

# Spanish Broadcasting System Inc.

## Company Profile

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## TABLE OF CONTENTS

<b>Facts &amp; Overview .....</b>	<b>4</b>
<b>Business Description .....</b>	<b>5</b>
<b>History .....</b>	<b>6</b>
<b>Major Products &amp; Services .....</b>	<b>7</b>
<b>Key Employees .....</b>	<b>8</b>
<b>Key Employee Biographies .....</b>	<b>9</b>
<b>Locations &amp; Subsidiaries.....</b>	<b>13</b>
<b>Company View .....</b>	<b>14</b>
<b>Top Competitors .....</b>	<b>16</b>

## COMPANY OVERVIEW

Spanish Broadcasting System (SBS) is a media and entertainment broadcasting company. It owns and operates 20 radio stations, serving Los Angeles, California, New York, Puerto Rico, Chicago, Illinois, Miami, Florida, and two television stations, serving the South Florida market. The company primarily operates in the US. It is headquartered in Coconut Grove, Florida and employs about 700 people.

The company recorded revenues of \$176.9 million during the fiscal year ended December 2006, an increase of 4.2% over 2005. The operating profit of the company was \$84.2 million during fiscal year 2006, an increase of 74.6% over 2005. The net profit was \$40.2 million in fiscal year 2006, compared to the net loss of \$44.7 million in 2005.

## KEY FACTS

<b>Head Office</b>	2601 South Bayshore Drive PH2 Coconut Grove Florida 33133 USA
<b>Phone</b>	1 305 441 6901
<b>Fax</b>	1 305 446 5148
<b>Web Address</b>	<a href="http://www.spanishbroadcasting.com">http://www.spanishbroadcasting.com</a>
<b>Ticker</b>	NASDAQ National Market: SBSA
<b># Employees</b>	700
<b>Turnover (US\$ Mn)</b>	176.9
<b>Financial Year End</b>	December

## **BUSINESS DESCRIPTION**

Spanish Broadcasting System (SBS) is a Spanish-language radio broadcasting company, which owns and operates around 20 radio stations throughout the US and Puerto Rico.

The company primarily operates through the two segments: radio and television.

The company owns radio stations in Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. SBS has in-house research departments located in Miami and Los Angeles, which conduct radio market research on a daily, weekly, monthly and annual basis.

The company's stations include WSKQ 97.9 FM and WPAT 93.1 FM in New York, KLAX 97.9 FM and KXOL 96.3 FM in Los Angeles, WRMA 106.7 FM in Miami, WCMA 96.5 in Puerto Rico, WLEY - 107.9 FM in Chicago, and KRZZ 93.3FM in San Francisco.

The company's programming formats includes Spanish Tropical, Regional Mexican, Spanish Adult Contemporary, Spanish Oldies, American Top 40, and Urban.

Spanish Tropical format consists of salsa, merengue, bachata and reggaeton music. The Regional Mexican format consists of various types of music played in different regions of Mexico, such as ranchera, nortena, banda and cumbia. The Spanish Adult Contemporary format includes soft romantic ballads and Spanish pop music. The Spanish Oldies format includes a range of Latin and English classics. The American Top 40 format consists of the popular chart hits. The Hispanic Urban (Urban) format consists of reggaeton, which is dance music that originated in Panama and Puerto Rico more than a decade ago, has evolved into a mix of Spanish and English-language dance hall, traditional reggae, Latin pop and Spanish hip-hop.

The company's television broadcasting segment operates through its brand Mega TV, serving the South Florida market. It also operates LaMusica.com, a bilingual Spanish-English website providing content related to Latin music, entertainment, news and culture. MEGA TV's programming is designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows.

## HISTORY

Spanish Broadcasting System (SBS) was founded in 1983, and incorporated in Delaware in 1994.

During 1999, SBS purchased 80% of the issued and outstanding capital stock of JuJu Media, the owner of LaMusica.com, a bilingual Spanish-English internet website and online community that focused on the US Hispanic market. In the same year, SBS completed its initial public offering.

Later in the same year, SBS purchased Primedia Station Group from AMFM in 2000 and sold WVMQ-FM in Key West, Florida and WZMQ-FM in Key Largo, Florida to South Broadcasting System.

In 2002, SBS announced a strategic alliance with Interep and created a new marketing division, SBS/Interep.

The company sold its Dallas, Texas station KTCY-FM to Entravision Communications in 2002. In the following year, SBS sold San Antonio stations and San Francisco stations.

During 2004, SBS sold its suburban Chicago radio stations WDEK-FM, WKIE-FM and WKIF-FM to Newsweb.

Mark Radlovic was promoted to Executive Vice President and Chief Operating Officer in 2005. Later in the year, the company acquired WDLP-TV (Channel 22) and other television assets serving Miami and South Florida from William De La Pena.

SBS appointed Cynthia Hudson-Fernandezas as the company's new Chief Creative Officer and Executive Vice President in January 2006. In the same month, SBS sold its KZAB-FM and KZBA-FM serving the Los Angeles, California market to Styles Media Group. In March 2006, the company launched MEGA TV, a general entertainment Spanish-language television operation serving the South Florida market.

SBS re-launched its entertainment portal [www.lamusica.co](http://www.lamusica.co) in March 2007.

## **MAJOR PRODUCTS & SERVICES**

Spanish Broadcasting System (SBS) is a media and entertainment broadcasting company. It owns and operates 20 radio stations, serving Los Angeles, California, New York, Puerto Rico, Chicago, Illinois, Miami, Florida, and two television stations, serving the South Florida market. The company's key products and services include the following:

Television:

MEGA TV

Radios stations:

WSKQ 97.9 FM / WPAT 93.1 FM

KLAX 97.9 FM / KXOL 96.3 FM

WRMA 106.7 FM / WXDJ 95.7 FM / WCMQ 92.3 FM

WCMA 96.5 FM / WODA 94.7 FM, WNOD 94.1 FM /

WIOA 99.9 FM, WIOB 97.5FM, WIOC 105.1 FM / WMEG 106.9 FM, WEGM 95.1 FM

WZNT 93.7 FM, WZMT 93.3 FM, WZET 92.1 FM

WLEY 107.9 FM

KRZZ 93.3 FM

## KEY EMPLOYEES

Name	Job Title	Board	Total Annual Comp.
Raul Alarcon	Chairman, President and Chief Executive Officer (Since: 1999)	Executive Board	-
Pablo Raul Alarcon	Chairman Emeritus and Director (Since: 1983)	Non Executive Board	-
Dan Mason	Director (Since: 2003)	Non Executive Board	-
Antonio S. Fernandez	Director (Since: 2004)	Non Executive Board	-
Jose A. Villamil	Director (Since: 2004)	Non Executive Board	-
Jason L. Shrinsky	Director (Since: 1999)	Non Executive Board	-
Joseph A. Garcia	Chief Financial Officer, Executive Vice President and Secretary (Since: 1999)	Senior Management	-
Marko Radlovic	Chief Operating Officer and Executive Vice President (Since: 2005)	Senior Management	-
Cynthia Hudson-Fernandez	Chief Creative Officer (Since: 2006)	Senior Management	-

## KEY EMPLOYEE BIOGRAPHIES

### Raul Alarcon

Board: Executive Board  
Job Title: Chairman, President and Chief Executive Officer  
Since: 1999  
Age: 50

Mr. Alarcon has been President and a director since October 1985 and Chief Executive Officer since June 1994. On November 2, 1999, Mr. Alarcon became Chairman of the Board of Directors and continues as Chief Executive Officer and President. He joined SBS as an account executive in 1983. Currently, he is responsible for long-range strategic planning and operational matters and was instrumental in the acquisition and related financing of each radio stations.

### Pablo Raul Alarcon

Board: Non Executive Board  
Job Title: Chairman Emeritus and Director  
Since: 1983  
Age: 81

Mr. Alarcon is founder and was Chairman of the Board of Directors from March 1983 until November 2, 1999, when he became Chairman Emeritus. He continues to be one of directors. He has been involved in Spanish-language radio broadcasting since the early 1950's when he established his first radio station in Camaguey, Cuba. Upon his arrival in the United States, he continued his career in radio broadcasting and was an on-air personality for a New York radio station before being promoted to programming director. He subsequently owned and operated a recording studio and an advertising agency before purchasing first radio station in 1983.

### Dan Mason

Board: Non Executive Board  
Job Title: Director  
Since: 2003  
Age: 55

Mr. Mason became one of directors on July 10, 2003. Mr. Mason, a veteran of the radio broadcasting industry with nearly 30 years of experience, was most recently President of Infinity Radio from 1999 to 2002 and President of CBS Radio from 1995 to 1999. Mr. Mason currently serves as a consultant to various companies in the radio

broadcasting industry. Besides his tenure at Infinity Radio and CBS Radio, Mr. Mason also served as President of Group W Radio and Cook Inlet Radio Partners, L.P. Since 1999, Mr. Mason has also served on the board of directors of CBS Marketwatch.com and CBS Switchboard.com.

### **Antonio S. Fernandez**

Board: Non Executive Board

Job Title: Director

Since: 2004

Age: 67

Mr. Fernandez became one of directors on June 30, 2004. He was the founder and former head of the International Investment Banking Department at Oppenheimer & Co., Inc. Mr. Fernandez's tenure at Oppenheimer & Co., Inc. from 1979 to 1999 also included terms as Executive Vice President, Director of Operations, Treasurer, Chief Financial Officer and Director. He has been a member of the investment committees for several private equity funds and a director of a closed end fund. Earlier in his career, he held management positions at Electronic Data Systems, duPont Gloré Forgan and Thomson McKinnon. Mr. Fernandez served on the board of directors of Banco Latinoamericano de Exportaciones from 1992 until 1999 and in September 2003 was elected to the board of directors of Terremark Worldwide Inc.

### **Jose A. Villamil**

Board: Non Executive Board

Job Title: Director

Since: 2004

Age: 60

Mr. Villamil became one of directors on June 30, 2004. Mr. Villamil has over 25 years of experience as a private business economist and as a senior policymaker of both the federal and State of Florida governments. Mr. Villamil is the Chief Executive Officer of The Washington Economics Group, Inc., serving in such position from 1993 to 1998 and from 2000 to the present. From 1999 to 2000, he was Director for Tourism, Trade and Economic Development of Florida. Mr. Villamil is also Chairperson of the Governor's Council of Economic Advisors and a member of the board of directors of Enterprise Florida, Inc. Since April 2003, Mr. Villamil has been director of CommerceBank, N.A. and CommerceBank Holding Corp. Most recently, Mr. Villamil was appointed to President George W. Bush's Transition Advisory Committee on U.S. Commercial and Trade Policies. From 1989-1993, Mr. Villamil served as Chief Economist and later as Undersecretary for Economic Affairs at the United States Department of Commerce.

## **Jason L. Shrinsky**

Board: Non Executive Board

Job Title: Director

Since: 1999

Age: 69

Mr. Shrinsky became Director on November 2, 1999. Mr. Shrinsky is special counsel to the law firm Kaye Scholer LLP, which he joined as a partner in 1986. Mr. Shrinsky has been a lawyer counseling corporations and high net worth individuals on financings, mergers and acquisitions, other related financial transactions and regulatory procedures since 1964. Kaye Scholer LLP has served as legal counsel for more than 20 years.

## **Joseph A. Garcia**

Board: Senior Management

Job Title: Chief Financial Officer, Executive Vice President and Secretary

Since: 1999

Age: 61

Mr. Garcia has been Chief Financial Officer since 1984, Executive Vice President since 1996 and Secretary since November 2, 1999. Mr. Garcia is responsible for financial affairs, operational matters and investor relations, and he has been instrumental in the acquisition and related financing of stations. Before joining in 1984, Mr. Garcia spent thirteen years in international financial planning positions with Philip Morris Companies, Inc. and Revlon, Inc., where he was manager of financial planning for Revlon, Latin America.

## **Marko Radlovic**

Board: Senior Management

Job Title: Chief Operating Officer and Executive Vice President

Since: 2005

Age: 43

Mr. Radlovic became Chief Operating Officer and Executive Vice President in 2005. Previously, Mr. Radlovic was Chief Revenue Officer from December 1, 2003 through July 20, 2005. Mr. Radlovic is responsible for day-to-day operational matters and overseeing the revenue and profit performance of all broadcast station matters. Mr. Radlovic was Vice President/ General Manager for Los Angeles radio cluster from January 2002 until November 2003 and previously served as Vice President of Sales for the Los Angeles cluster. Prior to this, he was Market Manager for Cumulus Media

in Southern California from January 2001 to August 2001 and was Vice President/  
General Manager for AM/ FM Inc. in Los Angeles from October 1998 to October 2000.

## LOCATIONS & SUBSIDIARIES

<p><i>KLAX 97.9 FM / KXOL 96.3 FM</i> 10281 West Pico Boulevard Los Angeles California 90064 USA T: 1 310 203 0900 F: 1 310 203 8989</p>	<p><i>KRZZ 93.3 FM</i> 455 Market Street San Francisco California 94105 USA T: 1 415 975 0984 F: 1 415 543 3753</p>
<p><i>WRMA 106.7 FM / WXDJ 95.7 FM / WCMQ 92.3 FM</i> 1001 Ponce de Leon Boulevard Miami Florida 33134 USA T: 1 305 444 9292 F: 1 305 444 2171</p>	<p><i>WLEY - 107.9 FM</i> 150 N. Michigan Avenue, Suite 1040 Chicago Illinois 60601 USA T: 1 312 920 9500 F: 1 312 920 9514</p>
<p><i>WCMA 96.5 / WODA 94.7, WNOD 94.1/WIOA 99.9, WIOB 97.5, WIOC 105.1/WMEG 106.9, WEGM 95.1/ WZNT 93.7, WZMT 93.3, WZET 92.1</i> Frances Street Lot 42 Amelia Industrial Park Guaynabo Puerto Rico 00968 PRI T: 1 787 622 9700 F: 1 787 622 9477</p>	

## COMPANY VIEW

An excerpt from the Management's Discussion and Analysis of Financial Condition and Results of Operations section is given below. The statement has been taken from the company's 10-K filing for fiscal year 2006.

### Overview

We are the largest publicly traded Hispanic-controlled media and entertainment company in the United States. We own and operate 20 radio stations in markets that reach approximately 51% of the U.S. Hispanic population, and two television stations, which reach approximately 1.5 million households in the South Florida market. Our radio stations are located in six of the top-ten Hispanic markets of Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. Los Angeles and New York have the largest and second largest Hispanic populations, and are also the largest and second largest radio markets in the United States in terms of advertising revenue, respectively. Our two television stations operate as one television operation, branded "MEGA TV". As part of our operating business, we also operate LaMusica.com, Mega.tv, and our radio station websites which are bilingual (Spanish "English") websites providing content related to Latin music, entertainment, news and culture. We also occasionally produce live concerts and events throughout the United States and Puerto Rico.

On March 1, 2006, we acquired television stations WSBS-TV (Channel 22, formerly known as WDLP-TV) and its derivative digital television station WSBS-DT (Channel 3, formerly known as WDLP-DT) in Key West, Florida and WSBS-CA (Channel 50, formerly known as WDLP-CA) in Miami, Florida, serving the South Florida market. On March 1, 2006, we also launched MEGA TV, our general interest Spanish-language television operation. Mega TV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows. As part of our strategy, we have incorporated certain of our on-air personalities into our programming, as well as including interactive elements to compliment our Internet websites. We have developed approximately 70% of our programming and have commissioned other content from capable Spanish-language production partners. Our television revenue is generated primarily from the sale of local advertising and paid programming.

The success of each of our stations depends significantly upon its audience ratings and share of the overall advertising revenue within its market. The broadcasting industry is a highly competitive business, but some barriers to entry do exist. Each of our stations competes with both Spanish-language and English-language stations in

its market, as well as with other advertising media, such as newspapers, cable television, the Internet, magazines, outdoor advertising, satellite radio, transit advertising and direct mail marketing. Factors which are material to our competitive position include management experience, our stations' rank in their markets, signal strength and frequency, and audience demographics, including the nature of the Spanish-language market targeted by a particular station. &#10;

Our primary source of revenue is the sale of advertising time on our stations to local and national advertisers. Our revenue is affected primarily by the advertising rates that our stations are able to charge, as well as the overall demand for advertising time in each respective market. Seasonal net broadcasting revenue fluctuations are common in the broadcasting industry and are primarily due to fluctuations in advertising demand from local and national advertisers. Typically for the broadcasting industry, the first calendar quarter generally produces the lowest revenue. Our most significant operating expenses are compensation expenses, programming expenses, professional fees and advertising and promotional expenses. Our senior management strives to control these expenses, as well as other expenses, by working closely with local station management and others, including vendors. &#10;

## TOP COMPETITORS

[CBS Radio](#)  
[Citadel Broadcasting Corporation](#)  
[Clear Channel Communications, Inc.](#)  
[Emmis Communications Corporation](#)  
[Entravision Communications Corporation](#)  
[Fisher Communications, Inc.](#)  
[Hearst Corporation, The](#)  
[Hubbard Broadcasting Inc.](#)  
[Salem Communications Corporation](#)  
[Univision Communications](#)  
[Univision Radio](#)