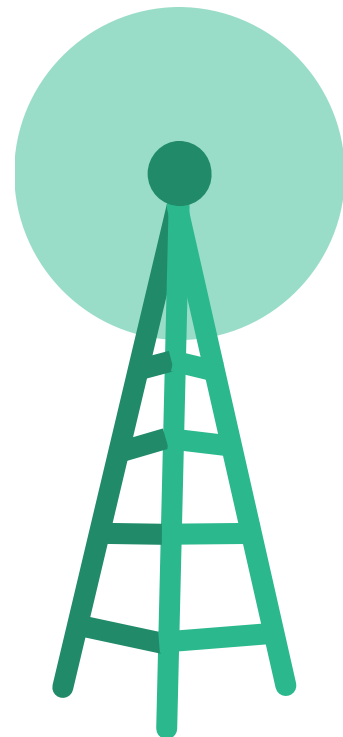




STATE OF THE INDUSTRY REPORT

LOCAL RADIO STATION PROFILES AND TRENDS FOR 2014 AND BEYOND

November 2013



CONTENTS

EXECUTIVE SUMMARY	iii
INTRODUCTION	1
Recent Audience Shares of Local Radio Stations.....	2
Revenue History of Local Radio Stations	5
Overall Industry Growth	5
Importance of Largest Markets	6
Revenue Share by Format.....	6
Radio Position in the New Media Marketplace.....	8
Radio Advertising Shares	8
Local Advertising Growth.....	9
Radio’s Share with Advertiser and Business Categories	11
Radio Advertisers.....	13
Technology Changes in Radio Industry.....	15
HD Radio™	15
FM Chips in Cell Phones and Other Devices.....	15
Increased Use of FM Translators	16
Streaming of Radio Stations	17
Competitive Threats to Local Radio Stations	19
Competition for Audiences.....	19
Satellite Audio Services.....	19
Internet Only Streaming Services	19
Connected Cars	20
Competition for Advertisers.....	21
Position of Local Radio Stations to Compete in New Marketplace.....	23
Example of Radio Stations Expanding Opportunities	23
Sales Transformation and Opportunities for Radio Stations	24
Station Trading Activity	26
Level of Station Trading Activity.....	26
Prices and Values of Radio Stations.....	27
Values of Public Companies (Radio and Overall Local Media Companies)	29
Consolidation of Radio Industry.....	30
Conclusion	31
Appendix 1 – Market Sizing – Media Ad View Plus Example	I
Appendix 2 – Advertising AND Marketing Activities of Radio Advertisers	XX
Appendix 3 - The BIA/Kelsey Digital Sales Transformation Playbook.....	XXXII

FIGURES

Figure 1- Average Quarter Hour Ratings.....	4
Figure 2 - Local Radio Station Advertising Revenue.....	5
Figure 3 - Distribution of Radio Industry Revenue by Market Size	6
Figure 4 - Format Revenue Shares: 2000 vs. 2012.....	7
Figure 5 - 2013 Local Media Shares	9
Figure 6 - Traditional vs. Online/Digital Local Advertising.....	10
Figure 7 - Advertising Media Revenue Shares: 2013 vs. 2017	11
Figure 8 - 2013 Local Advertising by Automotive Dealers	12
Figure 9 - Advertising/Marketing Spending by Radio Advertisers	14
Figure 10 - Total Monthly Streaming Hours for Over-The-Air Broadcasters	17
Figure 11 - Brewer Media Group.....	24
Figure 12 - Radio Station Trading Activity	26
Figure 13 - Yearly Valuation EBITDA Multiples (Median) for Publicly Traded Radio Companies	28
Figure 14 - BIA/Kelsey - Local Stock Indices.....	29

TABLES

Table 1 - Weekly Cume by Age Groups.....	3
Table 2 - Top Ten Radio Groups.....	30

EXECUTIVE SUMMARY

With the entry of new and innovative digital media outlets, more choices are now available to local and national advertisers to get their messages out to existing and potential new clients. At the same time, many more opportunities now exist for the public to receive audio entertainment programming and news and information. In the face of this incredible competition from all sides, local radio stations, for the most part, are surviving and in some instances thriving. The radio industry still maintains a position in these local marketplaces (both for listeners and advertisers) and is well positioned to compete in these new marketplaces.

This report describes the local radio station industry that finds itself in this incredibly complex and competitive marketplace – audience levels, revenues, technology advancements, new competition. The report also reviews the recent radio station trading activity, analyzing the total number and dollar value of all radio stations that have been sold in recent years and the values of publicly held radio stations groups and private radio station values.

After reviewing all of this information on the local radio station industry, we conclude that local radio stations can prosper in this tougher environment. It certainly will be challenging given the new and increasingly stronger competition they face. Yet, with the assets they have in hand, these radio stations can expand their offerings in their local markets. So long as they and their staffs understand that there is a different marketplace in 2013 and that they have to be flexible in how and what they offer, many of these radio stations should continue to be noticeable forces in these local marketplaces.

In summary, the report covers the following topics:

- Overall industry growth
- Radio's position in the new media marketplace
- Recent audience shares and revenue histories of local radio stations
- Radio advertisers – their trends and buying habits
- Competition for advertisers
- Technology changes in radio, including HD Radio™, Cell phone chips, FM translators, and streaming
- Competitive threats to local radio stations
- The sales transformations and expanding opportunities of local radio stations to compete in the new marketplace
- Station trading activity, including prices and values of stations and public companies
- How consolidation will affect the radio industry
- Digital sales transformation playbook