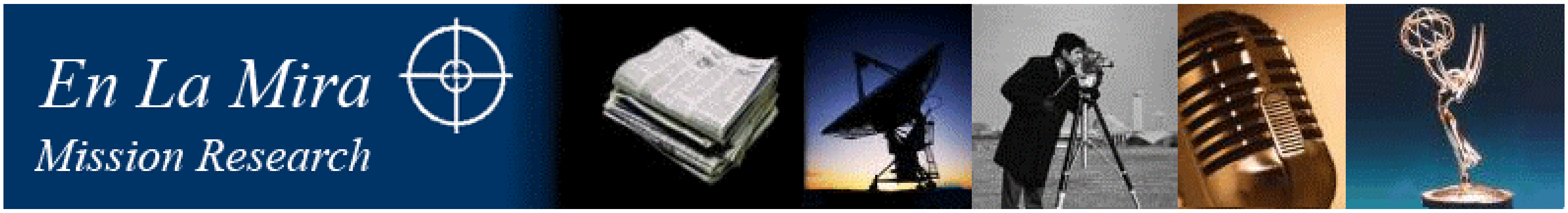

US Hispanic Media and Communications Monthly

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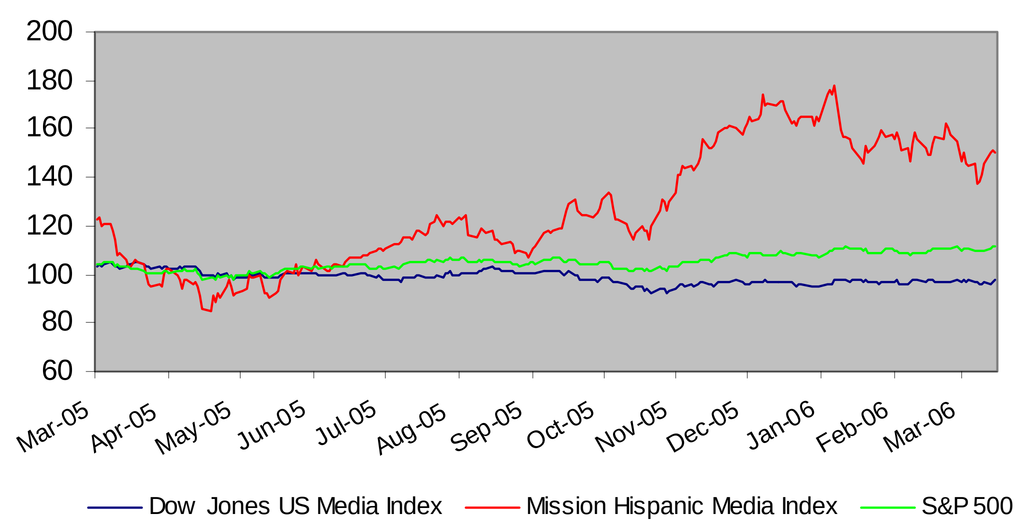
Mission Capital Group is an investment bank specialized in the US Hispanic media and communications sectors.

Advisory services include capital raising, mergers and acquisitions, and financial restructurings.

Media Indexes vs. S&P 500



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Monthly Features

Hispanic Cable TV Market

Cable Market Overview

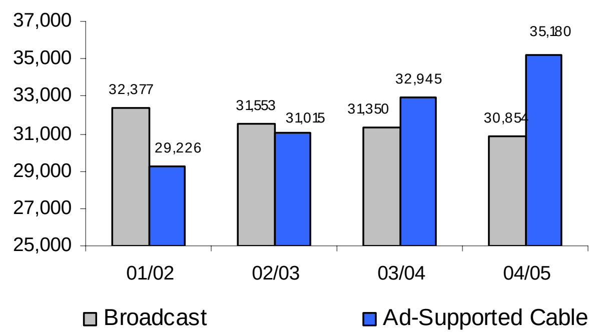
In today's television world, cable has emerged as a dynamic and dominant force. Ten years ago there were 145 cable networks in the US; today, over 400 analog and digital networks crisscross the country.

In the US, television penetrates roughly 110m households. Of this total, 65 million receive cable, while 25 million subscribe to satellite (DBS) services. The remaining 20 million households access only free-to-air TV or another peripheral multi-channel video service. Combined, the cable and DBS markets generate an estimated $65bn in annual revenue.

Meanwhile, technology in the cable industry is unrolling rapidly. Through large amounts of capital expenditures (over $100bn last year), cable companies have evolved from simple video providers into multi-tier purveyors of advanced products, such as digital video, high-speed internet, and digital voice services.

As a result, cable and DBS TV are gradually overtaking the broadcast TV market. The number of total primetime cable viewers in the US has already surpassed that of both national and local broadcast TV combined (see table below).

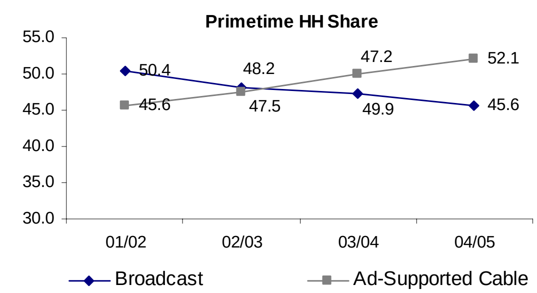
Primetime Viewership: Cable vs. Broadcast TV HHs



Source: Cable Advertising Bureau

Cable TV primetime ratings are also on the rise, while traditional broadcast TV continues its downward slump. In the 2004-05 program season, ad-supported cable scored a 52.1 primetime share, 6.5 points above the share recorded by broadcast TV.

Primetime Viewership: Cable vs. Broadcast TV Shares



Source: Cable Advertising Bureau

Not only are more people watching cable television, but they are also watching it for longer periods than broadcast TV viewers. In the fourth quarter of 2005, the average weekly amount of time spent viewing ad-supported cable during primetime was 7.4 hours (vs. 6.6 hours for broadcast TV), according to the Cable Advertising Bureau.

Hispanic Cable Growing Strongly

In the US Hispanic market, cable networks are slowly increasing their share of ad dollars relative to Hispanic national and local TV networks. This trend is expected to continue over the next four years, according to Kagan estimates (see table below).

Hispanic TV Ad Revenue Breakdown, (2005-2009)

(in $m)	2005	2006	2007	2008	2009	CAGR
Cable	$285	$445	$590	$724	$859	33%
Share of total	*13%*	*17%*	*20%*	*22%*	*24%*	
National TV	$1,294	$1,525	$1,641	$1,768	$1,901	12%
Share of total	*58%*	*57%*	*55%*	*54%*	*53%*	
Local TV	$639	$691	$734	$782	$833	7%
Share of total	*29%*	*26%*	*25%*	*24%*	*23%*	
Total TV Ad Mkt	$2,218	$2,661	$2,965	$3,274	$3,593	13%

Source: Kagan, Mission Research

The number of Hispanic cable networks has grown to 75, up from only a handful 10 years ago. With more programming alternatives, Hispanic cable advertising revenues have increased at a tremendous pace over the past decade, reaching an estimated $285m last year.

Looking ahead, Hispanic cable ad revenues are forecast to reach $859m by 2009, representing a 33% CAGR over the next four years. By comparison, Hispanic broadcast TV is expected to grow at a 9% CAGR over the same period.

Hispanics and the Advertising 'Gap'

Hispanic ad spending currently represents only 1.4% of the total US ad market, and Hispanic TV accounts for only 3% of total US TV ad spending. Given that Hispanics make up 14% of the total US population, industry watchers have long suggested that Hispanic ad spend would grow strongly from a narrowing of the gap.

Indeed, there's no question that the Hispanic advertising market continues to grow. Hispanic ad spending rose approximately 12% in 2005, vs. a 6% increase in general market spending. This growth has been fueled by the realization that Hispanics offer a new market opportunity for advertisers.

Despite strong growth, the ad spending gap has continued to persist. This could be due to two reasons:

1) A continued influx of new immigrants keeps pushing the population statistic higher, and;

2) A belief on the part of advertisers that their general market campaigns already cover bilingual, assimilated Hispanics.

Regardless of the gap, Hispanic advertising is set to grow strongly in the coming years. New immigrants will continue to boost the demographic as a percent of the country's total population (already at 14% and rising). Moreover, the rise in English-language media and programming for Hispanics will resonate with the 2nd and 3rd generation Latino youth.

Benefits of Cable TV

Cable TV represents an opportunity for advertisers to zero in on their target audiences and get publicity for their clients in a much more effective manner. The extensive diversity of programming choices on cable TV, combined with new services (e.g., high-definition TV, digital video recorders, and video-on-demand) has propelled ad-supported cable into an effective and broad-reaching medium for Hispanics and the general market alike.

Consumers now have better control: they are able to watch whatever they want, whenever they want to. With this in mind, advertising agencies and media planners are able to select target audiences more precisely and can deliver ad messages much more efficiently than before.

Cable also offers advertisers the ability to reach a more targeted consumer profile through special interest and lifestyle programs. Via sub-DMA and zone targeting, they can even isolate target groups by specific geography. As a result, cable offers more flexibility and accuracy in advertising, by maximizing impact and reducing audience waste.

Hispanic Cable Penetration Growing

Just as cable TV continues to siphon ratings and viewers from broadcast TV in the general market, so should the number of Hispanic cable viewers increase as a percentage of total Hispanic TV households. According to industry estimates, Hispanic cable subscription reached 7.7 million as of the end of last year (see table below).

Hispanic Cable HH Penetration

(in thousands)	2004	2005e	2006e	2007e
Hispanic Cable HH	7,325	7,721	8,197	8,688
Hispanic TV HH	10,900	11,200	11,600	12,000
Cable as % of total	67.2%	68.9%	70.7%	72.4%

Source: Kagan Research

Hispanic Cable Viewers Have Money

According to the Simmons 2003 Hispanic Study, Hispanic cable viewers enjoy greater purchasing power than the general Hispanic broadcast audience. On average, the Hispanic cable viewer has also completed a higher level of education and earns a greater income, representing an attractive target demographic for advertisers.

The study indicates that while 66% of Hispanic high school graduates have cable, the percentage of Hispanics with cable increases to 73% for college graduates and to 86% for those with post-graduate degrees. Earnings power also rises in Hispanic cable households. The median income level for Hispanic cable subscribers is $53,000 compared to $39,000 for Hispanic broadcast TV.

Programming Packages Aid Market Growth

A proliferation of Hispanic programming packages by cable and satellite operators has helped to promote industry growth. In the past, the Hispanic broadcast market was largely ignored by multi-channel distributors. However, in the early stages, satellite operators such as EchoStar and DirecTV sniffed a market opportunity, and began to package and market Hispanic tiers with great success. An early advantage of the satellite operators was their ability to reach Hispanics at a national level, even in the smallest Hispanic communities.

That said, the cable MSOs have recently begun to copy the satellite operators, aggressively targeting the Hispanic community by offering channel packages as well as local Hispanic channels not carried by the satellite operators. Additionally, aggressive pricing has enabled some cable packages to be cheaper than satellite offerings. As a result, Hispanic cable adoption should continue to rise consistently over the next 3 to 5 years, resulting in an ever-growing subscriber base and reach for advertisers.

Hispanic Cable Television Landscape

The growing Hispanic market has prompted the number of Hispanic-focused broadcast and cable networks to mushroom. The number of broadcast networks has doubled from 2 to 4 over the past 5 years (Univision, Telemundo, Azteca America and Telefutura). Over the same time period, the number of cable networks has swelled from only a few early players to 75.

Industry growth has been aided by the trend for large media conglomerates (such as Disney, Fox, Turner, and NBC) to transpose their popular English-language shows to the Hispanic market. Indeed, of the top 7 Hispanic cable networks, 5 are repurposed English-language cable networks (see table below).

Leading Hispanic Cable Networks

Network	Share of Hispanic TV HH (%)	Share of Hispanic Cable HH (%)
Galavision	55.9	83.2
Mun2	30.7	45.7
Fox Sports Español	28.6	42.6
MTV Español	18.2	27.1
HBO Latino	17.8	26.5
Discovery en Español	15.5	23.1
CNN En Español	15.0	22.3

Source: Kagan, Mission Research

At the top, Univision's Galavision cable network stands alone, reaching more than 80% of all Hispanic households. Its 100% analog distribution is unmatched in the industry, and allows new subscribers to enjoy programming at no additional cost. As of the end of last year, Galavision reached an estimated 45 million US households and 6.5 million Hispanic cable homes.

Mun2, Telemundo's young-adult network, is a bilingual network targeting young urban people in the 18-34 age bracket. The network's combination of English and Spanish-language content allows it to garner ad spending for a younger demographic. Mun2 reaches an estimated 3.6 million US Hispanic cable households.

Having proven a large success in Latin America, Fox Sports en Español launched in the US with a similar offering. The network reaches an estimated 3.4 million US Hispanic subscribers, and serves as the Spanish-language home for the Major League Baseball Playoffs and World Series. Fox also recently signed a licensing agreement with Cuatro Media to publish a sports magazine, with the first issue due on March 23rd.

Viacom's MTV Español has become the only successful Spanish-language network to broadcast

Spanish rock videos 24 hours per day, reaching an estimated 2.1 million Hispanic cable subscribers. The network targets youths seeking an alternative to typical Mexican Regional and Caribbean music.

Market Challenges

Size Matters

Despite strong market growth, not all of the Hispanic cable networks have benefited equally. Revenue share gains have accrued more to the larger networks than to smaller start-ups: there are inherent challenges in getting sufficient operator carriage and audience share without the backing of a larger strategic partner with industry muscle, such as Fox, Viacom or NBC.

In the cable market overall, there are an estimated 200 more networks than cable companies have room to accommodate. Some smaller cable networks with limited capital then run into a chicken-and-egg situation, where the cost of carriage far outweighs the initial revenues that could be generated from advertising or licensing.

Focus on Culture, Not Language

English, Spanish, or a combination of both can be used to reach Hispanics, and in TV, language selection will depend on the particular demographic being targeted. We would only note that any concerns regarding the demise of Spanish-speaking programming and advertising are overdone.

From the 41 million Hispanics in the US, almost half are foreign born. In fact, 47% of the growth in the US Hispanic population is driven by immigration. This guarantees a Spanish-dominant audience for the present and the future.

Another factor to consider regarding languages is that in different geographic regions, the incidence of Spanish-dominant Hispanics varies. Miami has an incidence of 67%, while Corpus Christi, TX has an incidence of 16%. Clearly the messages delivered through programs and advertising should vary among regions, in order to better grab the appeal of culturally different audiences.

What is a Hispanic, Anyway?

The difficulty in reaching US Hispanic TV viewers is not only compounded by language choice, but also by the different sub-cultures and countries of origin within the Latino market. Synovate recently released a cluster study, in which US Hispanics were classified into several different groups such as acculturated Latinos, un-acculturated Latinos, traditional Latinos, and American Latinos, among others. Each group represents Latinos with widely differing lifestyles, tastes, and language preferences, from each other.

Cable networks and TV Broadcasters such as SiTV, mun2 and LATV, as well as production companies like AIM Tell-A-Vision, have realized the potential of reaching a younger generation of Hispanics by using English-language programming. These broadcasters have recognized that culture, and not just language, defines the new generation of Hispanic youth, and as a result, they have successfully tailored content to better reach this important and growing sub-segment of the Hispanic demographic.

New Technologies Give Rise to New Media

Given the rapid improvement in internet video streaming technology, future broadcasters may seek to circumvent the traditional broadcast model altogether. Indeed, some content providers are now doing just that, utilizing new distribution outlets such as video-on-demand (VOD), or new technologies such as internet protocol TV (IPTV).

Barrio305.com, a Miami-based media production company, offers broadband video programs using a technology platform by Brightcove, a start-up led by Jeremy Allaire, founder of Allaire Corp (later sold to Macromedia).

Brightcove's technology allows content producers to easily distribute videos online with a high resolution level, as well as providing creative flexibility to add additional graphics. With Brightcove, Barrio305.com has been able to gain a loyal audience in a short period of time for its interviews and shows focusing on reggaeton, Latino celebrities and the Hispanic youth culture.

The New Metering Age:
A Ratings Technology Primer

Overview of PPM and LPM

Arbitron and Nielsen Media Research are long-standing players in the ratings business. Both groups have long relied on diary questionnaires (mailed to random people on a weekly basis) to compile usage and listening data for radio stations (Arbitron) and TV networks (Nielsen).

Lately, new technologies have called into question whether Arbitron and Nielsen have been providing marketers and advertisers with accurate ratings information. Both companies have been investing heavily in new technologies to get rid of paper-based, diary ratings, and provide a more accurate means of measurement requiring minimal interaction from participants.

Arbitron's Portable People Meter (PPM) is a unique portable device that tracks any type of media and entertainment signal that a consumer is exposed to, from broadcast, cable and satellite television to terrestrial, satellite, and online radio. Randomly selected people wear the pager-sized device throughout the day. It works by detecting identification codes that have been embedded in the audio portions of the broadcasted signal. The PPM is also equipped with a motion sensor, a unique feature that helps Arbitron confirm a participant's compliance in the survey every day.

Based on Arbitron's same PPM technology, Nielsen has been developing its Local People Meter (LPM) since the late 1980s. However instead of being a portable device, Nielsen's LPM requires people to log in on a device attached to the television set. The remote control ensures that the participants are actively viewing television.

PPM: How It Works

The PPM consists of several components: the encoder, station monitor, portable people meter and base station.

Encoder: Device that is installed at the programming or distribution source (radio or television station) and inserts an audible identification code in the audio stream.

Station Monitor: Also installed at the programming source, it ensures that audio content has been correctly encoded. This device notifies engineers at the transmitting station if the signal has not been properly encoded.

Portable People Meter: A mobile, phone-sized device that people wear throughout the day. It contains a sensitive audio transducer, digital signal processing circuitry to detect and analyze codes, memory to store a day's activity, and a rechargeable battery. It is further equipped with a motion detector, linked to a green light, that allows Arbitron to monitor whether the participant is carrying the PPM throughout the day.

Base Station: Extracts data and recharges the PPM after a day's use. The data collected includes codes drawn from the various signal sources as well as readings from the motion detector. This information – drawn from every PPM device on the premises – is passed along to the household hub. From there, data streams into a central computer system via the telephone line.

LPM: How it Works

Nielsen's LPM device is directly connected to a household's television set. Each member in a household is assigned a password, which allows Nielsen to identify individual viewers. While watching television, a user is required to press buttons on the remote control every time a light signal flashes. This is to ensure that the participant is actively viewing television, avoiding zero-cell effect.

Development History

Arbitron conducted its first successful PPM trial in the US between December 2000 and November 2001. The trial turned up several important findings:

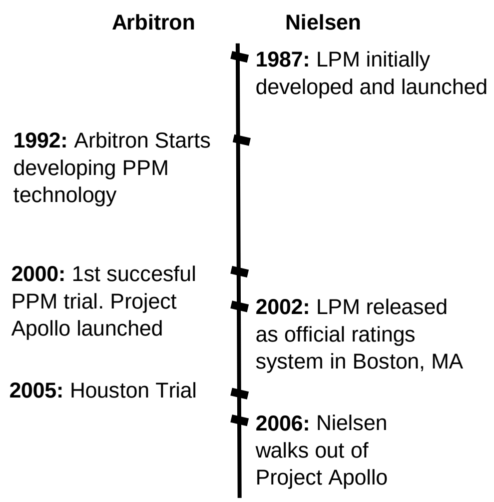
1) It is possible for broadcasters to encode audio without affecting the quality of their signal.

2) It is possible to recruit a panel of consumers for the PPM system and, moreover, that consumers would be willing to carry a PPM for an average of 15 hours per day.

3) The PPM could capture radio and television viewing times not recorded in traditional diary methods.

Nielsen's LPM has been in the works since the late 1980s; the service debuted in Boston in 2002. New York, Los Angeles, Chicago, San Francisco have operated under the LPM since 2004, and Nielsen released ratings results for Philadelphia and Washington, DC for the first time in June 2005. The LPM will be deployed in Atlanta, Detroit, and Dallas this year.

Ratings Technology Timeline



Source: Arbitron and Nielsen

Project Apollo: A Single PPM

Arbitron and Nielsen are often viewed as having a love-hate relationship. As if to prove the point, Nielsen's parent company, VNU, entered into a joint-venture agreement with Arbitron in 2000. This was with an eye toward developing a PPM that would be able to measure radio, broadcast, cable, syndicated and satellite television in one device.

However, even though the company had invested millions on the project, Nielsen subsequently decided to opt out. It was put off by committing too many resources to develop a single PPM, and the company felt that this focus might ignore other factors in today's complex television world.

Nielsen announced that it will continue to devote resources to its existing LPM and diary markets, and devise new devices to measure alternative forms of television, such as video on demand (VOD), digital video recorded (DVR) viewing, internet television, mobile media, and interactive television. These formats are becoming increasingly important in today's television industry, giving Nielsen reason to take note.

Given their synergies, Arbitron and Nielsen will continue to collaborate in some areas. One shared project involves developing a PPM that will be used in Nielsen's out-of-home viewing. Meanwhile, Arbitron will follow its own plans for a PPM devoted solely to radio.

PPM vs. Diary-Based Ratings

Under the current system, Arbitron and Nielsen mail out weekly diaries to randomly selected households. Each household member over 12 years of age keeps track of all the radio and TV that he or she consumes, and then results are collected and mailed in.

The media industry has relied on this method for years, in order to better allocate ad dollars as well as determine station format changes. However, the system presents certain limitations:

1) Accuracy is questionable, and the potential for human error must be taken into account.

2) The method lacks timeliness and frequency of results is scarce. (There is typically a 2-3 month lag between the rated period and the release of data).

3) New radio distribution methods such as satellite and digital radio are not covered.

The PPM and LPM can easily overcome these obstacles. They can measure an individual's listening and viewing habits more accurately throughout the day. Moreover, they do not rely on faulty human recall.

Nielsen's LPM also eliminates the "zero cell" effect, in which participants tune into a station but forget to record it in their diaries. The LPM forces people to press a button in the remote control every so often, to ensure that there is active television viewing.

Meanwhile, LPM results are released more frequently, making ratings information more timely and accurate, and allowing radio and TV markets to spot trends more quickly.

The Economic Impact of the PPM and LPM

In its latest PPM trial in the Houston DMA, Arbitron came to some interesting conclusions.

1) Radio Audience is Higher Under PPM

One of the findings was an increase in total Cume ratings (the percentage of people that listen to radio in a given week). Under the PPM, total Cume ratings reached a score of 93.3, compared to 86.1 under the diary-based method. This represents an increase of 8%. Undoubtedly, when using a diary system people would forget to list stations or omit them for the sake of simplicity.

2) But Time Spent Listening is Lower

Interestingly, the total time spent listening (TSL) scored lower under the PPM than with the diaries. This indicates that people spend less time listening to radio than previously thought. The number of heavy listeners was also found to be less under the PPM than the diary method. (A heavy listener tunes into a station for more than 25 hours in a given week).

Will Radio Ad Sales Fall Under PPM?

As a result of the Houston findings, industry watchers are concerned that radio ad revenues would decrease under the PPM system, since ratings will be lower. (This is because the decrease in time spent listening was proportionally greater than the increase in number of listeners).

Those against the PPM argue that with the lower PPM ratings, advertisers would allocate less of their budgets to radio, and more to other media.

Forrester Believes PPM Will Be Positive

A study conducted by Forrester Research on April 2005, however, suggests that the economic impact of the PPM system would be positive. Forrester surveyed over 490 advertisers and ad agencies, which seemed to favor the PPM system in general.

In the study, 17% of agency respondents and 23% of advertisers indicated they would increase radio ad spending with PPM (see table below).

Forrester PPM Survey Results

	Agencies		Advertisers	
	Increase	Decrease	Increase	Decrease
Ad Spend w/PPM	17%	1%	23%	2%
Ad Spend w/Diary	1%	8%	4%	8%

Source: Forrester / RAB PPM Task Force Study

Forrester also calculated the dollar impact on the industry. By making a complete transition to PPM ratings, total radio revenues would increase by $362m. That figures takes into account the additional $79m added by PPM in the top 10 markets and the $282m of lost revenue if radio keeps the diary system.

Nielsen's LPM Unearths More Positive Data

Nielsen saw similar results to Arbitron when it first introduced LPM in Boston. TV viewership was up, meaning an increase in Cume ratings. Moreover, data showed higher cable television ratings, but lower broadcast television usage.

Among viewers 18-49 in the Washington DC market, the number of people watching television during the full day was up 22% under LPM vs. the old meter/diary methodology. In Philadelphia, the number was up 15%. In general, the LPM system showed higher TV viewership than the previous system, across all the markets where it was tested.

As increased television viewing implies higher ratings, this should translate into higher ad revenues for networks.

A Heated Controversy?

Some industry participants have criticized Nielsen's LPM sample size. Networks like Univision have argued that Nielsen undercounted African-Americans and Hispanics in their calculations. While subsequent tests in Washington and Philadelphia have been larger and more diversified, some doubts still remain.

Criticism in this regard in not only limited to the PPM. Robert Rose, the CEO of Hispanic TV producer Aim Tell-A-Vision, has been particularly vocal regarding the under-representation of US-born, English-speaking Hispanics in the diary-based Nielsen ratings samples.

Rose argues that by focusing on language rather than nativity, Nielsen is not accurately categorizing and measuring the viewing habits of young, US-born Latinos that favor English. As a result, ratings are skewed to flatter Spanish-language programming.

A final controversy: Some suspect that Arbitron's PPM system may pick up signals to which a participant is not actually listening. In this case, increased radio ratings would translate into higher costs for advertisers without delivering increased reach.

Despite the criticisms, diary-based systems seem bound for extinction. This week Arbitron announced its schedule to rollout PPM to the top 50 radio markets.

Earnings Update

Televisa – Solid Q4 but Tepid Upfront

Grupo Televisa fourth quarter net earnings increased 41% to $1.61/ADR, driven by solid sales growth and improved operating margins. The bottom line was also boosted by $123m in tax loss carryforwards at Sky Mexico.

Televisa Q4 Results Summary

(in US$m)	4Q05	4Q04	YoY (%)
Revenue	901	786	11%
EBITDA	389	317	19%
EBITDA Margin	*43.2%*	*40.3%*	
Net Income	235	176	
E/ADR	1.61	1.22	28%

Source: Company Data

Overall, Q4 revenues rose 11% to $901m, compared to 2004. Broadcast TV sales increased 7% during the quarter (accounting for 61% of total revenue), while Pay TV network sales surged 47.5%. Televisa's EBITDA margin expanded 300bp to 43% in the quarter, outpacing consensus forecasts by 100bp.

Upfront Rises a Modest 2%

As of year-end 2005, Televisa's upfront sales were up a modest 2% over 2004. While upfront sales were expected to be moderate (due to recent ad rate increases), they were still below expectations. While the lukewarm upfront could be cause for concern, we would note that spot sales for both the World Cup and, more importantly, the Presidential election, should be brisk.

Strong Growth Expected

For 2006, Televisa is forecasting high single-digit revenue growth and steady EBITDA margins. While cable, broadcast TV and publishing margins should continue to expand this year, start-up costs from the opening of new off-track and numbers-based betting sites will temper these gains.

Univision Q4 Delivers, World Cup Ahead

Univision reported strong fourth quarter earnings, fueled by robust television sales. Excluding non-recurring items, fourth quarter EPS increased 29% to $0.25, year-on-year.

Univision Q4 Results Summary

(in US$m)	4Q05	4Q04	YoY (%)
Revenue	514	461	11%
EBITDA	190	159	19%
EBITDA Margin	*36.9%*	*34.5%*	
Net Inc (excl. extras)	82	67	
EPS	0.25	0.19	29%

Source: Company Data

Total revenue increased 11% YoY to $514m, driven by solid broadcast TV performance. Television sales grew 13% during the quarter, and internet activities increased 65% compared to 4Q 2004. EBITDA margin improved to 36.9% in the quarter, up from 34.5% in the previous year. The only soft spot was the Music division, where sales decreased 5% YoY.

Univision should post a strong performance in 2006. Propelled by the World Cup, total revenues are forecast to increase 14-15% this year, with EBITDA growth of 15-16% as margins continue to expand. Growth should remain consistent across TV, radio and the internet, with music publishing continuing to show weakness.

Entravision Exceeds Expectations

Entravision's Q4 results surpassed expectations across all of its business lines. Fully-diluted EPS rose 43% to $0.03 per share, driven by solid revenue growth and higher operating margins.

Total Q4 revenue increased 7.5% YoY to $73.2m, up from $68m in 2004. The solid growth was driven by an 8.4% increase in television sales and a 5.6% increase in radio revenue. Entravision expects to continue growing in 2006, buoyed by World Cup advertising and rising ad rates.

Entravision Q4 Results Summary

(in US$m)	4Q05	4Q04	YoY (%)
Revenue	73	68	8%
EBITDA	25	22	12%
EBITDA Margin	*34.0%*	*32.6%*	
Net Inc (excl. extras)	3	3	
EPS	0.03	0.02	50%

Source: Company Data

Entravision also plans to continue using free cash flow to reduce debt. As of year-end, the company's debt-to-EBITDA ratio reached 4.2x (an historical low for the company), thanks to ongoing debt reduction efforts. The company's strong balance sheet will enable it to repurchase the 7 million Entravision shares currently owned by Univision and eliminate the overhang.

Spanish Broadcasting Q4 Mixed

Spanish Broadcasting Systems (SBS) reported fourth quarter results that were in-line in terms of sales, but below expectations on the bottom line.

SBS Q4 Results Summary

(in US$m)	4Q05	4Q04	YoY (%)
Revenue	47	46	2%
EBITDA	12	16	-21%
EBITDA Margin	*26.7%*	*34.3%*	
Net Inc (excl. extras)	-2	3	
EPS	-0.06	-0.06	0%

Source: Company Data

Revenues in the fourth quarter increased 2% to $47m compared to the prior year. On a comparable station basis, sales were flat: the single-digit growth was primarily attributable to the company's newly acquired station, KRZZ-FM in San Francisco (which added $1.6m in sales). Nevertheless, it should be pointed out that tough comps in 4Q04 – as well as hurricane-related losses in 4Q05 – dampened overall sales growth. Ignoring these effects, SBS would have reported a stronger revenue increase.

EBITDA for the quarter decreased 21% YoY to $12.4m, coming in below expectations due to higher-than-expected start-up TV expenses related to SBS's new Mega 22 station in Miami. Fully diluted EPS remained constant at $ -0.06.

TV Start-Up Costs Mute Profitability

During the analyst conference call, SBS noted that it has no near-term expectations as to when the new television station will break even. The company expects to spend roughly $5m in TV-related expenses in the first quarter of 2006, and this trend should continue throughout the rest of the year. The uncertainty surrounding SBS's television plan continued to place downward pressure on the company's share price.

On the financing front, SBS continues to de-leverage its balance sheet. Proceeds from the sale of radio stations in Southern California ($65m) were used to pay down the company's second lien facility. As a result, interest expense this year should halve.

Deal Activity

Televisa Denies Bid for Univision

Press reports indicated that Televisa had teamed up with a consortium to submit a bid for Univision for $12bn, or $36 per share. The consortium included Providence Equity Partners, Madison Dearborn Partners, the Cisneros Group and Haim Saban (36% owner of ProSieben Media AG, Germany's largest TV broadcaster).

Televisa denied the rumors, indicating that it was still analyzing options. Nevertheless, Televisa (in conjunction with one or more partners to circumvent foreign ownership limitations), remains the likeliest bidder for the company, due to its valuable program licensing agreement (PLA) with Univision. While the PLA does not contain a change-of-ownership clause, any buyer would still likely want to seek the Mexican media conglomerate's approval prior to a deal.

Bustos Media Continues to Grow

According to The Business Journal of Milwaukee, Amador Bustos is acquiring WDDW-FM in Milwaukee from Nextmedia for $10.2m. Bustos also announced the acquisition of his second Boise ID FM station, KQTA-FM (the former KBNH-FM) for $2.25m. Bustos will pair it with KDBI-FM, which came in an earlier $3.25m deal.

Backed by private equity funds Providence Equity Partners, Alta Communications and Opportunity Capital, Bustos Media has grown to a current 25 stations. According to the Business Journal article, Bustos Media has an additional $100m to spend, and will likely continue buying FM stations in the West in smaller markets that have a growing Hispanic (predominantly Mexican) population. Amador Bustos previously built a radio group with 32 stations and 48 affiliates called Z-Spanish Media, which he later sold to Entravision.

Davidson Adds to Louisville cluster

The Davidson Media Group announced the acquisition of two Louisville AM radio stations. Combined with a previous pair of stations, the group will reach super-duopoly status. According to industry sources, the total amount to be paid will be $2.1m.

The two new stations are WTMT-AM Louisville, purchased from Jefferson Broadcasting Company for $1m and WTSZ-FM in Eminence Kentucky, acquired from Metro East CBC for $1.1m. Both stations were currently being operated on an LMA basis by LB Radio of Louisville since the summer of 2003. Davidson had previously acquired WLOU-AM and WLLV-AM in Louisville from Mortenson for $2.65m.

Entravision Buys Back Shares

Entravision has agreed to buy back 7 million Class U common shares currently held by Univision for $51.1m, or $7.30 a share. The buyback, coupled with Univision's recent purchase of some of Entravision's radio stations, will reduce Univision's stake in Entravision to less than 15 percent.

Univision had reached an agreement with the U.S. Department of Justice to reduce its stake in Entravision to 15 percent by March 26, 2006, as part of its acquisition of Hispanic Broadcasting Corp. in 2003.

Hispanic Radio Deals in Santa Rosa

Results Radio has sold two stations to Lazer Broadcasting and one station to Maverick Media in the Santa Rosa market of Northern California. Lazer is acquiring KMHX-FM and KSRT-FM, while Maverick will buy KRPQ-FM, and cluster it with KFGY-FM, KVRV-FM, KXFX-FM and KSRO-AM.

NBC Universal Acquires iVillage

NBC Universal (NBCU) will acquire iVillage, an online provider of health, beauty, entertainment and lifestyle content for women. NBCU will pay $600m to acquire the company, a premium of 6.5% to the prior day's closing share price.

iVillage was on track to generate roughly $110m in revenue this year, and had been up for sale for some time. The deal represents the first major internet acquisition for NBCU in awhile, and is expected to double sales at NBCU's digital media platform. On an

EV/Sales basis, the acquisition values iVillage at 5.5x 2006 forecast revenue.

Among other synergies, NBCU plans to leverage iVillage in order to market and promote products and services from its parent company, GE. GE Healthcare, for example, could market and promote products and services on iVillage's parenting network. iVillage should also benefit from tapping content and commercial relationships at NBCU's other media properties.

McClatchy Wins Knight Ridder

Following a lengthy auction process, McClatchy (MNI) will acquire newspaper group Knight Ridder (KRI) for a total enterprise value of $6.5bn ($4.5bn in equity and a little under $2bn in net debt). MNI won the auction with a bid of $67.25/share, to be paid with a combination of cash and stock. McClatchy will pay KRI shareholders $40 in cash per share, with the remaining $27.25 per share to be paid in MNI stock.

The acquisition values KRI at 10.7x 2006 estimated EBITDA, roughly in line with historical acquisition multiples in the 11.0x EBITDA range. Moreover, the multiple drops to just under 10.0x after adjusting for KRI's minority internet investments, which include a 33% stake in CareerBuilder.com. MNI expects this deal to be accretive by 2008 and cash flow positive by mid-2007.

MNI will keep 32 of KRI's newspaper titles and divest 12 publications that either do not fit strategically or are located in underperforming markets. McClatchy would also like to assume the CareerBuilder.com stake, however, future ownership is not certain. Knight Ridder, along with partners Gannett and Tribune, each own 1/3rd of the website, however, the partnership agreement contains a change-of-control provision that gives the other partners the right to buy out KRI's interest in the event of a sale.

AT&T and BellSouth: Industry Impact

AT&T intends to acquire BellSouth in an all-share, $85bn enterprise value transaction. The offer valued BellSouth at an 18% share price premium as of the announcement date (valuation of 6.5x EV/EBITDA). The combined entity would have a market capitalization of $165bn and annual revenues of $120bn.

Strategic Rationale for Deal

With the acquisition, AT&T gains 100% control of wireless operator Cingular, solidifying its competitive profile. Consumers are substituting fixed-line phone service with cell phones or cable-based VoIP, and this trend is expected to accelerate in the coming years. With Cingular, AT&T will at least be able to offset the fixed-line attrition with a cellular offering, or more importantly, offer consumers an integrated wireline/wireless package.

The regional bell operating companies (RBOCs) and cable operators are currently locked in a battle for customers, as new technologies have caused voice, television, video and internet services to converge. Cable companies have moved aggressively to offer phone services via VoIP, while telecom operatoirs are updating their networks to offer video and television to consumers. While some of the telecom operators have the advantage of being able to offer wireless services, for the moment the cable companies have the edge in terms of high-speed capability and television/video offerings.

In a bid to improve their competitive profiles, the cable companies have recently begun to team up with wireless operators. Comcast, Time Warner, and Cox Communications developed a venture late last year with Sprint Nextel Corp. to offer wireless phone services together.

The phone companies, in turn, have been busy updating their networks to provide video to consumers. AT&T plans to offer its own internet protocol television service (IPTV) to 18 million homes by the first half of 2008 through its Project Lightspeed initiative. AT&T recently launched IPTV services in San Antonio, following Verizon's launch of FiOS TV, a television service carried through a fiber optic network.

AT&T has also been partners with EchoStar since 2004, when they launched their co-branded satellite TV service for SBC consumers called the SBC-Dish Network. Bellsouth, in turn, has partnered with DirecTV to offer the same product. In the longer run, an AT&T-BellSouth tie-up could challenge cable MSOs as the former commits more resources to its television and satellite efforts.

Nevertheless, despite the longer-term challenge to cable companies, for the time being the AT&T-BellSouth merger will take 1-2 years of hard work to consolidate, which would give the cable operators a window to continue digitizing their networks and rolling out VoIP services.

In addition, cable operators may begin to consolidate to counter the AT&T-BellSouth threat. Cable operators reach no more than 30% of the market, and seeing that the merger will give AT&T-BellSouth a combined reach of almost 50% could motivate cable companies to consolidate further.

Fox to Buy Turner South For $375m

News Corp’s Fox Networks Group will acquire Time Warner’s regional cable channel, Turner South, for $375m. The deal will strengthen News Corp's Fox Sports unit, which already dominates cable sports in the Southern region of the country through Fox Sports South, which has 11 million subscribers and the rights to several professional sports franchises, including the Baltimore Orioles and the Atlanta Braves.

Turner South has 8.3 million subscribers, and the rights to the Atlanta Thrashers hockey team. The cable channel also shares the rights to the Braves and the Atlanta Hawks basketball team with Fox Sports South. Besides sports, Turner South also carries original programming aimed at that region, including comedy program "The Rick & Bubba Show," and "Bushwacked," a show about gardening.

However, Fox is likely to jettison most of the non-sports programming when it closes the deal. Besides its national sports channel Fox Sports Network, the company also owns 14 other regional sports cable channels.

IDT to Absorb Net2Phone

IDT Corporation announced a final plan to re-acquire all of Net2Phone’s outstanding Class A common shares that it does not currently own. The company launched a tender offer last January 2006, in which it acquired a total of 31.6 million shares at a price of $2.05 per share.

As of February 17th of this year, IDT announced that NTOP Acquisition Inc., a wholly owned subsidiary of IDT, will merge with Net2Phone, with Net2Phone continuing as the surviving corporation. After the merger, each issued and outstanding share of common stock and Class A common stock of Net2Phone, other than shares held by IDT or its subsidiaries, will be canceled and converted into the right to receive $2.05 in cash, without interest.

The aggregate consideration to be paid upon completion of the merger will be roughly $28.1m, and NTOP will be deregistered and cease to trade on Nasdaq.

Net2Phone was originally created in 1995, and was a wholly owned subsidiary of IDT. In 1999, IDT decided to spin-off the unit, and Net2Phone filed and completed an initial public offering. Given the stock’s lackluster share price performance, as well as the recent trend for consolidation in the VoIP industry due to ever-rising competitive pressures, IDT took the decision to buy-back its former division.

VNU Sale Meets Resistance

Various shareholders (representing 40%+ of VNU) have publicly opposed management’s plan to accept an $8.5bn buyout offer from a consortium of 6 private equity firms.

The VNU sale was precipitated after the company was forced by shareholders to abort its attempt to acquire IMS Health, a UK market research group. The VNU CEO at the time quit, which prompted the company to consider different alternatives to restructure and put itself up for sale.

The private equity offer values VNU at 13.4x 2005 EV/EBITDA, which is a premium to peers and to VNU’s own historical trading range. However, VNU shareholders claim that the private equity offer undervalues the company by anywhere from 20-30%.

For now, VNU shareholders will have to decide whether to just accept the offer, or try to split the company into separate assets and sell them to strategic investors for a higher premium. Alternatively, the private equity consortium could raise its bid, although early press reports suggest this is unlikely.

Hearst Buys UK's NetDoctor Website

Magazine conglomerate Hearst has acquired NetDoctor, Britain's top consumer health website. Hearst had just sold its 25 percent stake in iVillage to NBC (see related story on previous page). NetDoctor was acquired through The National Magazine Company, Hearst's UK subsidiary. Financial terms were not disclosed, but NetDoctor boasts a traffic of 2 million unique visitors per month. The National Magazine Co. publishes 22 magazine titles in the UK (including Cosmopolitan and House Beautiful), and recently launched the marriage Web site youandyourwedding.co.uk. The company also plans to launch website versions of all its magazines eventually, and will be on the lookout for more acquisition opportunities.

NEWS CLIPS

Print Media

Hispanic Magazine Ad Sales Total $115m

The Media Economics Group estimates that companies spent $115m to advertise in the top 20 Spanish-language magazines during 2005. People en Espanol generated an estimated $38m in ad sales.

Publications targeting English-language Hispanics have been on the rise. There are 19 titles in this segment, which generated a combined $55m in ad revenue last year. Latina led the category with an estimated $27m in ad sales.

Selecciones Teams with Todobebe

Readers Digest's Selecciones has signed a content-sharing and cross-marketing deal with the internet and multimedia company Todobebe. Under the agreement, Selecciones will use Todobebe content for both its monthly magazine and online website. In the future, events will be co-branded with both company names. Launched in 2001, Selecciones has a circulation of 375,000.

Fuego Magazine Shut Down

Harris Publications has decided to discontinue Fuego magazine. The quarterly title was launched last April 2005, and had a rate base of 200,000, targeting 2nd and 3rd generation Latinos. Founding Editor-In-Chief Vee Bravo left the magazine before the second issue was published, and according to sources, the magazine's original focus was changed to place more emphasis on pictorial content.

New On-Product Magazines Enter Media Mix

Modern Media Concepts has introduced a new small-sized magazine titled iLove that will be attached to a 600ml bottle of water and distributed by grocery chains. The publication targets females 18-25.

The concept to produce a small magazine that distributes via grocery channels and fits onto a fast moving consumer product was developed and patented 2 years ago by Australian entrepreneur Joanna Wojtalik. Wojtalik's company, Modern Media Concepts, plans to release a magazine for children and a men's magazine on iced coffee in the second quarter of 2006.

Though the concept of a large circulation, pocket-sized magazine is not new, the grocery channel distribution is expected to help the magazine make a major impact on global publishing. The small size makes the magazine better suited for in-store product/brand recall, redemption vouchers and interactive campaigns.

Tabloid-Size Papers Do Not Increase Circ

A recent study by the World Association of Newspapers (WAN) indicates that newspapers switching to a tabloid format have failed to boost readership. While many papers that switched from broadsheet to tabloid format did see early circulation increases, those gains have evaporated over time.

WAN has found that after going tabloid, papers tend to see a circulation increase of 10-15% in the short-term. But after awhile, these gains largely dissipate. Nevertheless, concerns that the format would impact advertising have disappeared, as advertisers adjust easily to the change.

Reduction in print size also cuts down on paper cost. Newsprint remains one of newspapers' two largest costs (along with labor), and newsprint prices are expected to continue increasing this year.

Broadcast – TV and Cable

Talking SBS TV Numbers

After WSBS Channel 22's first week on the air, we had the chance to examine its programming performance in its inaugural week. While it may be too early to draw any definitive conclusions, it appears that WSBS's initial ratings did not increase compared to its previous incarnation, despite SBS's million-dollar pre-launch promotional blitz.

During the first two days, ratings failed to beat the competition, and then declined as the week progressed. By the end of the first week the ratings were so low, that even the hosts of the prime-time morning show El Vacilón admitted that the format may have to be redesigned.

Channel 22 First Week Ratings

	Ratings				
Programs	1-Mar	2-Mar	3-Mar	6-Mar	7-Mar
Vacilón	4.2	6.5	N/A	1.8	2.7
Zona Cero	3.1	5.3	2.8	3.1	3.3
Niñera	0.9	0.7	0.4	0.4	0.9
22 Minutos	0.6	0.5	0.2	1.0	0.5
Casado con Hijos	2.6	1.5	0.8	1.5	1.2
La Música.com	0.7	0.2	0.3	0.1	0.0

Source: Nielsen Media Research

The ratings for Zona Cero, a show hosted by Javier Ceriani and Omar Moynelo (who led a similar show called “La Cosa Nostra” on WJAN Ch 41), has also registered tepid ratings. Zona Cero also failed to beat ratings at the new La Cosa Nostra, which is still on the air and has new hosts.

SBS’s share price performance has continued to languish. The stock price fell 10% during this first week of WSBS’s operations launch, closing on March 8th at $5.17 per share. As of the publication date of this issue, shares closed at $4.98.

Azteca America TV Sales Adds Clients

Azteca America Television Sales, an Interep subsidiary that handles national ad sales for Azteca America station affiliates, has added two stations from Cocola Broadcasting to its client list, KPMC-LP in Bakersfield, CA and KCBB-LP in Boise, IO.

NBC Jumps Into Telenovelas

NBC Universal has signed a two-year, first-look development deal with Galán Entertainment to produce English-language telenovelas.

NBC Universal, Galán Entertainment and Telemundo plan to leverage the existing assets and expertise of the novela production system of Telemundo to create the programming. Telemundo will license its formats to Galán Entertainment to re-develop programs into English.

Price Drives Pay TV Adoption

A Jupiter Research study has found that 52% of consumers would switch to pay TV if they could get a better price for the same channel selection. After pricing, the option of a la carte channel selection was the second strongest motivator for switching to pay TV services, attracting 46% of consumers.

Interestingly, advanced pay TV technology did not seem to attract as much interest from consumers. Only 6% of consumers valued high definition programming, and 3% of respondents were attracted to a greater selection of VOD options.

Flat Upfront Predicted this Fall

A slow economy, high advertising costs, and new media alternatives are expected to dampen upfront ad sales this fall according to trade magazine Broadcasting & Cable.

Early market assessments find that upfront advertising agreements to cable, national broadcast and syndication will reach $19.4 billion, up 4 percent from last year's $18.6 billion total. Financial analysts, industry executives, and ad buyers agree that pricing will be weak.

News Corp to Launch Mini-Network

News Corp announced Wednesday it would launch a new mini-network called My Network TV. The network will supply prime-time programming for the 10 local TV stations that the company owns that were left without programming after UPN announced it would close.

The core of the new programming lineup will be two serial drama shows that will air six days a week with 13-week story lines, similar to the telenovela format that has been a big success on Spanish-language networks like Univision. The two shows, called "Desire" and "Secrets," will be one-hour prime-time shows.

The new network will launch on Sept. 5th on Fox stations in major cities including New York, Los Angeles, Chicago and Dallas, and will cover 24% of the US market. The 10 Fox stations were left without programming after struggling networks UPN and The WB decided to merge, forming The CW.

Internet

Comcast Launches Portal with Terra

Cable operator Comcast has launched a broadband portal, Comcast Latino, in conjunction with Spanish-language website Terra.com. The portal features news, video clips and other services, with all the content coming from Terra.

Terra would not disclose terms of the arrangement, but noted that Comcast serves 8.5 million broadband customers and nearly 5 million Hispanic households. Terra also expects the Comcast portal to boost its audience traffic at least 10% this year, but perhaps this number could be higher if audience trends continue.

Automakers to Double Online Ad Spend

The results of a study released Thursday by online research company eMarketer predicts that over the next two years automakers will increase their online ad spending from 2005's budget of $1.4bn to $2.7bn in 2007. According to the study, online advertising by automakers will continue to grow at a double-digit rate through 2007. This year, eMarketer predicts a 35 percent growth in the automotive category. The study also said that the "biggest buzz" for automotive campaigns online is behavioral targeting. According to the report, the surge in online spending will come at the expense of other media.

EarthLink & Google to Offer Wireless Internet

Google and EarthLink have submitted a bid to offer free wireless internet service in San Francisco. The group was among six bidders, which included Communication Bridge Global, MetroFi, NextWLAN, Razortooth Communications, and SF Metro Connect (a jv between Cisco, IBM and non-profit Seakay).

Under the plan, the free Wi-Fi service will run at 300 kilobits per second (and be managed by Google), while EarthLink will offer a 1-megabit-per-second service with customer support for $20/month or less. Cable companies, telephone companies and local Internet Service Providers are expected to be charged $9 to $12 a month on a wholesale basis to use the Wi-Fi network, or resell their own service.

Google and EarthLink did not specify how much it would cost to deploy the network, but as a benchmark, EarthLink spent $10m to $15m to build a network in Philadelphia covering 135 square miles. By comparison, the San Francisco network will cover 47 square miles.

Batanga and Megazines Team Up

Batanga.com has partnered with SobreRuedas, a Spanish-language magazine, to launch the Batanga Autos channel on its website. Batanga Autos will provide users all information necessary prior to buying a new car. News, features, buying tips, reviews, and interviews will be featured.

With the deal, Batanga.com gains access to SobreRuedas' editorial content, which specifically targets the US Hispanic auto consumer. Megazines, the publisher of SobreRuedas, is able to leverage additional revenues from its articles, as well as gain increased brand visibility.

Verizon Creates Spanish-language Website

Verizon has launched a new website in Spanish to better serve the Hispanic community. The site will enable visitors to access the latest company news and information, and will allow journalists to register and automatically receive press releases in Spanish. The site will also offer customer service support in Spanish, as well as information on new products (such as Verizon's new FiOS TV) on offer.

Radio

Radio Ad Sales Slip

Radio industry ad sales increased 1% YoY in January, according to Radio Advertising Bureau. While national sales grew 6% in the month, local radio sales decreased 1%, dampening overall growth.

Univision Flips Station

Univision Radio has switched one of its English-language stations in Albuquerque, KKRG-FM 105.1, to Spanish-language from country. As Recuerdo 105.1, the station now airs rancheras, gruperas and trios with a splash of tropical and boleros thrown into the mix.

Arbitron to Rollout PPM

Beginning in July in Houston, Arbitron will start rolling out the PPM audience measurement system. The PPM will replace the current diary method used 1965, and eventually cover the top 50 US radio markets (see related article on page 6).

Radio & Records and HipCricket Enter JV

Radio & Records, a deliverer of radio news and airplay information, has partnered with HipCricket, a mobile marketing and text messaging solutions provider to radio stations. Radio & Records will now be able to deliver breaking news directly to mobile phone subscribers within minutes after a story breaks out.

Communications

CBS, Fox, Warner Delivering Mobile Content

Content producers such as CBS and News Corp (Fox) plan to sell mobile-tailored content directly to consumers. Mobile operators will bill consumers for the content and receive a share of revenue.

CBS plans to deliver breaking news alerts (CBS News To Go) for $0.99/month, and Entertainment Tonight To Go for $3.99/month. News Corp will offer mobile specific content, as well as wallpaper and ringtones from its Mobizzo mobile entertainment store.

Warner Brothers plans to launch its own mobile website (independent of the carriers) to distribute downloadable video content to consumers. The site will offer a selection of the company's TV, video and movies, and will be launched in the next 3-to-6 months. Under this arrangement, Warner will be able to avoid the usual carrier/content provider revenue split of 50/50%. While Warner will be able to capture additional revenue through its mobile site, it will also be responsible for all the costs (servers, billing).

The only question is how willing consumers will be to watch movies on a phone instead of at the theatre or on DVD. In a recent survey by RBC of 1,000 consumers, 76% responded '"true" when presented with the statement, "I am not interested in watching TV programs or movies on my handheld device."

While mobile video is not expected to generate significant revenue in the near-term, these latest initiatives highlight that media companies are taking a much more proactive role to adapt to new technologies today, than in the early stages of the internet. In addition, as new media distribution platforms emerge, traditional platforms such as cable operators will need to evolve or risk becoming disintermediated.

Qwest Gains Ground with DirecTV

Qwest Communications added 128,000 new customers to its ChoiceTV service in the fourth quarter, a 31% sequential increase over the third quarter. ChoiceTV is marketed in conjunction with partner DirecTV.

Qwest added 140,000 high-speed-Internet customers in the quarter, bringing its total to 1.5 million. The company said 96% of homes passed can connect at speeds of 1.5 megabits per second or greater, and more than 50% can tap in at speeds of more than 3 mbps.

Qwest continued to lose traditional fixed-line customers, ending the year with 14.7 million, a decrease of 4.6% YoY. But that was offset by growth in high-speed Internet, data, wireless and long-distance, which totaled 12.3 million individual lines and provided more than 50% of revenue in the quarter.

Vonage Subscribers Pass 1.5 Million Mark

Vonage announced that subscribers exceeded 1.5 million lines in service as of the beginning of March. At the time of filing for IPO, the service provider had reported a subscriber base of 1.4 million. Vonage is looking to raise $250 million through its IPO.

The Vonage IPO prospectus reveals that revenues jumped to $174m for the nine months ended September 30, 2005, up from $79.7m in 2004. However, high marketing expenses have led to cumulative net losses of $310m since inception.

Mobile Advertising Hype Builds

Mobile phone operators and media companies are expecting a significant market for advertising on cell phones in the coming years, according to the buzz at the Reuters Global Media Summit.

Options will include advertising-subsidized video services, according to industry executives. Viacom is working with mobile operators to run the first trials of mobile ads in the next year, and Sprint Nextel is interested in offering subsidized wireless videos and local ads to cell phones.

Deal economics and consumer acceptance are still being assessed but it is likely that mobile video ads will be very short and will require customers to allow them in exchange for better deals on their cell phone plans. Location-based advertising is also a possibility being discussed (such as sending special offers from local businesses to cell phones currently in the vicinity).

Methods for measuring how many people will see the advertising have yet to be worked out, but the possibility of measurability is a key attraction to advertisers.

Advertising & Marketing

Televisa to Broadcast in Walmex Stores

Televisa has struck an agreement to install and operate a new in-store advertising system in Walmex stores throughout Mexico. Televisa plans to install anywhere from 15 to 20 LCD screen monitors per store, in each of Walmex's 300 Bodega Aurrera and Supercentro outlets during 2006. The venture will be revenue sharing, with Walmex supplying the locations and Televisa paying for the deployment.

Media Buying Increasingly Important

The role of the media buyer is becoming increasingly important as new technologies impact the media sector. A proliferation of new media distribution outlets (cellphones, blogs, podcasts, video games, IPTV, etc.) are all beginning to receive a share of ad dollars, and advertisers are increasingly looking to media buyers for expertise and guidance amid the new landscape.

Unilever to Increase Hispanic Ad Spend

Unilever announced its intention to increase its budget for Latino-focused advertising and promotional initiatives by 47 percent in 2006. For the time being, the spending increases appear to be held back by internal planning and strategic reviews. Most recently, Unilever unveiled its largest Hispanic effort, the "*Desafío del Sabor*," which groups together 10 of its food brands into one integrated marketing effort.

Media Valuation Comparison Table

Figures in millions of US$ except share price and multiples data

			Valuation Multiples								
	Share Price	Enterprise Value	P/E			EV/EBITDA			EV/Sales		
Hispanic Media Companies			2005	2006e	2007e	2005	2006e	2007e	2005	2006e	2007e
Univision (UVN)	$33.87	$11,804	39.8x	32.0x	27.8x	17.7x	15.0x	13.8x	6.0x	5.3x	5.2x
Grupo Televisa (TV)	$79.15	$10,185	21.1x	16.1x	15.6x	8.7x	7.2x	7.1x	3.4x	3.0x	2.9x
Entravision (EVC)	$7.87	$1,436	178.9x	56.2x	43.7x	16.0x	14.1x	13.1x	5.1x	4.9x	4.6x
Spanish Broadcasting (SBSA)	$4.98	$646	-8.9x	166.0x	38.3x	12.2x	13.2x	10.9x	3.8x	3.5x	3.3x
Media Conglomerates											
News Corp (NWS)	$17.83	$58,020	25.8x	22.0x	18.7x	13.4x	12.0x	10.8x	2.4x	2.3x	2.2x
Walt Disney (DIS)	$28.75	$66,868	20.4x	19.8x	17.9x	11.7x	9.7x	8.8x	2.1x	2.0x	1.9x
Viacom (New) (VIA)	$38.87	$27,481	20.6x	19.8x	16.8x	9.6x	8.6x	7.7x	2.9x	2.6x	2.4x
CBS Corp (CBS)	$24.34	$68,659	15.3x	14.5x	13.3x	21.7x	20.6x	19.6x	4.7x	4.6x	4.4x
Time Warner Inc (TWX)	$17.19	$93,637	22.3x	19.6x	16.9x	8.8x	8.2x	7.4x	2.1x	2.1x	1.9x
Clear Channel Outdoor (CCO)	$22.49	$10,493	115.3x	57.7x	41.6x	14.5x	12.7x	11.5x	3.9x	3.7x	3.5x
Radio											
Clear Channel (CCU)	$29.69	$23,015	24.5x	22.8x	19.7x	10.5x	10.4x	9.7x	3.5x	3.3x	3.2x
Cox Radio (CXR)	$13.15	$1,692	18.1x	17.3x	16.2x	10.4x	10.5x	10.2x	3.9x	3.8x	3.7x
Citadel Broadcasting (CDL)	$11.45	$1,998	20.8x	19.7x	18.8x	11.7x	11.6x	11.2x	4.8x	4.6x	4.6x
Cable											
Comcast Corp (CMCSA)	$27.08	$80,480	45.9x	36.1x	24.4x	9.4x	8.6x	7.5x	3.6x	3.3x	3.0x
Cablevision Systems (CVC)	$26.41	$17,078	-43.5x	377.3x	41.9x	11.1x	9.5x	8.6x	3.3x	3.0x	2.7x
Mediacom (MCCC)	$5.64	$3,702	-36.9x	-62.7x	28.2x	9.1x	8.5x	7.9x	3.4x	3.1x	2.9x
Television											
Hearst Argyle TV (HTV)	$23.53	$3,057	28.2x	22.8x	26.1x	12.3x	10.5x	11.9x	4.3x	4.0x	4.1x
Lin TV Corp (TVL)	$9.56	$1,211	40.3x	21.7x	43.5x	10.9x	8.4x	9.9x	3.2x	2.6x	2.7x
Gray Television INC (GTN)	$8.20	$1,028	30.4x	24.1x	NA	10.5x	7.6x	NA	3.0x	2.6x	NA
Advertising Agencies											
Omnicom Group (OMC)	$81.28	$15,693	18.6x	16.8x	14.9x	10.4x	9.5x	8.7x	1.5x	1.4x	1.3x
WPP Group (WPPGY)	$59.39	$16,292	1.8x	1.5x	1.3x	20.1x	17.3x	16.1x	3.1x	2.8x	2.7x
Publicis Groupe (PUB)	$39.65	$7,488	26.8x	21.3x	19.6x	9.9x	8.9x	8.4x	1.8x	1.7x	1.6x
Monster Worldwide (MNST)	$50.15	$6,068	54.5x	40.1x	31.0x	20.6x	20.6x	16.3x	6.1x	5.1x	4.3x
Interpublic Group (IPG)	$10.27	$5,322	-23.9x	128.4x	NA	30.2x	12.3x	NA	0.9x	0.8x	NA
Newspaper											
Gannet (GCI)	$61.53	$19,926	12.5x	11.9x	11.5x	8.6x	8.2x	8.5x	2.6x	2.5x	2.4x
Washington Post (WPO)	$754.00	$7,417	25.4x	20.9x	19.7x	10.5x	9.4x	8.8x	2.1x	1.9x	1.8x
New York Times (NYT)	$26.64	$5,223	17.2x	16.5x	16.0x	10.2x	8.9x	8.7x	1.5x	1.5x	1.5x
Tribune Co. (TRB)	$30.50	$12,330	14.5x	15.2x	14.5x	8.5x	8.6x	8.6x	2.2x	2.2x	2.1x
Knight Ridder (KRI)	$63.99	$6,280	18.2x	18.7x	17.6x	10.3x	10.3x	10.4x	2.1x	2.0x	2.0x
Magazine Companies											
Primedia Inc. (PRM)	$2.02	$1,886	-134.7x	33.7x	40.4x	10.1x	10.1x	9.7x	1.9x	1.8x	NA
Martha Stewart Living (MSO)	$16.85	$774	-18.7x	-337.0x	93.6x	-25.0x	86.0x	29.8x	3.7x	2.8x	2.5x
Meredith Corp. (MDP)	$54.69	$3,274	19.1x	19.1x	16.2x	12.4x	10.4x	9.4x	2.7x	2.0x	1.9x
Reader's Digest (RDA)	$14.84	$1,996	17.1x	16.0x	13.4x	10.4x	9.3x	8.3x	0.8x	0.8x	0.8x

Source: Bloomberg, Yahoo Finance
Values as of 3/15/2006

Recent Media Transactions

	Buyer	Seller	Target	State	Value	Format
1.	NBC/General Electric	Longmont Channel 25	KDEN TV	CO	$42,000,000	
2.	Midwest Communications Inc	Fairfield Broadcasting	WKLZ, WKZO, WQSN AM and WQLR FM	MI	$13,250,000	Talk, News,Sports, AC
3.	D.B. Zwirn and Co.	DFW Radio License	KFCD AM and KHSE AM	TX	$9,000,000	Talk, Sports
4.	Educational Media Foundation	2510 Licenses LLC	WKVB FM and WLKJ FM	PA	$2,300,000	Christian, Classic Hits
5.	Thomson and Spielman	Maverick Media LLC	WFRL AM and WFPS FM	IL	$1,480,000	Adult Standard, Country
6.	M&M Broadcasters Ltd	First Broadcasting Inv. Partners	KEOR AM KISA AM and KREL AM	TX	$1,200,000	Gospel, Country, Nostalgia
7.	Withers Broadcasting	Carmi Broadcasting Co	WROY AM and WRUL FM	IL	$1,100,000	Country and Oldies
8.	Northeast Oklahoma Broadcast	Eagle Broadcasting Inc	KVIS AM and KGLC FM	OK	$800,000	Gospel, Christian Contemporary

Share Price Performance

		Performance				
	Current Price	1-month	3-month	6-Month	1-Year	3-Years
Hispanic Media Companies						
Univision (UVN)	**$33.87**	0.1%	11.7%	32.7%	21.0%	39.0%
Grupo Televisa (TV)	**$79.15**	0.2%	-3.8%	11.8%	35.3%	251.9%
Entravision (EVC)	**$7.87**	8.6%	8.1%	6.1%	-6.8%	30.7%
Spanish Broadcasting Systems (SBSA)	**$4.98**	-16.4%	-5.9%	-28.6%	-52.8%	-26.3%
Media Conglomerates						
News Corp (NWS)	**$17.83**	5.8%	6.7%	6.1%	1.1%	48.1%
Walt Disney (DIS)	**$28.75**	7.0%	16.2%	21.1%	1.6%	80.3%
Viacom (New) (VIA)	**$38.87**	-10.4%	NA	NA	NA	NA
CBS Corp. (CBS)	**$24.34**	-4.4%	NA	NA	NA	NA
Time Warner Inc (TWX)	**$17.19**	-4.1%	-3.4%	-6.6%	-3.9%	55.7%
Clear Channel Outdoor (CCO)	**$22.49**	12.5%	NA	NA	NA	NA
Radio Companies						
Clear Channel Communications (CCU)	**$29.69**	3.9%	-4.9%	-6.0%	-7.4%	-8.3%
Cox Radio INC (CXR)	**$13.15**	-4.8%	-11.4%	-12.0%	-22.5%	-36.0%
Citadel Broadcasting Corp (CDL)	**$11.45**	-0.6%	-13.5%	-10.5%	-17.4%	NA
Cable Companies						
Comcast Corp (CMCSA)	**$27.08**	2.0%	0.7%	-9.0%	-20.1%	-5.0%
Cablevision Systems (CVC)	**$26.41**	3.5%	8.7%	-15.9%	-13.4%	49.0%
Mediacom Communications (MCCC)	**$5.64**	-1.4%	6.0%	-21.8%	-14.5%	-33.1%
TV Companies						
Hearst Argyle TV (HTV)	**$23.53**	-1.3%	-0.6%	-6.1%	-7.3%	13.7%
Lin TV Corp (TVL)	**$9.56**	-8.1%	-22.7%	-36.3%	-44.4%	-53.7%
Gray Television INC (GTN)	**$8.20**	-2.6%	-7.7%	-19.5%	-33.5%	8.6%
Advertising Agencies						
Omnicom Group (OMC)	**$81.28**	-0.8%	-6.7%	-0.2%	-7.5%	64.4%
WPP Group (WPPGY)	**$59.39**	9.8%	8.8%	15.0%	3.0%	112.6%
Publicis Groupe (PUB)	**$39.65**	6.0%	14.0%	20.7%	21.6%	122.8%
Monster Worldwide (MNST)	**$50.15**	0.0%	24.5%	60.5%	76.6%	463.5%
Interpublic Group (IPG)	**$10.27**	2.2%	5.8%	-9.2%	-12.0%	18.2%
Newspaper Companies						
Gannet Co. INC (GCI)	**$61.53**	-2.9%	0.7%	-13.4%	-21.2%	-10.0%
Washington Post (WPO)	**$754.00**	1.9%	-0.8%	-7.6%	-14.5%	12.5%
New York Times Co. (NYT)	**$26.64**	-4.8%	-2.7%	-17.4%	-25.9%	-38.2%
Tribune Co. (TRB)	**$30.50**	-1.3%	-0.7%	-17.6%	-22.7%	-28.0%
Knight Ridder (KRI)	**$63.99**	1.0%	1.0%	6.9%	-3.9%	13.6%
Magazine Companies						
Primedia Inc. (PRM)	**$2.02**	-9.8%	19.5%	-49.6%	-48.9%	2.0%
Martha Stewart Living (MSO)	**$16.85**	-0.8%	-13.6%	-43.9%	-25.0%	125.3%
Meredith Corp. (MDP)	**$54.69**	-0.3%	6.1%	9.3%	16.5%	46.0%
Reader's Digest (RDA)	**$14.84**	-5.4%	-3.8%	-6.4%	-11.5%	55.6%

Values as of 3/15/2006

Source: Bloomberg;Yahoo Finance