



Second Quarter 2024 Conference Call Transcript

Roy Nir, VP, Financial Reporting and Investor Relations:

Good afternoon everyone, and welcome to Entravision's second quarter 2024 earnings conference call. Joining me today are Michael Christenson, Chief Executive Officer and Mark Boelke, Chief Financial Officer.

Before we begin, I must inform you that this conference call will contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ. Please refer to Entravision's SEC filings for a list of risks and uncertainties that could impact actual results.

This call will also include non-GAAP financial measures. The Company has provided a reconciliation of these non-GAAP financial measures to their most comparable GAAP measures in today's press release.

The press release is available on the Company's Investor Relations page and was filed with the SEC on Form 8-K.

I will now turn the call over to Michael Christenson.



Michael Christenson, CEO

Thank you Roy, and thank you to all of you for joining us on this call today.

In our second quarter of 2024 we completed the transformation that we outlined for you in our first quarter report. We reached an agreement to divest our digital platform representation business to Aleph Group and we closed that transaction on June 28.

The transaction included all of our digital platform representation operations including those in Latin America and Asia - more than 320 people in 32 countries serving a dozen digital advertising platforms.

Earlier in the second quarter, on May 6, we sold our controlling 51% interest in Adsmurai, a marketing technology and services company based in Barcelona to our partners who owned the other 49%. That transaction included another 350 people in two countries.

These actions represent a positive step forward for Entravision. We now have the opportunity to focus on our core US media business at a critical time as we navigate the unprecedented changes in the broadcast industry.

Entravision is a trusted source of news, information and entertainment for our Latino audience. This is an audience that we have served for three decades. We have made significant investments this year to expand our news production capabilities and the amount of news that we provide for our audience. We now have morning, midday, early evening and late news in all of our markets and we have weekend early evening and late news in San Diego, Las Vegas, Denver, El Paso, and McAllen, Texas.



We have also invested in our sales organization to build a team that can engage directly with political decision makers and educate them about our audience and how Entravision can help them reach our audience.

One in five of the Latinos in America are in our broadcast markets. We believe our audience will be critical to determining the outcome of the 2024 elections and future elections.

In addition to our investments in US media, we are also making significant investments in our remaining advertising technology and services businesses - Smadex and Adwake - to improve their platforms and operational capabilities. Both of these businesses are now growing faster than their industry growth rates and they are profitable.

These combined actions are all good for Entravision. They put us in a stronger financial position with positive momentum.

We are excited about the opportunities ahead, and we are looking forward to building value for our Company and our shareholders.

Now I will pass the call over to Mark Boelke, our CFO to provide the financial report.

Mark Boelke, CFO

Thanks Mike.

As Mike stated, during the second quarter of 2024, Entravision completed the sale of our global sales representation business known as “Entravision Global Partners”, or EGP. As a result of this sale, financial results for EGP are reported in our financial statements as discontinued



operations, for both the second quarter and prior periods, and I will review second quarter financial results for our continuing operations.

On a consolidated basis, revenue for the second quarter was \$82.7 million, up 12% compared to the second quarter of 2023. The increase was driven primarily by our Digital segment and political advertising revenue in our Television and Audio segments, partially offset by decreases in overall advertising revenue, spectrum rights usage revenue, and retransmission consent revenue.

I'll now review each of our operating segments.

Starting with our Digital segment, revenue for the second quarter was \$41.1 million, up 36% compared to the second quarter of 2023. The growth in the Digital segment was driven primarily by Smadex, our programmatic ad purchasing platform and Adwake, our mobile growth solutions business.

During the second quarter, operating margin for the Digital segment was 6%, compared to negative 1% in the second quarter of 2023.

Operating margin on net revenues, minus the cost of revenue, was 16%, compared to negative 2% in the second quarter of 2023.

The improvement in Digital segment operating margins was attributed to better performance and margins in Smadex and Adwake.



Looking ahead to the third quarter, revenue from our Digital segment is currently pacing +17% compared to the third quarter of 2023.

Moving on to our Television segment, revenue for the second quarter was \$28.6 million, down 5% compared to the second quarter of 2023. The decrease in television revenue was driven by decreases in overall advertising revenue, spectrum rights usage revenue and retransmission consent revenue, which was partially offset by increased political advertising revenue.

During the second quarter, Television segment operating profit was \$3.1 million, down 59% compared to the second quarter of 2023.

Operating margin was 11%, compared to 25% during the second quarter of 2023.

As we discussed on our last investor call, the decline in television operating margins was primarily due to our decision to expand our local news operations beginning in January 2024.

We made this strategic decision in order to provide more local news and information to our audiences, and to provide more opportunities to generate additional revenue in connection with highly valued news inventory, particularly for political advertising during an election year. As a result of this decision, we hired 70 additional news employees, and as Mike mentioned, we now provide news in the morning, midday, early evening and late night in all of our Univision, Fox and NBC markets, as well as weekend news in five key markets. We now produce more than 280 hours per week of local news across our television portfolio.



For the third quarter, revenue from our Television segment is currently pacing +9% compared to the third quarter of 2023 and we currently expect that pace to increase as political advertising picks up throughout the quarter.

Turning to our Audio segment, revenue for the second quarter was \$13 million, down 4% compared to the second quarter of 2023. This decrease was primarily driven by a decrease in overall advertising revenue, partially offset by an increase in political advertising revenue.

For the second quarter, Audio segment operating profit was \$1.9 million, up 21% compared to the second quarter of 2023.

Audio segment operating margin was 15%, compared to 12% for the second quarter of 2023.

The increase in our Audio segment operating margins was primarily due to savings in rent expense related to our move from a stand-alone operations facility into our corporate headquarters, and a decrease in variable expenses associated with the decrease in advertising revenue.

We've taken steps to strengthen our Audio content and radio station footprint that we believe will provide stronger ratings and advertising revenue. For example, we've had a 10-year partnership with the NFL as the exclusive Spanish-language audio home in the U.S., and this week we announced that we expanded and extended this relationship for an additional three years, and we believe the NFL continues to see the value and power of connecting with our audiences.



For the third quarter, revenue from our Audio segment is currently pacing flat compared to the third quarter of 2023. Similar to our Television segment, we currently expect this pace to increase as political advertising picks up throughout the quarter.

Corporate expense for the second quarter was \$10.8 million, a decrease of 10% compared to the second quarter of 2023. This decrease was primarily due to decreases in professional services expenses and non-cash stock-based compensation, partially offset by an increase in severance expense resulting from recent changes made to our corporate structure.

Turning to our balance sheet, we had a total of \$88.3M in cash and marketable securities as of June 30, 2024. Indebtedness under our credit facility at quarter-end was \$187.8 million. During 2024 we have prepaid \$20 million of our bank debt, including a prepayment of \$10 million during the first quarter and an additional \$10 million during the second quarter.

Under our Credit Agreement, our leverage ratio is calculated net of \$50 million of cash, and as of June 30, 2024, our leverage ratio under our Credit Agreement was 3.0 times. Calculating our leverage ratio net of total cash and marketable securities, our total net leverage was 2.2 times. Leverage calculations under our Credit Agreement are based on Consolidated EBITDA for the trailing four quarters, and Consolidated EBITDA for second quarter 2024 was \$10.5 million dollars.

Cash capital expenditures during the second quarter were \$2.0 million, representing 11% of net cash provided by operating activities, compared to 78% during the second quarter of 2023. Cash capital expenditures for the year-to-date period of January through June 2024 were \$4.7



million, representing 9% of net cash provided by operating activities, compared to 32% for the prior year period.

The higher capex during 2023 was driven primarily by the buildout of our new office headquarters, which was completed in the third quarter of 2023. Capital expenditures are expected to be approximately \$7 million for full-year 2024.

During the second quarter, free cash flow, defined as cash provided by operating activities less cash capital expenditures, was \$15.7 million, compared to \$2.3 million in second quarter 2023.

We paid \$4.5 million in dividends to stockholders in the second quarter, or 5 cents per share, representing 25% of our net cash provided by operating activities. We paid \$9.0 million in dividends to our stockholders in the six-month period year-to-date period, or 10 cents per share, representing 18% of our net cash provided by operating activities during the period. Our Board of Directors has approved a 5 cent dividend per share for the third quarter of 2024, which will be payable on September 30 to stockholders of record as of September 16, 2024, for a total dividend payment of \$4.5 million.

This concludes our call. Thank you for joining us. If you have questions, please connect with us through the Investor Relations page on our website, where you will also have access to the transcript of this call, the press release for our results and a copy of our Form 10-Q which has been filed with the SEC.

We welcome feedback and input from our shareholders and we look forward to hearing from you. Thank you. Operator?