



NYU | STERN

STRATEGIC ADVISORY ON SALE OF SFN LA

February 5th, 2019



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2019 Duff & Phelps YOUNiversity Challenge

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Situation Overview

- SFN LA has been growing at an extremely slow rate in comparison to streaming companies and technology giants that are altering the dynamics of the rapidly changing entertainment and media industry
 - In a standalone scenario, SFN LA is valued between \$1.59 to \$1.79 bn based on discounted cash flow, comparable companies, and precedent transactions analyses
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Rejection of Potential Acquirers

- Providence Equity brings a specialized focus in sports entertainment along with the capacity to finance the transaction; however, it can only realize a 10.5% IRR with a fair valuation of the RSN
 - Due to their lack of new growth and innovation opportunities such as online streaming and engagement platforms, SFN LA should also reject Sidney Banks' and FGA's strategic offer
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Recommendation on Sale of SFN LA

- Verizon is able to increase SFN LA's viewer engagement by offering access to a new subscriber base, a complementary integration effort with Yahoo Sports, and potential relationships with content providers
- We project that Verizon will be most likely to pay the greatest multiple for SFN LA as it will be able to extract the greatest long-term value through recognizing numerous opportunistic cost and revenue synergies

RSN COMPANY PROFILE

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With its coverage of a variety of sporting events, SFN LA is able to reach a large number of subscribers in LA

Operations Overview

- Located in Los Angeles, SFN LA is **one of the largest RSNs in the United States**
- SFN LA distributes its programming through **cable, satellite, and telecom operators**
- In 2017, SFN LA had 3.59 mm subscribers and generated \$5.28 per subscriber per month
- SFN LA programming **includes coverage of:**
 - All **LA Claws** and **LA Mambas** games not being televised on MLB Network and MLB's national television partners
 - **Interviews** with athletes, managers, and coaches, spring training or preseason, and replays of sporting events
 - Select **local sporting events** such as bowling and surfing

SportsFAN Network LA (RSN) Key Financial Information

<i>in thousands USD</i>	2015A	2016A	2017A
Net Advertising Revenue	46,120	47,453	49,711
Affiliate Revenue	208,066	217,136	227,347
Telecast Rights Expense - LAC	(40,945)	(42,583)	(44,286)
Telecast Rights Expense - LAM	(30,000)	(50,000)	(52,000)
Production Cost	(10,368)	(10,785)	(11,289)
Gross Profit	175,571	163,874	172,194
<i>Gross Profit Margin</i>	<i>69.1%</i>	<i>61.9%</i>	<i>62.2%</i>
Operating Expenses	(18,059)	(18,654)	(19,304)
EBITDA	157,512	145,220	152,891
<i>EBITDA Margin</i>	<i>62.0%</i>	<i>54.9%</i>	<i>55.2%</i>
Net Income	\$113,935	\$104,815	\$110,467
<i>NI Margin</i>	<i>44.8%</i>	<i>39.6%</i>	<i>39.9%</i>

Business Model

TEAMS
LAC & LAM



SUBJECT
RSN



CABLE,
SATELLITE &
TELECOMS



SUBSCRIBERS

INDUSTRY OVERVIEW

LOS ANGELES SPORTS MARKET

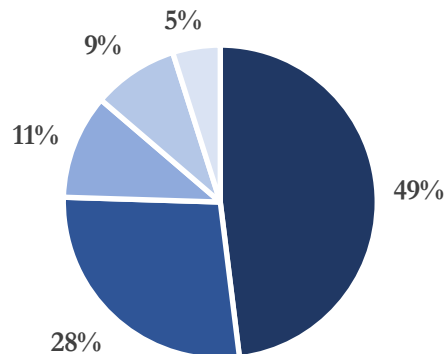
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Although there are three RSNs operating in the Los Angeles market, SFN LA holds distinct advantages

LA Major Sports Teams



LOS ANGELES POPULATION RACE & ETHNICITY



■ Hispanic ■ White ■ Asian ■ African American ■ Other

Competitive Landscape

- The LA market is **the second largest DMA** and has approximately 3.8 mm pay-TV households
- There are **two RSN competitors** operating in the LA market who cover a variety of sports
- LA RSNs are **unable to secure media rights to NFL games** which are nationally televised
- SFN LA holds a **uniquely strong position within the Hispanic market**
- Currently, SFN LA only broadcasts local content for **MLB and NBA** as well as other minority sports
- On the other hand, the two other RSN competitors operating in the LA market **also cover NHL, MLS, and college sports**

Charter
COMMUNICATIONS

GLOBAL SPORTS ENTERTAINMENT BACKDROP

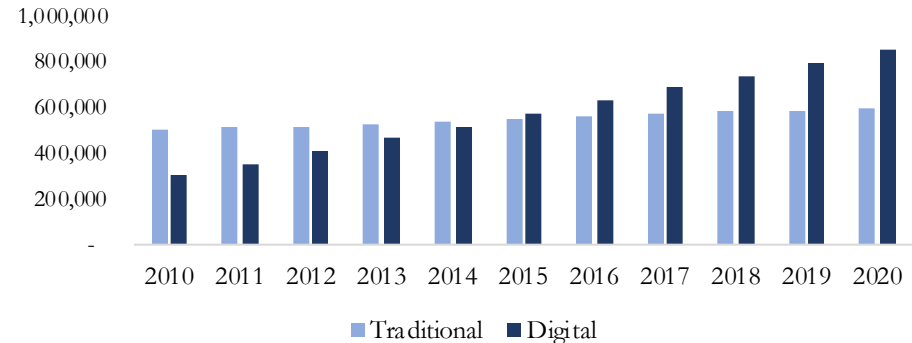
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Rising consumer demand for live sporting competitions and events has forced drastic changes in the sports media industry

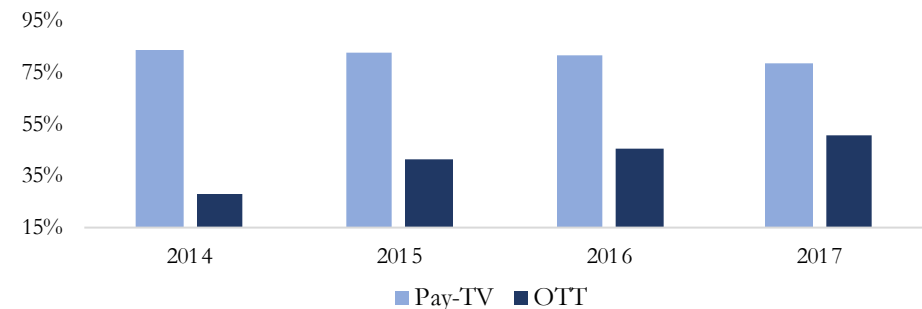
Overarching Trends

- The popularity of sporting competitions **has sent broadcasting rights soaring**, making content that attracts the largest live audiences increasingly expensive
- The share of households with pay-TV has **decreased due to people cutting the cord** for cheaper online options
- **TV advertising is expected to decrease** as a vast number of consumers become accustomed to ad-free platforms
- Although live sports keep consumers connected to the cord, customers are **extremely susceptible to the benefits of online streaming**, which can cause a faster decline in pay-TV subscriptions
- Sports franchises and leagues are beginning to **explore the launch of their own RSNs and streaming platforms**

MEDIA CONSUMER SPENDING (IN MM USD)



PENETRATION INTO PAY-TV HOUSEHOLDS IS SHRINKING



Major pay-TV players must innovate or be undermined by the growing trend of cord cutting

PORTER'S FIVE FORCES ANALYSIS

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While SFN LA has certain key advantages, it needs to be wary of strong bargaining powers from both buyers and sellers

Bargaining Power of Buyers – MODERATELY STRONG

- The increased popularity of sports has caused **telecasting rights costs to skyrocket**
- More consumers are “cutting the cord” completely
- Pay-TV providers’ household penetration has been **trending downward**
- RSNs may be protected from buyer bargaining power

Bargaining Power of Suppliers – VERY STRONG

- Providers have to **compete for expensive content**
- RSNs that focus on live local sports events are **competing with other platforms** for live sports rights
- Sports teams have **extremely strong** bargaining power
- Sports teams and franchises **can dictate where an RSN distributes its content**

Threat of New Entrants – WEAK

- There is a **declining number of sports subscribers** and weaker household penetration
- Declining subscriber base has reduced the **total market for RSNs** and created more competition
- It is difficult for any other RSNs to enter the LA market
- SFN LA already has **long-term contracts** in place

Threat of Substitutes – STRONG

- The media environment is becoming highly fragmented
- Streaming platforms **are able to bypass** these content providers
- RSNs remain the main platform to **broadcast local sports programming**
- OTT's are able to convince people to “cut the cord”

Rivalry Among Existing Competitors – STABLE

SFN LA has key advantages over its competitors since it has telecast rights to sports teams **with strong Hispanic fan bases and hosts games during off-seasons**. Yet, all RSNs are at a disadvantage because of the **rising cost of telecasting rights** and the **evolution of live streaming** directly from sports leagues and franchises.

BROADCASTERS

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Broadcasters are free to the public and rely on local TV stations to distribute their content but require expensive contracts

Consumer Trends

- As households have started to cut the cord, broadcast networks have **accounted for a greater proportion** of consumers' live television options
- Since broadcasters **have no content distribution restrictions**, they are able to market their programming on linear television and digital streaming platforms
- Broadcasters are **looking to scale up their distribution capabilities** to deliver content beyond just TV screens

Major Networks

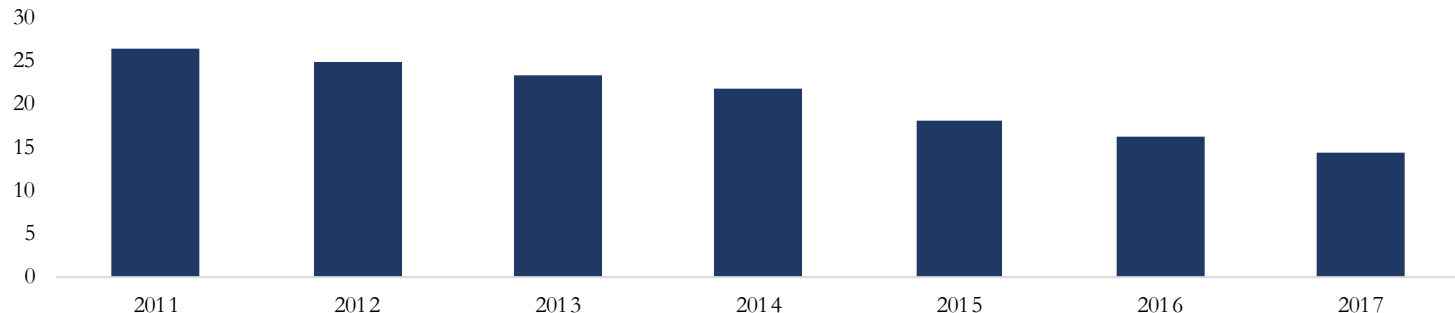


TEGNA



Media General

NUMBER OF HOURS PER WEEK SPENT WATCHING TRADITIONAL TV



CABLE NETWORKS

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Cable networks rely on MSOs, telecom companies, and satellite for distribution but are losing pay-TV subscribers

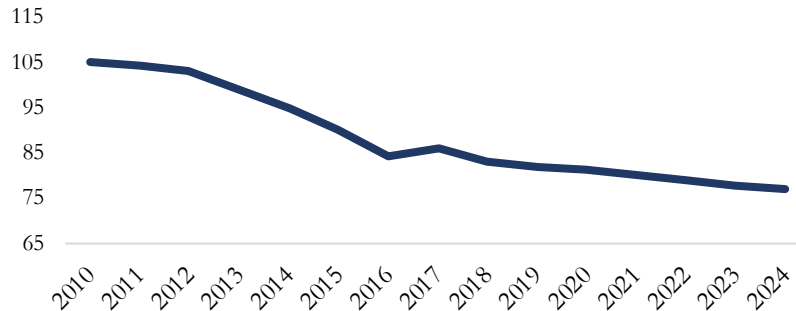
Consumer Trends

- The increased popularity of sports has caused growing competition between networks, independents, and streaming platforms, resulting in **rising prices for content and programming**
- Cable, DBS, and Telecom network household penetration has **been trending downward** over the past decade
- MSO providers are **beginning to explore streaming platforms** as they are valuable in attracting cord cutters

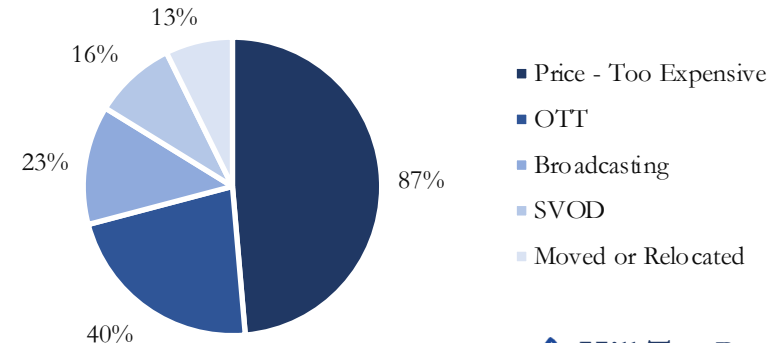
Major Networks



NUMBER OF CABLE TV SUBSCRIPTIONS



FACTORS INFLUENCING CUTTING THE CORD



Sources: Duff & Phelps, Fortune, IBISWorld, Statista

OVER-THE-TOP CONTENT PROVIDERS

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OTT content providers are able to deliver content directly to consumers and are major competitors of pay-TV providers

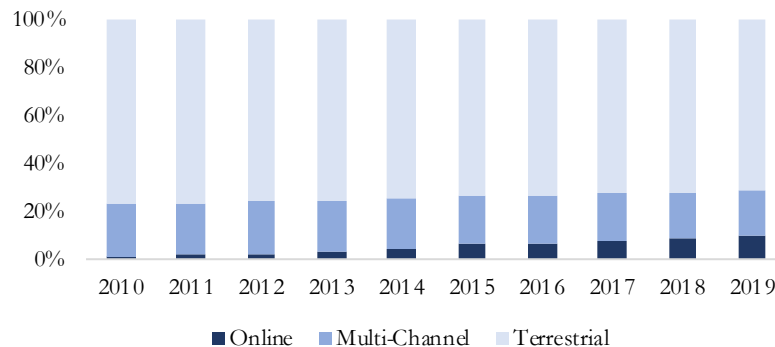
Consumer Trends

- OTT providers are **disrupting cable networks** by **attracting subscribers** and are capturing an increasing amount of market share in advertising
- Cord-cutting consumers **who are seeking cheaper online services** are driving explosive OTT growth
- Advertisers are following the exponential OTT audience growth and using **analytics to provide increased personalization and engagements** in their ads

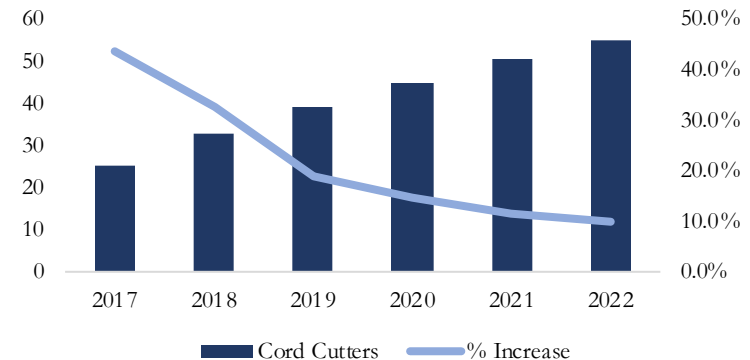
Major Players



TV ADVERTISING MARKET SHARE BY PLATFORM



U.S. CORD CUTTERS (IN MM)



OPPORTUNITIES AND RISKS

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The opportunities and risks within the sports media market will dramatically change the outlook of SFN LA

Opportunities

Highly Protected Business Model

- RSNs are driven by the viewership of their local fans and remain the main platform for local sports programming, which can be too expensive for streaming platforms

Live Sports are Blooming

- Live sports help support the declining audience of live entertainment programming, which provides significant value to distributors and advertisers

Mergers and Acquisitions

- Sports fans' sustained fervor for their local teams make RSNs extremely valuable as an acquisition opportunity for TV providers, OTT, and online streaming services

Risks

Emergence of Viewing Alternatives

- Traditional pay-TV has been disrupted by online streaming and OTT platforms, causing pay-TV household penetration to fall drastically

The Rising Cost of Sports Broadcasting

- Due to the increased popularity and demands for sporting competition, media rights expenses have skyrocketed, causing more subscribers to “cut the cord”

Teams and Leagues Can Start Their Own RSNs

- Several teams and leagues are investing significant amounts of capital to launch new RSNs in their respective team's territory, causing SFN LA to potentially lose media rights

Future Regulation in Media Industry is Uncertain

The FCC recently eliminated a rule that restricted a single entity from **owning more than 39%** of the national broadcasting market. However, the Telecommunication Act will **continue to regulate the industry** to a large extent.

STANDALONE VALUATION

DCF vs. MARKET VALUATION APPROACHES

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While drastically different, both DCF and market approaches are vital for a complete understanding of business valuation

Discounted Cash Flow

- A DCF is most useful when attempting to value a company that has **steady and predictable future cash flows**
- The basis of the valuation is driven **by intrinsic assumptions of the business**, causing varying estimates between analyst valuations
- Advertising and affiliate revenue drivers **are derived from subscriber numbers** which are straightforward to project
- Costs from telecast rights fees are **contractually laid out**
- However, in 2020, the telecast rights with LAC expire and the **new fees are unpredictable**, opening up subjectivity to input assumptions
- Method allows for a **more granular view of outlook**, but is only as strong as the accuracy of its assumptions

Market Approach

- Looks at **Precedent Transactions and Comparable Companies** to assess the value of the RSN relative to the market
- **Capitalizes on real market values and premiums paid** rather than assumptions, arguably making it more closely mirrored to the real market
- SFN LA has a **very similar business model** to other RSNs around the U.S., which is important to note when identifying similar companies
- However, **no two companies are exactly the same** and the differences may be difficult to account for during valuation
- Information of public companies and precedent transactions **can be difficult to find**
- As with any type of valuation, to account for small discrepancies between companies, **a range of valuations is required**

COMPARABLE COMPANIES ANALYSIS

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SportsFAN Network LA (RSN) Comparable Companies

in millions USD, except per share

Company Name (Ticker)	Market Data			Valuation Multiples			
	Price	Market Cap	EBITDA Margin	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Gray Television (GTN)	\$ 19.66	1,714.7	33.4%	3.1x	9.2x	12.4x	4.5x
MSG Networks (MSGN)	\$ 25.53	1,910.2	46.0%	4.2x	9.1x	9.3x	6.8x
Nextar Media Group (NXST)	\$ 81.01	3,695.1	32.6%	3.0x	8.9x	12.6x	6.8x
Sinclair Broadcast Group (SBGI)	\$ 31.40	3,060.4	27.7%	2.3x	9.1x	14.8x	5.9x
Tribune Media Company (TRCO)	\$ 39.25	3,439.5	21.2%	3.0x	9.2x	14.7x	8.0x
Low Multiple				2.3x	8.9x	9.3x	4.5x
Median Multiple				3.0x	9.1x	12.6x	6.8x
Average Multiple				3.1x	9.1x	12.8x	6.4x
High Multiple				4.2x	9.2x	14.8x	8.0x

KEY CRITERIA

Industry Vertical
Geographical Coverage
Size and Market Cap
Business Model

Comparable Companies

in thousands USD

Implied EV Value

Minimum	\$	1,440,332
25th Percentile	\$	1,466,225
Median	\$	1,467,843
75th Percentile	\$	1,484,027
Maximum	\$	1,488,882

Assuming FY2017 EBITDA

1.47 – 1.48 bn

25th to 75th percentile of
comparable companies

PRECEDENT TRANSACTIONS ANALYSIS

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SportsFAN Network LA (RSN) Precedent Transactions

in millions USD, except per share

Date	Acquiror	Target	Transaction Value	Valuation Multiples			
				EV/Sales	EV/EBITDA	EV/EBIT	Premium (1m)
6/13/13	Gannett Corporation	Belo Corporation	2,190.00	3.0x	8.4x	9.4x	21.1%
3/3/14	Media General	LIN Media LLC	2,509.21	3.5x	14.2x	23.5x	28.0%
5/8/17	Sinclair Broadcast Group	Tribune Media Company	6,931.49	3.4x	11.0x	17.3x	16.0%
Low Multiple				3.0x	8.4x	9.4x	16.0%
Median Multiple				3.4x	11.0x	17.3x	21.1%
Average Multiple				3.3x	11.2x	16.7x	21.7%
High Multiple				3.5x	14.2x	23.5x	28.0%

KEY CRITERIA

Industry Vertical
Geographical Coverage
Size and Market Cap
Date of Deal

Precedent Transactions

in thousands USD

Implied EV Value

Minimum	\$	1,359,414
25th Percentile	\$	1,568,181
Median	\$	1,776,948
75th Percentile	\$	2,040,739
Maximum	\$	2,304,530

Assuming FY2017 EBITDA

1.57 – 2.04 bn

25th to 75th percentile of
precedent transactions

Higher pricing stems from premiums paid on synergy opportunities that arose from acquisition

INCOME STATEMENT DRIVERS & ASSUMPTIONS

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SportsFAN Network LA (RSN) Income Statement

<i>in thousands USD</i>	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Net Advertising Revenue	46,120	47,453	49,711	52,242	53,861	54,454	53,855	53,262
% Growth	2.1%	2.9%	4.8%	5.1%	3.1%	1.1%	-1.1%	-1.1%
Affiliate Revenue	208,066	217,136	227,347	238,791	249,537	259,518	268,601	276,659
% Growth		4.4%	4.7%	5.0%	4.5%	4.0%	3.5%	3.0%
Telecast Rights Expense - LAC	(40,945)	(42,583)	(44,286)	(46,058)	(47,901)	(60,000)	(63,000)	(66,150)
% Growth	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
Telecast Rights Expense - LAM	(30,000)	(50,000)	(52,000)	(54,080)	(56,243)	(58,493)	(60,833)	(63,266)
% Growth			4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Production Cost	(10,368)	(10,785)	(11,289)	(11,854)	(12,355)	(12,785)	(13,131)	(13,436)
Gross Profit	175,571	163,874	172,194	181,831	189,674	185,540	188,432	190,116
Networks Operating SG&A Expense	(12,875)	(13,261)	(13,659)	(14,069)	(14,491)	(14,926)	(15,374)	(15,836)
Corporate Overhead	(5,184)	(5,393)	(5,645)	(5,927)	(6,177)	(6,392)	(6,565)	(6,718)
EBITDA	157,512	145,220	152,891	161,835	169,006	164,222	166,493	167,563
Depreciation	(1,296)	(1,328)	(1,361)	(1,395)	(1,358)	(1,393)	(1,429)	(1,465)
Income Tax Expense	(40,031)	(36,827)	(38,813)	(41,129)	(43,003)	(41,751)	(42,332)	(42,600)
Effective Tax Rate	26%	26%	26%	26%	26%	26%	26%	26%
Net Income	\$ 113,935	\$ 104,815	\$ 110,467	\$ 117,061	\$ 122,394	\$ 118,828	\$ 120,482	\$ 121,247

Overall, TV advertising is expected to decrease YoY due to cord cutters and streaming capabilities, signaling a strong decrease in advertising revenue.

Although the risk of cord cutters continues to grow, SFN LA's core business is driven by local fans, which is indicated by a slow, steady decrease.

In terms of telecast rights expenses, the LAC contract ends in 2020 and must be renewed. The team gave it a higher price to reflect monetary incentive to renew. LAM continues to grow at 4.0% annually and is reflected.

Other non-core income and expense line items, such as production costs and corporate overhead, were **projected using historical averages** under the assumption that the core business operations of RSN **does not change into the future.**

Assumption Changes

BULL Case

- Revenue growth and margins were increased to reflect higher profitability
- While expense growth and margins were decreased to reflect cost cutting measures

BEAR Case

- Revenue growth and margins were slowed to reflect poor profitability
- While expense growth and margins were increased to reflect rising company costs

Scenario Analysis	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Gross Advertising Revenue (% Growth)								
Bull				6.6%	4.6%	2.6%	0.4%	0.4%
Base				5.1%	3.1%	1.1%	-1.1%	-1.1%
Bear				3.6%	1.6%	-0.4%	-2.6%	-2.6%
Production Cost/Net Operating Revenue								
Bull				3.5%	3.5%	3.5%	3.5%	3.5%
Base				4.0%	4.0%	4.0%	4.0%	4.0%
Bear				4.5%	4.5%	4.5%	4.5%	4.5%

Revenue Line Items

- Seen above, in the BULL case, revenue % growth is 1.5% higher, while for BEAR, it remains 1.5% lower to reflect varying financial performances.

Expense Line Items

- In the BULL case, the expense/revenue margin is 0.5% lower than the BASE to indicate successful cost-saving measures, while vice versa for BEAR.

In order to account for the ambiguity in future projections, it would be most accurate to model out three different scenarios to see how varying levels of financial performance and negotiations would affect the overall valuation.

DISCOUNTED CASH FLOW (BASE CASE)

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SportsFAN Network LA (RSN) Discounted Cash Flow

in thousands USD

	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Free Cash Flow Build-Up								
EBIT	156,216	143,892	151,530	160,440	167,648	162,829	165,064	166,097
Tax Rate	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
NOPAT (EBIAT)	115,600	106,480	112,132	118,726	124,059	120,493	122,147	122,912
Adjustments from the Cash Flow Statement								
Non-Cash Adjustments								
Depreciation	1,296	1,328	1,361	1,395	1,358	1,393	1,429	1,465
Changes in Operating Assets and Liabilities								
Accounts Receivable, Net	(2,205)	(1,718)	(2,161)	(4,063)	(2,917)	(2,501)	(2,015)	(1,779)
Prepaid Expenses	(102)	(96)	(7)	(75)	(58)	(60)	(62)	(64)
Other Current Assets	(32)	(52)	(63)	(71)	(63)	(54)	(43)	(38)
Accounts Payable	(187)	532	59	(43)	60	190	74	76
Accrued Liabilities	151	178	195	351	260	223	179	158
Deferred Revenue	6	10	13	14	13	11	9	8
Unlevered Free Cash Flows from Operations	114,527	106,662	111,529	116,235	122,711	119,695	121,717	122,738
(-) CapEx	(1,296)	(1,328)	(1,361)	(1,395)	(1,454)	(1,505)	(1,545)	(1,581)
Total Unlevered FCFF	113,231	105,334	110,168	114,840	121,258	118,191	120,172	121,157
% Growth YoY		-7.0%	4.6%	4.2%	5.6%	-2.5%	1.7%	0.8%
Discount Period				0.50	1.50	2.50	3.50	4.50
Present Value of Unlevered Free Cash Flows				\$ 110,046	\$ 106,697	\$ 95,497	\$ 89,161	\$ 82,543

Perpetuity Growth Approach

Unlevered FCFF in Last Forecast Period (t)	121,157
Long-Term Growth Rate	3.0%
Terminal Value	2,114,317
Present Value of Terminal Value	1,440,472
Present Value of Cash Flows from 2018 - 2022	483,945
Implied Enterprise Value	\$1,924,417

\$1.92 bn

Exit EBITDA Multiple Approach

Terminal Value EBITDA	167,562
Terminal Value EBITDA Multiple	11.0x
Terminal Value	1,839,836
Present Value of Terminal Value	1,253,470
Present Value of Cash Flows from 2018 - 2022	483,945
Implied Enterprise Value	\$1,737,415

\$1.74 bn

Cost of Capital Calculations	
Cost of Debt	4.5%
Effective Tax Rate	26.0%
After-Tax Cost of Debt	3.3%

Cost of Equity	
Risk-Free Rate	3.1%
Beta	1.09
Market Risk Premium	9.1%
Equity Risk Premium	5.1%
Size Risk Premium	3.0%
Industry Risk Premium	1.0%
Cost of Equity	13.0%

Beta Calculations	
Industry Unlevered Beta	0.83
Gray Television (GTN)	1.07
MSG Networks (MSGN)	1.09
Nextar Media Group (NXST)	0.60
Sinclair Broadcast Group (SBGI)	0.49
Tribune Media Company (TRCO)	0.92
SportsFAN Debt-to-Equity Ratio	42.5%
SportsFAN Network Levered Beta	1.09

Capital Weights	
Debt	50,000
Equity	117,679
Cost of Capital (WACC)	8.9%

RSN VALUATION ANALYSIS

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Valuation Method	Weight	25th Percentile	Median	75th Percentile
<i>in thousands USD</i>				
DCF: Perpetuity Growth	20%	1,963,120	2,153,132	2,379,035
DCF: Exit EBITDA	20%	1,905,263	1,974,995	2,048,198
Comparable Companies	40%	1,523,063	1,524,744	1,541,555
Precedent Transactions	20%	1,628,972	1,845,832	2,119,849
BULL Implied RSN EV	100%	\$ 1,708,696	\$ 1,804,690	\$ 1,926,039

1.71 – 1.92 bn

7.7% upside from
BASE case

DCF: Perpetuity Growth	20%	1,754,345	1,924,418	2,127,132
DCF: Exit EBITDA	20%	1,676,656	1,737,414	1,801,192
Comparable Companies	40%	1,466,226	1,467,845	1,484,028
Precedent Transactions	20%	1,568,182	1,776,950	2,040,741
BASE Implied RSN EV	100%	\$ 1,586,327	\$ 1,674,894	\$ 1,787,424

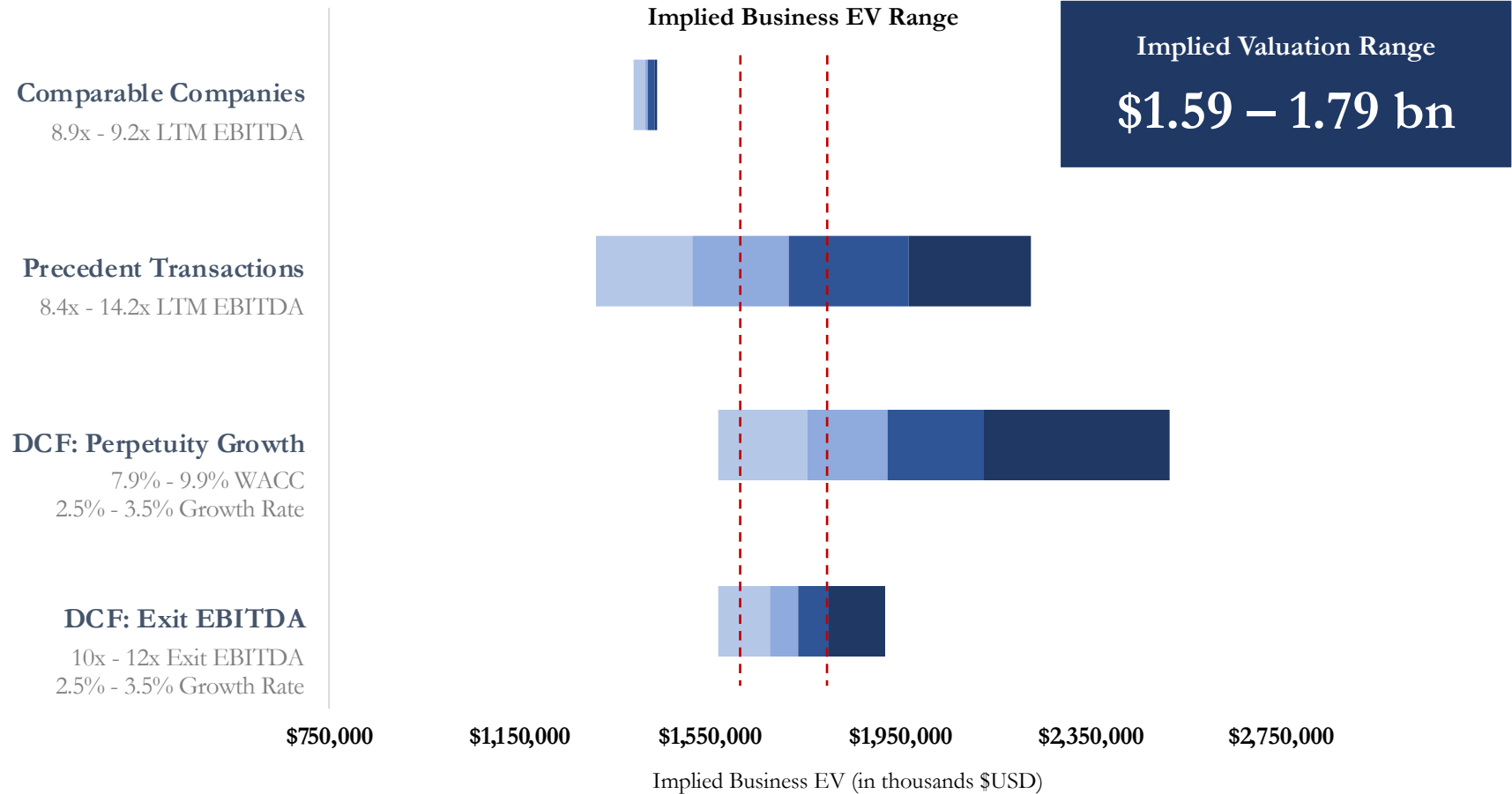
1.49 – 1.68 bn

6.0% discount from
BASE case

DCF: Perpetuity Growth	20%	1,602,440	1,758,324	1,944,610
DCF: Exit EBITDA	20%	1,510,562	1,564,845	1,621,820
Comparable Companies	40%	1,416,365	1,417,929	1,433,562
Precedent Transactions	20%	1,514,854	1,716,522	1,971,343
BEAR Implied RSN EV	100%	\$ 1,492,118	\$ 1,575,110	\$ 1,680,979

In order to account for the relative strength in the team's valuation methodologies, **each valuation method was assigned an appropriate weight**. Due to the lack of public information surrounding many RSN purchases in the past few years, the team assigned a lower weight for Precedent Transactions relative to other valuation methods.

FOOTBALL FIELD ANALYSIS (BASE CASE)



FINANCIAL BUYER ANALYSIS

STRATEGIC VS. FINANCIAL BUYERS

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Both transactions provide unique benefits and fall backs that SFN LA must take into account

Strategic Buyers

Advantageous synergies

- Strategic buyers provide Subject RSN with an **increased base of new subscribers**, driving larger revenue numbers and increasing telecast rights negotiating power
- As cord-cutters switch to cheaper alternatives, buyers with online platforms **can readily distribute streaming** of the Subject RSN and access an entire new pool of customers
- Even without a streaming platform, strategic buyers **offer existing relationships** with professional and minor league teams, bolstering options to acquire new content

Higher premium, higher price

- With increased synergies for strategic buyers, comes a price tag. By selling to a strategic buyer, Mendelsohn is **guaranteed a higher payout for his business**, which can be invested within other sectors in CMA

Financial Buyers

Invaluable management experience

- Financial buyers offer invaluable knowledge and experience. Many have decades worth of experience in their respective fields as well as a healthy track record of successful acquisitions
- If CMA sells to a financial buyer, it can be sure to receive management advice from top professionals that could significantly increase the company's growth and help it cut down on costs

Financial conditions

- A financial buyer also offers connections with business leaders as well as other financial institutions and **access to large amounts of capital** that most other businesses cannot reach
- However, financial buyers are primarily driven by their own IRR, causing them to **systematically pay less for acquiring companies**
- They also frequently **saddle companies with debt** after the investment period has ended

CURRENT STATE OF THE PE MARKET

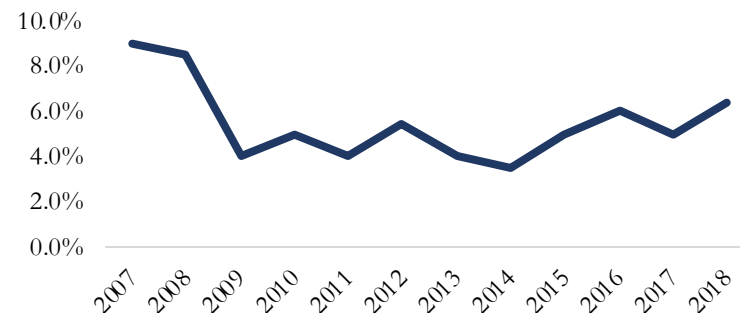
| 24

As public market conditions continue to face high volatility, the PE market suffers similar signs of weakening

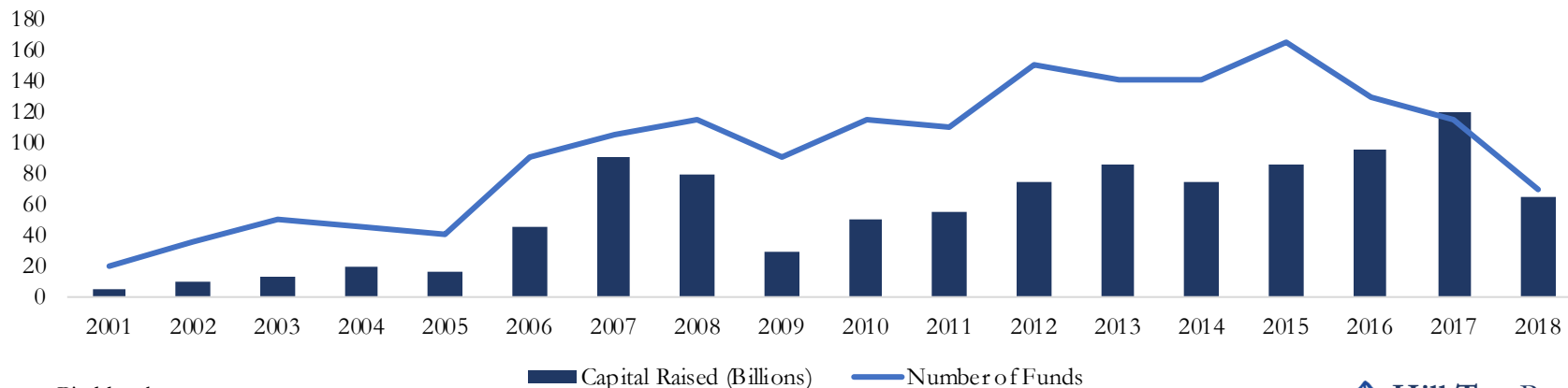
Market Environment

- Due to recent market conditions, the private equity market has **shown a downturn for the FY2018**
- The Fed has been **steadily increasing interest rates**, making debt financing more expensive for companies in highly levered transactions
- Furthermore, due to the current conditions of the credit cycle, the **amount of private debt fundraising is decreasing**, further adding to the cost of a leveraged buyout of SFN LA

US 3M LIBOR SPREADS SEE INCREASE



PRIVATE DEBT FUNDRAISING FALLS DRAMATICALLY IN 2018



Source: Pitchbook

POTENTIAL FINANCIAL BUYERS

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Among top financial buyers, Providence Equity provides the best expertise and experience for SFN LA

SILVERLAKE

SilverLake Partners

- Known as **one of the strongest in the tech and media space**, bringing strong management and transaction expertise
- Has **successfully invest on sports networks** such as MSG, Endeavor, and UFC
- However, their tendency to buy independently and a mid-sized AUM makes it potentially a grey investment candidate for the firm

PROVIDENCE EQUITY

Providence Equity

- Has a specialized focus in media and entertainment, with over **50 past and current investments** alone
- Expertise with RSNs, college sports and YES Network
- Over **300 employees on the fund and portfolio operations**, giving the RSN the opportunity for a more individual, dedicated approach
- Fund size of \$60 bn gives more freedom for the firm to invest

CVC

CVC Capital

- Investments range from a variety of industries as well as countries
- **Relevant exited investments include** Formula One and Nine Entertainment as well as a bid attempt for English Rugby
- **CVC Capital's flagship fund has over \$100 bn AUM**, allowing it to safely invest independently
- Yet its lack of involvement within specifically RSNs may be concerning

Providence Equity fills the niche RSN space that SFN LA requires to succeed

LBO FEASIBILITY CHECK

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In order to be fully considered by financial buyers, SFN LA must first meet several key criteria

Steady Cash Flow Generation

The Subject RSN generates enough cash flow to sustain recurring interest payments and mandatory principal repayments.



Strong Management Team

Although spearheaded by Mendelsohn, lack of other notable company figures signals possible areas of improvement for his company.



Cost Cutting Options

Outside of broadcasting rights, SFN LA has multiple avenues of cost cutting options including production and standard SG&A expenses.



Available Collateral

SFN LA's lack of tangible assets and PP&E make it difficult to provide collateral when raising debt to finance the transaction.



Competitive Market Position

Although unique to the LA market, SFN LA's breadth pales in comparison to major networks like ESPN and YES Network.



Feasible Exit Options

With large media and tech companies seeking to expand their portfolios, SFN LA will have a variety of options post-exit.



LBO TRANSACTION OVERVIEW

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With a mix of debt, cash, and equity, Providence will buy-out RSN LA for \$1.87 bn

Financial Overview

Deal Valuation

- With an equity buy-out of \$1.7 bn, the required refinancing of \$50 mm in debt, and transaction fees of \$19 mm, the buyout of SFN LA by Providence Equity **will cost \$1.87 bn**
- The deal will be financed with a mix of debt, cash, sponsor equity, and management rollover
- Post buyout, Providence Equity will have a **93% ownership of the company**, while management will retain 7%

Debt Financing Terms

- In order to balance interest and mandatory debt payments, a mix of debt tranches was used to finance the transaction
- A revolver of **\$250 mm maximum capacity** was available but not used

Line Item Adjustments

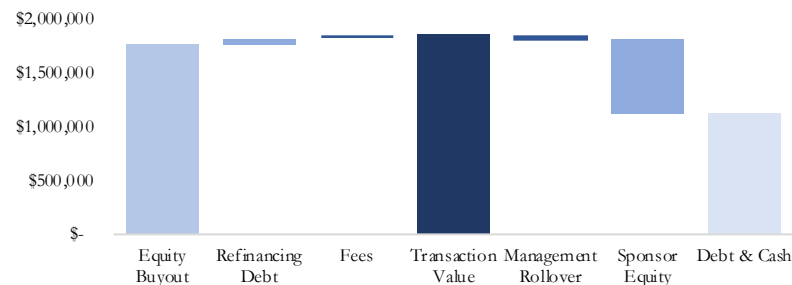
- In line with new management in place, **certain line items on the income statement were adjusted**, including higher revenue growth, lower OpEx and recurring CapEx

Sources of Funds

	EBITDA Turns	Investment Value
Excess Cash	0.5x	77,196
Revolver	0.0x	-
Term Loan A	1.64x	250,000
Term Loan B	1.64x	250,000
Senior Note	1.64x	250,000
Subordinated Note	1.31x	200,000
Mezzanine Debt	0.65x	100,000
Management Rollover	0.33x	50,000
Sponsor Equity	4.52x	691,052
Total Sources	12.22x	\$ 1,868,248

Total Debt	50.8%	950,000
Total Cash	4.1%	77,196
Sponsor Equity	37.0%	691,052
Management Rollover	2.7%	50,000

SOURCES AND USES WATERFALL



LBO RETURNS ANALYSIS

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With only a 10.5% base case IRR, a financial buyout of SFN LA remains a poor decision for both parties

Returns Analysis

in thousands USD

2018E

2022E

Sponsor IRR

Initial Equity Outflow	(691,052)	-
Dividends Received	-	-
Equity Value at Exit	-	1,029,389
Total Cash Flows	(691,052)	1,029,389

IRR	10.5%
Cash-on-Cash	1.5x

Management Rollover IRR

Initial Equity Outflow	(50,000)	-
Dividends Received	-	-
Equity Value at Exit	-	74,480
Total Cash Flows	(50,000)	74,480

IRR	10.5%
Cash-on-Cash	1.5x

Key Takeaways

- With a five-year holding period, sponsors and management is only netted to receive **an IRR of 10.5% on their money**, a rather low outcome in comparison to fund target goals
- Furthermore, even after exiting, SFN LA remains **saddled with unpaid principal debt** totaling over more than \$800 mm

Sponsor Hurdle Rate Sensitivity

Sponsor Hurdle Rate (Minimum IRR)

Equity Offer Value

Enterprise Value

EV/LTM EBITDA Multiple

Offer Price at Various Sponsor Hurdle Rates

12.5%	15.0%	20.0%	25.0%	30.0%
1,652,844	1,593,394	1,495,294	1,418,916	1,358,851
1,657,254	1,597,805	1,499,705	1,423,326	1,363,261
10.8x	9.3x	8.2x	7.8x	7.1x

- Given the various IRRs above, a financial buyer heavily discounts the intrinsic standalone value of the Subject RSN
- Unless Providence Equity is willing to reduce their IRR, Mendelsohn will take a huge undercut of his deserved share

20% IRR Scenario

89.5%

of intrinsic value paid

In order for financial sponsors to reach their target IRR, the price paid hugely undercuts the intrinsic value of SFN LA

Due to numerous poor conditions surrounding an LBO transaction, the team suggests turning down financial sponsor offers

The lack of exceptional cash flows and management team decreases survival feasibility post-exit

- After leveraging up, SFN LA's cash flows are able to cover interest payments and mandatory principal repayments, but will be left with high volume maturing full payments within the near future
- Although able to increase margins in select areas, SFN LA's lack of negotiating power and market position will bring rise to difficulties in empowering the business

The sale of Subject RSN to Providence Equity is financially unsound for both the buyer and seller

- With a target IRR threshold to reach, Providence Equity would only receive a base case 10.5% IRR with a five-year holding period, thus potentially disappointing shareholders and historical fund returns
- In order to realize a greater return, Providence must invest at a much lower intrinsic valuation of SFN LA than if Mendelsohn sold his business to a strategic buyer

The current market state of the PE and credit markets disincentivize leveraging up transactions

- As global markets continue to demonstrate high volatility, the purchase and exiting of SFN LA by a financial buyer of SFN LA remains highly uncertain
- As US 3m LIBOR and interest rates continue to rise, financing debt is becoming increasingly expensive, harming both the business itself and investor returns

STRATEGIC BUYER ANALYSIS

MEDIA M&A ENVIRONMENT

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The media M&A environment is ripe with opportunities of growth, expansion, and consolidation

Industry Overview

- **870+ media and communications** deal announcements in 2018
- Potential buyers of traditional media companies are **expanding into internet companies** to build a relationship directly with consumers
- Deals exceeding \$1 bn represented only 7% of deal volume during 2018, but **contributed to 78% of announced deal value**

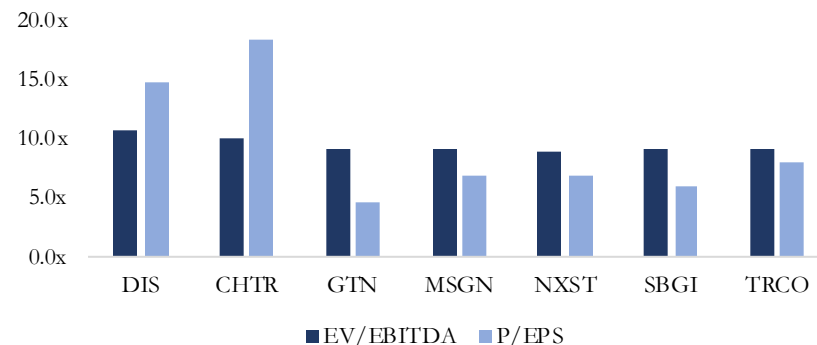
Notable Transactions

- Nexstar Broadcasting makes \$4.1 bn unsolicited bid for Media General
- Charter Communications' \$56 bn acquisition of Time Warner Cable
- Disney's \$52.4 bn acquisition of 21st Century Fox
- Discovery Communications' \$14.6 bn acquisition of Scripps Network Interactive
- AT&T's \$79.1 bn acquisition of Time Warner

Overarching Trends

- Tech platforms, such as Amazon and Netflix, have **become credible competitors** and are exerting enormous pressure on traditional standalone media models
- There is an increased **push towards consolidation** to not only cut costs but also secure negotiating leverage with distributors and advertisers
- With decreasing advertising revenues and a saturated domestic market, **media companies are looking to diversify** and expand into content creation or distribution platforms

FORWARD VALUATION MULTIPLES



VALUE PROPOSITION FOR SFN LA

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Although SFN LA is financially sound, it needs to expand content and distribution methods to successfully scale

What SFN LA Currently Has

- Strong presence in the **LA market and Hispanic viewership**
- Extremely strong **revenue and EBITDA margins**
- A dominant position in **LA basketball and baseball markets**
- Secured **media rights contracts** with sports teams until 2020+
- **90%** household pay-TV penetration

What SFN LA is Missing

- **Access to cord cutting consumers** who turn to streaming or online platforms
- **Strong presence** in hockey and college sports
- **Online or mobile compatibility** for customers
- **Room to grow** in size and scale in order to attract more content and better talent

What SFN LA Needs

RSN	MLB	NBA	NHL	MLS	College	Other
SFN LA	LAC	LAM	-	-	-	X
RSN B	-	X	X	X	X	X
RSN C	X	-	X	X	X	X

In order to grow larger and scale, SFN LA must find ways to retain subscribers whether it's **through streaming platforms** or through increasing **its presence in major sports** other than baseball and basketball

TO ACCEPT OR NOT TO ACCEPT?

| 33

While FGA and Sidney Banks provide strong synergies, SFN LA should ultimately consider other strategic buyers

Mendelsohn is currently fielding an offer from FGA and its CEO, Sidney Banks, and must ultimately decide if he wishes to sell

Notable Strengths

- FGA **currently owns multiple sports franchises and RSNs** in New York, Dallas and Chicago, allowing it to diversify his portfolio
- Sidney Banks and his management team **offer valuable experience and knowledge** of the regional sports network business
- FGA is not a direct competitor of CMA and the sale of SFN LA will **not put CMA at any strategic or financial disadvantage**
- FGA's connections in the sports industry **may lead to more professional sports content** for SFN LA within the LA area
- With increased coverage across the country and stronger management, SFN LA **may also be able to gain more negotiating power** with sports teams

Missing Weaknesses

- FGA offers **no existing streaming capabilities** and will continue to broadcast only to television subscribers, limiting SFN LA's potential growth
- As technology continues to impact media and entertainment, FGA also **offers no app or mobile presence**
- With limited synergies available in a potential sale, FGA is **likely to offer a lower purchase price** to Mendelsohn and CMA

SFN LA must find new avenues of growth in order to stay competitive. While FGA remains a stable option, it provides no new opportunities for SFN, thus Mendelsohn should look towards other strategic buyers in the community.

OTHER STRATEGIC BUYERS TO CONSIDER

| 34

While many provide solid rationales, a sale to Verizon offers unparalleled streaming, access to content and new markets



- With \$162.7 bn in market cap and \$3.42 bn cash on hand, Comcast is in a position to make acquisitions after losing to Disney on 21st Century Fox and acquiring NBC
- However, since Comcast currently owns 7 RSNs across the U.S., it is most likely not interested in only SFN LA as it has opportunity to expand much quicker by buying part or all of FOX's 22 RSN's



- CBS currently offers streaming options through CBS All Access and has a strong relationship with NCAA through a 22 year contract to televise March Madness not set to end until 2032
- However, this acquisition is not financially feasible as CBS only has \$285 mm cash on hand and would have to instead rely heavily on debt and equity financing for one singular RSN



- With \$14.56 bn cash on hand, Amazon has enough financing capability to easily cover the cost
- Amazon also has two streaming platforms, Twitch and Prime Video, which debuted NFL Thursday Night Football with more than 18 mm total viewers over 11 games
- Amazon is more interested in high-priority streaming such as YES network instead of local college sports



- Verizon's \$233 bn market cap makes the acquisition financially possible with little burden
- Verizon's recent acquisition of Yahoo gives opportunity for increased customer engagement through its Fantasy platform as well as its online sports streaming capabilities
- However, Verizon's lack of management with RSN may bring up difficulties with the merger

VERIZON & YAHOO OVERVIEW

| 35

With its growing streaming capabilities and access to sports content, recently-acquired Yahoo presents growth and opportunity

**“Most companies embrace change with a certain degree of reluctance.
That’s never been the Verizon way.”**

– Verizon 2017 Shareholder Letter

Business Overview

- Verizon is one of the **largest communications companies** in the world, offering voice, data and video services
- Verizon has **seen strong customer loyalty and a heavy demand** for their high speed data services
- In recent years, Verizon has also shown a **trend of extensive M&A**, buying out AOL, Yahoo, and Telemark

Yahoo Overview

- Yahoo is a web portal that includes a search engine, email service, news, financial databases, fantasy sports, video sharing and sports streaming
- This NFL Season Yahoo Sports **streamed up to 16 NFL games live** through their mobile app which will include the SuperBowl this Sunday
- 60% of Yahoo Sports revenue** comes from their Fantasy Sports services

Verizon Key Financial Information

<i>in millions USD</i>	2015 FY	2016 FY	2017FY
Net Operating Revenue	130,115	123,639	129,647
Cost Of Services	(30,647)	(27,928)	(31,656)
Gross Profit	99,468	95,711	97,991
<i>Gross Profit Margin</i>	76.4%	77.4%	75.6%
SG&A & Service Expenses	(53,646)	(49,580)	(54,622)
EBIT	29,775	29,976	25,967
<i>EBIT Margin</i>	22.9%	24.2%	20.0%
Net Income	\$ 14,441	\$ 15,927	\$ 30,954
<i>NI Margin</i>	11.1%	12.9%	23.9%

Recent Acquisitions

- 2011** | Verizon acquired infotech company Telemark for \$1.4 bn
- 2012** | Verizon acquired Advanced web services for \$3.9 bn
- 2015** | Verizon acquired AOL for \$4.4 bn
- 2016** | Verizon acquired Yahoo for \$4.84 bn and merged it with AOL to create a subsidiary called “Oath”

VERIZON OFFERS GROWTH AND INNOVATION

| 36

Getting acquired by Verizon would allow SFN LA to leverage Yahoo Sports and grow their amount of subscribers

Verizon offers complementary broadcasting of RSN content across the country

- Verizon currently broadcasts RSN content to California, New York City, Texas, and Florida; however, the content comes at an additional fee that is widely unpopular with Verizon customers
- With the acquisition of SFN LA, Verizon no longer needs to rely on purchasing broadcasting rights, and instead can broadcast through SFN LA, effectively lowering fees for itself and the customer
- Furthermore, Verizon is a longstanding and respected player in the media industry that brings not only valuable experience and knowledge, but also much needed negotiating power

Integrating SFN LA with Yahoo Sports platforms provides increased viewer engagement

- With the acquisition of Yahoo Sports and its platform, Verizon now has access to fantasy drafting and real time statistics and analysis that SFN LA can tap into
- Verizon can integrate SFN LA into its fantasy football and sabermetrics program, thus effectively increasing customer support and engagement for local teams
- Online fantasy sports programs have seen over 100% growth in the past 10 years, signaling its increasingly notable popularity with users

57 mil

people in the USA who play fantasy sports

Verizon's streaming platform allows for increased avenues of viewer growth for SFN LA

- In addition to its fantasy platform, Yahoo Sports has its own streaming platform online, giving SFN LA an opportunity to combat its biggest driver of subscriber loss head on
- The service streamed nearly every NFL game this season to Verizon subscribers after the NFL's chief media officer committed to increasing the leagues presence online
- Since 2003, Yahoo has been live streaming the NCAA March Madness tournament; this relationship may lead to increased college content and negotiating power for the RSN

MERGER MODEL TRANSACTION OVERVIEW

| 37

At a hefty price of \$2.16 bn funded by cash and debt, Verizon's acquisition of SFN LA represents a 21.7% premium paid

Financial Overview

Deal Valuation

- With an equity buyout of \$2.1 bn, the required refinancing of \$50 mm in debt, and transaction fees of \$31 mm, the buyout of SFN LA by Verizon Communications **arrives at \$2.16 bn**
- The deal will be financed with a mix of **55% cash and 45% debt** to maximize cash on hand and interest payments
- In doing so, Verizon will use **\$1.13 bn of cash and undertake \$923 mm of debt** to finance the transaction

Market Premium Paid

- In order to account for strategic revenue and cost synergies, a **21.7% market premium** was applied to the equity buyout
- This assumption was taken from precedent transactions in the public media and entertainment M&A market

Key Line Item Assumptions

- To determine the foregone interest on cash, the team utilized corporate savings rate of 3%. Furthermore, **key revenue and cost synergies alongside M&A transaction fees** were included in the deal, which are highlighted on the next slide

Transaction Sources and Uses Table

in millions USD

Enterprise Value	1,675
(-) Total Debt	(50)
(+) Total Cash	87
Intrinsic Equity Value	1,712
Assumed Market Premium	21.7%
Equity Purchase Value	2,084

Uses of Funds

Buyout of Equity	2,084
Refinancing of RSN Debt	50
Transaction Fee	31
Total Uses	2,164

Sources of Funds

Cash	1,190
Debt	974
Total Sources	2,164

+15.8%

upside in
comparison to
purchase price of
financial buyer

ACCRETION/DILUTION ANALYSIS

| 38

Verizon's acquisition would increase the overall subscriber base while allowing for more leverage in telecast rights negotiations

Revenue Synergies

- We project **20% of SFN LA's 3.59 mm subscribers** to be converted into Yahoo Daily Active Users 1.5 years after the acquisition
- After the merger the team projects **SFN LA's subscriber base to grow 10%** once fully integrated onto Yahoo's Streaming platform **and slow to 6% by 2020**
- In 2021, Verizon will use its existing connections in the NCAA to **help SFN LA broker a telecast rights agreement with an LA College Basketball team** increasing growth and conversion rate

Cost Synergies

- Increased subscriber base will allow for **more leverage** in the upcoming telecast rights negotiations with LAC
- We project **consolidation of workforce and buildings to save** more than \$54 million YoY
- Furthermore, we project **0.035% of revenue cost synergies** derived from increased cost efficiency and workforce optimization
- In 2020, we project cost synergies to increase to **0.05% due to increased leverage** in telecast negotiations

Verizon Pro Forma Income Statement

<i>in millions USD</i>	2018E	2019E	2020E	2021E	2022E
Operating Revenue	132,745	136,177	140,264	144,763	149,709
Revenue Synergies	50	38	25	48	32
Post Merger Operating Revenue	132,795	136,215	140,289	144,811	149,740
COGS	(31,266)	(32,075)	(33,049)	(34,169)	(35,339)
Cost Associated with Revenue Synergies	(12)	(9)	(6)	(11)	(7)
Post Merger Gross Profit	101,517	104,131	107,234	110,631	114,394
SG&A	(54,548)	(55,956)	(57,635)	(59,485)	(61,518)
Opex Synergies	19	20	29	30	31
EBITDA	46,989	48,194	49,628	51,176	52,907
Depreciation & Ammortization	(17,141)	(17,584)	(18,111)	(18,692)	(19,331)
Operating Income (EBIT)	29,847	30,611	31,517	32,484	33,576
Interest Expense	(4,639)	(4,639)	(4,639)	(4,639)	(4,639)
Other income and (expense) net	(1,711)	(1,711)	(1,711)	(1,711)	(1,711)
Foregone Interest on Cash	(36)	(36)	(36)	(36)	(36)
Additional Interest Expense	(39)	(39)	(39)	(39)	(39)
Transaction Fees	(32)	-	-	-	-
Income before Tax Expense (EBT)	23,391	24,187	25,093	26,060	27,152
Benefit (provision) for income taxes	(5,380)	(5,563)	(5,771)	(5,994)	(6,245)
<i>Effective Tax Rate</i>	<i>23%</i>	<i>23%</i>	<i>23%</i>	<i>23%</i>	<i>23%</i>
Post Merger Net Income	18,011	18,624	19,322	20,066	20,907
Old EPS	4.31	4.45	4.62	4.81	5.01
New EPS	4.35	4.50	4.67	4.85	5.05
Accretion/Dilution	1.0%	1.1%	1.0%	0.8%	0.8%

4.7%

increased
shareholder value

Shareholders will see **over 2.0% increased value over the first two years**, and then see a slight taper for the next three years.

Standalone Valuation

Verizon, as a strategic buyer, would be able and prepared to pay the highest premium for SFN LA due to realized cost and revenue synergies that benefit both SFN LA and Verizon

In order for financial buyers to realize a target 20% IRR, they would only pay 89.5% of the intrinsic value of the SFN LA

Subscribers & Content

SFN LA can combat its subscriber loss and engage with cord cutters through Yahoo Sports and its fantasy sports platform to increase avenues of viewer growth

Yahoo has been providing college sports content to its viewers, creating a valuable relationship with collegiate teams – this relationship can be leveraged to attract new sports content

Contracts & Distribution

SFN LA, under the Verizon corporate shell, would have the size and the scale to attract telecasting rights contracts and create operating efficiencies

By leveraging Verizon and Yahoo's online streaming platforms, the SFN LA can expand their subscriber base and retain losses from cord cutting

Hill Top Partners recommends a strategic sale to Verizon for its best-in-class innovation, industry position, and competitive edge

Q&A

APPENDIX

APPENDIX 1.1: RSN INCOME STATEMENT (BASE)

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SportsFAN Network LA (RSN) Income Statement

in thousands USD

	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Gross Advertising Revenue	54,259	55,827	58,484	61,461	63,366	64,063	63,359	62,662
Less: Advertising Commission	(8,139)	(8,374)	(8,773)	(9,219)	(9,505)	(9,609)	(9,504)	(9,399)
Net Advertising Revenue	46,120	47,453	49,711	52,242	53,861	54,454	53,855	53,262
Affiliate Revenue	208,066	217,136	227,347	238,791	249,537	259,518	268,601	276,659
Other Operating Revenue	5,015	5,040	5,170	5,322	5,482	5,646	5,815	5,990
Net Operating Revenue	259,201	269,629	282,228	296,355	308,880	319,618	328,272	335,912
Telecast Rights Expense - LAC	(40,945)	(42,583)	(44,286)	(46,058)	(47,901)	(60,000)	(63,000)	(66,150)
Telecast Rights Expense - LAM	(30,000)	(50,000)	(52,000)	(54,080)	(56,243)	(58,493)	(60,833)	(63,266)
Production Cost	(10,368)	(10,785)	(11,289)	(11,854)	(12,355)	(12,785)	(13,131)	(13,436)
Other Programming Expense	(2,317)	(2,387)	(2,458)	(2,532)	(2,706)	(2,800)	(2,876)	(2,943)
Total Programming and Production Expenses	(83,630)	(105,755)	(110,034)	(114,524)	(119,205)	(134,078)	(139,839)	(145,795)
Gross Profit	175,571	163,874	172,194	181,831	189,674	185,540	188,432	190,116
Networks Operating SG&A Expense	(12,875)	(13,261)	(13,659)	(14,069)	(14,491)	(14,926)	(15,374)	(15,836)
Corporate Overhead	(5,184)	(5,393)	(5,645)	(5,927)	(6,177)	(6,392)	(6,565)	(6,718)
Operating Expenses	(18,059)	(18,654)	(19,304)	(19,996)	(20,669)	(21,319)	(21,940)	(22,554)
EBITDA	157,512	145,220	152,891	161,835	169,005	164,222	166,492	167,562
Depreciation	(1,296)	(1,328)	(1,361)	(1,395)	(1,358)	(1,393)	(1,429)	(1,465)
Operating Income (EBIT)	156,216	143,892	151,530	160,440	167,647	162,829	165,063	166,097
Interest Expense	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)
Income before Tax Expense	153,966	141,642	149,280	158,190	165,397	160,579	162,813	163,847
Income Taxes Expense	(40,031)	(36,827)	(38,813)	(41,129)	(43,003)	(41,751)	(42,331)	(42,600)
Effective Tax Rate	26%	26%	26%	26%	26%	26%	26%	26%
Net Income	\$ 113,935	\$ 104,815	\$ 110,467	\$ 117,061	\$ 122,394	\$ 118,828	\$ 120,482	\$ 121,247
CAPEX Spending	1,296	1,328	1,361	1,395	1,454	1,505	1,545	1,581
Retained Earnings BoY	71,401	85,336	90,151	100,618	117,679	140,073	158,901	179,383
(+) Net Income	113,935	104,815	110,467	117,061	122,394	118,828	120,482	121,247
(-) Dividends	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Retained Earnings EoY	85,336	90,151	100,618	117,679	140,073	158,901	179,383	200,630

APPENDIX 1.2: KEY NWC DRIVERS

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Key Working Capital Metrics & Drivers

Accounts Receivable, Net

Beginning of Period	58,867	61,072	62,790	64,951	69,014	71,931	74,431	76,447
Increases/ (Decreases)	2,205	1,718	2,161	4,063	2,917	2,501	2,015	1,779
End of Period	61,072	62,790	64,951	69,014	71,931	74,431	76,447	78,226
Accounts Receivables/Net Operating Revenue	23.6%	23.3%	23.0%	23.3%	23.3%	23.3%	23.3%	23.3%
Days Sales Outstanding	86x	85x	84x	85x	85x	85x	85x	85x

Prepaid Expenses

Beginning of Period	1,668	1,770	1,866	1,873	1,948	2,006	2,066	2,128
Increases/ (Decreases)	102	96	7	75	58	60	62	64
End of Period	1,770	1,866	1,873	1,948	2,006	2,066	2,128	2,192
Prepaid Expenses/SG&A	13.7%	14.1%	13.7%	13.8%	13.8%	13.8%	13.8%	13.8%

Other Current Assets

Beginning of Period	1,264	1,296	1,348	1,411	1,482	1,544	1,598	1,641
Increases/ (Decreases)	32	52	63	71	63	54	43	38
End of Period	1,296	1,348	1,411	1,482	1,544	1,598	1,641	1,679
Other Current Assets/Net Operating Revenue	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Accrued Liabilities

Beginning of Period	5,267	5,418	5,596	5,791	6,142	6,402	6,624	6,804
Increases/ (Decreases)	151	178	195	351	260	223	179	158
End of Period	5,418	5,596	5,791	6,142	6,402	6,624	6,804	6,962
Accrued Liabilities/Net Operating Revenue	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%

Deferred Revenue

Beginning of Period	253	259	270	282	296	309	320	328
Increases/ (Decreases)	6	10	13	14	13	11	9	8
End of Period	259	270	282	296	309	320	328	336
Deferred Revenue/Net Operating Revenue	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

APPENDIX 1.2: KEY NWC DRIVERS

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Accounts Payable

Beginning of Period	1,103	916	1,449	1,507	1,464	1,524	1,714	1,788
Increases/(Decreases)	-187	533	58	(43)	60	190	74	76
End of Period	916	1,449	1,507	1,464	1,524	1,714	1,788	1,864
Accounts Payable/Total Production & Programing Expense	1.1%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%
Days Payable Outstanding	4x	5x	5x	5x	5x	5x	5x	5x

PPE Roll-Forward Schedule

Beginning of Period PPE	4,268	4,268	4,268	4,268	4,268	4,364	4,476	4,592
(+) CAPEX	1,296	1,328	1,361	1,395	1,454	1,505	1,545	1,581
(-) Sale of Assets	-	-	-	-	-	-	-	-
(-) Depreciation	(1,296)	(1,328)	(1,361)	(1,395)	(1,358)	(1,393)	(1,429)	(1,465)
PPE End of Period	4,268	4,268	4,268	4,268	4,364	4,476	4,592	4,708
CAPEX	1,296	1,328	1,361	1,395	1,454	1,505	1,545	1,581
CAPEX/Net Operating Revenue	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Depreciation	1,296	1,328	1,361	1,395	1,358.05	1,392.81	1,428.99	1,465.11
Depreciation/(BOP of PPE + CAPEX)	23.3%	23.7%	24.2%	23.7%	23.7%	23.7%	23.7%	23.7%

Long-Term Debt Schedule

Beginning of Period	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Additional Borrowing/(Pay Down)	-	-	-	-	-	-	-	(50,000)
End of Period	50,000	50,000	50,000	50,000	50,000	50,000	50,000	-
Interest Expense on Long-Term Debt	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Weighted Average Interest Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

APPENDIX 1.3: RSN SCENARIO ANALYSIS

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Scenario Analysis	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Gross Advertising Revenue (% Growth)	2.1%	2.9%	4.8%	5.1%	3.1%	1.1%	-1.1%	-1.1%
Affiliate Revenue (% Growth)	2.7%	4.4%	4.7%	5.0%	4.5%	4.0%	3.5%	3.0%
Other Operating Revenue (% Growth)	0.0%	0.5%	2.6%	2.9%	3.0%	3.0%	3.0%	3.0%
Advertising Commission/Gross Advertising Revenue	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Telecast Rights Expense - LAC (% Growth)			4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
Telecast Rights Expense - LAM (% Growth)	0.0%	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Production Cost/Net Operating Revenue	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Programming Expense/Net Operating Revenue	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Networks Operating SG&A Expense (% Growth)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Corporate Overhead/Net Operating Revenue	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Gross Advertising Revenue (% Growth)								
Bull				6.1%	4.1%	2.1%	-0.1%	-0.1%
Base				5.1%	3.1%	1.1%	-1.1%	-1.1%
Bear				4.1%	2.1%	0.1%	-2.1%	-2.1%
Affiliate Revenue (% Growth)								
Bull				6.0%	5.5%	5.0%	4.5%	4.0%
Base				5.0%	4.5%	4.0%	3.5%	3.0%
Bear				4.0%	3.5%	3.0%	2.5%	2.0%
Other Operating Revenue (% Growth)								
Bull				3.4%	3.5%	3.5%	3.5%	3.5%
Base				2.9%	3.0%	3.0%	3.0%	3.0%
Bear				2.4%	2.5%	2.5%	2.5%	2.5%
Advertising Commission/Gross Advertising Revenue								
Bull				16.5%	16.5%	16.5%	16.5%	16.5%
Base				15.0%	15.0%	15.0%	15.0%	15.0%
Bear				13.5%	13.5%	13.5%	13.5%	13.5%

APPENDIX 1.3: RSN SCENARIO ANALYSIS

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Telecast Rights Expense - LAC (% Growth)

Bull	4.0%	4.0%	4.5%	4.5%	4.5%
Base	4.0%	4.0%	5.0%	5.0%	5.0%
Bear	4.0%	4.0%	6.0%	6.0%	6.0%

Telecast Rights Expense - LAM (% Growth)

Bull	4.0%	4.0%	4.0%	4.0%	4.0%
Base	4.0%	4.0%	4.0%	4.0%	4.0%
Bear	4.0%	4.0%	4.0%	4.0%	4.0%

Production Cost/Net Operating Revenue

Bull	3.5%	3.5%	3.5%	3.5%	3.5%
Base	4.0%	4.0%	4.0%	4.0%	4.0%
Bear	4.5%	4.5%	4.5%	4.5%	4.5%

Other Programming Expense/Net Operating Revenue

Bull	0.6%	0.6%	0.6%	0.6%	0.6%
Base	0.9%	0.9%	0.9%	0.9%	0.9%
Bear	1.1%	1.1%	1.1%	1.1%	1.1%

Networks Operating SG&A Expense (% Growth)

Bull	2.5%	2.5%	2.5%	2.5%	2.5%
Base	3.0%	3.0%	3.0%	3.0%	3.0%
Bear	3.5%	3.5%	3.5%	3.5%	3.5%

Corporate Overhead/Net Operating Revenue

Bull	1.5%	1.5%	1.5%	1.5%	1.5%
Base	2.0%	2.0%	2.0%	2.0%	2.0%
Bear	2.5%	2.5%	2.5%	2.5%	2.5%

APPENDIX 2: DCF SENSITIVITY ANALYSIS

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Perpetuity Growth Method (BULL Case)

		Long Term Growth Rate				
		2.50%	2.75%	3.00%	3.25%	3.50%
WACC	2,153,132					
	8.0%	2,379,035	2,471,387	2,572,964	2,685,222	2,809,939
	8.5%	2,184,941	2,261,008	2,343,984	2,434,855	2,534,803
	9.0%	2,020,687	2,084,263	2,153,132	2,227,985	2,309,636
	9.5%	1,879,881	1,933,681	1,991,616	2,054,181	2,121,956
	10.0%	1,757,839	1,803,854	1,853,153	1,906,102	1,963,120

Exit EBITDA Multiples Method (BULL Case)

		Exit EBITDA Multiple				
		10.0x	10.5x	11.0x	11.5x	12.0x
WACC	1,974,995					
	8.0%	1,910,541	1,979,370	2,048,198	2,117,027	2,185,856
	8.5%	1,876,325	1,943,737	2,011,150	2,078,563	2,145,976
	9.0%	1,842,930	1,908,963	1,974,995	2,041,028	2,107,061
	9.5%	1,810,335	1,875,021	1,939,708	2,004,395	2,069,081
	10.0%	1,778,515	1,841,889	1,905,263	1,968,637	2,032,011

Perpetuity Growth Method (BASE Case)

		Long Term Growth Rate				
		2.50%	2.75%	3.00%	3.25%	3.50%
WACC	1,924,418					
	7.9%	2,127,132	2,210,522	2,302,418	2,404,191	2,517,523
	8.4%	1,952,692	2,021,150	2,095,944	2,177,996	2,268,417
	8.9%	1,805,473	1,862,529	1,924,418	1,991,782	2,065,380
	9.4%	1,679,560	1,727,726	1,779,654	1,835,802	1,896,707
	9.9%	1,570,635	1,611,746	1,655,836	1,703,240	1,754,345

Exit EBITDA Multiples Method (BASE Case)

		Exit EBITDA Multiple				
		10.0x	10.5x	11.0x	11.5x	12.0x
WACC	1,737,414					
	7.9%	1,682,194	1,741,693	1,801,192	1,860,691	1,920,190
	8.4%	1,652,367	1,710,641	1,768,915	1,827,189	1,885,463
	8.9%	1,623,255	1,680,335	1,737,414	1,794,494	1,851,574
	9.4%	1,594,838	1,650,753	1,706,669	1,762,584	1,818,499
	9.9%	1,567,097	1,621,876	1,676,656	1,731,435	1,786,214

Perpetuity Growth Method (BEAR Case)

		Long Term Growth Rate				
		2.50%	2.75%	3.00%	3.25%	3.50%
WACC	1,758,324					
	7.8%	1,944,610	2,021,737	2,106,894	2,201,403	2,306,897
	8.3%	1,784,047	1,847,150	1,916,204	1,992,092	2,075,880
	8.8%	1,648,915	1,701,360	1,758,324	1,820,418	1,888,368
	9.3%	1,533,606	1,577,774	1,625,445	1,677,056	1,733,113
	9.8%	1,434,049	1,471,670	1,512,056	1,555,524	1,602,440

Exit EBITDA Multiples Method (BEAR Case)

		Exit EBITDA Multiple				
		10.0x	10.5x	11.0x	11.5x	12.0x
WACC	1,564,845					
	7.8%	1,516,244	1,569,032	1,621,820	1,674,608	1,727,396
	8.3%	1,489,585	1,541,285	1,592,986	1,644,686	1,696,386
	8.8%	1,463,565	1,514,205	1,564,845	1,615,484	1,666,124
	9.3%	1,438,165	1,487,771	1,537,377	1,586,982	1,636,588
	9.8%	1,413,368	1,461,965	1,510,562	1,559,160	1,607,757

APPENDIX 3.1: VERIZON INCOME STATEMENT

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Verizon Income Statement

in millions USD

	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Service Revenues & Other	112,767	105,723	108,736	110,911	113,683	117,094	120,900	125,131
Wireless Equipment Revenues	17,348	17,916	20,911	21,538	22,184	22,850	23,536	24,242
Net Operating Revenue	130,115	123,639	129,647	132,449	135,868	139,944	144,435	149,373
Cost of services	(30,647)	(27,928)	(31,656)	(31,152)	(31,956)	(32,914)	(33,971)	(35,132)
Gross Profit	99,468	95,711	97,991	101,297	103,912	107,030	110,464	114,241
Wireless cost of equipment	(22,198)	(22,439)	(23,010)	(23,380)	(23,984)	(24,704)	(25,496)	(26,368)
SG&A	(31,448)	(27,141)	(31,612)	(31,127)	(31,931)	(32,889)	(33,944)	(35,105)
EBITDA	45,822	46,131	43,369	46,789	47,997	49,437	51,024	52,768
Depreciation & Ammortization	(16,047)	(16,155)	(17,402)	(17,140)	(17,582)	(18,110)	(18,691)	(19,330)
Operating Income (EBIT)	29,775	29,976	25,967	29,650	30,415	31,328	32,333	33,438
Interest Expense	(4,581)	(4,525)	(4,806)	(4,637)	(4,637)	(4,637)	(4,637)	(4,637)
Other income and (expense) net	(1,715)	(670)	(860)	(1,082)	(1,082)	(1,082)	(1,082)	(1,082)
Equity in losses on unconsolidated businesses	(74)	(107)	(275)	(152)	(152)	(152)	(152)	(152)
Income before Tax Expense (EBT)	23,405	24,674	20,026	23,779	24,544	25,457	26,462	27,567
Benefit (provision) for income taxes	(8,460)	(8,296)	11,405	(5,469)	(5,645)	(5,855)	(6,086)	(6,340)
<i>Effective Tax Rate</i>	36%	34%	-57%	23%	23%	23%	23%	23%
Net Income	14,945	16,378	31,431	18,310	18,899	19,602	20,376	21,227
Net Income attributable to noncontrolling interests	(504)	(451)	(477)	(477)	(477)	(477)	(477)	(477)
Net Income attributable to Verizon	\$ 14,441	\$ 15,927	\$30,954	\$17,832	\$18,422	\$19,124	\$19,898	\$20,749

Operating Model Assumptions

Service Revenues & Other (% Growth)	-6.2%	2.8%	2.0%	2.5%	3.0%	3.3%	3.5%
Wireless Equipment Revenues (% Growth)	3.3%	16.7%	3.0%	3.0%	3.0%	3.0%	3.0%
Cost of Services/Net Operating Revenue	23.6%	22.6%	24.4%	23.5%	23.5%	23.5%	23.5%
Wireless Cost of Equipment /Net Operating Revenue	17.1%	18.1%	17.7%	17.7%	17.7%	17.7%	17.7%
SG&A/Net Operating Revenue	24.2%	22.0%	24.4%	23.5%	23.5%	23.5%	23.5%
Depreciation & Ammortization / Net Operating Revenue	12.3%	13.1%	13.4%	12.9%	12.9%	12.9%	12.9%

APPENDIX 3.2: SYNERGY BREAKDOWN

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Subscriber Conversion Metrics

in millions USD, except per DAU, per subscriber

Yahoo Total Revenue	\$ 5,169.1
Yahoo Total Daily Average Users (DAU)	195.9
Yahoo Average Revenue per DAU	\$ 26.4
RSN Subscribers	3.6
RSN Revenue per Subscriber	\$ 78.6



Revenue Synergy Calculation

in millions USD

	2018E	2019E	2020E	2021E	2022E
RSN Subscriber Growth Rate	10.0%	8.0%	6.0%	12.0%	8.0%
Subscriber Conversion Rate	20.0%	15.0%	8.0%	10.0%	7.0%
Additional Revenue Gain from Conversion	20.8	15.3	8.0	10.6	7.2
Additional Revenue Gain from Subscriber Growth	28.2	22.6	16.9	37.3	24.4
Total Revenue Synergies	49.1	37.9	25.0	47.9	31.5
Total Cost of Revenue Synergies	11.6	8.9	5.9	11.3	7.4
OpEx Synergies (% of Revenue)	0.035%	0.035%	0.050%	0.050%	0.050%
Total OpEx Synergies	19.1	19.6	28.8	29.7	30.8

APPENDIX 4.1: LBO TRANSACTION OVERVIEW

SportsFAN Network LA (RSN) LBO Transaction Overview

in thousands USD

Financial Overview	
EBITDA (LTM)	152,891
Total Debt	50,000
Cash	87,196
Minimum Cash Desired	10,000
EV/EBITDA Exit Multiple	11.4x

Uses of Funds	
Buyout of Equity	1,772,658
Refinancing of Old RSN Debt	50,000
Fees (Transaction & Financing)	45,590
Total Uses	\$ 1,868,248

Sources of Funds		
	EBITDA Turns	Investment Value
Excess Cash	0.5x	77,196
Revolver	0.0x	-
Term Loan A	1.64x	250,000
Term Loan B	1.64x	250,000
Senior Note	1.64x	250,000
Subordinated Note	1.31x	200,000
Mezzanine Debt	0.65x	100,000
Management Rollover	0.33x	50,000
Sponsor Equity	4.52x	691,052
Total Sources	12.22x	\$ 1,868,248

Uses and Sources Balance Check

0

Initial Valuation	
LTM EBITDA	152,891
Implied EV/LTM EBITDA	11.4x
Enterprise Value	1,735,462
(-) Total Debt	50,000
(+) Cash	87,196
Offer Equity Value	\$ 1,772,658

Fees				
	% Fees	Fee	Term Years	Amortization/Yr.
Financing Fees				
Revolver	1.0%	-	6	-
Term Loan A	1.5%	3,750	8	469
Term Loan B	1.5%	3,750	8	469
Senior Note	2.0%	5,000	9	556
Subordinated Note	2.0%	4,000	9	444
Mezzanine Debt	2.5%	2,500	10	250
Total Financing Fees		\$ 19,000		\$ 2,188

	% of Offer Value	Fee
Transaction Fees	1.5%	26,590

APPENDIX 4.2: LBO ADJUSTED I/S

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SportsFAN Network LA (RSN) Adjusted Income Statement

in thousands USD

	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Gross Advertising Revenue	54,259	55,827	58,484	61,993	65,093	67,696	69,727	71,122
Less: Advertising Commission	(8,139)	(8,374)	(8,773)	(7,749)	(8,137)	(8,462)	(8,716)	(8,890)
Net Advertising Revenue	46,120	47,453	49,711	54,244	56,956	59,234	61,011	62,232
Affiliate Revenue	208,066	217,136	227,347	240,988	254,242	266,954	278,967	290,126
Other Operating Revenue	5,015	5,040	5,170	5,351	5,538	5,732	5,933	6,140
Net Operating Revenue	259,201	269,629	282,228	300,583	316,736	331,921	345,911	358,498
Telecast Rights Expense - LAC	(40,945)	(42,583)	(44,286)	(46,058)	(47,901)	(60,000)	(63,000)	(66,150)
Telecast Rights Expense - LAM	(30,000)	(50,000)	(52,000)	(54,080)	(56,243)	(58,493)	(60,833)	(63,266)
Production Cost	(10,368)	(10,785)	(11,289)	(7,515)	(7,918)	(8,298)	(8,648)	(8,962)
Other Programming Expense	(2,317)	(2,387)	(2,458)	(2,254)	(2,376)	(2,489)	(2,594)	(2,689)
Total Programming and Production Expenses	(83,630)	(105,755)	(110,034)	(109,907)	(114,438)	(129,280)	(135,075)	(141,067)
Gross Profit	175,571	163,874	172,194	190,676	202,298	202,640	210,837	217,431
Networks Operating SG&A Expense	(12,875)	(13,261)	(13,659)	(13,932)	(14,211)	(14,495)	(14,785)	(15,081)
Corporate Overhead	(5,184)	(5,393)	(5,645)	(4,509)	(4,751)	(4,979)	(5,189)	(5,377)
Operating Expenses	(18,059)	(18,654)	(19,304)	(18,441)	(18,962)	(19,474)	(19,974)	(20,458)
EBITDA	157,512	145,220	152,891	172,235	183,337	183,166	190,863	196,973
Depreciation	(1,296)	(1,328)	(1,361)	(1,395)	(1,238)	(1,181)	(1,147)	(1,130)
Operating Income (EBIT)	156,216	143,892	151,530	170,840	182,098	181,986	189,716	195,843
Interest Expense	(2,250)	(2,250)	(2,250)	(138,635)	(134,067)	(129,000)	(121,931)	(112,636)
Income before Tax Expense	153,966	141,642	149,280	32,205	48,031	52,986	67,785	83,206
Income Taxes Expense	(40,031)	(36,827)	(38,813)	(8,373)	(12,488)	(13,776)	(17,624)	(21,634)
<i>Effective Tax Rate</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>	<i>26%</i>
Net Income	\$ 113,935	\$ 104,815	\$ 110,467	\$ 23,832	\$ 35,543	\$ 39,209	\$ 50,161	\$ 61,573
CAPEX Spending	1,296	1,328	1,361	1,395	950	996	1,038	1,075

The LBO adjusted income statement includes **certain line item adjustments to account for stricter management portfolio company financials and operations**, including higher revenue growth and margins, lower expense growth and margins, and reduced recurring CAPEX

APPENDIX 4.3: LBO DEBT SCHEDULE

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SportsFAN Network LA (RSN) Debt Schedule

in thousands USD

			2018E	2019E	2020E	2021E	2022E
Cash Balance							
Cash, Beginning of Period			10,000	10,000	10,000	10,000	10,000
Increases/ (Decreases)			(0)	-	-	-	-
Cash, End of Period			10,000	10,000	10,000	10,000	10,000
Revolver							
Cash, Beginning of Period			10,000	10,000	10,000	10,000	10,000
Less: Minimum Cash Desired			(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Equals: Excess Cash at BOP			-	-	-	-	-
Plus: FCF Generated During Period			(7,008)	6,359	10,263	8,780	7,942
Cash Available (Needed) to Paydown (Draw From) Revolver			(7,008)	6,359	10,263	8,780	7,942
Revolver, Beginning of Period			-	-	-	-	-
Increases/ (Decreases)			-	-	-	-	-
Revolver, End of Period	% AR	% Assets	-	-	-	-	-
Maximum Availability	80%	60%	50,000	50,000	50,000	50,000	50,000
Compliance Check			OK	OK	OK	OK	OK
Term Loan A (8 Yr. Tenor)							
Term Loan A, Beginning of Period			250,000	244,508	225,649	202,886	181,607
Mandatory Amortization			12,500	12,500	12,500	12,500	25,000
Cash Sweep (Paydown from Excess Cash Flows)			(7,008)	6,359	10,263	8,780	7,942
Term Loan A, End of Period			244,508	225,649	202,886	181,607	148,664
Mandatory Paydown (%)	% Cash Available Used		5%	5%	5%	5%	10%
Cash Sweep	100%		(7,008)	6,359	10,263	8,780	7,942

APPENDIX 4.3: LBO DEBT SCHEDULE

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Term Loan B (8 Yr. Tenor)

Term Loan B, Beginning of Period		250,000	237,500	225,000	212,500	187,500
Mandatory Amortization		12,500	12,500	12,500	25,000	25,000
Cash Sweep (Paydown from Excess Cash Flows)		-	-	-	-	-
Term Loan B, End of Period		237,500	225,000	212,500	187,500	162,500
Mandatory Paydown (%)	<u>% Cash Available Used</u>	5%	5%	5%	10%	10%
Cash Sweep	0%	-	-	-	-	-

Senior Note (9 Yr. Tenor)

Senior Note, Beginning of Period		250,000	250,000	250,000	250,000	250,000
Mandatory Amortization		-	-	-	-	-
Senior Note, End of Period		250,000	250,000	250,000	250,000	250,000
Mandatory Paydown (%)		0%	0%	0%	0%	0%

Subordinated Note (9 Yr. Tenor)

Subordinated Note, Beginning of Period		200,000	200,000	200,000	200,000	200,000
Mandatory Amortization	PIK Rate	-	-	-	-	-
PIK Interest	8%	-	-	-	-	-
Subordinated Note, End of Period		200,000	200,000	200,000	200,000	200,000
Mandatory Paydown (%)		0%	0%	0%	0%	0%

Mezzanine Debt (10 Yr. Tenor)

Mezzanine Debt, Beginning of Period		100,000	100,000	100,000	100,000	100,000
Mandatory Amortization	PIK Rate	-	-	-	-	-
PIK Interest	10%	-	-	-	-	-
Mezzanine Debt, End of Period		100,000	100,000	100,000	100,000	100,000
Mandatory Paydown (%)		0%	0%	0%	0%	0%

APPENDIX 4.4: LBO INTEREST & FEES

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SportsFAN Network LA (RSN) Interest Payments

in thousands USD

		2018E	2019E	2020E	2021E	2022E
3-Month LIBOR Spread (bps)	279					
	<u>LIBOR Spread</u>					
	<u>Coupon</u>					
Revolver	L+2%	-	-	-	-	-
Term Loan A	L+3%	14,316	13,611	12,406	11,131	9,561
Term Loan B	L+3%	75,319	71,456	67,594	61,800	54,075
Senior Note	8%	20,000	20,000	20,000	20,000	20,000
Subordinated Note (Cash)	9%	18,000	18,000	18,000	18,000	18,000
Subordinated Note (PIK)	8%	-	-	-	-	-
Mezzanine Debt (Cash)	11%	11,000	11,000	11,000	11,000	11,000
Mezzanine Debt (PIK)	10%	-	-	-	-	-
Total Interest Expense		138,635	134,067	129,000	121,931	112,636

Capitalized Financing Fees

Capitalized Financing Fees, Beginning of Period	19,000	16,813	14,625	12,438	10,250
Amortization	(2,188)	(2,188)	(2,188)	(2,188)	(2,188)
Capitalized Financing Fees, End of Period	16,813	14,625	12,438	10,250	8,063

APPENDIX 4.5: LBO EXIT ANALYSIS

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Exit Valuation

			Assumed exit on June 30, 2022				
Exit EBITDA Multiple			11.4x	11.9x	12.4x	12.9x	13.4x
EBITDA at Exit			172,235	172,235	172,235	172,235	172,235
Implied Enterprise Value			1,955,033	2,041,151	2,127,268	2,213,386	2,299,503
Net Debt							
Revolver			-	-	-	-	-
Term Loan A			148,664	148,664	148,664	148,664	148,664
Term Loan B			162,500	162,500	162,500	162,500	162,500
Senior Note			250,000	250,000	250,000	250,000	250,000
Subordinated Note			200,000	200,000	200,000	200,000	200,000
Mezzanine Debt			100,000	100,000	100,000	100,000	100,000
Cash			10,000	10,000	10,000	10,000	10,000
Equity Value			1,103,869	1,189,986	1,276,104	1,362,221	1,448,339
	Initial Equity	% Ownership					
Sponsor Equity	691,052	93%	1,029,389	1,109,696	1,190,003	1,270,310	1,350,617
Management Equity	50,000	7%	74,480	80,290	86,101	91,911	97,722