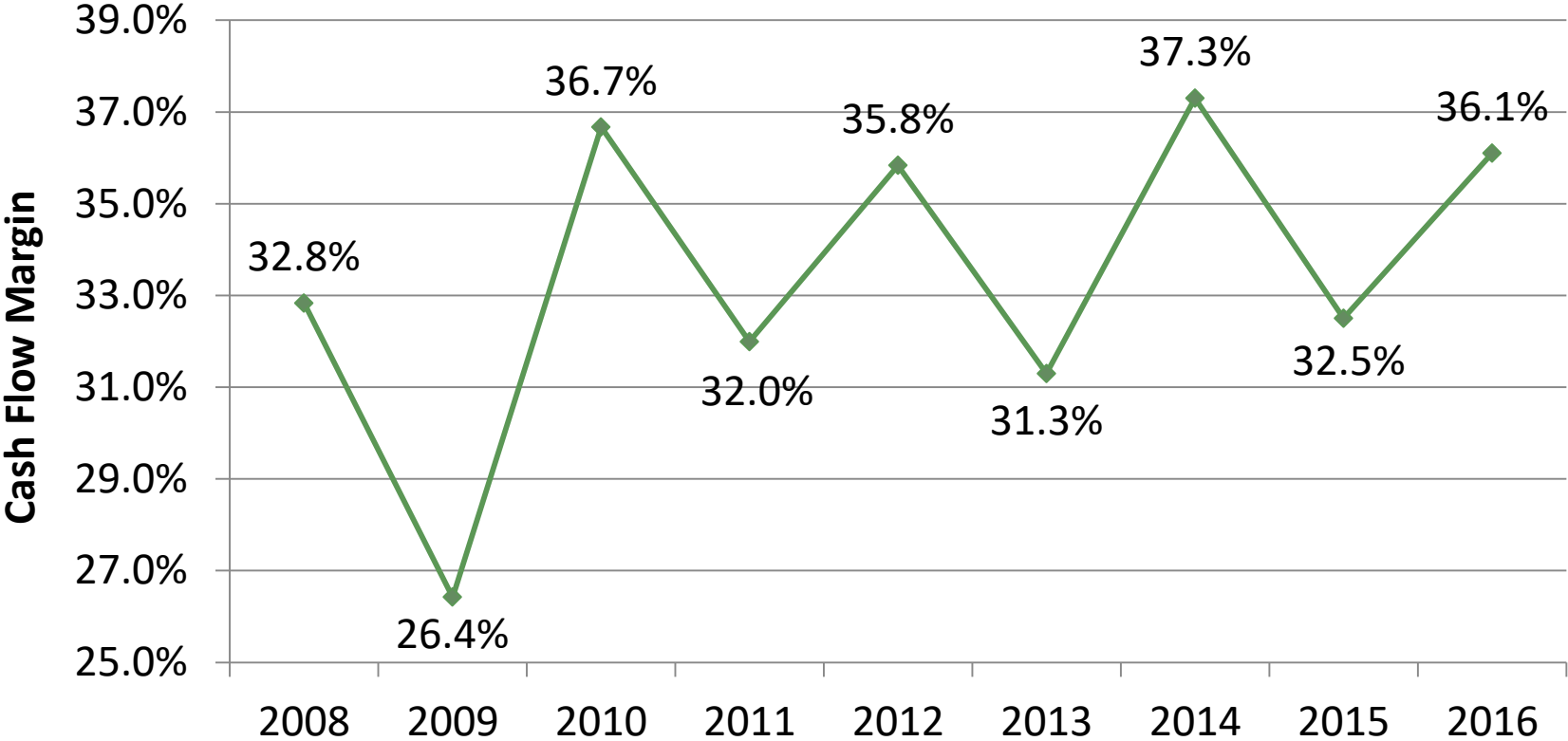


Source: SNL Kagan and Bond & Pecaro Data

Television Industry – Multiples



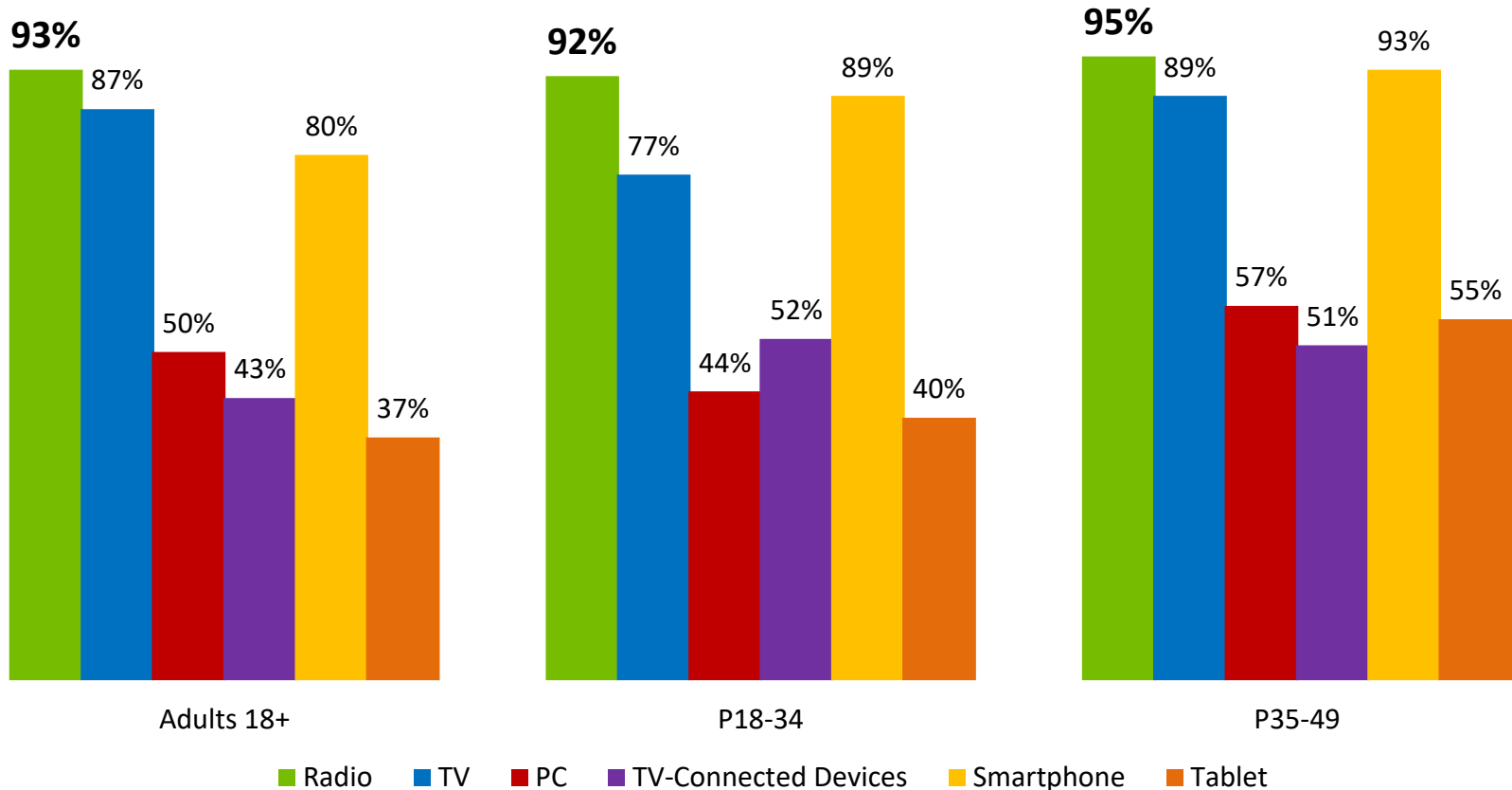
Television Industry – Cash Flow Margins



Radio Industry – Benefits from Broad Reach

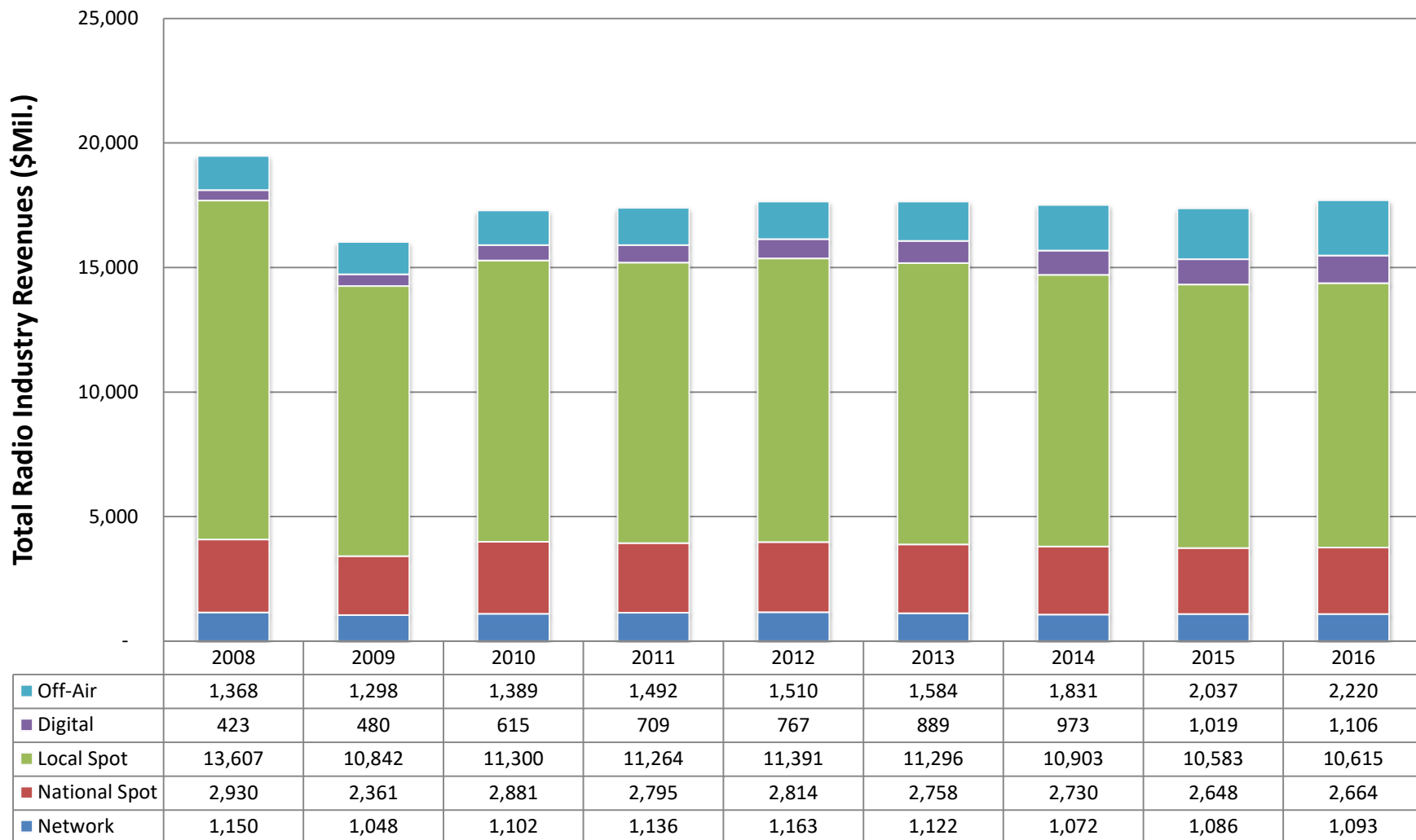
Radio has consistently reached a large audience across age groups; the change in usage of new technologies (Smartphones, digital downloads, and satellite products in autos) remain a risk to station owners.

Weekly Reach
(% of Population)



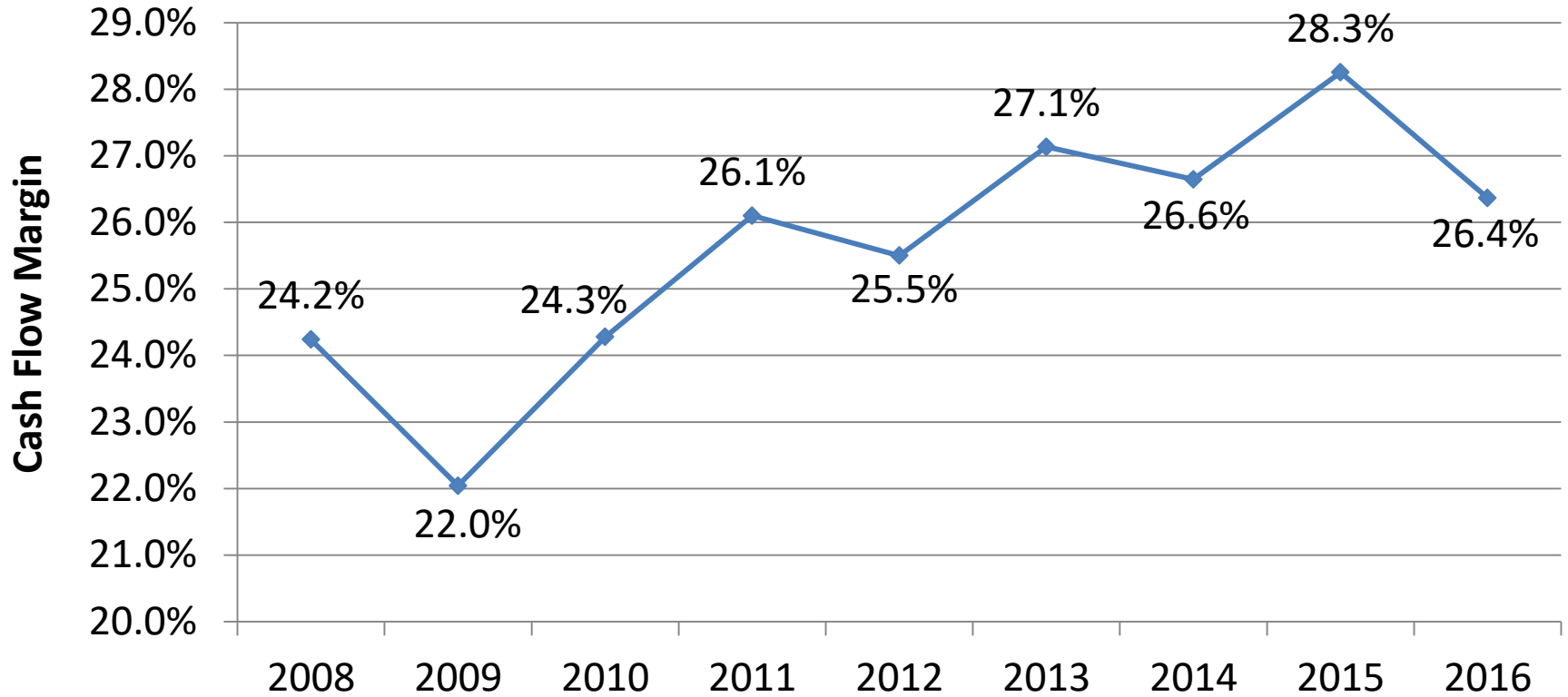
Source: Nielsen Comparable Metrics Report and Radio Advertising Bureau

Radio Industry – Total Revenues



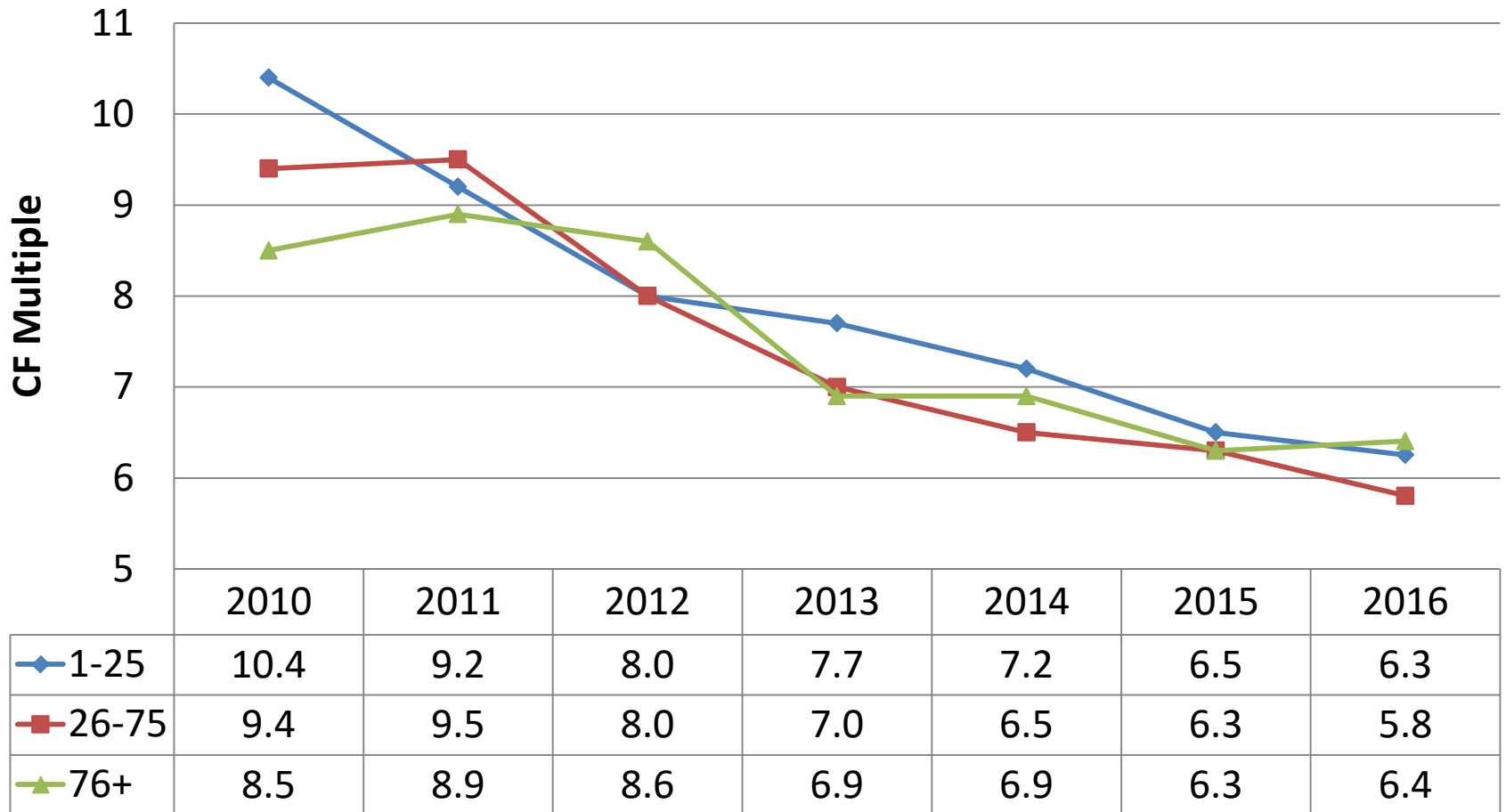
Source: SNL Kagan

Radio Industry – Cash Flow Margins

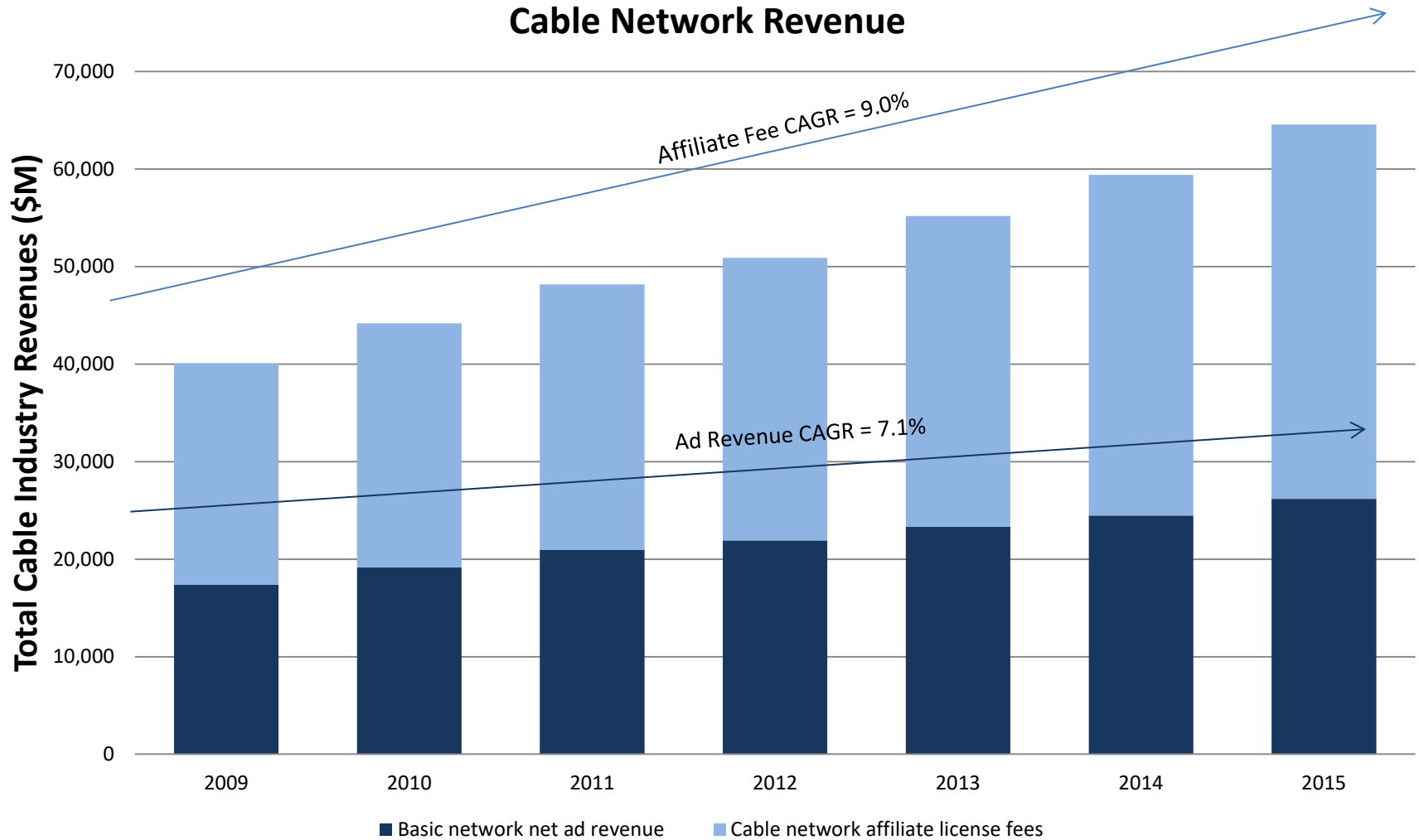


Radio Industry – Multiples

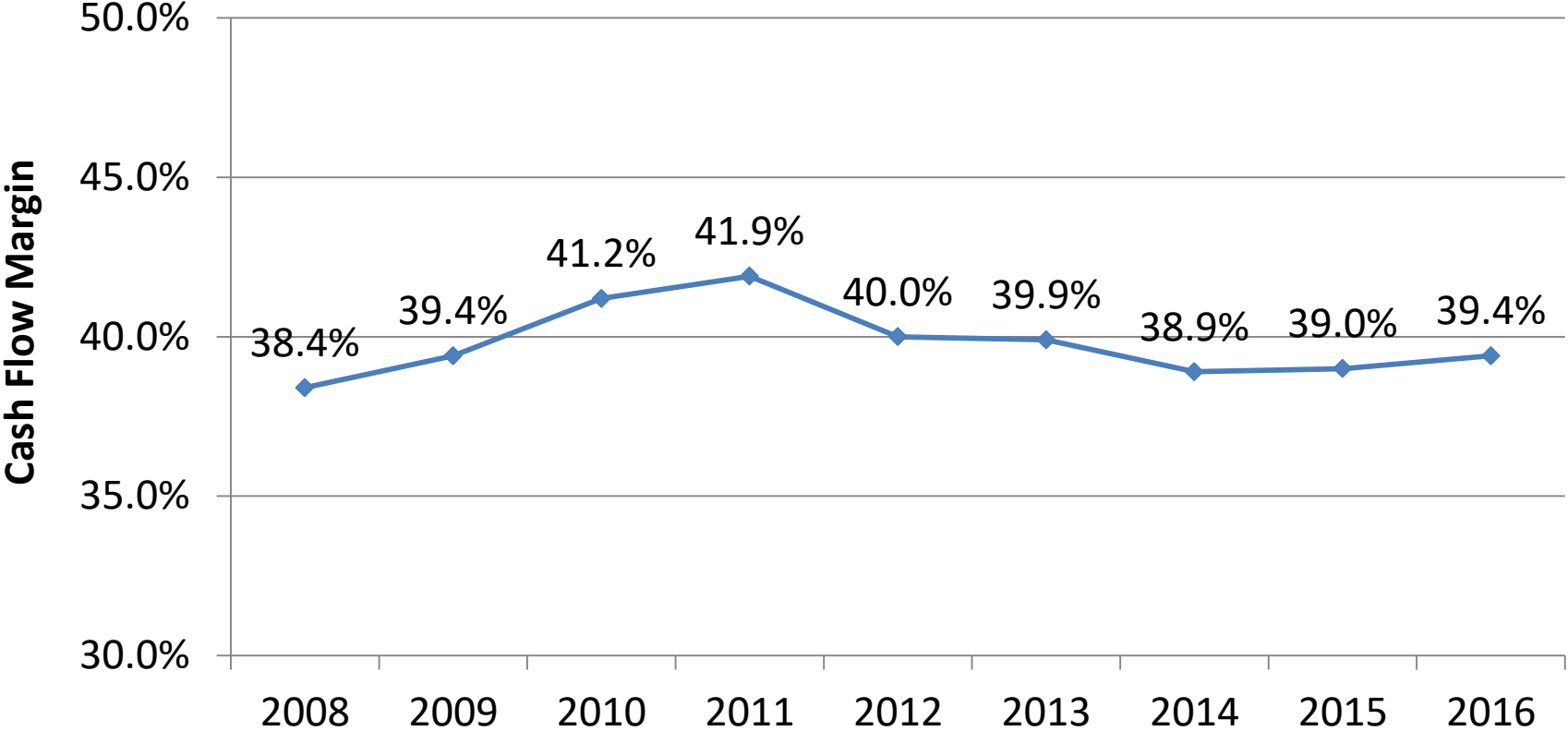
Radio Multiples by Market Size



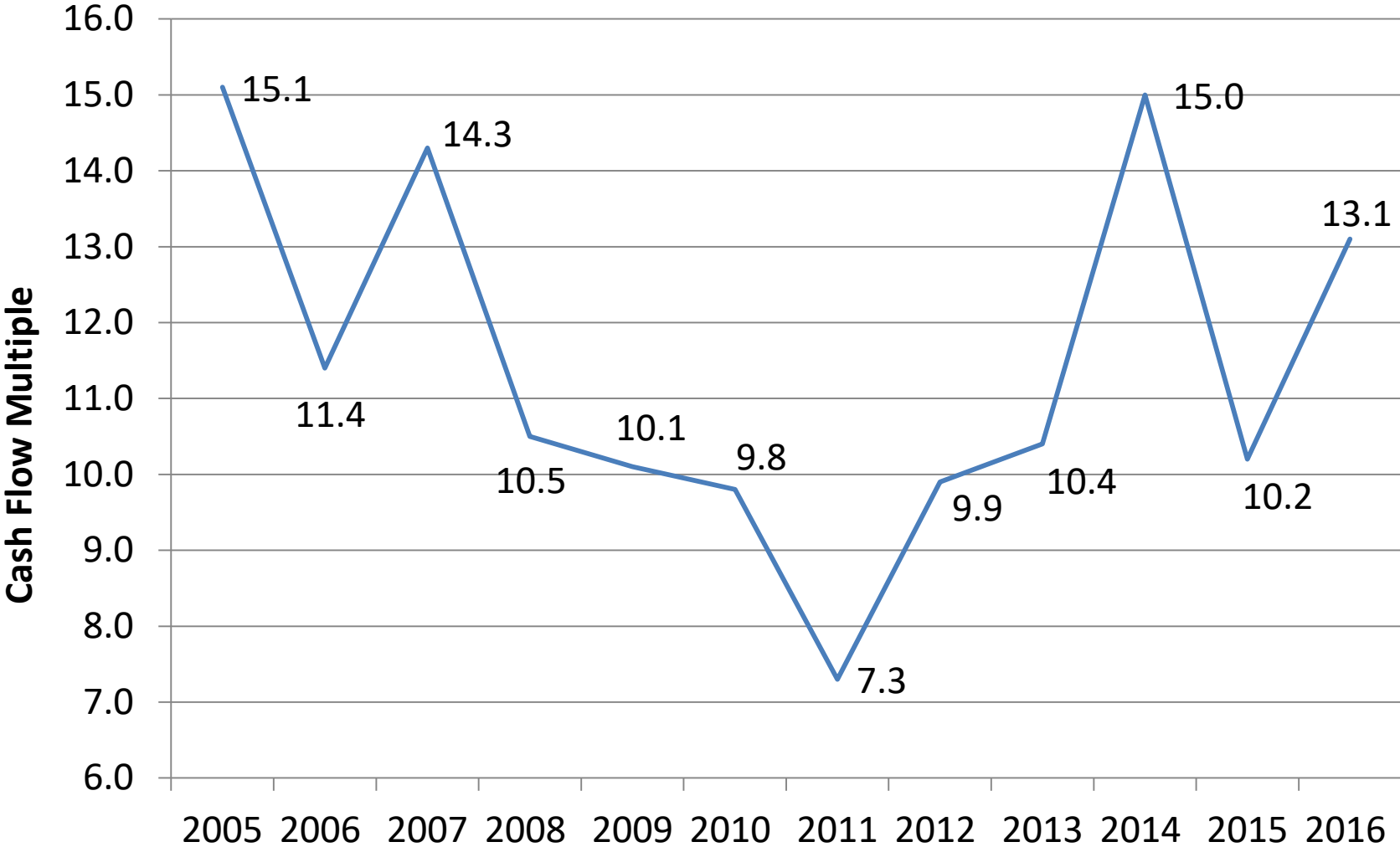
Cable Network – Total Revenues



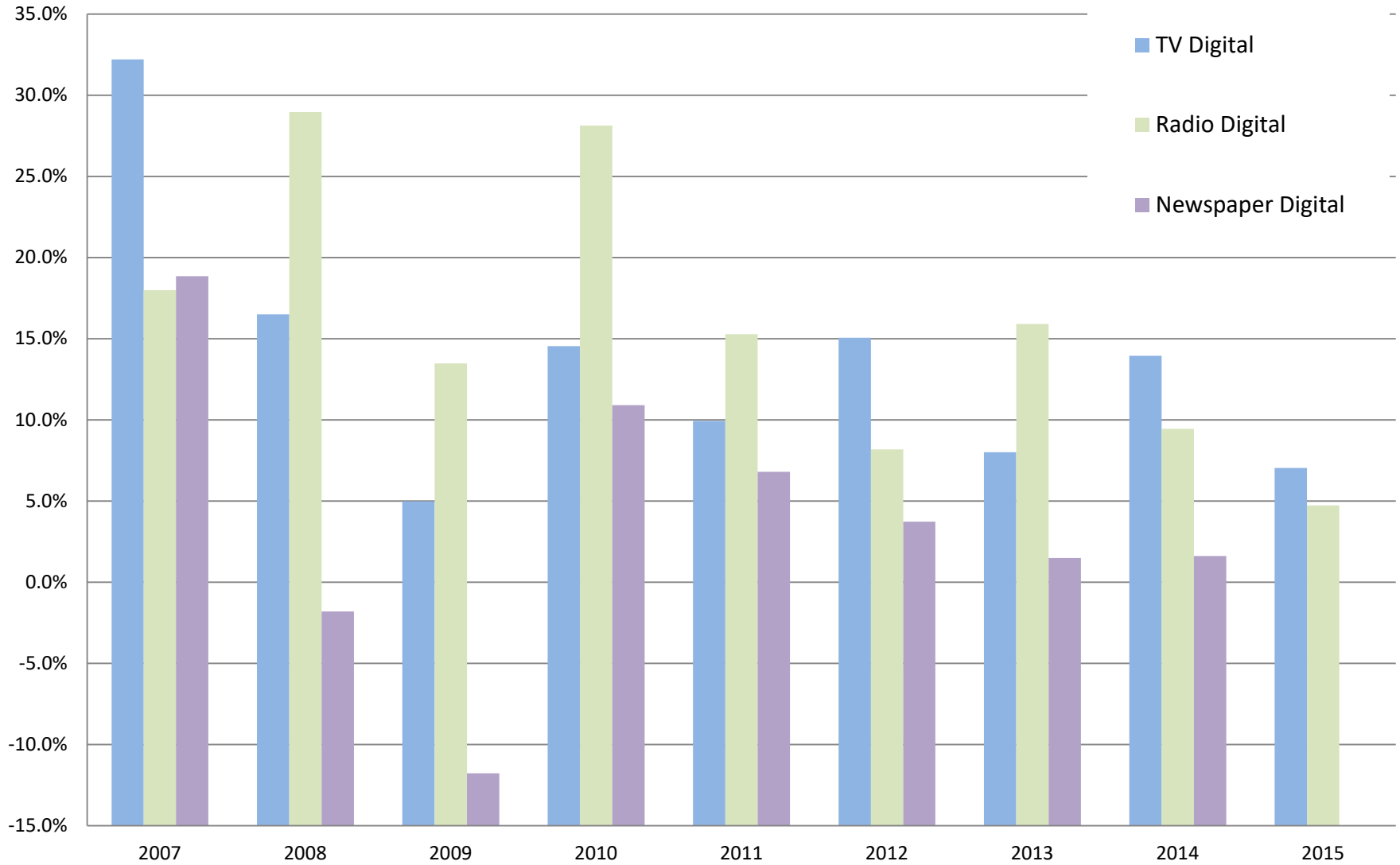
Cable Network – Cash Flow Margins



Cable Network – Multiples



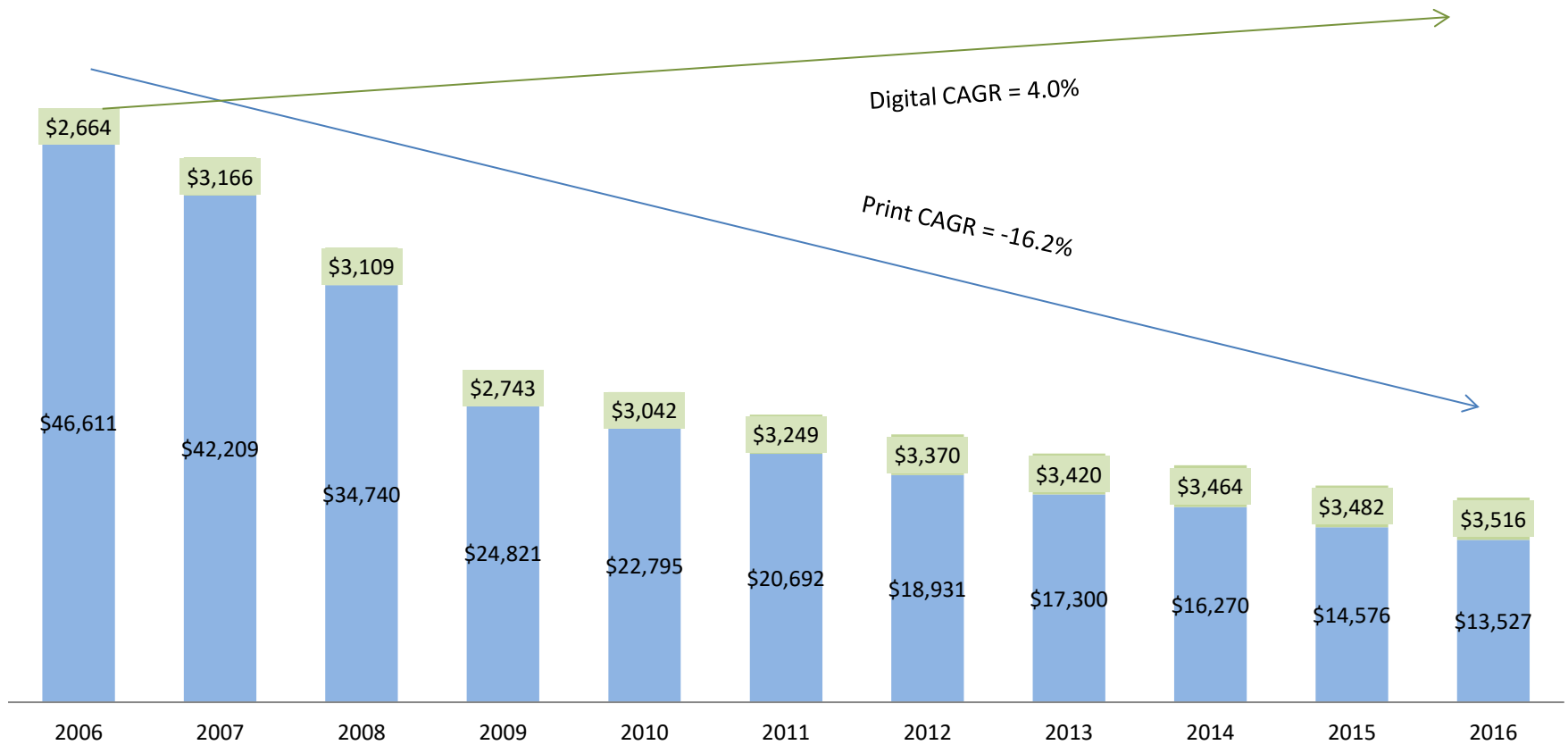
Digital Advertising – Growth Rate by Industry



Newspaper Industry – Total Advertising Revenues

Newspaper Advertising Revenue

■ Total Print Advertising ■ Total Digital Advertising

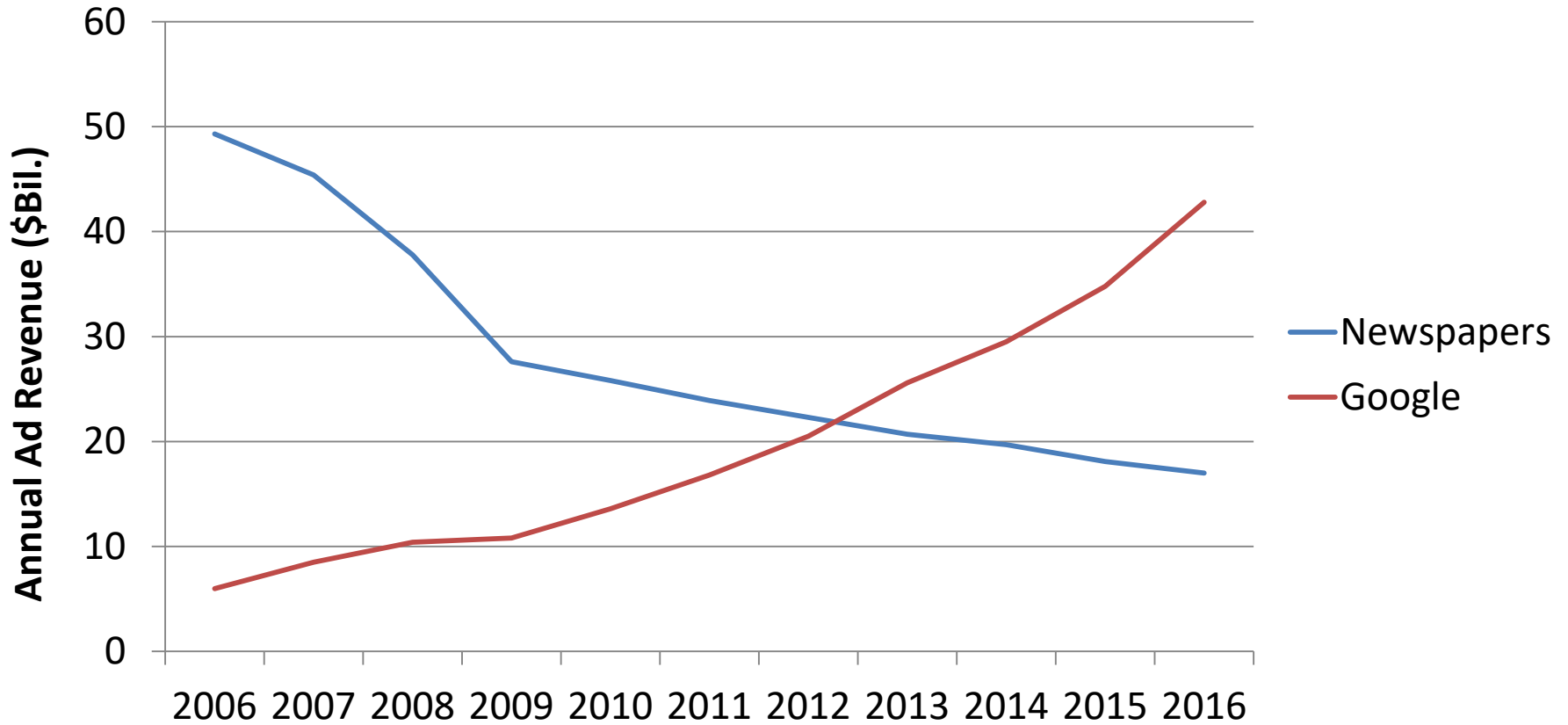


Source: NAA and SNL Kagan

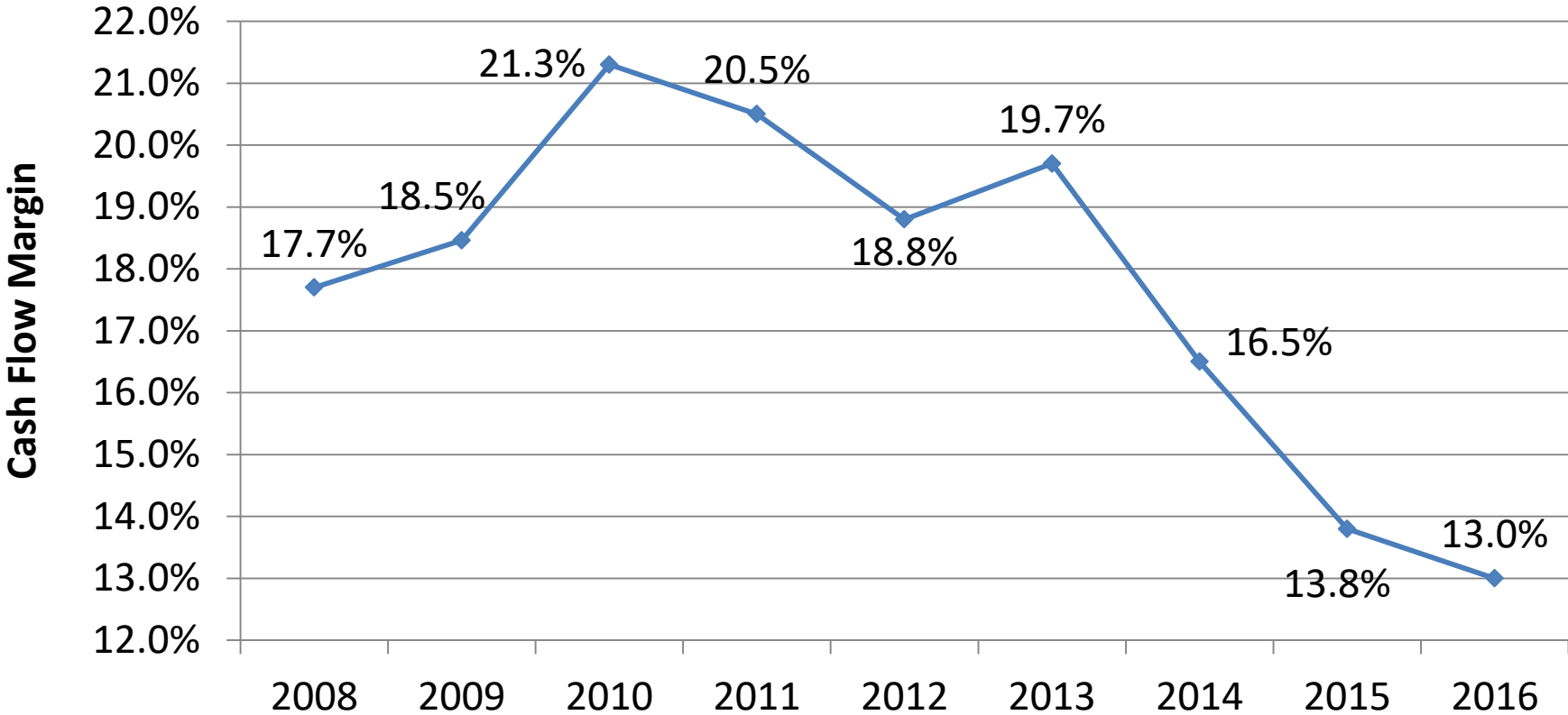
Newspapers – Industry vs. Google

USA TOTAL NEWSPAPER PRINT + ONLINE REVENUE vs. GOOGLE USA REVENUE

Newspaper Industry vs. Google

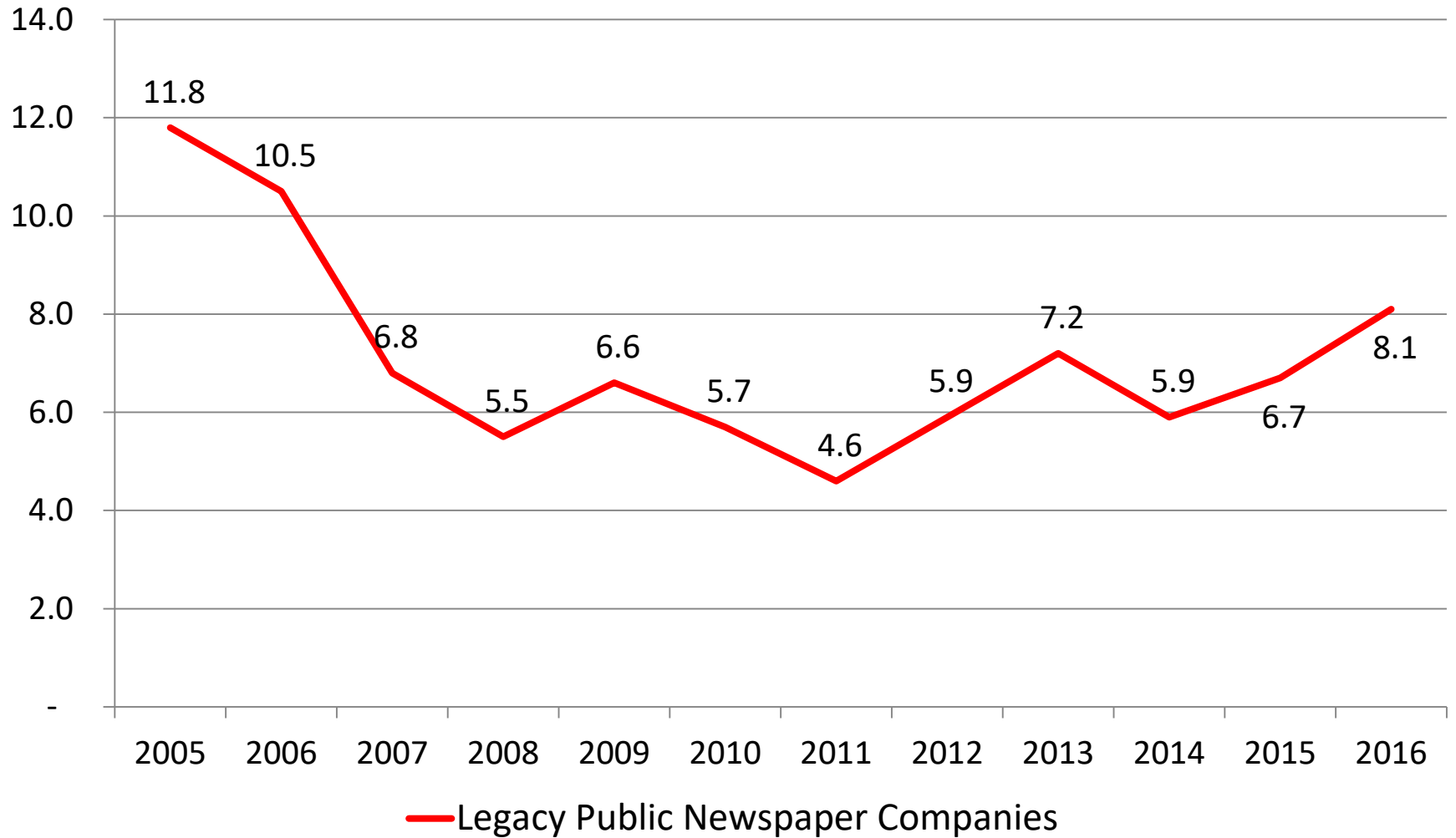


Newspaper Industry – Cash Flow Margins



Source: NAA

Newspaper Industry – Cash Flow Multiples



Media Industry – Stock Appreciation Since Great Recession

Company	Symbol	Industry	Stock Price as of 03/31/2009	Stock Price as of 4/30/2017	% Change
Nexstar Broadcasting	NXST	Television	\$0.68	\$69.00	10,147%
Gray Television	GTN	Television	\$0.32	\$14.65	4,578%
Beasley Broadcast Group	BBGI	Radio	\$1.95	\$13.15	674%
Entercom Communications	ETM	Radio	\$1.10	\$12.65	1,150%
Spanish Broadcasting System	SBSA	Radio	\$0.15	\$0.82	547%
New York Times	NYTI	Newspaper	\$4.62	\$14.45	313%
Lee Enterprises	LEE	Newspaper	\$0.28	\$2.60	929%
The McClatchy Co	MNI	Newspaper	\$4.90	\$10.78	220%
Comcast Co	CMCSA	Cable	\$6.82	\$39.19	575%

Media Industry – Recent Transactions

- Television – A few large transactions: Sinclair’s proposed purchases of Bonten Media and Tribune. Nexstar purchase of Media General. Gray, Heartland, Graham Holdings purchases of Nexstar/Media General spin-off stations. Largest single station deal was recent Meredith purchase of WPCH-TV in Atlanta. Only 9 TV deals over \$10 million. Recent activity of spectrum aggregators post Spectrum Auction buying LPTV spectrum. Seller and Buyer multiples are much different due to higher retransmission fees and cost savings from aggregation. Seller Multiples steady in the 7.5 – 10.0x range. Buyer multiples 6.0 to 8.0x range.
- Radio – Activity has slowed almost every year since 2012. Few significant deals have occurred. Numerous non-commercial transactions and FM translator sales. Few large market deals except Beasley – Greater Media merger and recent Entercom – CBS Radio merger. Multiples have declined slightly. Overall in the 6.0 – 7.0x CF range.

Like-Kind Exchanges – Matching of Exchanged Assets

- Just because Station WABC and WXYZ were both worth \$120 mil., doesn't mean that Taxpayer has no gain to recognize.
- The separate assets of each station must be grouped into asset classes and their respective values must be matched up: i.e., the value of sold real property matched to the value of any acquired real property and so forth through the various asset classes.
- Most importantly, the exchange of goodwill or going concern value of one station for the goodwill or going concern value of another station is never a like-kind exchange.

Like-Kind Exchanges – Like-Kind Exchange Asset Classes

- Real property
- Personal Property
 - General asset classes: FF&E, trucks, autos, information systems, data handling equipment
 - Product classes by SIC codes: 3669 communications equipment; 3663 radio and television communications equipment (incl. CATV); 3661 (telephone and telegraph); 2721 (periodical publishers); 2771 (newspaper publishers)
 - Intangible property other than goodwill and going concern
 - Goodwill and going concern value

Like-Kind Exchanges – Intangible Asset Types

Examples of Assets That Meet the Criteria for Recognition Apart from Goodwill:

- Marketing-Related Intangible Assets
- Customer-Related Intangible Assets
- Artistic-Related Intangible Assets
- Contract-Based Intangible Assets
- Technology-Based Intangible Assets

Like-Kind Exchanges – Marketing-Related Intangible Assets

- i. Trademarks and Trade Names
- ii. Service Marks, Collective Marks, Certification Marks
- iii. Trade Dress
- iv. Newspaper Mastheads
- v. Internet Domain Names
- vi. Non-competition Agreements

Like-Kind Exchanges – Customer-Related Intangible Assets

- i. Customer Lists
- ii. Order or Production Backlog
- iii. Customer Contracts and Related Customer Relationships
- iv. Non-contractual Customer Relationships

Like-Kind Exchanges – Artistic-Related Intangible Assets

- i. Plays, Operas, Ballets
- ii. Books, Magazines, Newspapers, Other Literary Works
- iii. Musical Works i.e. Compositions, Song Lyrics, and Advertising Jingles
- iv. Pictures and Photographs
- v. Video and Audiovisual Material i.e. Motion Pictures and Television Programs

Like-Kind Exchanges – Contract-Based Intangible Assets

- i. Licensing, Royalty, Standstill Agreements
- ii. Advertising, Service, Supply Contracts
- iii. Lease Agreements
- iv. Construction Permits
- v. Franchise Agreements
- vi. Operating and Broadcast Rights
- vii. Use Rights
- viii. Servicing Contracts
- ix. Employment Contracts

Like-Kind Exchanges – Technology-Based Intangible Assets

- i. Patented Technology
- ii. Computer Software and Mask Works
- iii. Unpatented Technology
- iv. Databases
- v. Trade Secrets i.e. Secret Formulas, Processes, and Recipes

Like-Kind Exchanges – Goodwill and Going Concern Value

The excess of the cost of an acquired entity over the net of the amount assigned to assets acquired and liabilities assumed shall be recognized as an asset referred to as goodwill.

The exchange of goodwill or going concern between businesses is not a like-kind exchange.