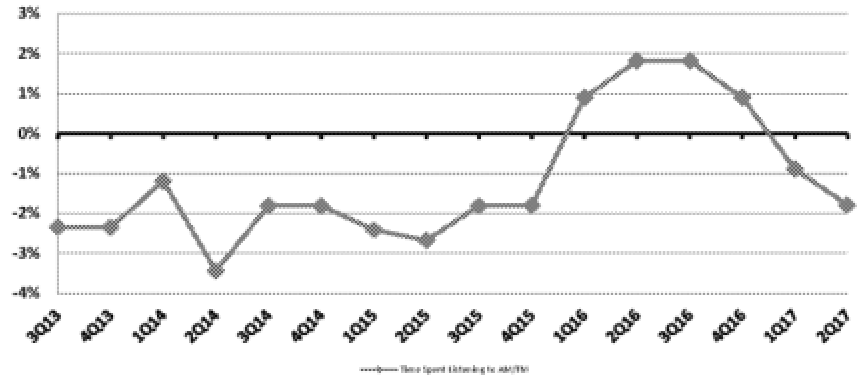
On the audience side, Nielsen has affirmed radio's status as an impressive reach medium: ~271 million Americans 6+ listen to radio each week, and radio reaches ~93% of adults weekly (for reference, TV reaches ~89%). Nielsen also reports on daily time spent listening to AM/FM radio. The last couple years TSL amongst adults 18+ has been declining at a rate of ~2%. After a slight uptick in 2016, we've seen a reversion to that LSD norm in 2017.

Radio Industry: Time Spent Listening Trend (Y-o-Y % Change)



Source: Nielsen

Overall we continue to maintain a sufficient comfort level that *near-term* trends are not falling off a cliff (as seen in other segments of media). On average, we are projecting low-single-digit declines for the industry, with political helping and some groups performing above that average at the expense of others.

However, we continue to have lingering concerns further out on the horizon: competition for listeners (and the ad dollars that follow) is only going to intensify as digital entrants increase in number and gain critical mass. This extends not only to mobile devices, but also to terrestrial radio's home turf: the car. Pertaining specifically to the battle for the dashboard, there are an estimated 21 million connected cars on the road today, with Gartner projecting that number to skyrocket to ~250 million by 2020. While terrestrial radio is obviously the incumbent and reigning king of the car, it appears that the walls surrounding the kingdom are showing some cracks. And although some established radio leaders have pushed into digital (most notably iHeartMedia with its iHeartRadio platform), many others are lacking a clear digital plan and we are still waiting for proof of a viable/profitable revenue model.

Current yields in the space are well in excess of other media sub-sectors and the market overall. As in prior years, this is mainly a reflection of where the debt of a couple of the largest issuers, iHeartMedia and Cumulus, are trading. Credit-specific concerns (e.g., leverage, liquidity, operating performance, etc.) are outweighing palatable industry revenue declines and still-attractive margins and unlevered free cash generation. In fact, both IHRT and CMLS are currently engaged in negotiations with creditors with a mind towards reducing leverage and extending maturities. Setting those 2 credits aside, yields for radio companies with reasonable debt loads (admittedly a limited sample set) reside much closer to the mean.

All things considered, including mark-to-market value at current depressed trading levels, we recommend investors be market-weight overall radio broadcasting entering 2018. Although in fairness (and fundamentals aside), much will depend on the outcome on current cap structure optimization efforts.