



US Hispanic Media and Communications Monthly *Nov 2005, Issue 1*

The leading source for news and financial analysis on the US Hispanic media industry

Mission Capital Group is a merchant bank specialized in the US Hispanic media and communications sectors.

We provide a wide range of corporate finance solutions for clients, including M&A advisory, debt and equity private placements and financial restructurings.

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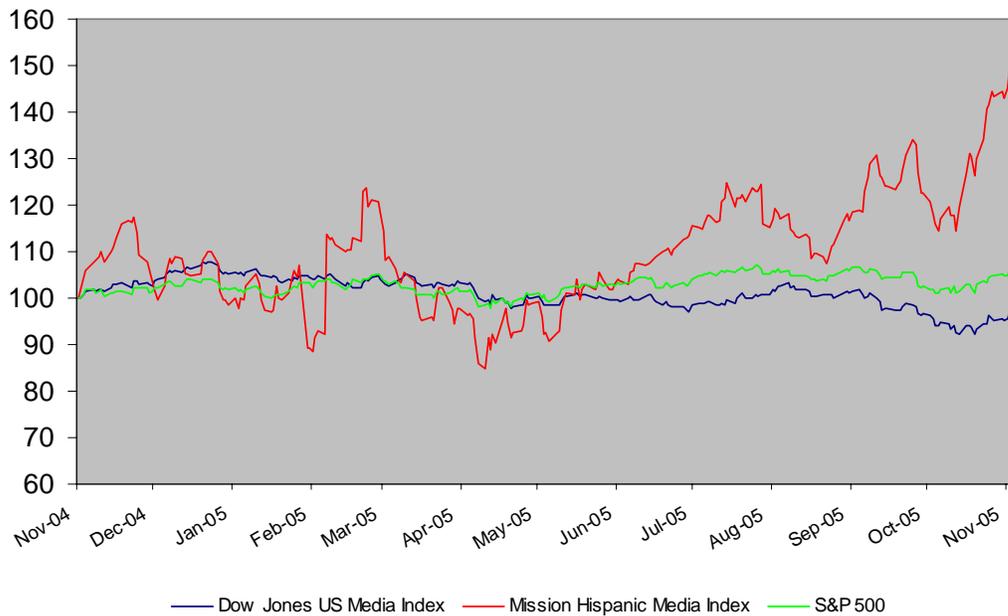
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Editor's Introduction

These are exciting times for Hispanic media. While many traditional English-language media companies face secular challenges that are inhibiting revenue growth, US Hispanic media companies are still enjoying healthy sales growth, favorable demographics, and rapidly rising purchasing power within their target audience.

Witness Anheuser-Busch's recent announcement to increase its Hispanic ad budget by 66% to \$60m, or the dramatic ratings gains scored by radio stations that have switched to Spanish-language formats. We believe we are still in the early stages of this market opportunity.

To be sure, not everything is rosy in the Hispanic media world. The debate still rages over whether growing acculturation will gradually erode the need for Spanish-language media in this country. Insiders also still question which is the best way for media and advertising companies to reach bilingual, acculturated youths.

In business, the Hispanic print industry still struggles to get its fair share of ad dollars, and everyone works to get a share of the Hispanic ad pie from Univisión, which appears as invincible as ever. While the Hispanic media market looks set to grow for the foreseeable future, which companies will be successful and which segments of the media and communications sectors will be the biggest beneficiaries?

These are the kinds of issues we will be exploring each month. Our principal focus will be the US Hispanic media market as viewed by industry and financial analysts. However, we will also include articles on the general market, as we believe there are many important industry developments at the moment that will affect all media and communications companies, regardless of language.

Our hope is that this publication will be informative, useful and insightful. Please feel free to contact us: We want to hear your comments and suggestions.

In the News

Print Media

Newspaper Circulation Trends Down

Newspaper industry circulation showed a decline for the fourth consecutive month in September. Circulation for daily and Sunday editions decreased 2.6% and 3.1%, respectively. The top 50 US newspaper markets fared worse, falling 4.1%.

Newspapers continue to struggle as readers migrate to the internet. Newspaper web sites have been able to offset some of this migration, but not all. Few publications have been successful at charging for online content, and, as ads go online, prices decline. Analysts estimate that \$1.00 in print ad sales falls to 33 cents for the online equivalent.

Magazine Ad Sales Rise

Magazine industry ad revenues increased 3.5% to \$2.3bn in October, according to PIB. Year-to-date ad revenues have increased 7% to \$185bn.

Primedia to Pursue Break-Up

Primedia announced plans to potentially separate the company into 2 publicly-traded units – Consumer Guides and Enthusiast Media and Education. The move would be to unlock value by separating the high-growth Consumer Guides (classifieds guides, including real estate, apartment and auto) from the Enthusiast Media division (comprised of 120 magazines, including Motor Trend, Automobile and Soap Opera Digest).

Analysts speculate that Primedia will entertain any offers for assets by industry suitors, with the Consumer Guides unit likely to attract attention from other newspaper or publishing groups.

"Reflejos" Partners with Wall Street Journal

The weekly Spanish-language version of the Wall Street Journal has partnered with bilingual suburban Chicago weekly paper "Reflejos". This move reflects WSJ's interest in tapping the US Hispanic market. Chicago proves an ideal market due to its growing Hispanic population.

"Centro" Newspaper Launches in Tampa Bay

"Centro Mi Diario", a new weekly Spanish-language newspaper serving the Tampa Bay area, was launched in October. The publication will reach 650,000 Hispanic households (roughly 215,000 readers) on a weekly basis.

Fiesta Teams Up with Visa to Publish Magazine

Grocery chain Fiesta Mart Inc. has joined forces with Visa USA to launch Vias, a new Spanish-language financial magazine. The 16-page publication will be available at Fiesta stores in Houston and its main goal is to provide basic financial education to Hispanics.

Broadcast – TV and Cable

Hispanic TV Ad Sales Rise

Nielsen Media Research reported that spending on Spanish-language television grew a robust 15% for the first six months of 2005, compared to the same period the prior year.

Interop Enters Hispanic TV Market

Interop, a leading independent radio advertising sales and marketing company, has entered the TV market with the launch of Azteca America Television Sales, a new firm to be led by President Bob Turner.

Azteca América Television Sales was born from an agreement between Interop and Azteca America affiliate Una Vez Mas (UVM). Under the agreement, Interop will represent UVM's 12 Azteca América affiliate stations. Azteca América Television Sales is also in conversations to work with more of Azteca América's affiliates in the near-term.

Discovery's US Hispanic Group Expands Team

Discovery Networks US Hispanic Group announced the formation of a specialized ad sales team to represent the company's portfolio of Spanish-language networks. The team will be based in LA, New York, Miami, and Chicago.

Telemundo Internacional Revamps

Telemundo announced a major overhaul of the programming, marketing, distribution and sales departments at its Latin American cable network,

Telemundo Internacional. Senior management indicated that Telemundo Internacional will morph into a general entertainment channel that will more closely resemble the US network.

Radio

BBC Launches Spanish-Language Radio Show

BBC radio stations and bbc mundo.com launched a Spanish-language news and current affairs morning show titled BBC Mundo Hoy in early October. The program is an hour long and is broadcast via Sirius satellite in the US and on radio stations throughout South & Central America.

Podcasts and Streaming Boost Online Radio

A recent survey of 35,000 users found that a majority of listeners actively access local online radio sites to stream music and download podcasts. Half of all site visitors (across all formats and demos) go online at least once per month to stream music from the station, while 11% download podcasts.

Advertising and Marketing

Hispanic Media Ad Spend Notches Up

According to data recently released by TNS Media Intelligence, Total ad spending topped \$70.5bn during the first half of the year. Hispanic media rose 3.4% to \$1.95bn in the first half, up from \$1.89bn last year.

Mother Gives Birth to New Latin Projects

Ad agency Mother, with offices in London and New York, is planning to handle assignments for the US Hispanic market from a new office in Buenos Aires. According to Carlos Bayala, director and founding partner of Mother, Argentina is a hub for creative talent in Latin America. To do projects for the US Hispanic market, Mr. Bayala said Madre could work in conjunction with Mother in New York.

Spanish Speakers to Increase 45%

According to a recent study by Hispanic USA, the number of Spanish-dominant and bilingual Latinos will increase by 45% over the next two decades, adding 12.4 million additional Spanish-speakers to today's population. Most interestingly, the study claims that the trend will not only be driven by

continued immigration, but also to the ongoing tradition of third-generation Hispanics learning Spanish from their parents.

Latinos Drive Consumer Spending Growth

According to a recent MarketResearch.com report, U.S. Hispanics are increasingly the major driving force behind revenue growth in many consumer products markets. Hispanics were responsible for 15.6% of the growth in aggregate consumer expenditures that occurred between 1998 and 2003. A significant factor includes the continued influx of Hispanic immigrants, as well as higher wages and the general size of Hispanic families being larger than white families.

Communications

Verizon Signs Spanish Content Deals for FiOS TV

Verizon announced separate programming and distribution agreements with one network group and nine independently owned networks for carriage of 12 Spanish language channels on Verizon FiOS TV. The channels include De Película, De Película Clásico, Telehit, Canal SUR, TVE Internacional, Infinito, Cine Latino, Cine Mexicano, La Familia, TV Chile, TV Colombia and EWTN Español. The FiOS TV service provides a broad collection of all digital programming with more than 330 channels.

US Telcos Report Solid DSL Growth But Continued Access Line Losses

Third quarter results for the US Telcos (AT&T, BellSouth, SBC, Verizon, Qwest) generally met earnings expectations. On the positive side, DSL growth accelerated in the quarter following a mild second quarter performance. Across the group, DSL net adds totaled 1.2m, for an approximate 8% quarterly sequential growth rate.

However, the group continued to suffer from wireless substitution, cable VoIP competition and decreasing wholesale lines as CLECs exit the market. Access lines for the group declined around 5-6% during the third quarter, and this rate of y/o/y decline is expected to continue in the coming quarters and into next year.

US Hispanics Targeted by Cellular Providers

Recent research has discovered that US Hispanics are some of the cell phone industry's best customers. Propelled by immigrants with a strong desire to keep in touch with family both in the US and abroad, studies have found that Hispanics, on average, spend more on cell phone service than the general market and are more likely to not own a fixed line.

Scarborough Research estimates that Hispanics pay an average \$67 per month on cell phone bills, or 12% more than the average \$60 per month paid by the general market. Another research study by Forrester showed that Hispanics are more likely than general market users to run-up very expensive monthly cell phone bills (\$150+), and that along with African-Americans, view advanced features such as internet connectivity, ringtones, and other add-ons as more important than Caucasians.

The race to capture Hispanic cellular customers has intensified, as providers seek to consolidate market share and build a recognizable brand name. Cingular has recently launched a new multimedia ad campaign under the tagline "adelante," and Movida, a virtual network provider operating on the Sprint network, has launched a new pre-paid service with Wal-Mart to capture Hispanic users.

Monthly Features

Calling all Telcom, Cable and Media Companies – Believe the “Skype”

EBay's acquisition of Skype underscores a growing trend: Internet companies are inexorably pushing into the business of offering voice, data and content online. Along the way, internet companies will completely re-write the business of transmitting voice, content and data to businesses and consumers, and in turn, place significant pressure on the traditional providers of these services.

Signs of this trend are everywhere – the rapid growth in VoIP subscribers; the continued popularity of music and video downloading; increases in online radio and podcasting; the migration of classifieds and newspaper content online; Google's plan to offer free wireless high-speed internet access (Wi-Fi) in a growing number of locations. Google is also bidding to scan the collections of five of the largest libraries in the world to make the text searchable online, and has announced tentative plans to rent online copies of books to consumers.

The internet is even now beginning to impact the television industry. TiVo (a maker of digital video recorders) is collaborating with Yahoo to distribute content over the web and allow users to program their DVRs remotely via the internet. TV studios are also making some of their content available online for downloading and offering shows-on-demand via cable. To be sure, this trend is still in its nascent stages. Nevertheless, it is not hard to envision a future where the internet becomes the ultimate platform – delivering moving images to the home, as well as to mobile viewers.

At first glance, EBay's acquisition looks rich – the company is paying up to \$4.1bn in cash, stock and earn-outs for Skype, or approximately \$76 per Skype subscriber. On a Price/Sales multiple, EBay is paying up to 68x Skype's forecast 2005 revenues of \$60m.

In the near-term, VoIP will be a nice feature to offer auction participants. But EBay has realized that voice communications will be offered free over the Internet in the not-too distant future, and the company wants to be prepared for this development. Given the

blinding pace of technological change and how fast the media and communications industries are converging, we believe media M&A activity will remain high for the foreseeable future, and that many media and telecom companies will need to re-think their business models to survive in the future.

SBS – A Controversial Move Into TV Wipes Out \$266m in Market Value

Last July, Hispanic radio company Spanish Broadcasting Systems (SBS) announced that it had entered into a deal to acquire Miami-based TV station WDLP-TV (Channel 22) from Dr. William de la Peña. The \$37.3m transaction represents SBS's first foray into the world of television. WDLP-TV reaches 1.5 million households in South Florida through its Channel 22 signal and its derivative digital television stations WDLP-DT (Channel 3) and WSBS-CA (Channel 50).

The transaction has been structured as an asset purchase agreement. Under this agreement, Mega Media Holding, Inc. (Mega Media) will acquire the assets from WDLP Broadcasting Company, LLC (WDLP) for \$37.3m, subject to certain conditions, including FCC consent. Mega Media has already paid \$0.8m during Q3, which will be applied to the purchase price upon closing. The \$36.5m difference will be paid in two installments: \$14m in cash and operations due at closing, and the remaining \$22.5m in a three-year promissory note guaranteed by SBS and secured by the assets being acquired in the transaction.

SBS estimates start-up expenses of \$3.5m in Q4. However, some Wall Street analysts are worried that SBS's new venture into TV is risky (as it is outside the company's core competency), and that expenses will escalate and negatively affect SBS's cash flow and returns. These concerns were expressed to SBS CEO Raul Alarcon during the Q3 results conference call.

Moreover, some Miami-based TV industry experts have expressed doubts about SBS's ability to successfully build a profitable chain of TV stations. They argue that SBS faces a steep learning curve and will need to invest heavily in order to produce enough quality programming to attract advertisers

and generate an acceptable level of profitability and returns.

So far, SBS has not released plans regarding the content to be broadcast on its TV station, but Wall Street has already delivered its message. Since the announcement on July 13th, the share price has fallen 42% (from \$9.87 to \$5.77 as of November 9th). The fall in share price has wiped out \$266m in market capitalization in the four months since the announcement.

Next Steps For Vonage?

The VoIP industry remains active with deals, as witnessed by EBay's purchase of Skype, VSNL's acquisition of Teleglobe (\$239m), and the IPOs this year of VoIP players Fusion Telecommunications (in February) and CBeyond (in November).

Recently, rumors have surfaced of a possible \$600m IPO of US VoIP industry heavyweight Vonage. According to financial analysts, the IPO would value Vonage anywhere from \$1.0bn to \$1.5n, although some have quoted a value as high as \$3.0bn. With annual revenues estimated at \$300m, the \$1.5bn-3.0bn equity value range would imply P/Sales multiples anywhere from 5.0-10.0x.

Retail VoIP adoption continues to ramp-up: Residential voice-over-broadband service has progressed from early-adopter status to a serious market challenge for the incumbent local exchange and long distance carriers. Since launching in the first half of 2002, retail VoIP subscribers now total 1.8 million as of 1Q05, and by 2009, VoIP users in the US are expected to total 27 million.

In August 2004, Vonage raised \$105m in a pre-money valuation of roughly \$500m. In May, the company raised an additional \$200m, for a pre-money valuation of \$900 million. These figures imply an impressive 80% increase in valuation in less than a year.

Vonage's options include either a trade sale or an IPO. Many analysts believe that neither of the two options would be easy to accomplish, since the technology is easy to replicate, barriers to entry are

low and competition from cable providers is intensifying. However, we note that with such high customer acquisition costs (estimated to range anywhere from \$200 to \$600 per customer), Vonage's 1 million subscriber base could help any serious VoIP player quickly accrue market share.

Hispanic Companies Refinance Debt

Given the still-favorable interest rate environment, two Hispanic media companies recently took the opportunity to refinance their debt. A positive growth outlook for the Hispanic media sector and solid operations for the two companies underpinned their ability to obtain favorable financing terms.

Miami-based Spanish Broadcasting Systems (SBS) recently announced a new credit facility of \$425m in funded term loans. SBS will use proceeds to retire a \$135m senior secured credit facility with a rate of LIBOR+325 basis points, and \$335m in senior subordinated notes carrying a coupon rate of 9 5/8%. We estimate the annual savings in interest expense would amount to roughly \$12m.

In a similar move, Entravision has refinanced \$225m of debt and incurred additional leverage via a new \$650m credit facility. The prior coupon rate was 8.125%, which represented an annual interest expense of \$18.3m for the company.

Under the new debt structure, Entravision will pay bondholders \$1,057.61 per \$1,000 face-value note, including a consent payment of \$20 per \$1,000 in principal notes. The total purchase price amounted to \$238m, and was secured with proceeds gathered under the new credit facility. The terms of the new credit facility were a 6 1/2-year, \$150m revolving credit facility and a 7 1/2-year, \$500m term loan. Entravision obtained the credit facility at a cost of LIBOR plus 150 basis points. A \$500m amortizing swap has enabled the company to secure a fixed rate of 5.96% for the next five years.

Following the new credit facility, Entravision's annual interest expense falls to \$14.2m, representing annual savings of \$4.1m as compared with the previous cost of funding.

Deal Activity

Media M&A Activity Booming

According to the Jordan Edmiston Group, M&A activity remained very strong in the first half of this year. The number of deals increased 15% to 266, while the total value of all deals soared 180% to \$27bn, driven by a number of large transactions. The M&A market is being fuelled by low rates, easy access to financing, pressure to find new ways to grow the top-line and rapid technological changes.

Viacom to acquire MásMúsica TeVe Network

Viacom is acquiring Spanish-language music channel MásMúsica TeVe Network, as well as 10 television stations located in Texas and California. The stations are currently owned by Caballero Television Texas, LLC. MásMúsica TeVe is a 24-hour network aimed at 18-34 year-old Hispanics.

Que Pasa Plans to Expand

Que Pasa, a North Carolina-based Spanish-language media company has announced that it is planning to partner with a larger, undisclosed suitor. Que Pasa is bidding to buy 2 radio stations, as well as spend \$1.25m in improving operations of the group's 3 weekly newspapers and 7 radio stations.

NextMedia Sells WDDW-FM to Bustos Media

NextMedia Group Inc. announced it will sell its Milwaukee radio station WDDW-FM (104.7) to Bustos Media for \$10.2m in cash. According to Bustos, Milwaukee is one of the fastest growing US Hispanic markets, WDDW will complement his network of 23 AM and FM radio stations.

CBS to Acquire College Sports TV

Newly split from Viacom, CBS announced plans to acquire cable channel College Sports TV (CSTV) for \$325m in post-split shares. With 15mn subscribers, CSTV broadcasts college sporting events and games, focusing on secondary sports not widely covered. CSTV should generate anywhere from \$30-50m in revenue this year, with slightly negative EBITDA. CSTV fits strategically alongside CBS Sports and the company's Sportsline.com website.

Susquehanna Sells Media Units

Cumulus Media and a group of private equity firms agreed to buy the radio broadcasting business of Susquehanna Pfaltzgraff Co. for approximately \$1.2bn. The deal includes the sale of 33 radio stations. In addition, Susquehanna has agreed to sell its cable TV business to Comcast for \$775m. Both the cable TV and radio deals are expected to close in 2006, after which, Susquehanna will only be left with its real estate business.

Knight Ridder Mulling Options, Including Sale

Following recent pressure from large shareholders, Knight-Ridder (KRI) has announced it is working with Goldman Sachs to explore a possible sale. Earlier this month, KRI's largest shareholders called for the board to pursue a sale of the company.

With other large newspaper companies facing similar performance pressures, the likeliest buyer for the whole company would be a large financial investor, such as a private equity group. The latter could buy KRI at an attractive price and then sell individual newspapers to strategic buyers.

Nevertheless, since shareholder calls for a sale at the end of October, KRI's share price has increased 18%. If the share price continues to rally, private equity groups may be less inclined to step in at the higher valuation level, particularly given the sector's ongoing woes.

At KRI's current share price of \$62.87, the company is currently trading at a PE of 17.9x 05 and 16.9x 06 forecast EPS. On an EV/EBITDA basis, KRI is currently trading at 9.4x 2005e EBITDA, an 8% premium to sector peer Tribune (8.7x 05e) and an 11% premium to Gannett (8.5x 05e), two potential suitors that have been identified by analysts.

In our view, a deal for KRI will be difficult to come by, given the company's higher valuation since the announcement. Moreover, as KRI has been diligent in cutting costs, we wonder how much opportunity is left for a financial buyer to increase value.

Third Qtr Earnings Highlights

Univisión – Growth Returns

Univisión reported strong results for the 3rd quarter (ending Sep 30th), exceeding analyst and market expectations, and providing an upbeat outlook for Q4 and 2006.

Main Q3 Highlights:

- Q3 Sales grew 4% to \$498m
- Q3 EBITDA rose 8%; Q4 to grow 11-14%
- 2006 World Cup presales of \$180m
- Upfront sales +25% (+12-15% ex. W Cup)
- 6% staff cut to save \$50m annually
- \$500m stock buyback plan reauthorized

Third quarter TV revenues increased 5% to \$343m, well ahead of the 2.8% growth recorded in the previous quarter, while EBITDA grew 4% to \$129m. Univisión's ratings grew 21% among adults 18-34 in the third quarter: The network became the #2 most-watched network in the country among persons 18-34 (including both English and Spanish languages), behind FOX.

Management also provided an upbeat outlook for Q4 TV revenue growth (8-9%), and disclosed that the company has sold \$180m in gross revenues for the 2006 World Cup, with inventory still remaining. Univisión expects 50 million viewers to tune into the World Cup, compared to 35 million viewers for the 2002 event.

Radio revenues increased 8% in the third quarter, far outpacing the radio industry average growth of 1%. Radio revenues totaled \$97m, while EBITDA in the division increased 19% to \$42m. Strong audience share increases in the La Kalle reggaeton format in top markets drove revenue growth. The 18-24 audience share increased 84% in New York, 141% in Los Angeles, and 46% in Chicago.

World Cup Rights Secured

Univisión announced that it had secured the Spanish language rights with FIFA for both the 2010 and 2014 World Cups for \$325m. Also included were the rights

to the next two Women's World Cups, the next two Confederation Cups, and 22 other tournaments.

Headcount Reduced

Univisión also announced a 6% headcount reduction (primarily administrative positions in the TV unit), which will lead to an estimated \$50m in annual savings. Associated with the reduction, the company will record a \$25m charge in Q4.

Following the weak revenue growth in the first two quarters of this year, many investors and analysts had begun to question whether Univisión's growth potential was slowing. The shares slumped 24%, from a high of \$30.97 in March 2005 to a low of \$23.52 as of the end of September. However, in the past month the shares have rebounded 23%, fuelled in large part due to the solid Q3 results.

Televisa – Pay TV Surges

Televisa reported Q3 results slightly ahead of consensus. Total revenues increased 9% to US\$751m, due to strong organic Pay TV growth (Cablevision, Sky Mexico), as well as the consolidation of Televisa's US cable JV, TuTV. Operating leverage was strong, as EBITDA surged 19% and the margin for the quarter swelled by 360 basis points. E/ADR totaled US\$1.07, 8% higher than last year as a drop-off in equity income and higher taxes tempered bottom-line results.

Main Q3 Highlights:

- Television sales increased 3% to \$425m
- Sky Mexico revenue grew 32% to US\$147m
- Cable & Pay TV sales rose 35% to US\$60m
- Publishing sales increased 18% to US\$58m
- EBITDA margin of 42% vs. 39% last year
- Sky Mexico adds net 30k subscribers
- Cablevision 19% video subscriber growth
- Televisa to apply for Spanish TV license

Spain – An Attractive Opportunity

In October, Televisa announced its 40% participation in a consortium that is applying for a free-to-air TV concession in Spain. Televisa is joined by strong local partners – Spanish television producers Grupo

Arbol and Mediapro (owning the remaining 60%). The concession is for one analogue channel and two national digital channels (to be transformed into four digital channels by 2010), covering 86% of the Spanish market.

Total investment in the project is estimated at Eur500m, of which Televisa will invest Eur200m. Televisa and its partners will also sell programming to the venture, although no programming agreements have been established. The winner will be announced by December 2, 2005.

Wall Street has reacted positively to the news, and views Televisa's potential entrance into the Spanish market as a fantastic opportunity. Given the consortium's combined ability to provide strong programming, the project appears to have a good chance of success.

New Initiatives – Gaming and Brazilian TV

In addition to the Spanish TV concession, Televisa has an option to acquire a stake of up to 30% in local Brazilian broadcaster SBT. Televisa has indicated that it views Brazil as a very attractive market to invest in, particularly given the positive reception that its Telenovela format has received. However, since the option expires in 2008, management does not feel the need to exercise at this moment.

Televisa has announced its intention to enter the gaming business in Mexico. While details have not yet been presented to the market, Televisa indicates that the company plans to invest US\$70m, to include, among other things, off-track betting and gambling casinos.

Entravision – Growing Competition

Entravision third quarter revenues increased 8% to \$75.5m, driven by higher local TV advertising (which more than offset a decline in national sales), as well as by additional revenues associated with recently acquired radio stations KMBM-FM, KDLD-FM, and KDLE-FM. EBITDA in the quarter increased 14% to \$27m, and EPS (excl. one-time items) grew 17% to \$0.03.

Entravision TV revenue in the quarter increased 4%, as a 15% increase in local advertising offset a 7% decrease in national advertising. National spot sales suffered from a tough comparison, due to the political revenues of \$1.5m recorded in Q3 2004.

Radio revenues easily outperformed the overall industry increase of 1% during the quarter. Entravision pro forma radio revenues increased 12% in Q3 to \$28m, led primarily by strong advertising demand from automotive, beverages, entertainment and financial services companies.

Mixed Outlook Amid Growing Radio Competition

Radio guidance for the last quarter of 2005 looks fairly conservative, particularly given Entravision's high Arbitron ratings in the top Hispanic markets. Management blames the weak guidance to an overall sluggish environment, growing competition from new players, and the absence of revenue from certain categories (telecom, finance, retail, and political). CEO Walter Ulloa observed that competition has increased in 6 out of 10 EVC markets (Denver, Albuquerque, Monterey, Sacramento, Dallas, and Phoenix).

In TV, Entravision expects 5-6% revenue growth in Q4 (overall company revenue growth of 4-5%). Strength in TV advertising was seen in the automotive, media, healthcare, insurance, and mortgage sectors, and this trend is expected to continue into Q4 2005.

Outdoor advertising revenues increased 13% to \$9.3m. Outdoor advertising accounts for 12% of Entravision total revenues.

Stock Overhang

Management commented on the Univisión stock overhang, as the latter owns 30% of Entravision common stock. Entravision plans to sell the assets of radio stations KBRG FM and KLOK AM (serving the San Francisco/San Jose markets). Univisión will pay with Entravision stock, in a move designed to avoid pressuring Entravision's share price. In addition, Univisión must ensure that its ownership in Entravision does not exceed 15% by March 26, 2009. Based on Entravision's current capital

structure, Univisión will still own 20% of the company after this transaction closes.

SBS – Margins Disappoint

Spanish Broadcasting Systems reported mediocre third quarter earnings results, hampered by increased expenses that negatively impacted operating profitability.

Third quarter revenue increased 5% to \$43m. However, EBITDA declined 3% to \$16m, due to start-up expenses at the recently acquired Miami TV station WDLP and higher operating expenses in the radio. Concern over future cost increases in TV production served to further pressure the company's share price (**see related article on page 5**).

SBS's EBITDA margin dipped in the third quarter to 37%, down from 40% in the third quarter last year. While start-up expenses are partly to blame, it appears that costs are increasing in SBS's core radio business as well. On a same-station basis, SBS's revenue growth in the quarter was 8%. However, same station expense growth in the quarter increased 15%, pressuring margins.

Increasing competition in the Spanish-language radio market could continue to pressure SBS. In addition to SBS's traditional rival Univisión, the growing trend of English-language radio companies switching some stations to a Spanish-language format is raising the level of competition in the marketplace. As SBS battles the rising competition, increased marketing and publicity expenses could hamper profit margins in the near-to-medium term.

Media Valuation Comparison Table

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

	Share Price	Enterprise Value	Valuation Multiples								
			P/E			EV/EBITDA			EV/Sales		
			2004	2005	2006	2004	2005	2006	2004	2005	2006
Hispanic Media Companies											
Univision (UVN)	\$29.21	\$10,179	37.0x	35.2x	28.0x	17.0x	15.5x	13.1x	5.7x	5.3x	4.6x
Grupo Televisa (TV)	\$76.85	\$13,258	449.7x	22.5x	17.4x	14.1x	12.3x	10.7x	5.7x	5.3x	4.6x
Entravision (EVC)	\$7.44	\$1,408	-82.7x	161.7x	61.5x	17.6x	15.5x	13.9x	5.4x	5.0x	4.7x
Spanish Broadcasting (SBSA)	\$5.72	\$740	44.0x	-10.4x	57.2x	13.5x	13.8x	12.2x	4.7x	4.3x	4.0x
US Media Conglomerates											
News Corp (NWS)	\$15.30	\$59,155	21.9x	NA	NA	13.5x	NA	NA	2.5x	NA	NA
Walt Disney (DIS)	\$26.06	\$65,872	22.9x	20.5x	17.7x	12.5x	11.1x	9.6x	2.1x	2.1x	1.9x
Viacom INC (VIA)	\$32.81	\$60,279	-3.2x	NA	NA	10.3x	9.8x	9.0x	2.7x	2.5x	2.4x
Time Warner Inc (TWX)	\$17.62	\$106,030	23.8x	22.9x	19.8x	8.3x	10.0x	9.0x	2.5x	2.4x	2.3x
US Radio Companies											
Clear Channel (CCU)	\$31.50	\$24,406	-4.7x	25.7x	21.6x	10.3x	11.0x	10.2x	2.6x	2.6x	2.5x
Cox Radio INC (CXR)	\$14.90	\$1,968	21.9x	20.4x	18.8x	12.4x	12.1x	11.6x	4.5x	4.5x	4.3x
Citadel Broadcasting Corp (CDL)	\$13.53	\$2,237	23.3x	24.3x	21.7x	14.0x	13.0x	12.3x	5.4x	5.3x	5.1x
US Cable Companies											
Comcast Corp (CMCSA)	\$26.47	\$81,270	61.6x	44.6x	27.7x	10.8x	9.5x	8.4x	4.0x	3.7x	3.3x
Cablevision Systems (CVC)	\$30.97	\$18,993	-13.1x	-54.0x	112.6x	14.8x	12.2x	10.4x	3.9x	3.7x	3.3x
Mediacom (MCCC)	\$6.99	\$3,847	63.5x	-53.8x	225.5x	9.3x	9.2x	8.5x	3.6x	3.5x	3.2x
US TV Companies											
Hearst Argyle TV (HTV)	\$23.68	\$3,140	17.9x	28.3x	19.0x	9.4x	12.4x	10.2x	4.0x	4.4x	4.0x
Lin TV Corp (TVL)	\$12.62	\$1,272	6.8x	52.6x	18.8x	9.5x	11.5x	8.4x	3.4x	3.4x	2.7x
Gray Television INC (GTN)	\$9.06	\$1,085	10.9x	32.4x	25.9x	7.3x	11.1x	8.6x	3.1x	3.5x	3.0x
US Newspaper Companies											
Gannet Co. INC (GCI)	\$62.67	\$19,642	12.6x	12.6x	11.5x	8.2x	8.4x	7.9x	2.7x	2.6x	2.4x
Washington Post (WPO)	\$729.60	\$7,474	21.0x	23.6x	19.8x	10.0x	10.6x	9.2x	2.3x	2.1x	1.9x
New York Times Co. (NYT)	\$28.51	\$5,195	14.4x	18.4x	18.0x	7.9x	9.4x	9.1x	1.6x	1.5x	1.5x
Tribune Co. (TRB)	\$32.77	\$12,577	19.3x	15.3x	15.0x	8.7x	8.6x	8.5x	2.2x	2.2x	2.2x
Knight Ridder (KRI)	\$61.06	\$5,602	14.6x	17.3x	16.4x	8.2x	9.2x	9.1x	1.9x	1.9x	1.8x
US Magazine Companies											
Primedia Inc. (PRM)	\$2.02	\$2,178	25.3x	21.3x	21.3x	8.4x	11.7x	11.4x	1.7x	2.0x	2.0x
Martha Stewart Living (MSO)	\$18.00	\$826	NM	NM	120.0x	NM	NM	47.1x	4.4x	4.0x	3.0x
Meredith Corp. (MDP)	\$49.75	\$2,688	19.2x	17.5x	14.9x	9.1x	10.2x	8.6x	2.2x	2.2x	1.7x
Reader's Digest (RDA)	\$14.85	\$1,985	NM	16.0x	13.6x	14.4x	9.2x	9.3x	0.8x	0.8x	0.8x

Source: Bloomberg, Yahoo Finance

Values as of 11/15/2005

Share Price Performance

	Current Price	Performance			
		3-month	6-Month	1-Year	3-Years
Hispanic Media Companies					
Univision (UVN)	\$29.21	3.3%	11.1%	-3.0%	-9.1%
Grupo Televisa (TV)	\$76.85	16.5%	36.8%	23.4%	161.1%
Entravision (EVC)	\$7.44	-13.0%	-5.5%	-9.3%	-31.8%
Spanish Broadcasting Systems (SBSA)	\$5.72	-33.5%	-31.5%	-46.5%	-35.7%
US Media Conglomerates					
News Corp (NWS)	\$15.30	-11.8%	-3.9%	-15.4%	8.9%
Walt Disney (DIS)	\$26.06	1.6%	-1.3%	-3.1%	31.5%
Viacom INC (VIA)	\$32.81	-2.4%	-5.7%	-7.8%	-30.2%
Time Warner Inc (TWX)	\$17.62	3.5%	4.8%	-0.5%	7.6%
US Radio Companies					
Clear Channel Communications (CCU)	\$31.50	-3.5%	-1.4%	-6.5%	-27.5%
Cox Radio INC (CXR)	\$14.90	-5.4%	-5.2%	-6.3%	-39.6%
Citadel Broadcasting Corp (CDL)	\$13.53	10.2%	7.6%	-12.3%	NA
US Cable Companies					
Comcast Corp (CMCSA)	\$26.47	-13.9%	-17.5%	-11.9%	12.9%
Cablevision Systems (CVC)	\$30.97	0.0%	19.3%	45.1%	83.1%
Mediacom Communications (MCCC)	\$6.99	0.0%	26.4%	33.9%	-26.0%
US TV Companies					
Hearst Argyle TV (HTV)	\$23.68	-5.5%	-5.7%	-7.9%	-2.4%
Lin TV Corp (TVL)	\$12.62	-11.3%	-19.1%	-30.0%	-48.3%
Gray Television INC (GTN)	\$9.06	-29.5%	-31.1%	-39.6%	-10.5%
US Newspaper Companies					
Gannet Co. INC (GCI)	\$62.67	-14.1%	-18.6%	-24.0%	-12.0%
Washington Post (WPO)	\$729.60	-17.9%	-15.6%	-22.2%	0.8%
New York Times Co. (NYT)	\$28.51	-9.5%	-14.5%	-30.5%	-40.7%
Tribune Co. (TRB)	\$32.77	-10.2%	-15.1%	-24.4%	-28.4%
Knight Ridder (KRI)	\$61.06	-2.4%	-5.6%	-10.3%	-2.6%
US Magazine Companies					
Primedia Inc. (PRM)	\$2.02	-52.6%	-54.3%	-36.9%	-40.6%
Martha Stewart Living (MSO)	\$18.00	-32.6%	-11.0%	-23.8%	68.9%
Meredith Corp. (MDP)	\$49.75	0.5%	5.9%	-5.6%	14.1%
Reader's Digest (RDA)	\$14.85	-8.6%	-12.6%	3.8%	-12.9%

Values as of 11/15/2005

Source: Bloomberg

Top Radio and TV Transactions in October

<u>Buyer</u>	<u>Seller</u>	<u>Target</u>	<u>State</u>	<u>Value</u>	<u>Format</u>
1. SJL Broadcast Management	Emmis Communications	KHON, KSNT, KSNW, KOIN (TV)	HI, KS, OR	\$259,000,000	
2. AM Media Holdings	Granite Broadcasting Corp.	KBWB TV	MI	\$180,000,000	
3. AM Media Holdings	Granite Broadcasting Corp.	WDWB TV	MI	\$97,500,000	
4. AM Media Holdings	Granite Broadcasting Corp.	KBWB TV	CA	\$82,500,000	
5. New York Times Co.	CBS/Viacom	KAUT TV	OK	\$22,000,000	
6. Radio One Inc.	Emmis Communications	WRDA FM	IL	\$20,000,000	Adult Standards
7. Griffin Communications	Cascade Broadcasting Group LLC	KWBT TV	OK	\$14,500,000	
8. Univision Communications	Pappas Telecasting Companies	KVBE FM	CA	\$10,000,000	Spanish/Oldies
9. Cherry Creek Radio	MB Media Group LLC	KMXM, KKNZ, KSUB, KXBN, KXEF FM	AZ, UT	\$5,800,000	Bright AC, News/Talk, Top 40, Oldies
10. Corporate Media Consultants Group	WMEI TV ; Hector Cartagena	WMEI, WQQZ WWKQ (TV)	CA, Puerto Rico	\$4,250,000	
11. Double O Radio LLC	Ultimate Broadcasting Network	WDOS AM, WSRK FM	NY	\$3,800,000	Country, AC
12. Bela LLC	Una Vez Mas	KQBN TV	AZ	\$2,500,000	
13. Midwest Communications Inc.	RBH Enterprises Inc	WXER FM	WI	\$2,300,000	AC
14. American General Media	Hutton Media LLC	KLRM FM	CA	\$2,050,000	Spanish AC
15. Educational Media Found.	Michael Radio Group	KKHI FM	HI	\$2,000,000	Unknown
16. Davidson Media Group LLC	William H. Payne	KTFX AM	OK	\$1,030,000	Black Gospel
17. Permian Basin Public Telecom.	Ector County Independent School	KOCV TV	TX	\$1,000,000	
18. Tyler Media Corp	Wright Broadcasting Systems	KWEY FM	OK	\$1,000,000	Country
19. Northeast Broadcasting Corp.	Michael Radio Group	KMQS, KKTN FM	ID	\$900,000	Unknown
20. Clear Channel Communications	Staton Broadcasting	WMRZ FM	GA	\$875,000	Adult Hits
21. Davis Media LLC	Bullseye Broadcasting Inc.	WSRV FM	VA	\$850,000	Oldies
22. Stony Creek Broadcasting	Clear Channel Communications	WNSZ FM	ME	\$800,000	Classic Rock
23. Northeast Broadcasting Corp.	Michael Radio Group	KRKI FM	WY	\$800,000	Oldies
24. Burbach Broadcasting	Clear Channel Communications	WRZZ FM	WV	\$750,000	Classic Rock
25. Tanana Valley TV Co.	Northern Radio Inc.	KYSC FM	AK	\$700,000	AC

Calendar of Events

<u>Date</u>	<u>Event</u>	<u>Location</u>	<u>Time/Place</u>	<u>Information</u>
November 2005				
14	3rd Annual Ohio Broadcast Engineering Conference	Columbus, OH	NA	614-228-4052
15	Webinar: Beyond Reggaeton; Effectively Reaching the Hispanic Youth	www.hispanicmarketpro.com	2 p.m. EST	305-971-2622
15-16	Third Annual Television on Demand Summit	Washington, DC	Hyatt Dulles at Dulles Int'l Airport	Sandy Friedman 646-746-6740 safriedman@reedbusiness.com
15-17	National Association of Broadcasters: NAB Post +	New York, NY	Javits Convention Center; 10:00 am	www.nab.org
18	Radio Club America's 96th Anniversary Annual Awards Banquet	New York, NY	NA	www.radio-club-of-america.org
30	Media Mavens Awards Luncheon	New York, NY	New York Hilton; 11:30 am	212-210-0155 Advertising Age Magazine
30	Seventh Annual Family Television Awards	Beverly Hills, CA	Beverly Hills Hilton; 6:30 p.m	212-455-8026 Association of National Advertisers
December 2005				
2-4	Broadcast Leadership Training Program	Washington, DC	NAB Education Foundation	202-429-5424 www.nabef.org/BLT
6	Radio Ink's Forecast 2006	New York, NY	NA	800-610-5771 www.radioink.com
6-7	Third Annual High Definition Summit	Hollywood, CA	Hollywood Hotel	Sandy Friedman 646-746-6740 safriedman@reedbusiness.com
6-8	WiFi/VoWiFi (Voice Over WiFi) Planet Conference & Expo	San Jose, CA	NA	www.jupiterevents.com
8-9	GSM Americas	Miami, FL	NA	www.gsmconferences.com/gsmamericas
8-9	Internet Streaming Media Alliance 19th Forum	Cupertino, CA	NA	www.isma.tv