

## iHeartMedia, Inc.

## Turning the dial to CY24

Maintain Rating: UNDERPERFORM | PO: 2.50 USD | Price: 2.27 USD

## 4Q23 review: Modest revenue beat

IHRT's 4Q23 results were above our forecast and company guidance on revenue and essentially inline on EBITDA. All-in, IHRT's 4Q23 revenue declined -5.2% Y/Y to \$1,067mn (vs. our \$1,049mn est. and guidance of high-single digit declines) and adj. EBITDA declined -34% to \$208mn (vs. our \$210mn est. and guidance of \$205mn-\$215mn). Excluding political revenue 4Q revenue was flat Y/Y. FCF was \$145mn vs. our \$152mn est and down from \$166mn in the year prior largely due to a decrease in broadcast radio revenue due to a more challenging macro environment, a decrease in political revenue and an increase in borrowing rates.

## Mixed results by segment

Key drivers of IHRT's performance in the quarter include: (1) Broadcast adv. revenue of \$485mn (-6.9% Y/Y vs. our -10% Y/Y est.) primarily driven by lower political advertising and lower spot revenue partially offset by an increase in trade and barter revenues, (2) Digital revenue of \$318mn (+5.5% Y/Y vs. our +7% Y/Y est.) driven by podcast revenue growth of 16.6% Y/Y, (3) Networks rev. of \$120mn (-8% Y/Y vs. our -11% Y/Y est.), (4) Sponsorship and Events revenue of \$71mn (vs. our \$73mn est.), (5) Audio and Media Services rev. of \$68mn (vs. our \$66mn est.) and (6) adj. EBITDA margins of 19.5% (vs. our 20.0% est.). In 4Q, IHRT repurchased \$15mn in principle balance bonds for \$10mn in cash, which is expected to generate \$1mn of annualized interest savings. As of 12/31, since 2Q22, IHRT has repurchased combined notes of \$534mn at a discount to par for \$447mn in cash which is expected to drive \$45mn in annualized interest savings.

## 1Q guidance: EBITDA below our forecast

Reflecting the current environment, IHRT provided 1Q24 guidance of flat to 2% declines in consolidated revenue (vs. our +2% forecast) and EBITDA of \$100-110mn, which was below our estimate of \$147mn. IHRT noted the company remains committed to their long term target of ~4x Net Debt:EBITDA.

## Reiterate Underperform and \$2.50 PO

We reiterate our Underperform rating and \$2.50 PO for IHRT. We believe the current macro environment coupled with IHRT's capital structure (>\$5.0bn in debt or >6x Net Debt:EBITDA and ~43% floating rate) should weigh on shares in the near term. Absent a significant re-acceleration in the macro environment, we believe IHRT will struggle to generate a substantial amount of free cash flow to effectively de-lever the balance sheet.

29 February 2024

## Equity

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## Stock Data

Price	2.27 USD
Price Objective	2.50 USD
Date Established	10-Nov-2023
Investment Opinion	C-3-9
52-Week Range	1.78 USD - 7.32 USD
Mrkt Val (mn) / Shares Out (mn)	336 USD / 148.1
Free Float	87.2%
Average Daily Value (mn)	1.75 USD
BofA Ticker / Exchange	IHRT / NAS
Bloomberg / Reuters	IHRT US / IHRT.OQ
ROE (2023E)	-186.0%
Net Dbt to Eqty (Dec-2022A)	741.8%
ESGMeter™	Medium

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Timestamp: 29 February 2024 08:56AM EST

**Exhibit 1: IHRT – Variance Table**

IHRT beat our 4Q revenue estimate

Fiscal Year Ends 12/31	4Q23A					
	Act.	Est.	-	Old		
	Q4/22A	Q4/23A	Y/Y	Q4/23E	Y/Y	D
<b>IHRT: Actuals &amp; BofA Estimates</b>						
Broadcast Radio	\$522	\$485	-7%	\$469	-10%	\$16
Networks	\$131	\$120	-8%	\$116	-11%	\$4
Sponsorships and Events	\$75	\$71	-5%	\$73	-2%	(\$2)
Other	\$5	\$8	63%	\$6	10%	\$3
<b>+ Multiplatform Group</b>	<b>\$733</b>	<b>\$684</b>	<b>-7%</b>	<b>\$664</b>	<b>-9%</b>	<b>\$20</b>
Digital ex. Podcast	\$188	\$186	-1%	\$194	3%	(\$8)
Podcast	\$113	\$132	17%	\$129	14%	\$3
<b>+ Digital Audio Group</b>	<b>\$301</b>	<b>\$318</b>	<b>6%</b>	<b>\$323</b>	<b>7%</b>	<b>(\$5)</b>
<b>+ Audio &amp; Media Services Group</b>	<b>\$95</b>	<b>\$68</b>	<b>-29%</b>	<b>\$66</b>	<b>-30%</b>	<b>\$2</b>
- Eliminations	(\$3)	(\$3)	-4%	(\$3)	-1%	\$0
<b>= Total Revenue</b>	<b>\$1,126</b>	<b>\$1,067</b>	<b>-5%</b>	<b>\$1,049</b>	<b>-7%</b>	<b>\$17</b>
YoY % change	6%	-5%	--	-7%	--	2%
+ Multiplatform Group	\$230	\$142	-38%	\$140	-39%	\$2
+ Digital Audio Group	\$99	\$117	17%	\$119	20%	(\$3)
+ Audio & Media Services	\$45	\$21	-54%	\$18	-60%	\$3
+ Corporate and Other	(\$58)	(\$70)	21%	(\$68)	16%	(\$3)
<b>= Total Adj. EBITDA</b>	<b>\$316</b>	<b>\$208</b>	<b>-34%</b>	<b>\$210</b>	<b>-33%</b>	<b>(\$2)</b>
YoY % change	7%	-34%	--	-33%	--	-1%
Margin %	28%	20%	--	20%	--	0%
<b>Operating Income</b>	<b>\$173</b>	<b>\$80</b>	<b>-54%</b>	<b>\$90</b>	<b>-48%</b>	<b>(\$10)</b>
YoY % change	41%	-54%	--	-48%	--	-6%
Margin %	15%	7%	--	9%	--	-1%
<b>Consolidated Net Income</b>	<b>\$80</b>	<b>\$13</b>	<b>NM</b>	<b>(\$6)</b>	<b>NM</b>	<b>\$19</b>

Source: BofA Global Research estimates

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## Price objective basis & risk

### iHeartMedia, Inc. (IHRT)

Our \$2.50 PO is based on an approximately 5x CY24E EV/EBITDA multiple, which is a premium to traditional radio comps trading at approximately 4.5x given its unparalleled scale and differentiated business model.

Upside risks to our PO are: better-than-anticipated revenue growth, macroeconomic improvement, market share gains, margin expansion and free cash flow generation.

Downside risks to our PO are: high leverage and if the recovery in the macro environment fails to materialize.

## Analyst Certification

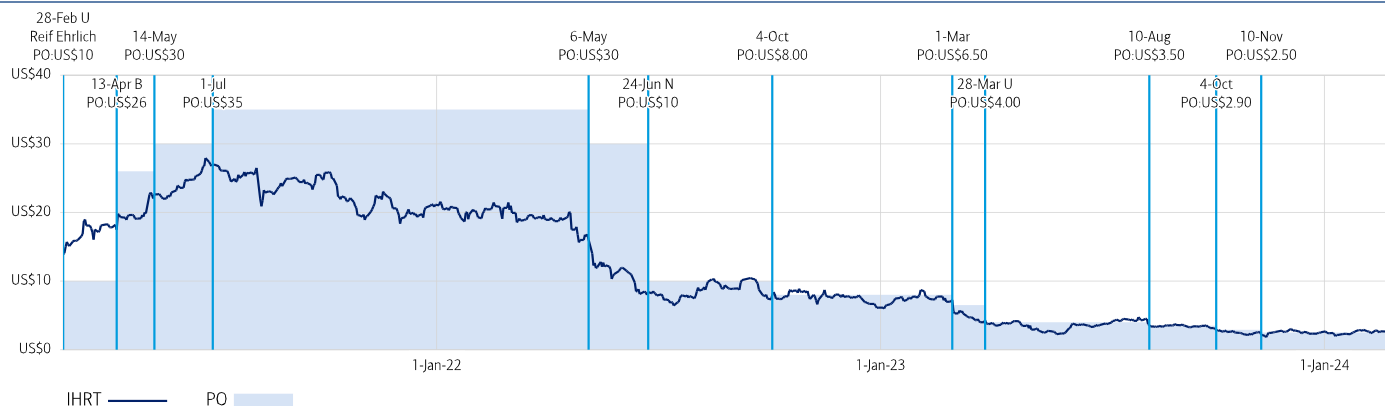
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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

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Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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