First Quarter 2024 Conference Call Transcript

Roy Nir, VP, Financial Reporting and Investor Relations:

Good afternoon everyone, and welcome to Entravision's first quarter 2024 earnings conference call. Joining me today are Michael Christenson, Chief Executive Officer and Chris Young, 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.

The first quarter of 2024 was transformative for Entravision. As you all know, Meta informed us that they were terminating their Authorized Sales Partner program. The effective date is July 1.

So this quarter we are working with Meta to wind down the business. We are working to provide a smooth transition for advertisers, for Meta and for Entravision.

In round numbers for 2023 Meta was half of our revenue and half of our cash flow.

Terminating the Meta business will have a significant impact on our strategy and operations, and you'll hear more about this transformation as we progress through 2024.

Fortunately, we have a strong balance sheet with substantial cash and modest debt.

And our remaining businesses are profitable and generate significant cash flow.

So we have the financial capacity to absorb this event and move on.

Now we are focused on our future and we are excited about the opportunities ahead of us.

We are certainly more excited about the opportunities ahead of us than the market price of our stock would indicate.

We believe broadcasters provide a valuable service to their audiences in America. We have served our audience for three decades.

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 our 2024 elections.

So this year we have invested in expanding our news production capabilities and the amount of news we provide to our audience.

We now provide morning, midday, early evening and late news in all of our markets and we provide weekend early evening and late news in San Diego, Las Vegas, Denver, El Paso, and McAllen, Texas.

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

As far as our advertising services and technology business are concerned, what we present as our digital segment for financial reporting purposes, it will be dramatically smaller after we wind down Meta.

The core of this business is our Smadex programmatic advertising platform. Our DSP.

As we said last year, Smadex continues to work hard building AI capabilities into its platform and building a scalable, customer focused, sales organization.

They are making progress and have now returned to industry growth rates and they have done it profitably.

So we have put Meta behind us. We are excited about the opportunities ahead. And we are looking forward to building value for our company and shareholders in 2024.

Now I will pass the call back to Chris Young, our CFO, to provide the financial review.

Chris Young, CFO

Thanks Mike. On a consolidated basis, we achieved a quarterly revenue of $277.4 million, up 16% compared to Q1 of 2023. The increase in revenue was driven by our digital segment, and political advertising revenue, partially offset by decreases in national advertising revenue, spectrum usage rights revenue, and retransmission consent revenue in our TV segment, and decreases in local and national advertising revenue in our audio segment.

Net loss attributable to common stockholders in the first quarter was $48.9 million, compared to income of $2.0 million in Q1 of 2023. The decline was primarily driven by a $49.4 million impairment charge related to the wind-down of Meta's ASP program, and lower margins in our digital segment.

EBITDA in the first quarter was $4.5 million, down 65% compared to Q1 of 2023.

Free cash flow in the first quarter was negative $2.8 million, compared to positive $3.9 million in Q1 of 2023. The decline in free cash flow was primarily due to higher cash interest and taxes.

Now turning to each of our segments.

Digital segment revenue for the first quarter was $237.5 million, up 21% compared to Q1 of 2023. The growth was driven by our digital businesses: Entravision Global Partners, Smadex and Mobile Growth Solutions.

Digital segment operating profit for the first quarter was $2.3 million, down 34% compared to Q1 of 2023.

Digital segment operating margin for the first quarter was 1%, compared to 2% in Q1 of 2023.

Digital segment operating margin on net revenues minus the cost of revenue for the first quarter was 7%, compared to 12% in Q1 of 2023. The decline in digital operating margin was attributed to lower margins in our partnerships business.

As of today, revenue from our Digital Segment is pacing +6% over the prior year period.

Turning to our TV Segment. TV segment revenue for the first quarter was $28.5 million, down 6% compared to Q1 of 2023. This decrease was driven by decreases in national advertising revenue, spectrum usage rights revenue and retransmission consent revenue, partially offset by political advertising revenue. Excluding political revenue, core TV revenue for the first quarter was minus 7%. Operating profit in our TV segment for the first quarter was $2.7 million, down 65% compared to Q1 of 2023.

TV operating margin for the first quarter was 9%, compared to 25% in Q1 of 2023.

The decline in TV operating margins was primarily due to our expansion of our local news operations. We made a strategic decision in the back half of 2023 to expand our news capacity

by adding morning news across all of our Univision markets and expanding weekend news in Las Vegas, Denver and San Diego. This resulted in hiring 70 new employees. Our morning news debuted on January 6th and in the just released Nielsen ratings for April in adults 18-49, we outperformed Telemundo in 14 out of 18 markets where we compete head to head. We were excited to announce the opening of our new Las Vegas state-of-the-art news facility and office in February. This milestone underscores our three decade commitment of empowering the Latino community through our trusted daily newscasts and that informs and educates our community. This news expansion will allow our sales operation to generate additional core revenue and provide additional news inventory for political advertisers.

Regarding our Q2 pacings, Our TV Segment is currently pacing -1% over the prior-year period.

Now, let's shift to Audio. Audio segment revenue for the first quarter was $11.4 million, down 7% compared to Q1 of 2023. This decrease was primarily driven by decreases in local and national advertising revenue, partially offset by political advertising revenue. Excluding political revenue our core Audio revenue for the first quarter was down 8%.

Operating loss in our audio segment for the first quarter was $0.2 million, compared to operating profit of $1.0 million in Q1 of 2023.

Audio operating margin for the first quarter was negative 2%, compared to 8% in Q1 of 2023. The decline in audio operating margins was primarily due to the challenging national spot environment that was down 13% for the quarter, our voter engagement programs and establishing our political team.

On April 15th we launched Fuego, on KFUE-FM 106.7, with an Urban Latino format that is targeting bilingual Latinos 18-34, which is the fastest growing segment of the audience. This is part of a plan that will also include upgrading KVVA-FM 107.1 and relocating its transmitter to South Mountain, the premier tower location in the Phoenix market.

Turning to our Q2 pacings, our Audio Segment is currently pacing -1% over the prior year period.

Corporate expenses for the quarter totalled $12.2 million, up 17% compared to Q1 of 2023, primarily due to an increase in non-cash stock-based compensation and an increase in salaries, partially offset by a decrease in audit fees.

Turning to our balance sheet, cash and marketable securities as of March 31, 2024 totaled $132.7 million. Total debt was $199.1 million. We made a prepayment of $10 million on our debt during the first quarter of 2024.

Our leverage ratio as defined in our Credit Agreement was 3.1 times. Net of total cash and marketable securities, our total net leverage was 1.4 times.

Capital expenditures, net of tenant improvements reimbursement, were $2.7 million for the quarter, representing 8% of net cash provided by operating activities, compared to 16% in Q1 of 2023. The higher capex last year was driven primarily by the buildout of our new office headquarters. Capital expenditures will be approximately $6 million for the year.

We paid $4.5 million in dividends, or 5 cents per share to our stockholders in the first quarter, representing 13% of our net cash provided by operating activities. Our Board of Directors also

approved a quarterly 5 cent dividend per share, which will be payable on June 28, 2024 to stockholders of record as of June 14, 2024.

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 look forward to hearing from you. Operator?