M&A Strategy Evaluation & Synergy Corporate Case Study

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Contents

1. Introduction

This report provides a comprehensive valuation analysis for Radio One's proposed acquisition of 21 radio stations, utilising a multifaceted methodology that includes Discounted Cash Flow (DCF) analysis, trading multiples, transaction multiples, and a subsequent sensitivity analysis. The primary objective is to determine an optimal acquisition price that reflects the intrinsic value of the target stations, whilst aligning with market comparable and incorporating potential synergies.

The DCF analysis is central to the valuation, offering an intrinsic assessment of Radio One's potential. The approach involves three key scenarios: (1) projecting Radio One's standalone free cash flows (FCF), (2) incorporating incremental revenues from the acquired stations without synergies, and (3) accounting for potential post-acquisition synergies. This method is particularly valuable for its focus on the fundamental value of the business and is independent of market fluctuations or historical transaction data. Sensitivity analysis is further integrated to assess the impact of varying revenue scenarios and discount rate fluctuations, ensuring the valuation remains resilient under different assumptions.

Complementing the DCF analysis, trading and transaction multiples are employed to provide a market-based perspective on valuation. These methods help establish a robust price range by comparing Radio One to industry peers and recent transactions. Together, these techniques create a balanced framework that considers both conservative market valuations and the strategic benefits of the acquisition.

The report begins with an overview of the company, followed by the strategic rationale for the acquisition. After which we go through all assumptions made before conducting our methodology, which is then followed by a detailed explanation of the methodologies employed. The results of the DCF and multiples analyses are then presented, accompanied by a sensitivity analysis to evaluate the robustness of the findings. Finally, the discussion synthesises the insights, offering a strategic price recommendation and highlighting the key considerations for Radio One's acquisition strategy.

2. Company Overview

2.1 Overview

Radio One, Inc (NASDAC: ROIA, ROIAK), is the largest radio broadcasting company in the United States targeting the African American audience. Founded in 1980, the company grew from a single station into a national media powerhouse. Where under the leadership of Alfred Liggins III in 1997, Radio One adopted an aggressive acquisition strategy and expanded from 7 to 28 stations in 2 years. This strategy involved them acquiring underperforming stations, shifting and operationally optimising them into urban formats by leveraging their expertise in programming, marketing, and operations.

2.2 Business Model and Competitive Strategy

A key component of Radio One's strategy involves clustering multiple station acquisitions within the same market, targeting different age demographics of the African American audience. The strategy allows the company to maximize advertising revenues, diversify their content and strengthen their bargaining power with advertising firms.

Radio One has also built a reputation for creating operational synergies and cost-efficiencies by centralizing their oversight on finance, sales IT and programming functions within stations, whilst conceding creative control to local station managers. This approach combining local engagement and centralized efficiencies is a major factor in their sustained growth and profitability.

Following the Telecommunications Act of 1996, deregulation of ownership in the radio industry resulted in rapid consolidation and expansion amongst major players' station portfolios. Given this trend and the growth of African American audiences in population and income, Radio One inc. has an opportunity to expand its market presence and strengthen its leadership in urban radio.

3. Strategic Rationale for Acquisition: Benefits and Risks

3.1 Strategic Justification of Acquisition

The merger of Clear Communications Inc. and AMFM Inc. presents a significant opportunity for Radio One Inc. This proposed merger would create the largest radio company in the world. As previously mentioned, the Telecommunications Act of 1996 relaxed ownership regulations in the radio industry, allowing for greater consolidation. However, ownership limits still exist, restricting the number of stations a single entity can own in each market. As a result, the newly merged company would be required to divest nearly 100 radio stations due to market overlaps between Clear Communications and AMFM Inc.

This regulatory-driven divestiture creates an opening for smaller broadcasters, such as Radio One Inc., to acquire valuable stations and expand their market presence. Coase (1937) provides a strong economic rationale for such acquisitions, where firms are able to achieve greater efficiency by expanding their size through acquisitions and internalizing transactions within a larger firm rather than relying on the open market. For Radio One, acquiring these divested stations eliminates efficiencies of negotiating numerous contracts with different station owners and provides a more stable and scalable operational structure.

Moreover, Radio One has identified 25 stations of the 100 for sale as urban format and fitting for the companies growing network of radio stations of which 12 are in the top 50 markets for African American audience. Acquiring these stations is a strategic move aligned with Manne's (1965) theory on the market for corporate control, where mergers allow for the reallocation of assets to more efficient operators, enabling firms to better serve their core markets. Radio One's leadership has already demonstrated a strong track record in successfully transforming underperforming stations, making it an ideal buyer for these assets.

With the acquisition Radio One would become the largest radio company targeting the African American market, reaching more than 8 million African Americans weekly. This opportunity is further strengthened by the rapid demographic growth (60% faster than the general population between 1995-2010) and higher income growth (150% higher than the population between 1980-1995) of the African American population. Additionally, they also demonstrate a strong preference for radio (average weekly listenership 5.2 hours higher than general population), making this market a lucrative opportunity for revenue growth.

Notably, radio stations in the top 50 markets with a significant African American audience are rarely available for sale, making this divestiture a unique and valuable opportunity for Radio One Inc. to expand its reach in the most critical segment of its business. By acquiring one station in Charlotte, North Carolina, five stations in Augusta, Georgia, and three stations in Indianapolis, Indiana, Radio One would double in size and significantly strengthen its national presence.

3.2 Benefits of Acquisition

The proposed acquisition solidifies Radio One Inc.'s position in the African American Market and doubles its size, enhancing the company's ability to attract advertisers who are seeking broader and more consolidated reach. Their increased scale provides them with greater bargaining power with advertisers, who prefer networks with extensive audience engagement and multiple advertising channels. Radio One's clustering strategy will strengthen its market presence by providing multiple radio stations in key markets, enabling the company to offer bundles advertising packages and maximise advertisement revenue potential.

Additionally, their track record of buying underperforming radio stations and making them profitable, underscores the financial upside of the acquisition. In Washington D.C., a $46.2 million station saw its BCF grow to $14.9 million from $6.3 million, lowering its multiple from 7.3x to 3.1x. Similarly, a Philadelphia station's BCF multiple dropped from 100x (1996) to 1.8x (1999), showcasing the company's ability to turn around struggling asset. Thus, the horizontal acquisition of 21 radio stations is bound to bring synergies through economies of scale.

Furthermore, Radio One will be able to eliminate redundant costs and integrate the stations into centralised system for finance, staff, information technology and programming management, creating operating efficiency from higher margins and increased profitability across its expanded portfolio.

3.3 Risks of Acquisition

As with any investment, Radio One Inc. faces inherent risks. They must ensure they do not overpay for the acquired radio stations by offering excessive premium to the seller. Overpaying could limit their ability to generate sufficient value from synergies, ultimately failing to justify the acquisitions and leading to shareholder value dilution. Jensen (1986) highlights the agency costs of free cash flow, where in firms with excess cash tend to invest in projects with lower returns rather than returning capital to shareholders, leading to inefficient capital allocation. Given that Radio One is funding this acquisition through internal and external financing, it must carefully assess whether the expected synergies justify the purchase price. If the anticipated operational efficiencies and revenue growth do not materialize, the deal could become a value-destructive transaction rather than a strategic gain.

Although Radio One has a strong track record of successfully integrating new radio stations into its business model, there is still a risk of challenges arising during the transition. Merging 21 radio stations and doubling the company's size will be a complex process. The key challenges will include ensuring a seamless integration, minimising operational inefficiencies, and retaining key talent at the acquired stations.

The acquisition also comes with regulatory risks, as the FCC imposes limits on the number of stations a single entity can own within a given market. If these acquisitions lead to an excessive market share in certain areas, Radio One may be required to divest assets to comply with regulations, potentially reducing the strategic benefits of the deal. Additionally, Masulis et al. (2007) emphasize that acquirers in heavily regulated industries face greater post-merger stock underperformance due to the heightened scrutiny and compliance costs. For Radio One, this means that regulatory challenges could restrict further expansion opportunities in key markets, limiting its ability to consolidate additional stations in the future.

Radio One's primary revenue driver is advertising and broadcasting, both of which are cyclical in nature. This creates economic risk for the company and the proposed acquisitions. In the event of an economic downturn, businesses may reduce their advertising budgets, directly impacting Radio One's revenue generation. In particular, this impact may be particularly detrimental for Radio One, as high fixed-cost businesses tend to struggle in downturns because they cannot adjust cost-structures quickly enough, leading to cash flow constraints (Jensen, 1986).

This risk is particularly pronounced because Radio One is absorbing 21 new stations, which will require significant financial resources for integration. If advertising revenues decline unexpectedly, the company may face liquidity challenges, particularly in covering short-term operational and capital expenditures.

Moreover, the radio stations do not come with working capital. Radio One will have to provide working capital to operate the radio stations. The outflow of cash will cause a strain on financial flexibility in the short term. Where each station is expected to need $100,000 in capital expenditure which will further strain the short-term cash flow. Radio One faces the possibility that both capital expenditures and working capital may exceed expectations. Therefore, it is crucial for them to ensure a smooth transition and closely monitor short-term liquidity.

Lastly, the company faces technological risk, as shifts in market dynamics and emerging technologies could lead to a decline in radio listenership in the years following the acquisition, potentially affecting long-term profitability.

4. Assumptions

4.1 Company Selection & Rejection

Five companies; CBS, Clear Channel, Cox Radio, Entercom, and Beasley, were selected for the analysis based on their industry alignment, financial stability, and comparable market positioning. Companies such as Emmis and Salem Communications were rejected due to discrepancies in size, financial performance, or lack of strategic alignment with Radio One's business model.

4.2 Macroeconomic & Industry Assumption

The analysis assumes a stable macroeconomic environment with moderate growth in the radio and broadcasting industry. Market demand, regulatory considerations, and technological trends were factored in to ensure the valuations reflect realistic growth prospects and market risks. A risk-free rate aligned with current treasury yields was incorporated into discount rate calculations, emphasizing a risk-adjusted approach.

4.3 Multiple Valuation Assumptions

The analysis employed both trading multiples (BCF, EBITDA, After-tax cash flow multiples) and transaction multiples (based on recent industry acquisitions). Trading multiples provided a market-driven benchmark, reflecting how similar companies are valued by public markets. Conversely, transaction multiples captured acquisition-specific premiums, including control benefits, synergies, and strategic value considerations. This dual approach allowed the valuation to balance market realities with strategic acquisition incentives, ensuring the final offer price is both competitive and justifiable. (Appendix 2, Table 1).

4.4 Assumption for Strategic Timing of the Acquisition

The acquisition of the 21 radio stations by Radio One was finalised in 2000. Evaluating the enterprise value and conducting sensitivity analysis for 2000 allows us to capture the immediate impact of the acquisition and gauge how the market and financial metrics reacted to this strategic move. Analysing 2001, the year following the acquisition, provides insights into the post-acquisition calculations. Applying a consistent methodology for both years ensured comparability and helped identify trends, and volatility in enterprise value over time.

4.5 Assumptions for DCF

The DCF analysis used a weighted average cost of capital (WACC) of 11.09% as the discount rate. The cost of equity was estimated using the Capital Asset Pricing Model (CAPM), incorporating the risk-free rate (10-year T-Bond yield), market risk premium, and Radio One’s beta. The cost of debt was determined based on the company's credit rating (B) and corresponding interest rates. The final WACC was calculated as a weighted average of the cost of equity and the after-tax cost of debt, proportionate to the company's capital structure (Appendix 1, Excel 1). Additionally, a terminal growth rate of 2.5% was assumed to reflect long-term stable industry growth in line with inflation expectations and market saturation.

The standalone financial model assumes that Radio One continues growing without major acquisitions, focusing on internal growth, operational efficiency, and market penetration (Appendix 1, Excel 2). Historically, revenue growth was driven by acquisitions, with an increase of 77% in 2000. However, under an organic growth model, revenue deceleration occurs as market saturation limits expansion. Sales projections reflect this tapering, with revenue reaching $130.5 million in 2001 and increasing to $300.4 million by 2005. This decline in growth rate aligns with industry trends and the company's capacity for expansion within its existing markets.

The cost structure stabilises as the company moves away from acquisition-driven growth. Agency commissions remain constant at 12.4% of sales, while programming and technical expenses hold at 14.8-15%, reflecting operational consistency. SG&A expenses decline from 32.5% in 2001 to 30.5% by 2005 as internal efficiencies improve. Corporate expenses follow a similar pattern, decreasing from 4.5% to 4.0% over the forecast period, driven by cost control measures. Capital expenditures shift from acquisition-driven expansion to asset maintenance, with PP&E stabilising at 15% of sales before declining slightly to 14.5% by 2005. Capex peaks at 4.0% in 2001 before normalising at 3.5% in subsequent years, reflecting routine upgrades rather than expansionary investments. Working capital management ensures liquidity, with total WC requirements rising to 22% of sales in 2001 before declining to 19.5% by 2005 as operations mature.

The combined financial model incorporates the 21 newly acquired radio stations whilst assuming no synergies, thus all revenue and costs scale proportionally without efficiency improvements (Appendix 1, Excel 3). Revenue projections are based on Royster's forecasts, estimating additional contributions of $114.1 million in 2001, increasing to $175.8 million by 2005. Total projected revenue reaches $476.2 million by 2005 based purely on organic expansion and acquisition-driven revenue addition. Cost structures remain aligned with historical levels, as integration efficiencies are not assumed.

Capital expenditures reflect the acquisition impact, with PP&E rising to 25% in 2001 before declining to 17.5% by 2005 as assets depreciate and Capex stabilises. Each of the 21 new stations incurs an annual capital expenditure of $100,000, resulting in an incremental Capex requirement of $2.1 million per year. An additional $15 million in working capital is allocated to support the acquired stations, based on historical acquisition trends.

4.6 Assumptions for DCF with Synergies

The DCF model with synergies accounts for operational efficiencies, revenue enhancements, and cost optimisations resulting from the acquisition (Appendix 1, Excel 4). Projected sales growth in 2001 reaches 80%, significantly higher than in the no-synergy case, driven by an expanded audience base and greater advertising reach. The acquisition strengthens negotiating power with advertisers, allowing for premium advertisement pricing and increased inventory utilisation. Consolidation enables cross-station advertising packages and syndicated content further boosting revenue efficiency. As the integration matures, sales growth moderates to 60% in 2002 and 20% by 2005, reflecting the natural stabilisation of synergies.

Cost efficiencies materialise across multiple expense categories. Agency commissions decline from 12.4% to 12%, reflecting a shift toward direct advertisement sales enabled by economies of scale, reducing reliance on third-party agencies, and improving negotiating power. Program and technical expenses fall from 15% to 14% in 2001 and further to 12% by 2005. This is due to benefits from shared broadcasting facilities, shared equipment, and reduced local programming duplication. SG&A expenses decline from 32.5% to 31%, as corporate functions such as finance, marketing, and administrative roles consolidate. Corporate expenses decrease from 4.5% to 4.3%, driven by economies of scale in IT, legal, and compliance.

Depreciation and amortisation decrease to 110%, as revenue growth offsets the impact of depreciation when measured as a percentage of sales. The increased scale from higher sales volumes naturally reduces the relative burden of depreciation and amortisation expenses, even though absolute depreciation costs may remain significant. This trend continues, with depreciation declining further to 105% by 2005. Base capital expenditures decrease to 3.8% as existing assets are repurposed across multiple locations, reducing incremental investment needs.

5. Methodology

5.1 Methodology for Discount Cash flow

1. First, free cash flow (FCF) is calculated using the formula:

$$FCF = EBIT \times (1\text{-}Tax\ Rate) + Depreciation - Capital\ Expenditures - Change\ in\ Working\ Capital$$

Where $EBIT$ represents the company's earnings before interest and taxes, adjusted for taxes, non-cash expenses like depreciation, and investments in capital expenditures and working capital.

2. Each year’s projected free cash flow is then discounted to present value using:

$$PV(FCF) = \frac{FCF_t}{(1 + WACC)^t}$$

Where t represents the forecast year and WACC is the discount rate that reflects the company’s capital structure and risk.

3. To account for cash flows beyond the forecast period, a terminal value (TV) is calculated, using the Perpetuity Growth Model:

$$TV = \frac{FCF_{n+1}}{(WACC - g)}$$

Where g is the assumed perpetual growth rate.

4. The Enterprise Value (EV) is determined as the sum of the discounted free cash flows and the discounted terminal value:

$$EV = \sum\left(\frac{FCF_t}{(1 + WACC)^t}\right) + \frac{TV}{(1 + WACC)^n}$$

5. To determine the share price, the enterprise value is divided by the total shares outstanding:

$$Share\ Price = \frac{Enterprise\ Value}{Shares\ Outstanding}$$

6. Finally, sensitivity analysis is applied to examine how changes in revenue growth, and discount rates impact the valuation.

5.2 Methodology for Trading & Transaction analysis

The enterprise value (EV) was calculated using the formula:

$$EV = Multiple \times Financial\ Metric$$

Where the $financial\ metric$ could be $BCF, EBITDA, or\ after - tax\ cash\ flow$, depending on the context of the trading or transaction multiples. We further refined the EV by providing a range of calculations through $averaging$ and $minimum - maximum\ calculations$. (Appendix 2, Tables 2-7).

$$Final\ EV = \frac{EV\ from\ all\ comparables}{Number\ of\ comparables}$$

Sensitivity analysis was conducted to establish upper and lower valuation bounds, which were then used to construct a football field diagram (Appendix 2, Table 8-10). This involved computing premiums as:

$$Premium\ \% = \left(\frac{Transaction\ EV - Trading\ EV}{Trading\ EV}\right) \times 100$$

Furthermore, we applied $weights$ to the enterprise values to refine the results, accounting for a more balanced perspective between trading-based and transaction-based valuations (Appendix 2, Table 11). The weighted formula used was:

$$\begin{aligned} Price\ = &\ (Trading\ Enterprise\ Value\ \times\ Trading\ Weight) \\ &+\ (Transaction\ Enterprise\ Value\ \times\ Transaction\ Weight) \end{aligned}$$

5.3 Methodology for Reconciliation of Final Offer Price

The final offer price for Radio One's acquisition of 21 radio stations must reconcile two distinct valuation approaches: the Discounted Cash Flow (DCF) analysis and the multiples-based analysis, which uses trading and transaction multiples. While the DCF analysis provides a cash flow-driven, intrinsic valuation, the multiples-based approach offers a relative valuation perspective by comparing market transactions. To ensure a well-balanced valuation, a football field chart will be used to visualise the range of valuations from these methods. The primary objective of this reconciliation is to ensure that the final offer price aligns not only with fundamental financial projections but also with market benchmarks and potential acquisition synergies.

6. Results

6.1 DCF Results

The combined DCF model values the enterprise at $1,410,441,053, resulting in an equity value per share of $60.61. The offer price based on additional cash flows is calculated at $549,497,704 (Appendix 1, Excel 5 & 6).

The combined DCF model with synergies values the enterprise at $1,604,187,199 with an equity value per share of $68.93. The offer price based on synergies amounts to $743,243,849, or $31.94 per share, with total synergies valued at $193,746,146 (Appendix 1, Excel 7).

6.2 DCF Sensitivity Analysis

The sensitivity analysis provides a valuation range for Radio One by adjusting revenue projections and the WACC. The model considers three revenue scenarios: pessimistic (a decrease of 5%), street case, and optimistic (an increase of 5%). These scenarios are analysed against a WACC range of minus 100 basis points to plus 100 basis points, establishing an upper and lower bound for the potential valuation.

		WACC				
		10.09%	10.59%	11.09%	11.59%	12.09%
Growth Scenario	Pessimistic Case	33.25	29.78	26.68	23.90	21.38
	Street Case	37.05	33.39	30.13	27.2	24.55
	Optimistic Case	40.84	37.00	33.57	30.5	27.72

	MIN	MEDIAN	AVG	MAX
	21.38	30.13	30.46	40.84
Offer Price	497,555,360	701,185,360	708,927,179	950,428,480

Figure 1: Sensitivity analysis results

At the base WACC of 11.09%, the offer price per share ranges from $26.68 in the pessimistic case to $33.57 in the optimistic case, indicating that even a modest 5% revenue variation leads to a significant valuation spread. Expanding the analysis to include WACC adjustments, the lowest bound occurs at a 12.09% WACC with pessimistic revenues, yielding a $21.38 per share valuation, while the upper bound occurs at a 10.09% WACC with optimistic revenues, reaching $40.84 per share (Figure 1).

While this provides a structured valuation range, the model's reliance on revenue realisation introduces key limitations. The degree to which a 5% shift in topline revenue alters valuation suggests a high sensitivity to forecasting accuracy, making any deviation from expected sales performance materially impactful. Similarly, the relationship between WACC and valuation demonstrates that even small fluctuations in discount rate assumptions significantly affect outcomes, as a 100bps increase in WACC from 11.09% to 12.09% lowers the offer price by approximately 18.5%, from $30.13 to $24.55.

This sensitivity analysis establishes a valuation boundary, with a lower bound of $21.38 per share and an upper bound of $40.84 per share.

6.3 Trading & Transaction Analysis Results

The results of the trading and transaction multiples analysis were used to support Radio One's acquisition valuation. By employing a combination of trading multiples, transaction multiples, and sensitivity analysis, a well-rounded price offer was derived. The primary focus was on generating Enterprise Value (EV) estimates for the years 2000 and 2001, ensuring that the final offer accurately reflected market conditions and captured an appropriate acquisition premium.

Enterprise Values Trading Multiples						
Year	Beasley Broadcasting Group	CBS	Clear Channel Communications	Cox radio	Entercom	Final Enterprise value For Radio One
1999	382,988.23	484,975.83	522,533.40	556,187.50	518,259.67	492,988.93
2000	545,939.45	684,902.67	751,845.54	789,303.33	740,794.05	702,557.01
2001	688,976.85	864,110.33	945,464.26	995,467.17	933,015.15	885,406.75
2002	853,285.49	1,070,797.61	1,167,982.97	1,232,886.23	1,154,100.88	1,095,810.64
2003	1,028,078.93	1,291,629.43	1,403,582.83	1,485,969.73	1,388,950.77	1,319,642.34
2004	1,206,364.49	1,515,639.40	1,644,379.22	1,743,312.61	1,628,424.86	1,547,624.12

Figure 2: Enterprise value using trading multiples

Enterprise Values from Transaction Multiples		
Year	Total EV	Final Transaction Based EV
1999	3,534,938.60	1,178,312.87
2000	3,895,955.90	1,298,651.97
2001	4,578,516.40	1,526,172.13
2002	5,373,688.90	1,791,229.63
2003	6,107,763.40	2,035,921.13
2004	6,905,092.30	2,301,697.43

Figure 3: Enterprise value using transaction multiples

For the year 2000, the EV was derived using trading multiples and stood at approximately \$702.6 million (Figure 2), while transaction multiples indicated a higher EV of \$1.30 billion (Figure 3). The weight-adjusted analysis reinforced these valuations, with mixed weights between trading and transaction multiples showing a balance of price range from \$1.00 billion to \$1.12 billion (Appendix 2, Table 11). We performed sensitivity analysis to add further depth to the evaluation, here trading calculations indicated a minimum EV of \$545.9 million and a maximum of \$1.04 billion (Figure 4). Transaction calculations, meanwhile, provided a range between \$1.20 billion and \$1.40 billion (Figure 5). The premium analysis comparing trading and transaction multiples suggested a premium percentage range between 34.6% and 119.2% (Appendix 2, Tables 8-10) for 2000, highlighting the acquisition premium inherent in transaction-based valuations. Average EV calculations, performed with averages of selected companies and their multiples provided a midpoint of \$758.6 million (Figure 6) and \$1.30 billion (Figure 7), narrowing the final price offer recommendation to a prudent range.

Enterprise Value - Trading Calculations (minimum and maximum)				
Year	BCF	EBITDA	After tax cash flow	Enterpise value
2000 (max)	1,437,406.10	1,124,816.00	553,564.11	1,038,595.40
2000 (min)	767,483.80	636,776.00	233,558.56	545,939.45
2001 (max)	1,689,235.60	1,491,034.60	760,545.39	1,313,605.20
2001 (min)	901,944.80	844,098.10	320,887.64	688,976.85

Figure 4: Enterprise value using trading multiples (maximum and minimum)

Enterprise Value Transactions calculations	
Year	EV BCF
2000 (max)	1,398,381.50
2000 (min)	1,196,754.40
2001 (max)	1,643,374.00
2001 (min)	1,406,422.40

Figure 5: Enterprise value using transaction multiples (maximum and minimum)

In 2001, the Enterprise Value (EV) derived from trading multiples amounted to $885.4 million (Figure 2), indicating a stable valuation based on market performance and comparable companies. The transaction multiples provided a higher EV of $1.53 billion (Figure 3), highlighting the premium associated with acquisition deals in the media industry. Performing sensitivity analysis of trading multiples showed a minimum EV of $688.9 million and a maximum of $1.31 billion (Figure 4), presenting a range that consists of different market conditions and operational scenarios. The transaction multiples' sensitivity analysis for 2001 revealed a minimum EV of $1.40 billion and a maximum of $1.64 billion (Figure 5), maintaining acquisition-focused valuation spectrum. The average EV from average of trading multiples was calculated at $956.8 million (Figure 6), while the EV from average transaction multiples stood at $1.53 billion (Figure 7). Comparing these averages provided a comprehensive view of Radio One's valuation, aligning with more market-driven and transaction-influenced metrics. The premium percentage for 2001 ranged between 25.1 and 104.1 (Appendix 2, Tables 8-10), emphasising the strategic value seen by potential acquirers.

Trading Multiples Averages Calculations				
Year	BCF	EBITDA	After tax cash flow	Enterprise value
1999	625,314.80	599,202.00	379,316.47	534,611.09
2000	1,086,184.70	836,640.00	352,865.52	758,563.41
2001	1,276,481.20	1,109,034.00	484,804.28	956,773.16
2002	1,498,173.70	1,409,202.00	647,700.72	1,185,025.47
2003	1,702,832.20	1,732,284.00	849,954.60	1,428,356.93
2004	1,925,125.90	2,071,134.00	1,031,078.62	1,675,779.51

Figure 6: Enterprise value using trading multiples (Average)

Transactions calculations Average	
Year	Enterprise values
1999	1,178,312.87
2000	1,298,651.97
2001	1,526,172.13
2002	1,791,229.63
2003	2,035,921.13
2004	2,301,697.43

Figure 7: Enterprise value using transaction multiples (Average)

6.4 Reconciliation of DCF and Multiples-Based Results

The reconciliation process reveals a strong alignment between the DCF analysis and the trading multiples. The DCF synergy-inclusive enterprise value of $701.1 million closely mirrors the $702.6 million derived from trading multiples, indicating a well-founded price point that integrates both intrinsic value and market comparable. This convergence shows a robustness of the DCF assumptions, particularly regarding future cash flow generation and the applied discount rate of 11.09%. Additionally, the sensitivity analysis in the DCF model, which provided an offer price range of $507.3 million to $701.1 million, reinforces the appropriateness of the trading multiples-based valuation.

On the other hand, the transaction multiples indicate a significantly higher enterprise value in the range of $1.2 billion to $1.4 billion. This disparity suggests a potential overestimation of acquisition synergies and market positioning. Historically, transaction multiples often include control premiums and strategic benefits that may not be fully realised. While trading multiples are sometimes based on overly optimistic assumptions during periods of market overvaluation, the inclusion of acquisition premiums in transaction multiples can amplify this effect. As a result, the transaction multiples appear to reflect an even greater market overvaluation in this case.

6.5 Optimal Price Recommendation

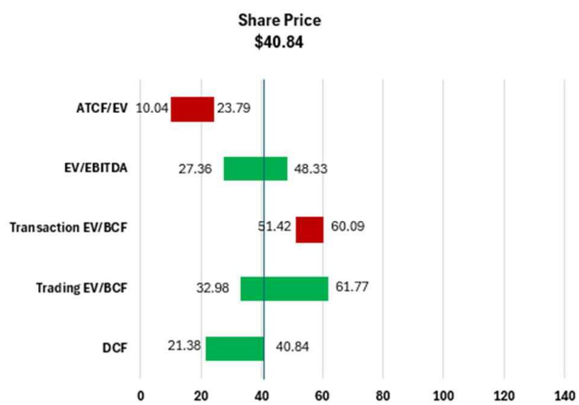

Figure 8: Football Field Chart

Based on the insights from the football field chart, the optimal offer price for the 21 radio stations should be anchored around $950 million, or $40.84 per share**.** This value is derived from the intersection between the maximum DCF value and the range established by trading multiples. This ensures that the offer is rooted in intrinsic value while being aligned with realistic market dynamics (Figure 8).

The chart also highlights key considerations regarding the valuation methodologies. The ATCF/EV multiple was excluded as it does not align well with the overall valuation approach. Additionally, the transaction multiples suggest a potential overestimation due to the inclusion of control premiums and assumptions about synergies that may not be fully achievable. This reinforces that transaction multiples should not serve as the primary driver for the offer price, as they pose a heightened risk of overpayment and inflated expectations.

By anchoring the offer price at $950 million, Radio One effectively captures the maximum intrinsic value reflected in the DCF analysis while incorporating the most reliable market-driven multiples**.**

7. Conclusion

The results present a comprehensive valuation analysis of Radio One's proposed acquisition of 21 radio stations, integrating DCF analysis, trading multiples, transaction multiples, and sensitivity analysis to derive a justifiable price recommendation. The results indicate that while the DCF analysis (with synergies) and trading multiples converge closely around an enterprise value of $701.1 million to $702.6 million, the transaction multiples suggest a significantly higher valuation range between $1.2 billion and $1.4 billion. This discrepancy highlights the inherent risks of overreliance on transaction multiples, as they often incorporate control premiums and aggressive assumptions regarding synergies that may not be fully realisable in practice.

The sensitivity analysis further underscores the importance of forecasting accuracy, as even a modest 5% shift in revenue or a 100-basis point change in the discount rate results in a significant valuation impact, with the DCF model providing a valuation range of $507.3 million to $950.4 million. This finding reinforces the need for a balanced approach that integrates both intrinsic and market-based valuations.

Ultimately, the optimal offer price of $950 million, as derived from the intersection of the maximum DCF value and the range established by trading multiples, provides a prudent valuation that reflects intrinsic value while aligning with market expectations. By excluding less relevant valuation metrics such as ATCF/EV multiples and emphasising the limitations of transaction multiples, this price recommendation mitigates the risk of overpayment and supports the long-term financial stability of Radio One post-acquisition.

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9. Appendices

9.1 Appendix 1: DCF analysis

Excel 1:

WACC for Radio One Inc.

All values are in $

	1999
Long-term debt and deferred interest	82,626,000
Total Debt	**82,626,000**
Total stockholders' (deficit) equity	420,256,000
Total Equity	**420,256,000**
Total Debt + Equity	**502,882,000**
D/V	16%
E/V	84%
Cost of Equity	
6.28% + 0.85(7%) =	**12.02%**
Cost of Debt	
Interest Expense	10,762,000
Total Debt	82,626,000
Interest Expense/Total Debt =	13.0%
Cost of Debt (Using Ratings Table)	
Debt Rating (S&P)	B
B rating Yield	9.68%
WACC	**11.09%**

Assumptions	
MRP	7%
Yield on 10-Year T-Bond	6.28%
Beta	0.82
Tax	34%

Excel 2:

Income Statement for Radio One Inc.

All values are in $

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales	27,027,000	36,955,000	52,696,000	93,260,000	130,564,000	169,733,200	212,166,500	254,599,800	300,427,764
Agency Commissions	3,325,000	4,588,000	6,587,000	11,557,000	16,189,936	21,046,917	26,308,646	31,570,375	37,253,043
Program & techncial	4,157,000	5,934,000	8,015,000	13,576,000	19,584,600	25,459,980	31,824,975	37,680,770	44,463,309
SG&A	9,770,000	12,914,000	16,486,000	30,683,000	42,433,300	54,314,624	66,832,448	78,925,938	91,630,468
Corporate expenses	1,793,000	2,155,000	2,800,000	4,155,000	5,875,380	7,298,528	8,910,993	10,183,992	12,017,111
EBITDA	7,982,000	11,364,000	18,808,000	33,289,000	46,480,784	61,613,152	78,289,439	96,238,724	115,063,834
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	23,501,520	30,042,776	36,110,738	40,888,728	47,918,228
EBIT	2,154,000	5,536,000	10,363,000	16,216,000	22,979,264	31,570,375	42,178,700	55,349,997	67,145,605
Tax (@34%)	732,360	1,882,240	3,523,420	5,513,440	7,812,950	10,733,928	14,340,758	18,818,999	22,829,506
NOPLAT	**1,421,640**	**3,653,760**	**6,839,580**	**10,702,560**	**15,166,314**	**20,836,448**	**27,837,942**	**36,530,998**	**44,316,099**
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	23,501,520	30,042,776	36,110,738	40,888,728	47,918,228
Capex	2,035,000	2,035,000	2,336,000	3,252,000	5,222,560	6,449,862	7,425,828	8,910,993	10,514,972
ΔWC	#VALUE!	13,480,000	- 1,650,000	261,727,000	10,787,080	6,919,892	7,850,161	7,425,828	7,663,454
FCF	**#VALUE!**	**20,926,760**	**11,298,580**	**286,250,560**	**44,232,354**	**51,349,254**	**64,373,013**	**75,934,560**	**89,382,810**

Assumptions									
Sales Growth (%YoY)		36.7%	42.6%	77.0%	40.0%	30.0%	25.0%	20.0%	18.0%
Agency Commissions (% of Sales)	12.3%	12.4%	12.5%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Program & techncial (% of Sales)	15.4%	16.1%	15.2%	14.6%	15.0%	15.0%	15.0%	14.8%	14.8%
SG&A (% of Sales)	36.1%	34.9%	31.3%	32.9%	32.5%	32.0%	31.5%	31.0%	30.5%
Corporate expenses (% of Sales)	6.6%	5.8%	5.3%	4.5%	4.5%	4.3%	4.2%	4.0%	4.0%
Dep & Amor (% of PP&E)	193.8%	131.5%	125.7%	110.1%	120.0%	118.0%	115.0%	110.0%	110.0%
Tax (@34%)	34%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
PP&E	3,007,000	4,432,000	6,717,000	15,512,000	19,584,600	25,459,980	31,400,642	37,171,571	43,562,026
PP&E (% of Sales)	11.1%	12.0%	12.7%	16.6%	15.0%	15.0%	14.8%	14.6%	14.5%
Capex	2,035,000	2,035,000	2,336,000	3,252,000	5,222,560	6,449,862	7,425,828	8,910,993	10,514,972
Capex (% of Sales)	7.5%	5.5%	4.4%	3.5%	4.0%	3.8%	3.5%	3.5%	3.5%
Working Capital									
Recurring WC	6,403,000	14,250,000	12,600,000	17,937,000	28,724,080	35,643,972	43,494,133	50,919,960	58,583,414
Recurring WC as % of Sales	23.7%	38.6%	23.9%	19.2%	22%	21%	20.5%	20%	19.5%
Investments available for sale				256,390,000	256,390,000	256,390,000	256,390,000	256,390,000	256,390,000
Actual WC	770,000	14,250,000	12,600,000	274,327,000	285,114,080	292,033,972	299,884,133	307,309,960	314,973,414
ΔWC		13,480,000	- 1,650,000	261,727,000	10,787,080	6,919,892	7,850,161	7,425,828	7,663,454

Excel 3:

Combined Income Statement for Radio One Inc. , including the purchase of 12 radio stations

All values are in $

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales	27,027,000	36,955,000	52,696,000	93,260,000	244,707,000	298,046,200	356,626,500	414,584,800	476,247,764
Agency Commissions	3,325,000	4,588,000	6,587,000	11,557,000	30,343,668	36,957,729	44,221,686	51,408,515	59,054,723
Program & techncial	4,157,000	5,934,000	8,015,000	13,576,000	36,706,050	44,706,930	53,493,975	61,358,550	70,484,669
SG&A	9,770,000	12,914,000	16,486,000	30,683,000	79,529,775	95,374,784	112,337,348	128,521,288	145,255,568
Corporate expenses	1,793,000	2,155,000	2,800,000	4,155,000	11,011,815	12,815,987	14,978,313	16,583,392	19,049,911
EBITDA	7,982,000	11,364,000	18,808,000	33,289,000	87,115,692	108,190,771	131,595,179	156,713,054	182,402,894
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	73,412,100	79,131,266	82,024,095	79,807,574	91,677,695
EBIT	2,154,000	5,536,000	10,363,000	16,216,000	13,703,592	29,059,505	49,571,084	76,905,480	90,725,199
Tax (@34%)	732,360	1,882,240	3,523,420	5,513,440	4,659,221	9,880,232	16,854,168	26,147,863	30,846,568
NOPLAT	**1,421,640**	**3,653,760**	**6,839,580**	**10,702,560**	**9,044,371**	**19,179,273**	**32,716,915**	**50,757,617**	**59,878,631**
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	73,412,100	79,131,266	82,024,095	79,807,574	91,677,695
Capex	2,035,000	2,035,000	2,336,000	3,252,000	11,888,280	13,425,756	14,581,928	16,610,468	18,768,672
ΔWC	#VALUE!	13,480,000	- 1,650,000	261,727,000	20,898,540	8,754,162	10,518,731	9,808,528	9,951,354
FCF	**#VALUE!**	**20,926,760**	**11,298,580**	**286,250,560**	**91,466,731**	**93,638,945**	**110,677,813**	**123,763,251**	**142,739,008**

Assumptions									
Sales Growth (%YoY)		36.7%	42.6%	77.0%	40.0%	30.0%	25.0%	20.0%	18.0%
Agency Commissions (% of Sales)	12.3%	12.4%	12.5%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Program & techncial (% of Sales)	15.4%	16.1%	15.2%	14.6%	15.0%	15.0%	15.0%	14.8%	14.8%
SG&A (% of Sales)	36.1%	34.9%	31.3%	32.9%	32.5%	32.0%	31.5%	31.0%	30.5%
Corporate expenses (% of Sales)	6.6%	5.8%	5.3%	4.5%	4.5%	4.3%	4.2%	4.0%	4.0%
Dep & Amor (% of PP&E)	193.8%	131.5%	125.7%	110.1%	120.0%	118.0%	115.0%	110.0%	110.0%
Tax (@34%)	34%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
PP&E	3,007,000	4,432,000	6,717,000	15,512,000	61,176,750	67,060,395	71,325,300	72,552,340	83,343,359
PP&E (% of Sales)	11.1%	12.0%	12.7%	16.6%	25.0%	22.5%	20.0%	17.5%	17.5%
Capex	2,035,000	2,035,000	2,336,000	3,252,000	9,788,280	11,325,756	12,481,928	14,510,468	16,668,672
Capex (% of Sales)	7.5%	5.5%	4.4%	3.5%	4.0%	3.8%	3.5%	3.5%	3.5%
Additional Capex					2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Total Capex					11,888,280	13,425,756	14,581,928	16,610,468	18,768,672
Working Capital									
Recurring WC	6,403,000	14,250,000	12,600,000	17,937,000	53,835,540	62,589,702	73,108,433	82,916,960	92,868,314
WC for new stations					15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Recurring WC as % of Sales	23.7%	38.6%	23.9%	19.2%	22%	21%	20.5%	20%	19.5%
Investments available for sale				256,390,000	256,390,000	256,390,000	256,390,000	256,390,000	256,390,000
Actual WC	770,000	14,250,000	12,600,000	274,327,000	295,225,540	303,979,702	314,498,433	324,306,960	334,258,314
ΔWC		13,480,000	- 1,650,000	261,727,000	20,898,540	8,754,162	10,518,731	9,808,528	9,951,354
Additional Revenues									
Revenues from 12 new stations					114,143,000	128,313,000	144,460,000	159,985,000	175,820,000

Excel 4:

Combined Income Statement for Radio One Inc. , including the purchase of 12 radio stations (with synergies)

All values are in $

Street Case	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales	27,027,000	36,955,000	52,696,000	93,260,000	282,011,000	337,215,400	382,086,480	435,801,450	481,339,760
Agency Commissions	3,325,000	4,588,000	6,587,000	11,557,000	33,841,320	38,779,771	42,029,513	47,938,160	52,947,374
Program & techncial	4,157,000	5,934,000	8,015,000	13,576,000	39,481,540	45,524,079	49,671,242	54,475,181	57,760,771
SG&A	9,770,000	12,914,000	16,486,000	30,683,000	87,423,410	101,164,620	110,805,079	122,024,406	134,775,133
Corporate expenses	1,793,000	2,155,000	2,800,000	4,155,000	12,126,473	13,825,831	14,901,373	16,996,257	18,772,251
EBITDA	7,982,000	11,364,000	18,808,000	33,289,000	109,138,257	137,921,099	164,679,273	194,367,447	217,084,232
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	74,450,904	81,201,468	81,957,550	80,013,146	83,392,113
EBIT	2,154,000	5,536,000	10,363,000	16,216,000	34,687,353	56,719,630	82,721,723	114,354,300	133,692,118
Tax (@34%)	732,360	1,882,240	3,523,420	5,513,440	11,793,700	19,284,674	28,125,386	38,880,462	45,455,320
NOPLAT	**1,421,640**	**3,653,760**	**6,839,580**	**10,702,560**	**22,893,653**	**37,434,956**	**54,596,337**	**75,473,838**	**88,236,798**
Dep & Amor	5,828,000	5,828,000	8,445,000	17,073,000	74,450,904	81,201,468	81,957,550	80,013,146	83,392,113
Capex	2,035,000	2,035,000	2,336,000	3,252,000	12,816,418	13,902,539	14,326,767	15,174,044	18,946,892
ΔWC	#VALUE!	13,480,000	- 1,650,000	261,727,000	29,105,420	8,772,814	7,512,494	8,832,562	6,700,963
FCF	**#VALUE!**	**20,926,760**	**11,298,580**	**286,250,560**	**113,633,559**	**113,506,699**	**129,739,614**	**149,145,503**	**159,382,983**

Assumptions									
Underlying Sales Growth (%YoY)		36.7%	42.6%	77.0%	80.0%	60.0%	40.0%	30.0%	20.0%
Agency Commissions (% of Sales)	12.3%	12.4%	12.5%	12.4%	12.0%	11.5%	11.0%	11.00%	11.0%
Program & techncial (% of Sales)	15.4%	16.1%	15.2%	14.6%	14.0%	13.5%	13.0%	12.5%	12.0%
SG&A (% of Sales)	36.1%	34.9%	31.3%	32.9%	31.0%	30.0%	29.0%	28.0%	28.0%
Corporate expenses (% of Sales)	6.6%	5.8%	5.3%	4.5%	4.3%	4.1%	3.9%	3.9%	3.9%
Dep & Amor (% of PP&E)	193.8%	131.5%	125.7%	110.1%	110.0%	112.0%	110.0%	108.0%	105.0%
Tax (@34%)	34%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
PP&E	3,007,000	4,432,000	6,717,000	15,512,000	67,682,640	72,501,311	74,506,864	74,086,247	79,421,060
PP&E (% of Sales)	11.1%	12.0%	12.7%	16.6%	24.0%	21.5%	19.5%	17.0%	16.5%
Capex	2,035,000	2,035,000	2,336,000	3,252,000	10,716,418	11,802,539	12,226,767	13,074,044	16,846,892
Capex (% of Sales)	7.5%	5.5%	4.4%	3.5%	3.8%	3.5%	3.2%	3.0%	3.5%
Additional Capex					2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Total Capex					12,816,418	13,902,539	14,326,767	15,174,044	18,946,892
Working Capital									
Recurring WC	6,403,000	14,250,000	12,600,000	17,937,000	62,042,420	70,815,234	78,327,728	87,160,290	93,861,253
WC for new stations					15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Recurring WC as % of Sales	23.7%	38.6%	23.9%	19.2%	22%	21%	20.5%	20%	19.5%
Investments available for sale				256,390,000	256,390,000	256,390,000	256,390,000	256,390,000	256,390,000
Actual WC	770,000	14,250,000	12,600,000	274,327,000	303,432,420	312,205,234	319,717,728	328,550,290	335,251,253
ΔWC		13,480,000	- 1,650,000	261,727,000	29,105,420	8,772,814	7,512,494	8,832,562	6,700,963
Sales revision									
Standalone Sales	27,027,000	36,955,000	52,696,000	93,260,000	130,564,000	169,733,200	212,166,500	254,599,800	300,427,764
Sales					167,868,000	208,902,400	237,626,480	275,816,450	305,519,760
Sales from stations					114,143,000	128,313,000	144,460,000	159,985,000	175,820,000
Total Sales					282,011,000	337,215,400	382,086,480	435,801,450	481,339,760

Excel 5:

DCF for Radio One Inc.

All values are in $

	2000	2001	2002	2003	2004	2005	CV
Discount Factor	1	0.90	0.81	0.73	0.66	0.59	0.59
PV (FCF)		39,814,976	41,605,136	46,948,643	49,849,991	52,818,494	
Total PV (FCF)	231,037,240						
Continuation Value (CV)							1,065,967,130
PV(CV)							629,906,110
Enterprise Value	**860,943,349**						

TOTAL EQUITY VALUE	**860,943,349**
Estimated Shares Outstanding	23,272,000
Equity Value per share	**$ 36.99**

Excel 6:

DCF for Radio One Inc. with 21 Station (No Synergies)

All values are in $

	2000	2001	2002	2003	2004	2005	CV
Discount Factor	1	0.90	0.81	0.73	0.66	0.59	0.59
PV (FCF)		82,332,169	75,869,866	80,719,744	81,248,867	84,347,979	
Total PV (FCF)	404,518,625						
Continuation Value (CV)							1,702,285,829
PV(CV)							1,005,922,428
Enterprise Value	**1,410,441,053**						

TOTAL ENTERPRISE VALUE		**1,410,441,053**
Estimated Shares Outstanding		23,272,000
Equity Value per share	**$**	**60.61**
Offer Price based off of additional CFs	**$**	**549,497,704**

Excel 7:

DCF for Radio One Inc. with 21 Station (With Synergies)

All values are in $

Street Case	2000	2001	2002	2003	2004	2005	CV
Discount Factor	1	0.90	0.81	0.73	0.66	0.59	0.59
PV (FCF)		102,285,250	91,967,482	94,621,931	97,911,965	94,183,312	
Total PV (FCF)	480,969,941						
Continuation Value (CV)							1,900,779,590
PV(CV)							1,123,217,258
Enterprise Value	**1,604,187,199**						

TOTAL ENTERPRISE VALUE		**1,604,187,199**
Estimated Shares Outstanding		23,272,000
Equity Value per share	**$**	**68.93**
Offer Price based on Synergies	**$**	**743,243,849**
Offer Price per share	$	31.94
Value of synergies	**$**	**193,746,146**

9.2 Appendix 2: Trading & Transaction analysis

Table 1:

Trading Multiples				
Company	BCF Multiple	EBITDA Multiple	After tax cash flow multiple	Asset beta
Beasley Broadcasting Group	11.80	13.70	15.40	NA
CBS	15.10	15.80	22.30	1.06
Clear Channel Communications	17.20	17.90	20.10	0.65
Radio one	22.10	24.20	36.50	0.82
Cox Radio	17.40	18.70	24.20	0.27
Entercom Communications	16.60	17.70	21.10	0.30
Average	**16.70**	**18.00**	**23.27**	**0.62**
Median	**16.90**	**17.80**	**21.70**	**0.65**
Maximum	**22.10**	**24.20**	**36.50**	**1.06**
Minimum	**11.80**	**13.70**	**15.40**	**0.27**

Table 2:

Transaction Multiples	
Station	Transaction Mulitples
Infinity 2000 BCF	21.50
Cox 2000 BCF	18.40
Radio One Estimate	20.00
Average	**19.97**
Median	**20.00**
max	**21.50**
min	**18.40**

Table 3:

Calculations (Trading Mulitples)							
Year	BCF	EBITDA	Depriciation & Amortisation	EBIT	Taxes(% Applicable)	Taxes	After tax cash flow
1999	37,444.00	33,289.00	17,073.00	-	-	-	16,303.00
2000	65,041.00	46,480.00	23,501.00	22,979.00	0.34	7,812.86	15,166.14
2001	76,436.00	61,613.00	30,042.00	31,571.00	0.34	10,734.14	20,836.86
2002	89,711.00	78,289.00	36,110.00	42,179.00	0.34	14,340.86	27,838.14
2003	101,966.00	96,238.00	40,888.00	55,350.00	0.34	18,819.00	36,531.00
2004	115,277.00	115,063.00	47,918.00	67,145.00	0.34	22,829.30	44,315.70

Table 4:

Calculating Enterprise Value

Year	EV BCF(Beasely)	EV BCF(CBS)	EV BCF(Clear channel)	EV BCF(Cox radio)	EV BCF(Entercom)	EV EBITDA (Beasely)	EV EBITDA (CBF)
1999	441,839.20	565,404.40	644,036.80	651,525.60	621,570.40	456,059.30	525,966.20
2000	767,483.80	982,119.10	1,118,705.20	1,131,713.40	1,079,680.60	636,776.00	734,384.00
2001	901,944.80	1,154,183.60	1,314,699.20	1,329,986.40	1,268,837.60	844,098.10	973,485.40
2002	1,058,589.80	1,354,636.10	1,543,029.20	1,560,971.40	1,489,202.60	1,072,559.30	1,236,966.20
2003	1,203,198.80	1,539,686.60	1,753,815.20	1,774,208.40	1,692,635.60	1,318,460.60	1,520,560.40
2004	1,360,268.60	1,740,682.70	1,982,764.40	2,005,819.80	1,913,598.20	1,576,363.10	1,817,995.40

Year	EV EBITDA (Clear Channel)	EV EBITDA (Cox radio)	EV EBITDA (Entercom)	EV After-Tax CF (Beasely)	EV After-Tax CF (CBS)	EV After-Tax CF (Clear Channel)	EV After-Tax CF (Cox radio)	EV After-Tax CF (Entercom)
1999	595,873.10	622,504.30	589,215.30	251,066.20	363,556.90	327,690.30	394,532.60	343,993.30
2000	831,992.00	869,176.00	822,696.00	233,558.56	338,204.92	304,839.41	367,020.59	320,005.55
2001	1,102,872.70	1,152,163.10	1,090,550.10	320,887.64	464,661.98	418,820.89	504,252.01	439,657.75
2002	1,401,373.10	1,464,004.30	1,385,715.30	428,707.36	620,790.52	559,546.61	673,682.99	587,384.75
2003	1,722,660.20	1,799,650.60	1,703,412.60	562,577.40	814,641.30	734,273.10	884,050.20	770,804.10
2004	2,059,627.70	2,151,678.10	2,036,615.10	682,461.78	988,240.11	890,745.57	1,072,439.94	935,061.27

Table 5:

Calculating Enterprise Value (Transaction Multiples)			
Year	EV (Infinity 2000 BCF)	EV (Cox 2000 BCF)	EV (Radio One Estimate)
1999	1,268,801.00	1,085,857.60	1,180,280.00
2000	1,398,381.50	1,196,754.40	1,300,820.00
2001	1,643,374.00	1,406,422.40	1,528,720.00
2002	1,928,786.50	1,650,682.40	1,794,220.00
2003	2,192,269.00	1,876,174.40	2,039,320.00
2004	2,478,455.50	2,121,096.80	2,305,540.00

Table 6:

Average Values Trading Multiples					
Year	Beasley Broadcasting Group	CBS	Clear Channel Communications	Cox radio	Entercom
1999	382,988.23	484,975.83	522,533.40	556,187.50	518,259.67
2000	545,939.45	684,902.67	751,845.54	789,303.33	740,794.05
2001	688,976.85	864,110.33	945,464.26	995,467.17	933,015.15
2002	853,285.49	1,070,797.61	1,167,982.97	1,232,886.23	1,154,100.88
2003	1,028,078.93	1,291,629.43	1,403,582.83	1,485,969.73	1,388,950.77
2004	1,206,364.49	1,515,639.40	1,644,379.22	1,743,312.61	1,628,424.86

Table 7:

Calculating Averages from Transaction Multiples	
Year	Total EV
1999	3,534,938.60
2000	3,895,955.90
2001	4,578,516.40
2002	5,373,688.90
2003	6,107,763.40
2004	6,905,092.30

Table 8:

Comparing Enterprise Values from Trading and Transaction Multiples				
Year	Enterprise Value Trading Multiples	Enterprise Value Transaction Multiples	Difference	Premium %
1999	492,988.93	1,178,312.87	685,323.94	139.01
2000	702,557.01	1,298,651.97	596,094.96	84.85
2001	885,406.75	1,526,172.13	640,765.38	72.37
2002	1,095,810.64	1,791,229.63	695,419.00	63.46
2003	1,319,642.34	2,035,921.13	716,278.79	54.28
2004	1,547,624.12	2,301,697.43	754,073.32	48.72

Table 9:

Comparing Enterprise Values from Trading and Transaction Multiples (minimum & maximum)				
Year	Enterprise Value Trading Multiples	Enterprise Value Transaction Multiples	Difference	Premium %
2000 (max)	1,038,595.40	1,398,381.50	359,786.10	34.64
2000 (min)	545,939.45	1,196,754.40	650,814.95	119.21
2001 (max)	1,313,605.20	1,643,374.00	329,768.80	25.10
2001 (min)	688,976.85	1,406,422.40	717,445.55	104.13

Table 10:

Comparing Enterprise Values from Trading and Transaction Multiples (average)				
Year	Enterprise Value Trading Multiples	Enterprise Value Transaction Multiples	Difference	Premium %
1999	534,611.09	1,178,312.87	643,701.78	120.41
2000	758,563.41	1,298,651.97	540,088.56	71.20
2001	956,773.16	1,526,172.13	569,398.97	59.51
2002	1,185,025.47	1,791,229.63	606,204.16	51.16
2003	1,428,356.93	2,035,921.13	607,564.20	42.54
2004	1,675,779.51	2,301,697.43	625,917.93	37.35

Table 11:

Using percentage weights										
Year	Enterprise Value Trading Multiples	Enterprise Value Transaction Multiples	Weight for trading (30%)	Weight for trading (40%)	Weight for trading (50%)	Weight for transaction (70%)	Weight for transaction (60%)	Weight for transaction (50%)	Final Price offer (30%,70%)	Final Price offer (40%,60%)	Final Price offer (50%,50%)
1999	634,770.88	1,178,312.87	0.30	0.40	0.50	0.70	0.60	0.50	1,015,250.27	960,896.07	906,541.88
2000	902,797.77	1,298,651.97	0.30	0.40	0.50	0.70	0.60	0.50	1,179,895.71	1,140,310.29	1,100,724.87
2001	1,138,044.22	1,526,172.13	0.30	0.40	0.50	0.70	0.60	0.50	1,409,733.76	1,370,920.97	1,332,108.18
2002	1,408,877.23	1,791,229.63	0.30	0.40	0.50	0.70	0.60	0.50	1,676,523.91	1,638,288.67	1,600,053.43
2003	1,697,271.97	2,035,921.13	0.30	0.40	0.50	0.70	0.60	0.50	1,934,326.38	1,900,461.47	1,866,596.55
2004	1,990,748.57	2,301,697.43	0.30	0.40	0.50	0.70	0.60	0.50	2,208,412.77	2,177,317.89	2,146,223.00