



HOULIHAN LOKEY

BROADCASTING INDUSTRY CONSIDERATIONS

MARKET UPDATE | SPRING 2020



Houlihan Lokey Broadcasting Update

In recent weeks, COVID-19 (better known as coronavirus) has globally sent shock waves through markets and captured the attention of the world. Since mid-February, the outbreak has accelerated and infections have become widespread, resulting in significant market volatility that is expected to continue for the foreseeable future. Substantial disruption to business operations has occurred and all sectors of the economy have been impacted, including the broadcasting industry, which has seen an increased audience but faces an unknown economic impact.

At this point, it is impossible for us to know how long the outbreak and shutdown will last or the lingering effects on businesses, the economy, and the credit and M&A markets. However, despite temporary disruption, we believe that once business resumes, the broadcasting industry will continue to see high levels of activity as companies respond the impacts of COVID-19 and winners and losers take shape.

While political spending in 2020 may provide ballast to broadcasters, they face distinct challenges from a likely decline in advertising spending while needing to adapt to a competitive and evolving technology landscape as audiences look to consume content in new ways. If a softness in the advertising market persists for several months, we expect many companies to face challenges and, within the confines for the current regulatory regime, may look to explore strategic M&A/divestitures/distressed M&A to navigate survival. The 2008 financial crisis proved to be a pivotal moment for radio broadcasters—whose advertising levels never fully rebounded—and COVID-19 could prove similar for television broadcasters as audiences continue to cut the cord.

We understand the anxiety created by these uncertain times, and we are here to share our perspective based on our real-time conversations with industry executives and our comprehensive views on the markets—M&A, public equities, and credit. We will continue to monitor this rapidly evolving situation and look forward to staying in touch with you.

Regards,



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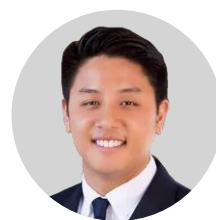
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Leading Television and Radio Broadcasting Franchise

Houlihan Lokey's professionals have unparalleled experience in advising broadcasting companies.

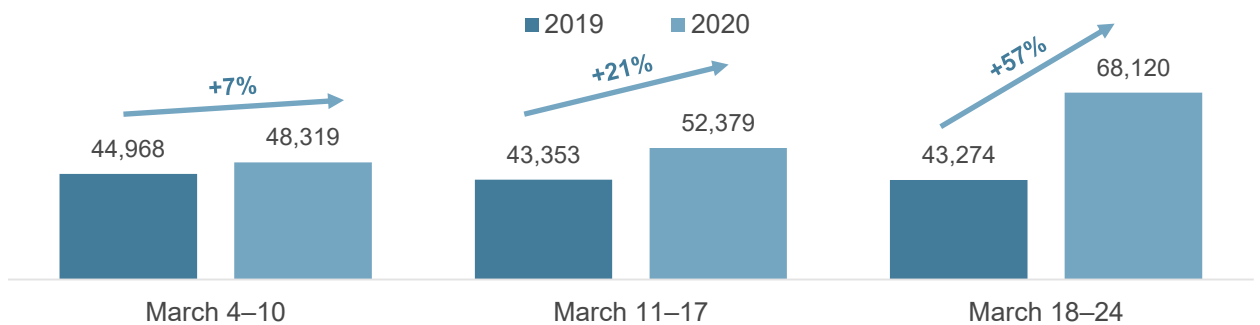
<p>Cadence13</p> <p>has been acquired by</p> <p>Entercom</p> <p>Sellside Advisor</p>	<p>21ST CENTURY FOX</p> <p>has successfully completed the spin-off of</p> <p>FOX</p> <p>Houlihan Lokey provided financial opinions to the Board of Directors of both Twenty-First Century Fox and Fox Corporation.</p> <p>Financial Opinion</p>	<p>Clear Channel Outdoor</p> <p>has successfully separated from and settled a \$1.03bn intercompany note in connection with the Chapter 11 Plan of Reorganization of iHeartMedia, Inc.</p> <p>Special Committee Advisor</p>	<p>RAYCOM Media</p> <p>We rendered a valuation opinion for employee stock purposes to Raycom Media, Inc.</p> <p>Financial Opinion</p>	<p>townsquare</p> <p>has acquired</p> <p>NORTH AMERICAN MIDWAY ENTERTAINMENT</p> <p>We performed a purchase price allocation for Townsquare Media, Inc.</p> <p>Financial Opinion</p>
<p>TEGNA</p> <p>and</p> <p>GANNETT</p> <p>have separated into two publicly traded companies through a spin-off transaction</p> <p>Financial Opinion</p>	<p>UM Media plc</p> <p>has sold</p> <p>Juice FM</p> <p>to</p> <p>Global Radio</p> <p>Sellside Advisor*</p>	<p>GBC</p> <p>has sold</p> <p>my 20</p> <p>to</p> <p>SCRIPPS</p> <p>\$110,000,000</p> <p>Sellside Advisor</p>	<p>TTBG LLC</p> <p>has sold</p> <p>CW</p> <p>to</p> <p>Sinclair Broadcast Group</p> <p>Oct. 2013 \$115.35 million</p> <p>Sellside Advisor</p>	<p>Communications Corporation of America</p> <p>has been acquired by</p> <p>Nexstar</p> <p>\$270,000,000</p> <p>Sellside Advisor</p>
<p>NewsChannel 5 NETWORK</p> <p>a subsidiary of</p> <p>LANDMARK MEDIA ENTERPRISES, LLC</p> <p>has been acquired by</p> <p>JOURNAL COMMUNICATIONS</p> <p>Sellside Advisor</p>	<p>mmn</p> <p>MOG MUSIC NETWORK</p> <p>has been acquired by</p> <p>Townsquare Media</p> <p>Financial Advisor*</p>	<p>global</p> <p>has acquired</p> <p>GMG Radio</p> <p>Buyside Advisor*</p>	<p>CUMULUS</p> <p>has exchanged stations with</p> <p>townsquare</p> <p>Financial Opinion</p>	<p>Pilot Group LLC</p> <p>has sold</p> <p>double radio</p> <p>to</p> <p>Townsquare Media</p> <p>Financial Advisor*</p>
<p>Canwest</p> <p>Canwest Media Inc.</p> <p>has been sold to</p> <p>Shaw Communications Inc.</p> <p>under the Canadian Company Creditors Arrangement Act</p> <p>Creditor Advisor</p>	<p>SALEM COMMUNICATIONS</p> <p>\$300,000,000 9.625% Senior Secured Second Lien Notes due 2016</p> <p>and</p> <p>has tendered for</p> <p>\$90,000,000 7.75% Senior Subordinated Notes due 2010</p> <p>Co-Manager & Joint Dealer Manager</p>	<p>FREEDOM COMMUNICATIONS, INC.</p> <p>has confirmed a "prearranged" Chapter 11 Plan of Reorganization</p> <p>Company Advisor</p>	<p>WESTWOOD ONE</p> <p>has entered into a Master Agreement with</p> <p>CBS RADIO</p> <p>Financial Opinion</p>	<p>BELO</p> <p>has spun off its newspaper business to create</p> <p>A. H. BELO CORPORATION</p> <p>Financial Opinion</p>
<p>Chrysalis</p> <p>has sold its radio operations to</p> <p>Global Radio</p> <p>Sellside Advisor*</p>	<p>ion</p> <p>has been acquired by</p> <p>Citadel Limited Partnership and NBC Universal, Inc.</p> <p>Financial Opinions</p>	<p>GBC</p> <p>Granite Broadcasting Corporation</p> <p>has confirmed a Chapter 11 Plan of Reorganization</p> <p>Company Advisor</p>	<p>GRAY</p> <p>has completed a spin-off of its Newspaper Publishing and GrayLink Wireless businesses to form</p> <p>Triple Crown Media, Inc.</p> <p>which has merged with</p> <p>BULL RUN CORPORATION INTL</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>OUTDOOR CHANNEL</p> <p>Outdoor Channel Holdings, Inc.</p> <p>has acquired</p> <p>the outstanding capital stock of The Outdoor Channel, Inc. that it did not currently own.</p> <p>Financial Advisor & Fairness Opinion</p>

*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company. Tombstones included herein represent transactions closed from 2003 forward.

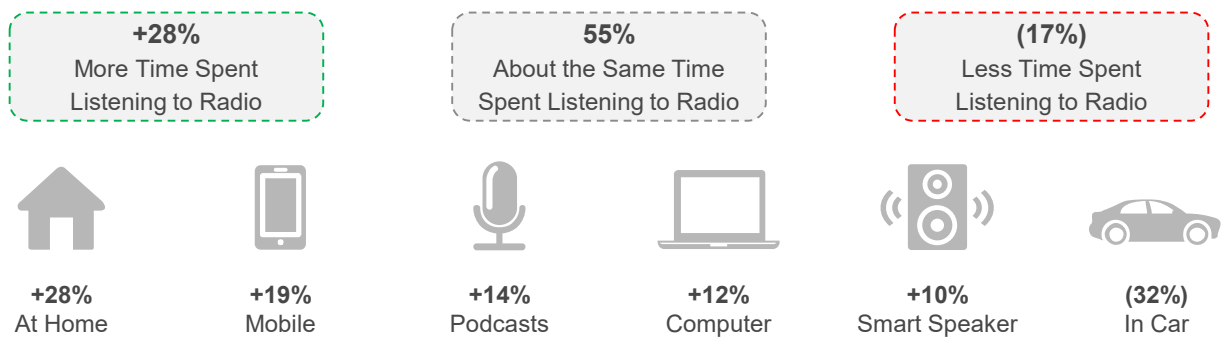
Situation Update: COVID-19

“Shelter-in-Place” Mandates Lead to Massive Spike in Viewers and Listeners

Average P18+ Live Local News Viewership in Top 25 Markets, 2019 vs. 2020



Radio Listening Rises Amid COVID-19, as Eight in 10 Report Same or More Time Listening to Radio



...but Economic Impact Not Yet Clear

“**Local television stations** are experiencing a **rare surge in viewership** as more Americans tune in for coronavirus updates. But the **stations are unlikely to benefit financially** because of a **cutback in advertising spending**. “We have **more viewers than ever**, but advertisers are unfortunately stuck in the same economic boat as many of us,” said Patrick McCreery, president of the local media group of Meredith Corp.” —April, 2020 **WSJ**

“Cyclical advertising includes... Radio and Local Broadcast TV... But, the bigger and more significant shift will likely be national TV. **TV ad spend has not declined with ratings, causing pricing to increase significantly** over the past 10+ years. **Reach has been cut in half on Big 4 Broadcast** prime time, while the **price to advertisers is up by about double**. We think this creates cognitive dissonance, and **a reset is coming**.” —March, 2020 (Wall Street Research)

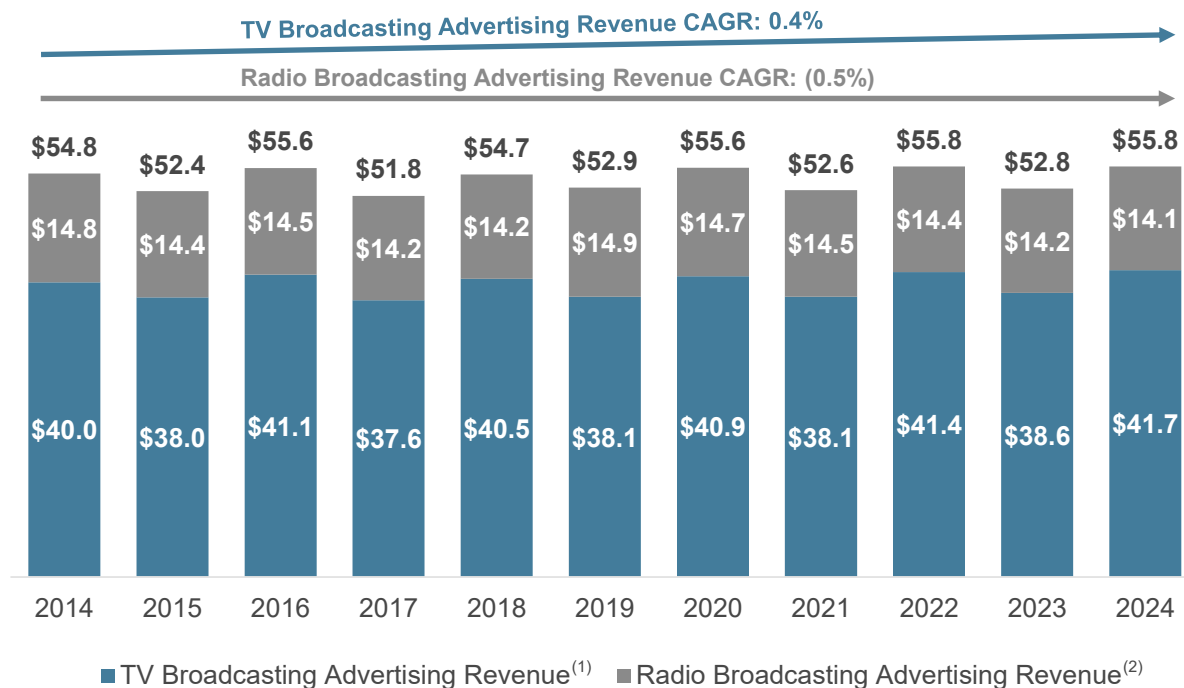
“...the first areas within advertising to begin to recover will be those with the most measurable ROI; namely Cable TV, Facebook, Instagram, YouTube, and Google Search... **the slowest to recover to include Local TV, Radio**, Snapchat, and Twitter.” —March 2020 (Wall Street Research)

Depth of Crisis Impact on Advertising Not Yet Known...

While 2020 was expected to show flat to modest growth over 2019, due to political spending, broadcasters are already seeing declines in advertising.

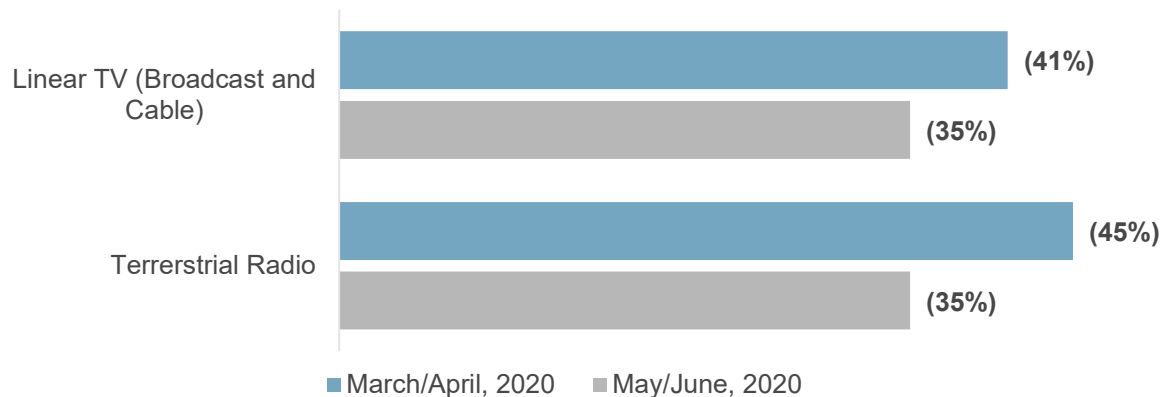
Pre-Crisis, Television and Radio Advertising Was Projected to Be Flat...

(\$ in billions)



...With Advertisers Now Cutting Spending Through at Least Q2

(% change in planned monthly advertising spend vs. 2020 plan)



Sources: SNL Kagan, IAB.

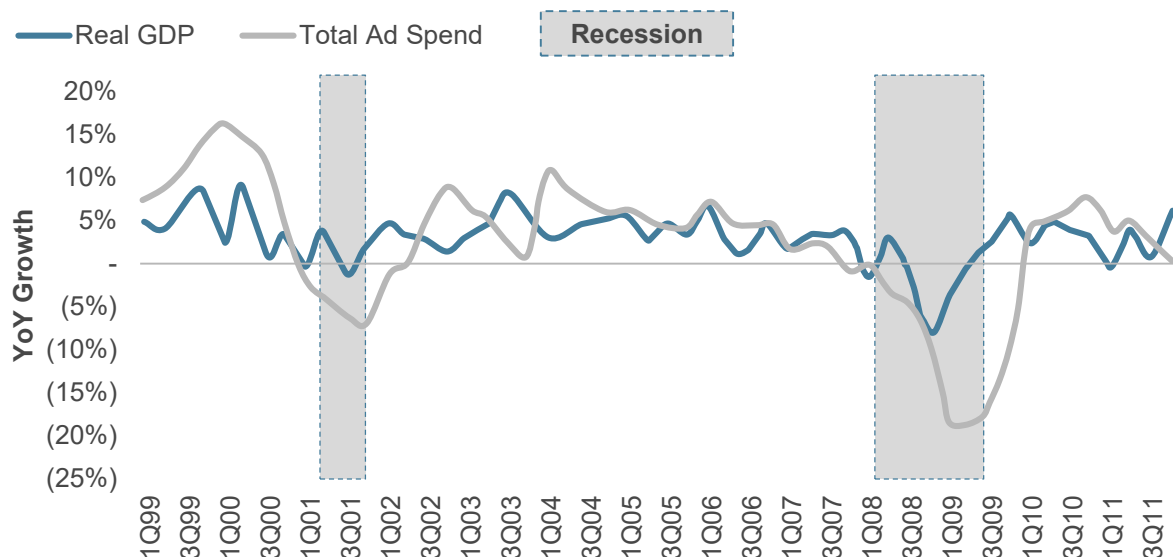
(1) Includes national spot TV (including political), national TV broadcast networks, and local spot TV (excluding political).

(2) Includes national radio stations, national radio network, national satellite radio, and local radio stations.

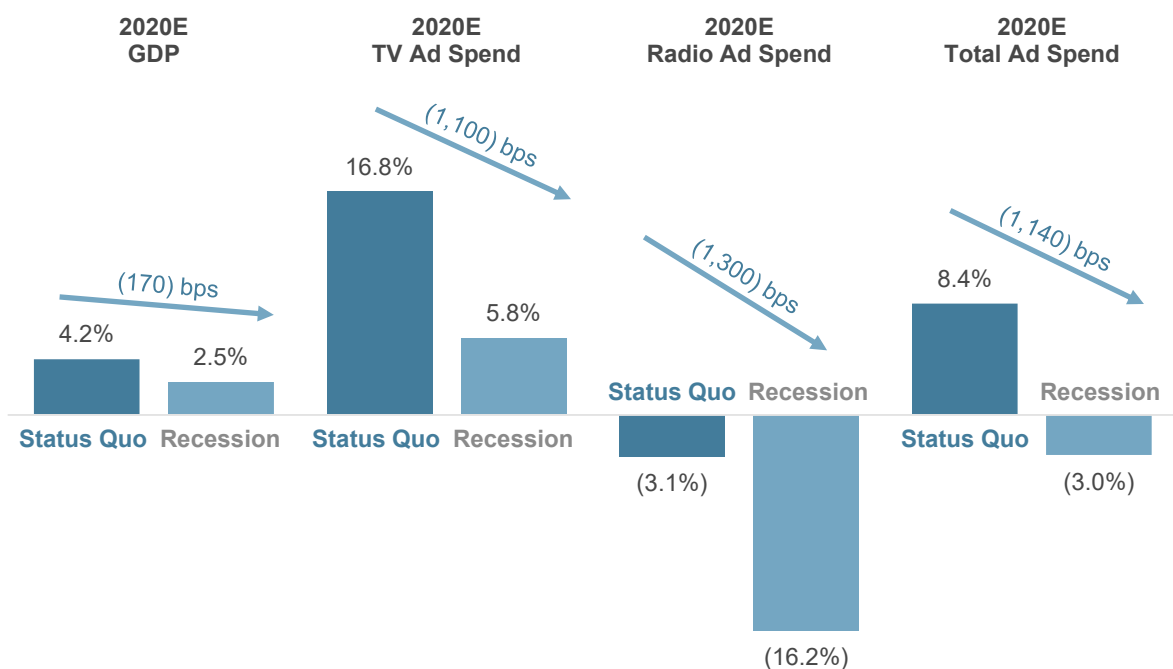
...With Potential For Material Impact on 2020 Results

Advertising spending has historically been closely correlated with GDP and tends to fall in real time as budgets are adjusted to match falling consumer demand.

Historical Impact of Recessions on U.S. Advertising Spend (1999–2011)



Illustrative YoY Advertising Growth in Potential Recession Scenario

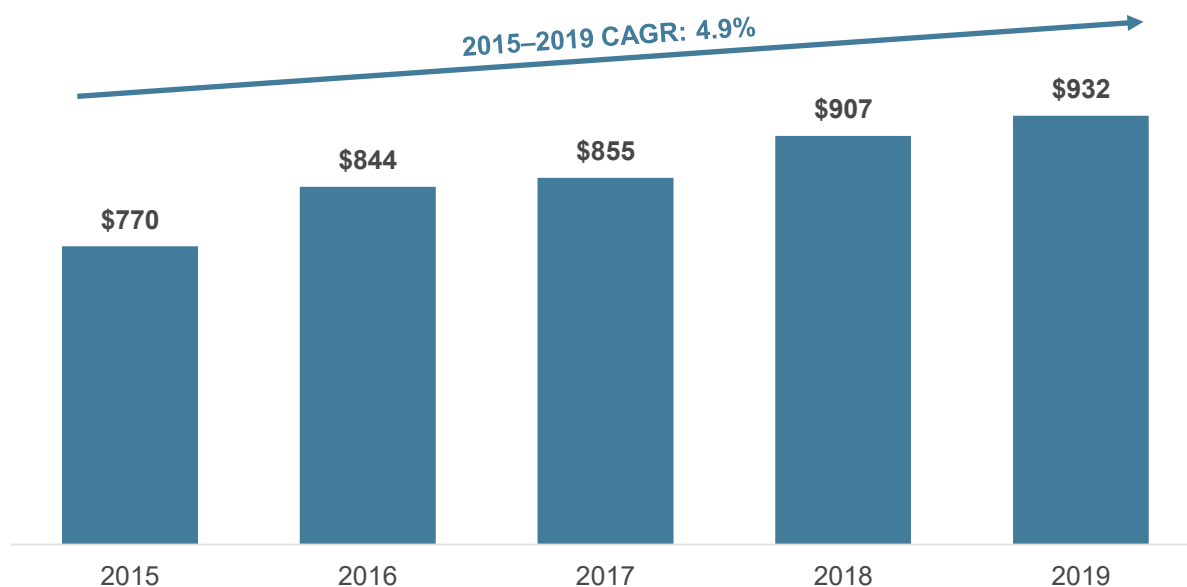


Television and Radio Remain Primary Channel for Advertisers to Reach Audiences at Scale

Radio has maintained its value for advertisers, while the television model is still commanding significant advertising dollars as the model pivots towards subscription revenues over time.

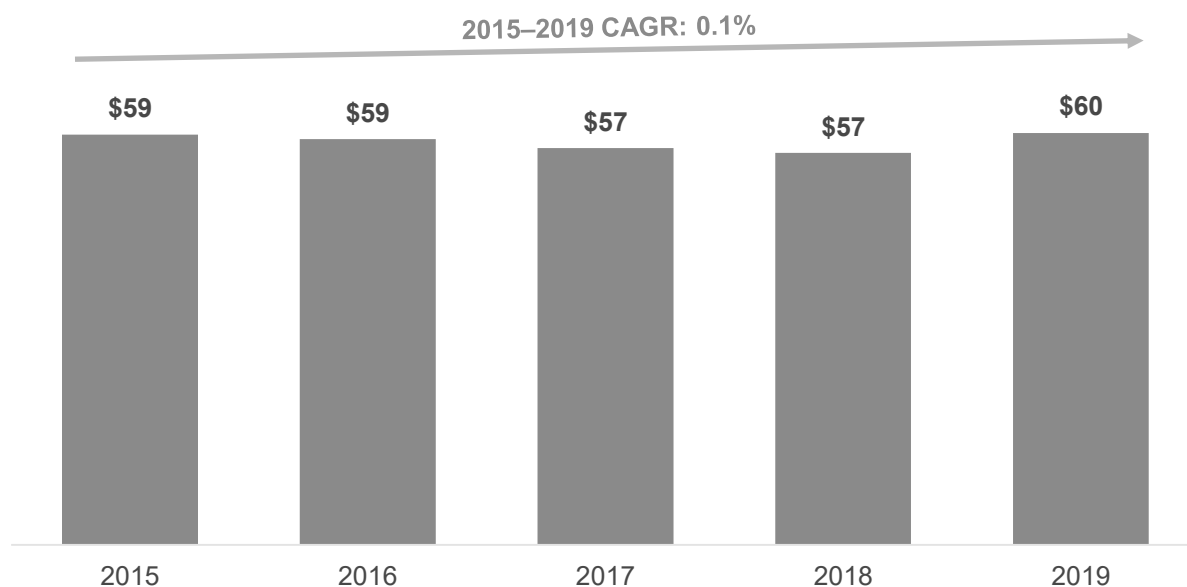
Average Big Four Broadcaster Primetime Ad Revenue per Primetime HH⁽¹⁾

(\$ in actuals)



Average Radio Broadcasting Ad Revenue per Weekly Audience⁽²⁾

(\$ in actuals)



Sources: SNL Kagan, Wall Street Research.

(1) Includes CBS, NBC, ABC, and Fox. Represents total Big Four broadcaster advertising revenue/primetime household delivery.

(2) Represents total radio broadcasting advertising revenue/average radio broadcasting weekly audience.

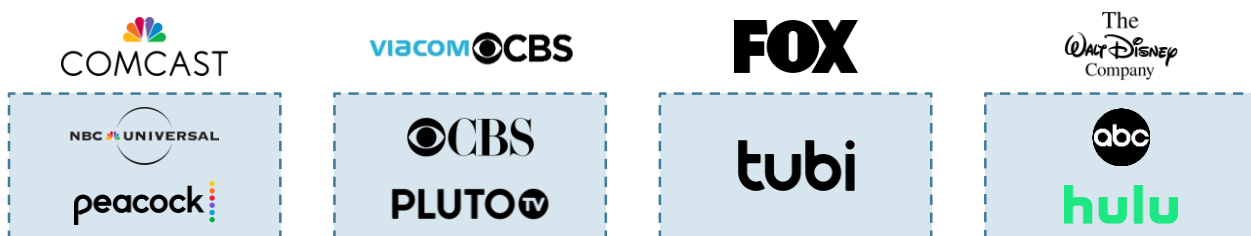
Retrans Fees Trends

Broadcast networks are taking an increased share of retransmission dollars paid by MVPDs, a situation that will likely accelerate as audiences shift from MVPDs to VOD.

Expected 2020 U.S. Retransmission Deals Up for Renewal⁽¹⁾

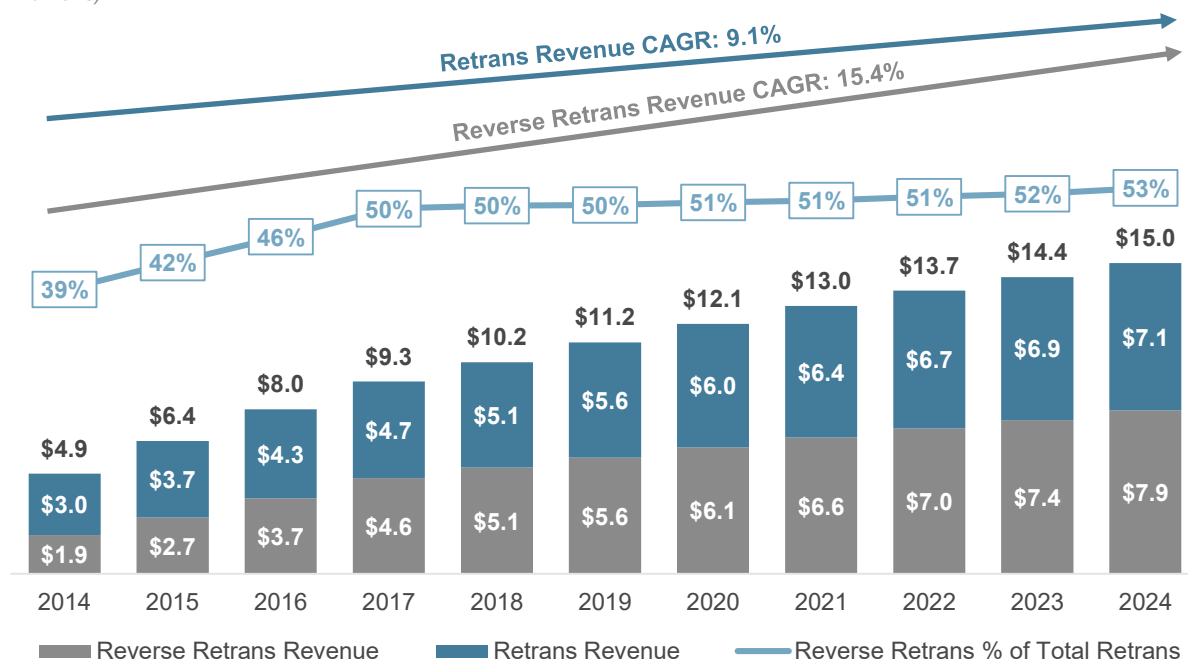
No. of Agreement 39	No. of Stations 438	No. of Subscribers 46.3 Million	No. of Markets 167
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Owners of Big Four Networks Have All Launched or Acquired AVOD Platforms



Retransmission and Reverse Retransmission Revenues⁽²⁾

(\$ in billions)



Source: SNL Kagan.

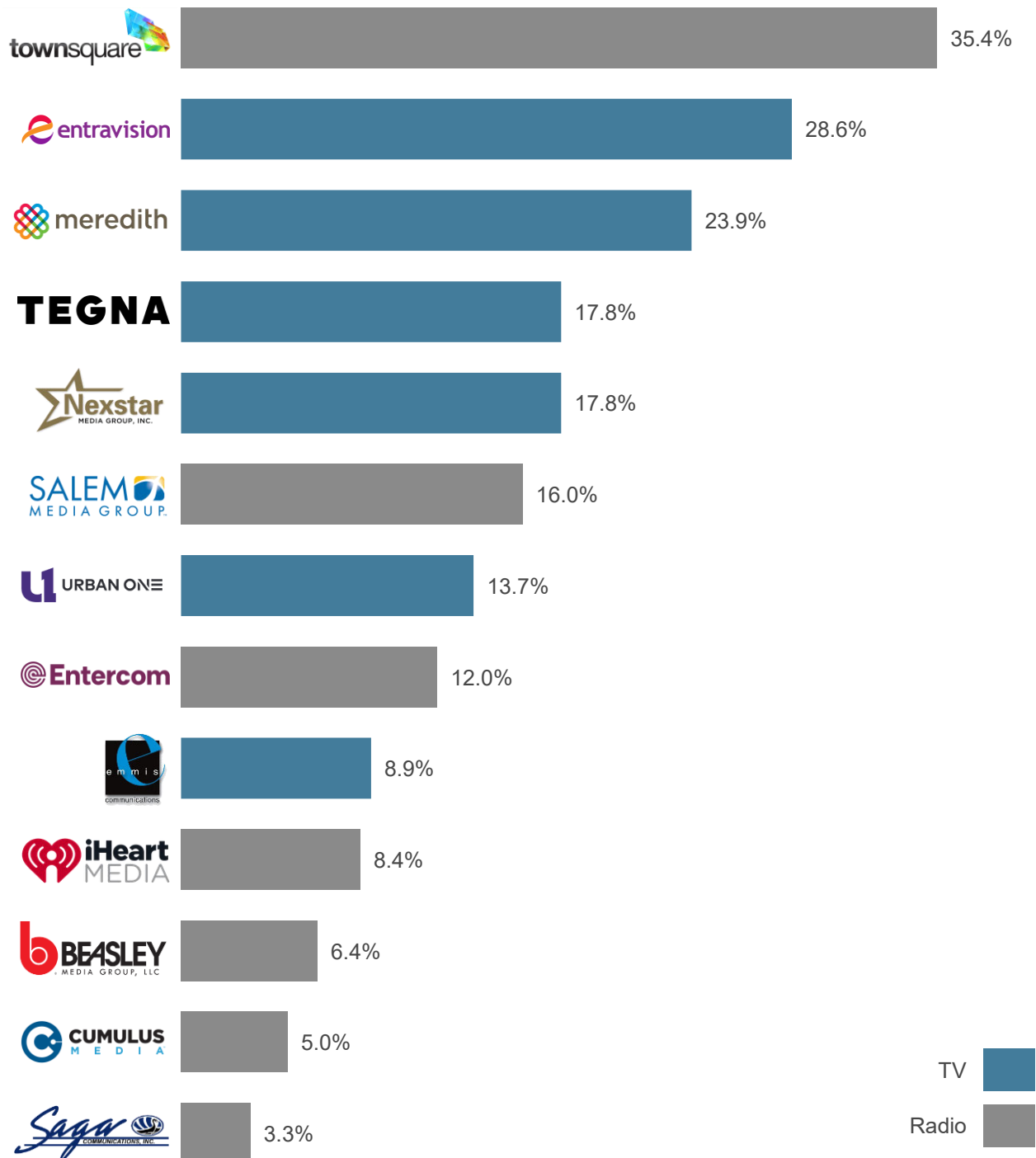
(1) SNL Kagan estimates based on publicly reported broadcast TV retransmission consent agreements in their third year or renewed between 2017 and 2020 YTD.

(2) Retrans revenue represents gross retrans fees before network split.

Digital Is a Bright Spot as Many Players Diversify

Television and radio broadcasters are looking to digital to monetize local audiences in new ways.

Percentage of Ad Revenue From Digital for Television and Radio Broadcasters



What's Next?

The potential impact on broadcasting from next-generation television (on the horizon in 2020) and the debated deregulation of radio ownership is heightened by COVID-19 market volatility.

ATSC 3.0

- New FCC rules ("ATSC 3.0" or "Next-Gen TV") will permit television stations to combine free OTA broadcast signals with home internet, allowing broadcasters to enhance their existing transmission services and potentially bypass MVPDs.
- ATSC 3.0 is expected to help broadcasters remain viable in an increasingly competitive ecosystem through creation of new revenue streams and more attractive packages for subscribers.
- Key benefits include:
 - Allow broadcasters to recapture viewers who have "cut the cord."
 - Increase in highly profitable digital subchannels (DiGi-nets) targeted to niche audiences.
 - Ability to capture audience data allowing for direct advertising targeting, reducing reliance on third parties.

While a number of questions remain, there are clear upside scenarios for local TV groups investing in Next-Gen TV...Next-Gen TV represents an historically significant thrust by local TV broadcasters to establish themselves as an Internet-native, mobile first, advanced TV capable distribution platform.

BIA Kelsey, January 2020

Radio Deregulation

- National Association of Broadcasters (NAB) has spearheaded proposals for deregulation of radio station ownership, allowing radio broadcasters to own up to 10 FM stations and no cap on AM stations in any top-75 market, as well as no ownership caps for markets outside of the top 75.
- Proponents argue that in the era of streaming, easing the regulations would allow radio groups to better compete against audio streamers like Spotify and digital giants such as Facebook and Google.
- While a recent Third Circuit Court decision put a pause on proposed FCC deregulation, further deregulation (to relax ownership caps) down the line will likely precipitate another wave of M&A as station groups seek to consolidate and scale in key markets.

"We have to be doing everything we can to incentivize investment in local radio. So I think it makes a lot of sense to provide a lot of regulatory relief in those markets...You're competing with Spotify, Pandora, Google, Facebook, streaming services, cable...There's a tremendous amount of competition for eyeballs and eardrums in the media landscape today and yet so many FCC rules either expressly or explicitly assume that radio and TV aren't competing with any of those providers."

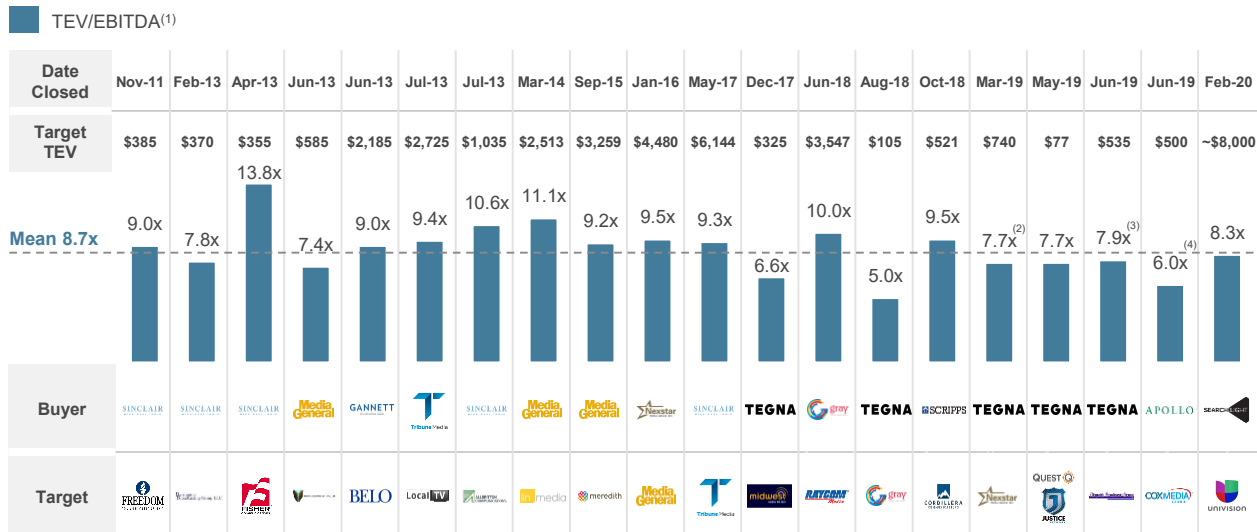
FCC Commissioner Brendan Carr, June 2019

Sector M&A Activity

While recent court rulings have slowed momentum on potential deregulation, strategic consolidation has continued its pace and will likely to continue post COVID-19.

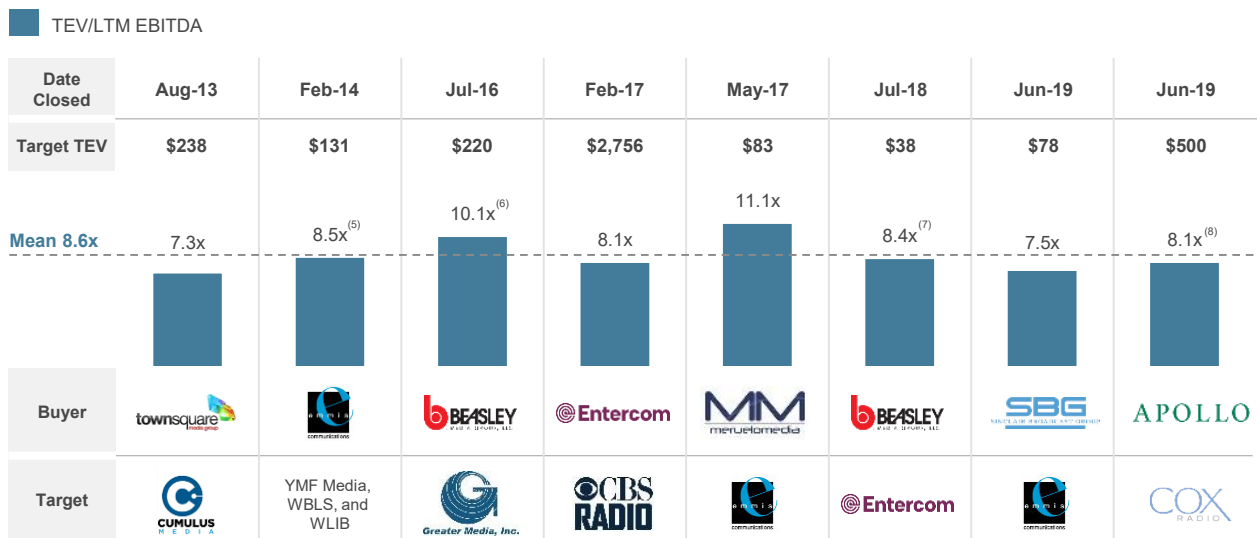
Television Broadcasting Transactions

(\$ in millions)



Radio Broadcasting Transactions

(\$ in millions)



Sources: S&P Capital IQ, public filings, other publicly available information.

(1) Based on trailing two-year average EBITDA at time of transaction.

(2) Implied seller multiple; buyer multiple of 6.7x including run-rate synergies and net present value of tax savings.

(3) Represents LTM Earnings at completion of acquisition.

(4) Based on Terrier Media Group debt of ~\$3.0 billion taken on in acquisition of Cox Media and estimated Cox Media EBITDA of ~\$500 million.

(5) Displayed figures do not incorporate anticipated synergies resulting from the transaction of ~\$3.0 million, per public filings.

(6) Transaction Value adjusted for ~\$20 million in estimated net cash proceeds from divested tower assets not conveyed as part of transaction. Displayed figures do not incorporate ~\$7.9 million in pre-closing expense.

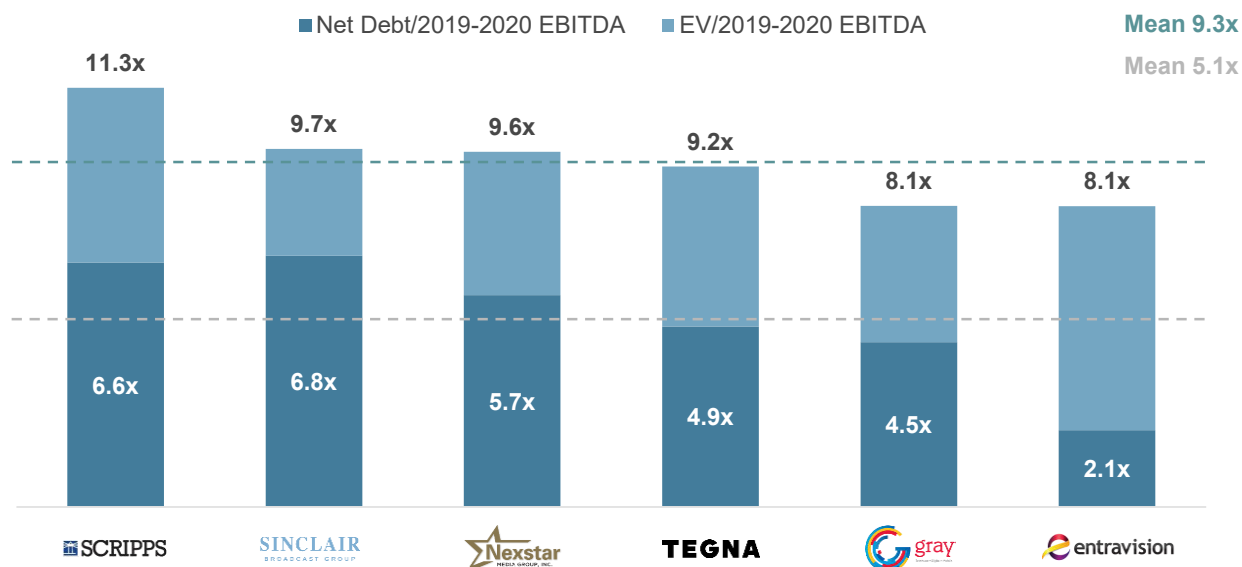
(7) Displayed figures do not incorporate anticipated synergies resulting from the transaction of ~\$1.0 million, per public filings.

(8) Represents annualized cash flow multiple per SNL Kagan (\$500 million purchase price/\$62 million annualized cash flow).

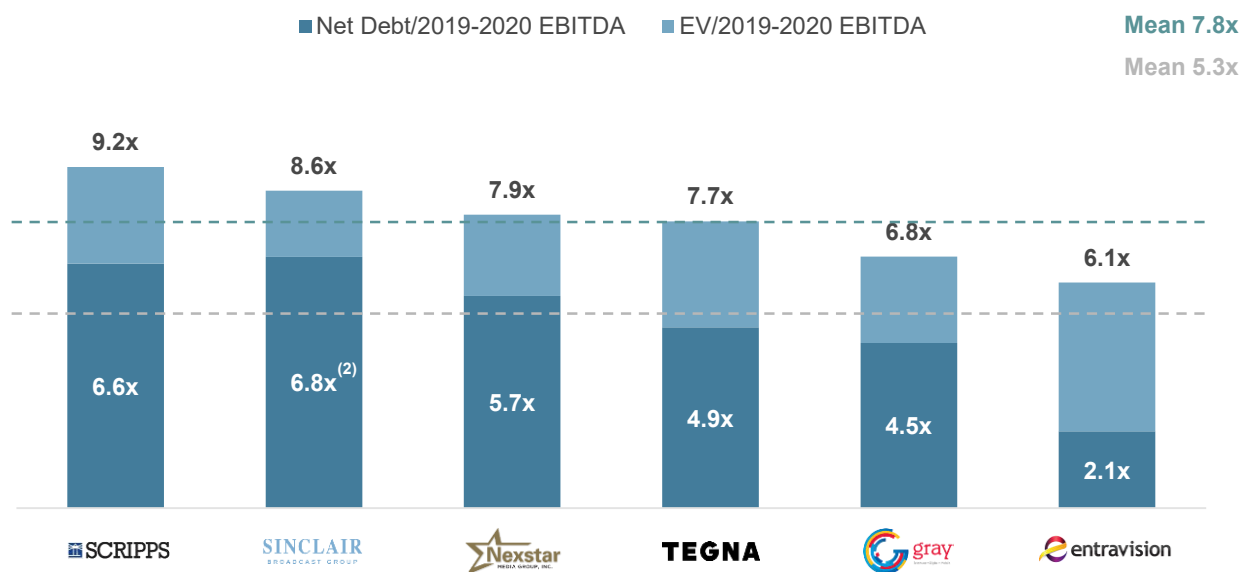
Market Uncertainty Driving Multiple Compression (TV)

With companies pulling 2020 guidance, revised valuations imply the Street is assuming at least a c. 15-20% reduction in EBITDA.

Pre-COVID-19 Market Disruption (as of 1/6/2020)



Post-COVID-19 Market Disruption⁽¹⁾ (as of 5/4/2020)



Sources: S&P Capital IQ, public filings, other publicly available information.

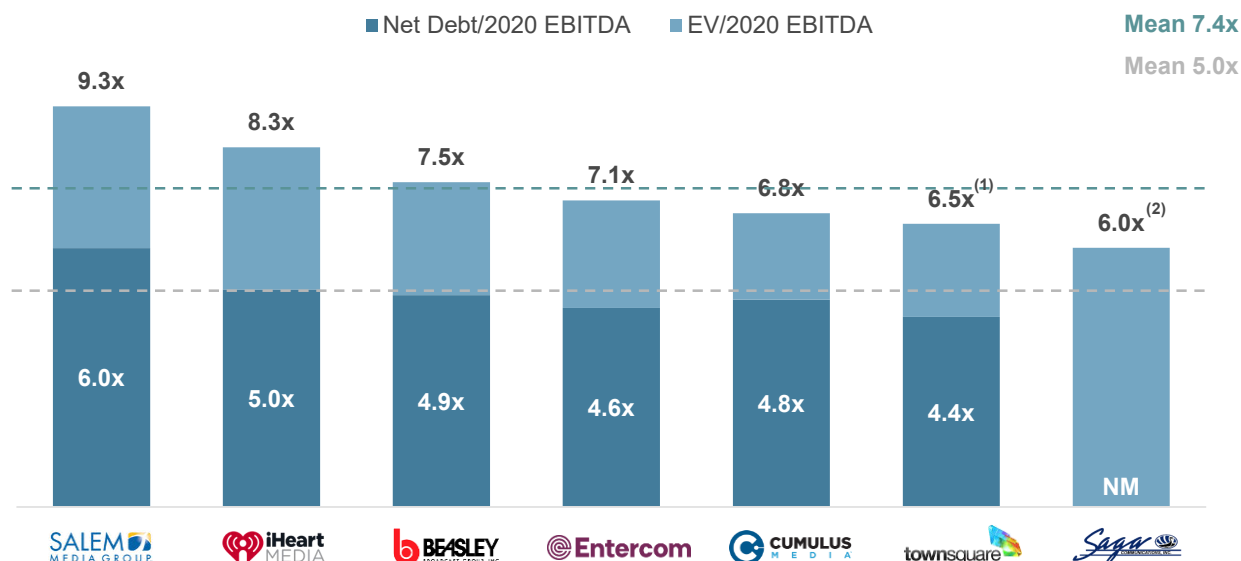
(1) Based on pre-COVID-19 market disruption EBITDA estimates and post-COVID-19 market data.

(2) Reflects announced draws on revolving credit facilities since last filing; assumes drawn revolver amounts are held as cash.

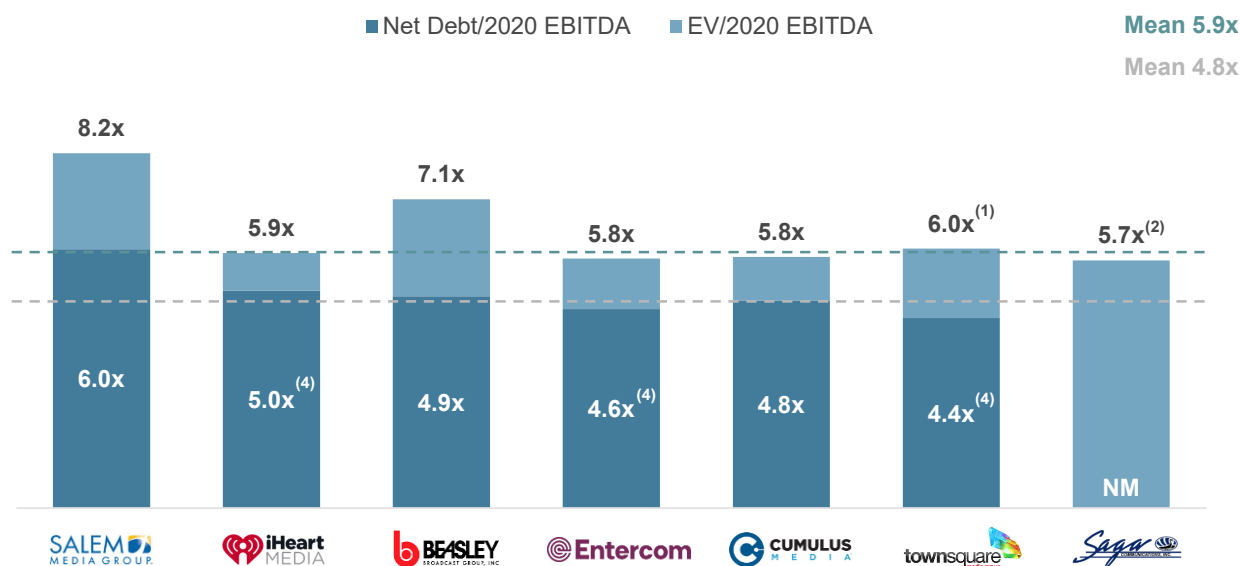
Market Uncertainty Driving Multiple Compression (Radio)

With companies pulling 2020 guidance, the sector has seen multiple compression implying at least c. 15%–20% reductions to pre-COVID-19 Street estimates for 2020.

Pre-COVID-19 Market Disruption (as of 1/6/2020)



Post-COVID-19 Market Disruption⁽³⁾ (as of 5/4/2020)



Sources: S&P Capital IQ, Public Filings, Other Publicly Available Information.

(1) Based on fully diluted shares.

(2) Based on 2019 EBITDA.

(3) Based on Pre-COVID-19 market disruption EBITDA estimates and Post-COVID-19 market data.

(4) Reflects announced draws on revolving credit facilities since last filing; assumes drawn revolver amounts are held as cash.

COVID-19 Considerations

Volatile market conditions have created many questions for businesses. Houlihan Lokey's significant product and end-market expertise positions the firm to help review a variety of strategic alternatives.

How have the syndicated loan markets been affected by COVID-19?



Syndicated loan markets sold off to 90% of par, and new issuances have slowed to a trickle. Private market issuances are open, but on a case-by-case basis. Lenders are willing to provide financing, but are starting to seek higher yields and more structure on terms (i.e., covenants and definitions).

Can/should I refinance my existing capital structure? What about other options, such as a dividend recapitalization?



Due to current market volatility, opportunistic refinancing transactions have been shelved as issuers and underwriters opt to wait to understand how the financial performance will be impacted and hold out for stable markets. Despite recent outflows, market liquidity remains stable and opportunities to refinance will be available once volatility cools down.

What should I do if my covenants are tightening or my lenders are being difficult?



There are a number of alternative capital providers willing to engage in refinancing discussions. Please reach out to us directly to discuss your particular situation.

What should I do if I'm considering a sale?



Our relationships in the broadcasting industry, along with Wall Street's best private equity coverage group, gives us unmatched, real-time insights into current buyer sentiment and potential diligence and other concerns related to COVID-19 that directly inform our ability to construct a sale process roadmap to maximize value.

What should I do if I'm considering an acquisition?



As companies analyze inorganic growth opportunities, it's important to understand risks to target businesses posed by COVID-19, in addition to understanding the ideal structure for a potential acquisition. Now is a great opportunity to accelerate M&A dialogue. Our substantial buy-side expertise and leading Capital Markets Group positions us to provide guidance and capital in the current environment.

Do I need to discuss COVID-19 as it relates to due diligence in a sale or financing process?



Yes. COVID-19 is part of the world we now live in. It is crucial to have a clear description of COVID-19 protocols in place, a plan of attack to ensure employees are safe, and an understanding of potential business impacts from COVID-19 moving forward.

How Houlihan Lokey Can Help

Our firm is extremely well equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients analyze, structure, negotiate, and execute the best possible solutions from both a strategic and a financial perspective.

What We Offer

1 Corporate Finance

Mergers and Acquisitions

Capital Markets

Private Funds Advisory

Board Advisory Services

2 Financial Restructuring

Company Advisory

Financial Restructuring

Distressed M&A

Liability Management

Creditor Advisory

3 Financial and Valuation Advisory

Portfolio Valuation and Fund Advisory

Transaction Opinions

Corporate Valuation Advisory Services

Transaction Advisory Services

Real Estate Valuation and Advisory

Dispute Resolution Consulting

Corporate Finance

We are widely recognized as a leading M&A advisor to the middle market and have long-standing relationships with capital providers, including commercial banks and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors. Few other investment banks maintain the breadth of relationships and capital markets intelligence that we do.

Financial Restructuring

We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,000 restructuring transactions (with aggregate debt claims in excess of \$2.5 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000 to 2019.

Financial and Valuation Advisory

For nearly four decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation helps inspire confidence in financial executives, boards of directors, special committees, investors, and business owners we serve.

Why We're Different

✓	Dominant in Special Situations and Restructuring
✓	Significant Experience With Financing Markets
✓	Senior-Level Commitment and Dedication
✓	Deep, Industry-Specific Expertise
✓	Superior Work Product/Technical Abilities
✓	Creativity, Imagination, Tenacity, and Positivity



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank

- **1,500+** Employees
- **22** Locations Globally
- **~\$1 Billion** of Revenue
- **~\$3 Billion** Market Cap

Corporate Finance

2019 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	184
2	Goldman Sachs & Co	167
3	JP Morgan	141
4	Morgan Stanley	122
5	Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 M&A Advisor All U.S. Transactions

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

Financial Restructuring

2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	76
2	PJT Partners Inc	43
3	Moelis & Co	36
4	Lazard	29
5	AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Global Restructuring Advisor

1,000+ Transactions Completed Valued at
More Than \$2.5 Trillion Collectively

Technology, Media, and Telecom

2014 to 2019 M&A Advisory Rankings U.S. Technology, Media, Entertainment & Telecom Transactions Under \$1 Billion

	Advisor	Deals
1	Houlihan Lokey	198
2	Goldman Sachs & Co	162
3	Raymond James Financial Inc	155
4	Morgan Stanley	154
5	Evercore Partners	144

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Technology, Media, Entertainment, and
Telecom Transactions Under \$1 Billion 2014 to
2019

33 Completed Transactions in 2019

Financial and Valuation Advisory

2000 to 2019 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,057
2	JP Morgan	929
3	Duff & Phelps	734
4	Morgan Stanley	621
5	Bank of America Merrill Lynch	612

Refinitiv (formerly known as Thomson Reuters). Announced
or completed transactions.

No. 1 Global M&A Fairness Opinion Advisor
Over the Past 20 Years

1,000+ Annual Valuation Engagements

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