increased 32.2%, to $127.9 million from $96.7 million. The quarter was characterized by extremes; the cable networks and Ticketmaster recorded strong growth, while Home Shopping Network posted disappointing results.

Diamonds Are Not Home Shopping Network's Best Friend. Growth at Home Shopping Network, the electronic retailing division of the company, showed disappointing first-quarter 1998 revenue and cash flow comparisons versus the first quarter of 1997. Revenue at Home Shopping Network fell 4.7%, to $249.2 million from $261.5 million in the first quarter of 1997. Revenue declines were mostly attributable to decreased demand for HSN's jewelry product line, on which the company has focused in general. The company admits that it did not anticipate a shift in consumer demand from jewelry to hard goods (which includes consumer electronics, collectibles, and housewares), a trend that began in late fourth-quarter 1997. In the first quarter of 1998, a $12.2 million shortfall in HSN revenue ($261 million falling to $249 million) translated into a $16.0 million negative comparison in EBITDA, which posted a precipitous decline of 34.7%, to $30.1 million from $46.1 million. We believe these declines were driven by 1) lower sales volume, 2) markdowns used to stimulate sales, 3) tough comparables versus the first quarter of 1997, which was the best in the company's history in terms of absolute dollars ($46.1 million) and gross margin (41.7% versus more sustainable rate of 40.0%), 4) $4.5 million in start-up expenses for the company's Internet businesses and HSN Español, 5) a onetime expense to reorganize HSN's call center, and 6) lower gross margin (38% versus 40% average). The company has taken some forceful steps to stem HSN's first-quarter 1998 trends. First, the company will soon hire a senior general merchandise manager and has hired new merchandise and product procurement personnel. Second, the company is changing its product mix to emphasize more hard goods, which will represent 40%-plus of all products, and reduce the emphasis on jewelry, which is expected to represent less than 32% of the company's mix (down from 40%-45% in 1997). The company believes that a better mix of hard goods should translate into a broader customer base.

Not all news at HSN was bad. First, the company's return rate hit an all-time low at 21.5%. Second, the company estimates that it is adding 4,000 new customers per day. Third, the percentage of repeat buyers has reached 52%, the highest level since 1992. Fourth, the company's average price point is well within company goals. The company's steps have started to bear fruit. The adverse comparisons in January and February reversed themselves in March, a month that saw slight increases in sales. In April, the company's sales are expected to increase by 5%-7%, which is ahead of the company's profit plan. Overall, we expect that HSN should generate $180 million in EBITDA for the year, although hitting this goal, given the first quarter of 1998's results, will make this accomplishment more difficult. However, third- and fourth-quarter 1998 comps should not prove difficult for the company to beat.

Networks — Big Ratings, Big Cash Flow. We estimate that cash flow growth at the company's two cable networks, USA Networks and Sci-Fi Channel, grew 138% in the first quarter, to approximately $69 million from $30 million in the first quarter of 1997, driven by 1) higher ratings, especially at USA Networks, which recaptured its No. 1 position versus all cable networks and which enjoyed 30% ratings increases; 2) higher advertising rates; 3) 18% higher distribution at Sci-Fi Channel, which now reaches 48.3 million cable households versus the 41.0 million in the first quarter of 1997; 4) strong programming, which included "Moby Dick," the highest-rated cable show in history; and 5) positive expense comparisons versus the first quarter of 1997, which included the write-off of some programming expenses (USA). the first quarter of results is critical to assess the potential of the cable networks because USA and Sci-Fi launch new programming during the first quarter of each year in order to counter-program the broadcast networks' broadcast season — which, for example, runs from September 1997 to May 1998. We expect that the first quarter of results at networks will be among the strongest of the year due to this. Viewership at the USA Network increased dramatically during the past quarter, and the network has regained its position as the highest-rated cable network in the United States. We believe that the network's first-quarter 1998 cable rating of 2.6 (percentage of cable households watching a program/network) is one of the best ratings the network has ever achieved, despite a progressively more competitive cable network environment. We believe first-quarter 1998 ratings were 30% higher than for the majority of 1997. USA's first quarter of ratings was 24% higher than the second-highest-rated cable network, TNT (2.1 cable rating). Going forward, we believe USA should be able to maintain ratings and reap the financial rewards of the network's popular programming. In third-quarter 1998, USA will begin to air reruns of "Xena" and "Hercules," which are the two highest-rated made-for-syndication dramas on broadcast television; this should improve USA's ratings even more. USA Networks reaches 73.0 million cable households, making the network among the five largest in terms of cable household penetration.

We believe the prospects for Sci-Fi are also exceptionally bright. The cable network is among the fastest growing in terms of ratings (1998 ratings increased approximately 15%) and household distribution (network distribution grew 18% and now reaches 48.3 million cable households versus 41.0 million). This has translated into substantial cash flow growth. In the first quarter of 1998, we believe that Sci-Fi's cash flow may have increased by almost 400%. Additionally, the channel will add original, remastered episodes of "Star Trek" beginning in third-quarter 1998, which should bode well for ratings and advertising, given the show's immense popularity.

It's a Wrap — Studios USA Delivers Growth. With prime-time shows like "Law & Order"; made-for-syndication talk shows such as "Sally Jessy Raphael," "The Jerry Springer Show," and "Maury Povich," and made-for-syndication drama shows such as "Xena" and "Hercules," Studios USA showed strength in the first quarter of 1998 versus the first quarter of 1997, producing 53% cash flow growth. First- and fourth-quarter results are critical indicators of the prospects for Studios USA, because these quarters reflect revenues earned from network prime-time shows (like "Law & Order") delivered during the broadcast season (September to May), which, we estimate, account for nearly 50% of this segment's revenues. We expect that Studios USA will continue to show strong cash flow throughout the year (although absolute cash flow in the second and third quarters should trend down given the inclusion of network license fees in the first quarter) and project that Studios USA should deliver pro forma 1998 cash flow of $37 million, 6% higher than the 1997 pro forma level of $35 million.

Ticketmaster — Ticket to Higher Growth. The ticketing operations at the company during the quarter also contributed to overall explosive growth. Revenue in this division grew 15.6%, to $93.2 million from $80.7 million in the first quarter of 1997. EBITDA grew 19.5%, to $13.9 million in the first quarter of 1998 from $11.6 million in 1997. Pro forma margins at this division remained relatively flat, expanding to 14.9% in the quarter from 14.4% in the first quarter of 1997. This double-digit growth was mainly driven by an increase of approximately 20.3% in ticket sales and business derived from on-line sales of 400,000 tickets (of which 20%-25% represented new customers). We believe this company is extremely well positioned, having recently completed a series of transactions that consolidated several key domestic ticket markets and that led to substantial investment abroad.

Exhibit 77. Television Properties Owned by USA Networks

Market	Market Rank	Station	Affiliation	Channel Frequency	1996 In-Market Viewership Share(1) (%)	1996 Gross Market Revenues ($ MM)	1996 Station Ad Revenues ($ MM)	Revenue Share	Oversell(2)
Newark, NJ (New York)	1	WHSE	HSN	68/UHF	0	$1,329	$0	0	NA
Smithtown, NY (New York)	1	WHSI	HSN	67/UHF	0	$1,329	$0	0	NA
Ontario, CA (Los Angeles)	2	KHSC	HSN	46/UHF	0	$1,433	$0	0	NA
Aurora, IL (Chicago)	3	WEHS	HSN	60/UHF	0	$865	$0	0	NA
Newfield, NJ (Philadelphia)	4	WHSP	HSN	65/UHF	0	$522	$0	0	NA
Boston (Boston, MA)	6	WHSH	HSN	66/UHF	0	$506	$0	0	NA
Irving, TX (Dallas-Ft. Worth)	8	KHSX	HSN	49/UHF	0	$464	$0	0	NA
Alvin, TX (Houston)	11	KHSH	HSN	67/UHF	0	$403	$0	0	NA
Parma, OH (Cleveland)	13	WQHS	HSN	61/UHF	0	$259	$0	0	NA
Miami (Miami, FL)	16	WYHS	USA Broadcasting	69/UHF	0	$420	$0	0	NA
Hilo, HI (Honolulu)	71	KHAW	HSN	11VHF	0	$65	$0	0	NA
Athens (Atlanta)	10	WNGM	IND	10/UHF	0	$408	$1	0	NA
Rapid City, SD	172	KEVN	Fox	7/VHF	31	$9	$3	32	1.0

(1) In-Market Viewership Share equals a television station's viewership share divided by total of viewership shares for all commercial television stations.
(2) Oversell is the ratio of station revenue share to "in-market" audience share.
Note: Station List is Representative of Any Announced Acquisitions or Dispositions.

Source: BIA Investing in Television '97; company reports.

Exhibit 78. USA Networks Minority-Owned Television Stations

Market	Market Rank	Station	Affiliation	Channel Frequency	1996 In-Market Viewership Share(1) (%)	1996 Gross Market Revenues ($ MM)	1996 Station Ad Revenues ($ MM)	Revenue Share	Oversell(2)
Hammond, IN (Chicago)	3	WJYS	IND	62/UHF	0	$865	$0	0	NA
Vallejo (San Francisco)	5	KPST	HSN	66/UHF	0	$574	$0	0	NA
Arlington (Washington, DC)	7	WTMW	HSN	14/UHF	0	$447	$0	0	NA
Boulder (Denver)	18	KTVJ	HSN	14/UHF	0	$244	$0	0	NA
East St. Louis (St. Louis)	21	WHSL	HSN	46/UHF	0	$201	$0	0	NA

(1) In-Market Viewership Share equals a television station's viewership share divided by total of viewership shares for all commercial television stations.
(2) Oversell is the ratio of station revenue share to "in-market" audience share.
Note: Station List is Representative of Any Announced Acquisitions or Dispositions.

Source: BIA Investing in Television '97; company reports.

Exhibit 79. USA Networks, Inc. Income Statement

	1997	1998	1999E	2000E
Home Shopping Network	$1,037.1	$1,130.4	$1,243.4	$1.330.5
Fulfillment	$0.0	$0.0	$40.0	$75.0
Ticketmaster	$349.0	$405.3	$452.9	$505.4
USA Network	$628.0	$690.0	$759.0	$835.0
Sci-Fi Channel	$111.0	$140.0	$161.0	$186.0
Studios USA	$371.2	$430.0	$470.0	$512.0
USA Broadcasting (formerly CityVision)	$0.0	$7.5	$60.0	$135.0
Other (including Savoy)	$14.2	$9.0	$9.0	$9.0
Net Revenues	**$2,510.5**	**$2,812.2**	**$3,195.4**	**$3,587.9**
Home Shopping Network	($873.3)	($949.4)	($1,032.0)	($1,098.8)
Fulfillment	$0.0	$0.0	($30.0)	($50.0)
Ticketmaster	($292.5)	($345.0)	($375.7)	($416.9)
USA Network	($448.0)	($480.0)	($515.0)	($550.0)
Sci-Fi Channel	($88.0)	($109.0)	($120.0)	($130.0)
Studios USA	($336.2)	($393.0)	($430.0)	($470.0)
USA Broadcasting (formerly CityVision)	($5.0)	($35.6)	($130.2)	($198.2)
Other (including Savoy)	($11.7)	($9.0)	($9.0)	($9.0)
Total Cash Expenses	**($2,043.0)**	**($2,311.9)**	**($2,632.9)**	**($2,913.9)**
Home Shopping Network	$163.8	$181.0	$211.5	$231.6
Fulfillment	$0.0	$0.0	$10.0	$25.0
Ticketmaster	$56.5	$60.3	$77.2	$88.5
USA Network	$180.0	$210.0	$244.0	$285.0
Sci-Fi Channel	$23.0	$31.0	$41.0	$56.0
Studios USA	$35.0	$37.0	$40.0	$42.0
Other (including Savoy)	$2.5	$0.0	$0.0	$0.0
Cash Flow of Cash Flow Generating Assets	**$460.8**	**$519.3**	**$623.6**	**$728.2**
USA Television (formerly Silver King)	($5.0)	($28.1)	($70.2)	($63.2)
Cash Flow before Overhead	**$455.8**	**$491.2**	**$553.4**	**$665.0**
Corporate Overhead	($8.0)	($15.0)	($16.0)	($17.0)
Operating Cash Flow	**$447.8**	**$476.2**	**$537.4**	**$648.0**
Less: Amortization		($155.0)	($160.0)	($162.0)
Less: Depreciation		($84.0)	($103.2)	($118.2)
Operating Income		$237.2	$274.2	$367.8
Interest Income		$2.2	$3.0	$9.0
Interest - Cash		($92.2)	($53.2)	($36.6)
Implied Interest - LT Programming Liabilities		($14.0)	($14.0)	($14.0)
Lease Expense		($5.0)	($5.0)	($5.0)
Bank Fees - Amortization		($2.0)	($2.0)	($2.0)
Plus: Gain on Sale of Baltimore TV Station		$74.9	$0.0	$0.0
Plus: Losses/(Gains) in International Programming/Networks		($16.0)	($16.0)	($16.0)
Plus: Losses/(Gains) in Japan/Germany Home Shopping		($7.5)	$0.0	$10.0
Less: Miscellaneous Losses		($5.0)	($5.0)	($5.0)
Pre-tax Income		$172.7	$182.1	$308.1
Taxes		($66.6)	($45.7)	($75.1)
Other Miscellaneous Taxes		($5.0)	($5.0)	($5.0)
Net Income after Taxes		$101.1	$131.4	$228.0
Less: Minority Interest - LLC		($78.1)	($149.6)	($215.9)
Income After Minority Interest		$23.0	($18.3)	$12.1
Shares Outstanding		339.2	340.2	341.2
Earnings Per Share - After Minority Interest		$0.07	($0.05)	$0.04

USA Networks, Inc. - Summary Income Statement Statistics

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 80. USA Networks, Inc. Summary Income Statement Statistics

	1997E	1998E	1999E	2000E
Growth Rates - Revenues				
Home Shopping Network		9.0%	10.0%	7.0%
Fulfillment		NA	NA	87.5%
Ticketmaster		16.1%	11.8%	11.6%
USA Network		9.9%	10.0%	10.0%
Sci-Fi Channel		26.1%	15.0%	15.5%
Studios USA		15.8%	9.3%	8.9%
USA Broadcasting (formerly CityVision)		NA	700.0%	125.0%
Growth Rates - Expenses				
Home Shopping Network		8.7%	8.7%	6.5%
Fulfillment		NA	NA	66.7%
Ticketmaster		17.9%	8.9%	10.9%
USA Network		7.1%	7.3%	6.8%
Sci-Fi Channel		23.9%	10.1%	8.3%
Studios USA		16.9%	9.4%	9.3%
USA Broadcasting (formerly CityVision)		612.0%	265.7%	52.2%
Growth Rates - EBITDA				
Home Shopping Network		10.5%	16.8%	9.5%
Fulfillment		NA	NA	150.0%
Ticketmaster		6.7%	28.0%	14.7%
USA Network		16.7%	16.2%	16.8%
Sci-Fi Channel		34.8%	32.3%	36.6%
Studios USA		5.7%	8.1%	5.0%
USA Broadcasting (formerly CityVision)		462.0%	149.8%	-10.0%
Cash Flow of Cash Flow Generating Assets		12.7%	20.1%	16.8%
Cash Flow before Overhead		7.8%	12.7%	20.1%
Operating Cash Flow		6.4%	12.9%	20.6%
Margins				
Home Shopping Network	15.8%	16.0%	17.0%	17.4%
Fulfillment	NA	NA	25.0%	33.3%
Ticketmaster	16.2%	14.9%	17.0%	17.5%
USA Network	28.7%	30.4%	32.1%	34.1%
Sci-Fi Channel	20.7%	22.1%	25.5%	30.1%
Studios USA	9.4%	8.6%	8.5%	8.2%
USA Broadcasting (formerly CityVision)	NA	-374.7%	-117.0%	-46.8%

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 81. USA Networks, Inc. Cash Flow Statement

	1998E	1999E
Income Statement Flows		
Operating Cash Flow	$491.2	$553.4
Corporate Overhead	($15.0)	($16.0)
(Losses)/Gains in HSN - Germany/Japan	($7.5)	$0.0
(Losses)/Gains in Universal Joint Venture	($16.0)	($16.0)
Interest Paid	($92.2)	($53.2)
Interest Income	$2.2	$3.0
Cash Taxes Paid	($44.7)	($33.3)
Tax Payments on Behalf of Liberty and Seagram	($40.6)	($45.2)
Net Income Statement Flows	**$277.5**	**$392.9**
Balance Sheet Flows		
Working Investment/Development of Programming/PPA	($190.0)	($160.0)
Capital Expenditures	($77.0)	($120.0)
Cable Fees - Cable and Broadcast	($25.0)	($25.0)
Free Cash Flow from Core Operations	($14.5)	$87.9
Acquisitions/Dispositions		
Acquisition - USA Networks, Sci-Fi Channel, Universal Television	($1,350.0)	$0.0
Acquisition - Atlanta/Orlando TV Properties	($35.0)	$0.0
Disposition - SF Broadcast Stations - Net Proceeds	$110.0	$0.0
Disposition - Baltimore TV Station	$80.0	$0.0
Free Cash Flow After Acquisition/Dispositions	($1,209.5)	$87.9
Financing Activities		
Third Party Investment	$200.0	$0.0
Proceeds from Seagram to Maintain 45% Stake in USA Networks, Inc.	$509.5	$0.0
New Borrowings/(Payments)	$525.0	($85.0)
New Equity Raised/Conversion of Debt to Equity	$0.0	$0.0
Financing Fees	($25.0)	$0.0
Net Increase(Decrease) in Cash	$0.0	$2.9
Debt - End of Year	$809.6	$724.6
Cash	($25.0)	($27.9)
Net Debt	$784.6	$696.8
Leverage	1.6	1.3

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 82. USA Networks, Inc. Pro Forma Quarterly Revenue and Cash Flow - 1997 and 1998

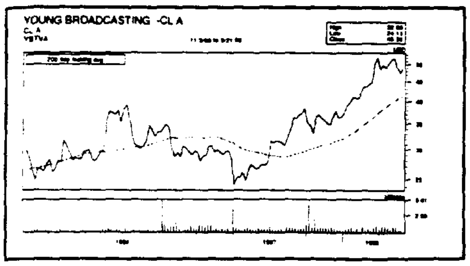
	1Q 1997	2Q 1997	3Q 1997	4Q 1997	1997	1Q 1998	2Q 1998	3Q 1998	4Q 1998	1998
Home Shopping Network	$261.4	$251.0	$240.0	$284.7	$1,037.1	$249.4	$270.4	$280.4	$330.4	$1,130.4
Ticketmaster	$80.7	$87.1	$89.7	$91.6	$349.1	$92.6	$102.6	$104.0	$106.0	$405.2
USA Network	$142.4	$156.2	$155.4	$174.1	$628.1	$164.0	$167.0	$177.0	$182.0	$690.0
Sci-Fi Channel	$25.0	$26.0	$28.0	$32.0	$111.0	$32.0	$34.0	$34.0	$40.0	$140.0
Studios USA	$95.7	$76.7	$72.4	$126.4	$371.2	$127.3	$88.3	$75.3	$139.3	$430.0
USA Broadcasting (formerly CityVision)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.7	$2.2	$4.4	$7.5
Other (including Savoy)	$5.8	$1.3	$6.1	$1.0	$14.2	$3.0	$3.0	$1.5	$1.5	$9.0
Net Revenues	**$605.2**	**$598.3**	**$591.6**	**$709.8**	**$2,510.7**	**$665.4**	**$665.9**	**$674.3**	**$803.5**	**$2,812.1**
Home Shopping Network	($215.3)	($209.8)	($204.6)	($243.4)	($873.1)	($219.2)	($228.2)	($234.2)	($268.0)	($949.5)
Ticketmaster	($69.1)	($73.0)	($75.1)	($75.4)	($292.6)	($78.7)	($87.6)	($89.0)	($89.6)	($344.9)
USA Network	($116.1)	($104.8)	($115.8)	($111.5)	($448.2)	($108.0)	($115.0)	($137.0)	($120.0)	($480.0)
Sci-Fi Channel	($22.7)	($20.0)	($23.0)	($22.0)	($87.7)	($21.0)	($27.5)	($29.5)	($31.0)	($109.0)
Studios USA	($85.2)	($75.0)	($64.3)	($112.0)	($336.5)	($111.3)	($82.3)	($70.3)	($129.3)	($393.0)
USA Broadcasting (formerly CityVision)	($1.0)	($0.6)	($0.9)	($2.4)	($4.9)	($2.2)	($7.7)	($10.2)	($15.5)	($35.6)
Other (including Savoy)	($6.4)	($2.5)	($2.7)	($0.3)	($11.9)	($3.0)	($3.0)	($1.5)	($1.5)	($9.0)
Total Cash Expenses	**($509.4)**	**($483.2)**	**($483.7)**	**($566.7)**	**($2,054.9)**	**($540.3)**	**($548.2)**	**($570.1)**	**($653.4)**	**($2,320.9)**
Home Shopping Network	$46.1	$41.2	$35.4	$41.3	$164.0	$30.2	$42.2	$46.2	$62.4	$181.0
Ticketmaster	$11.6	$14.1	$14.6	$16.2	$56.5	$13.9	$15.0	$15.0	$16.4	$60.3
USA Network	$26.3	$51.4	$39.6	$62.6	$179.9	$56.0	$52.0	$40.0	$62.0	$210.0
Sci-Fi Channel	$2.3	$6.0	$5.0	$10.0	$23.3	$11.0	$6.5	$4.5	$9.0	$31.0
Studios USA	$10.5	$1.7	$8.1	$14.4	$34.7	$16.0	$6.0	$5.0	$10.0	$37.0
Other (including Savoy)	($0.6)	($1.2)	$3.4	$0.7	$2.3	$0.0	$0.0	$0.0	$0.0	$0.0
Cash Flow of Cash Flow Generating Assets	**$96.2**	**$113.2**	**$106.1**	**$145.2**	**$460.7**	**$127.1**	**$121.7**	**$110.7**	**$159.8**	**$519.2**
USA Broadcasting (formerly Silver King)	($1.0)	($0.6)	($0.9)	($2.4)	($4.9)	($2.0)	($7.0)	($8.0)	($11.1)	($28.1)
Cash Flow before Overhead	**$95.2**	**$112.6**	**$105.2**	**$142.8**	**$455.8**	**$252.2**	**$114.7**	**$102.7**	**$148.7**	**$491.1**
Corporate Overhead	($2.0)	($2.0)	($2.0)	($2.0)	($8.0)	($3.8)	($3.8)	($3.8)	($3.8)	($15.0)
Operating Cash Flow	**$93.2**	**$110.6**	**$103.2**	**$140.8**	**$447.8**	**$456.6**	**$110.9**	**$99.0**	**$144.9**	**$476.1**
Growth Rates - Cash Flow										
Home Shopping Network						-34.5%	2.4%	30.5%	51.0%	10.3%
Ticketmaster						19.8%	6.2%	2.7%	1.2%	6.7%
USA Network						112.9%	1.2%	1.0%	-1.0%	16.7%
Sci-Fi Channel						378.3%	8.3%	-10.0%	-10.0%	33.0%
Studios USA						52.4%	252.9%	-38.3%	-30.6%	6.6%
USA Broadcasting (formerly CityVision)						NA	NA	NA	NA	NA
Cash Flow Generating Assets						32.1%	7.5%	4.3%	10.0%	12.7%
Cash Flow before Overhead										
Operating Cash Flow										
Margins										
Home Shopping Network	17.6%	16.4%	14.8%	14.5%	15.8%	12.1%	15.6%	16.5%	18.9%	16.0%
Ticketmaster	14.4%	16.2%	16.3%	17.7%	16.2%	15.0%	14.6%	14.4%	15.5%	14.9%
USA Network	18.5%	32.9%	25.5%	36.0%	28.6%	34.1%	31.1%	22.6%	34.1%	30.4%
Sci-Fi Channel	9.2%	23.1%	17.9%	31.3%	21.0%	34.4%	19.1%	13.2%	22.5%	22.1%
Studios USA	11.0%	2.2%	11.2%	11.4%	9.3%	12.6%	6.8%	6.6%	7.2%	8.6%
USA Broadcasting (formerly CityVision)	NA	NA	NA	NA	NA	NA	-1000.0%	-363.6%	-252.3%	-374.7%

Source: Bear, Stearns & Co. Inc. estimates.

BEAR STEARNS

YOUNG BROADCASTING, INC. (YBTVA-48½)

Rating: Buy



52-Week Range
$56-$26

EPS
12/97: ($0.08)
12/98E: $0.53
12/99E: $1.66

P/E
12/98E: NM
12/99E: NM

BCF (mil)
12/97PF: $118.2
12/98PFE $130.3
12/99PFE: $138.7

EV/BCF
12/98PFE: 10.3x
12/99PFE: 9.6x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
15.0

Equity Market Capitalization (mil)
$709

Debt/EBITDA (1998E)
4.9x

Est. 3-Yr EPS Growth Rate
9.7%

More than Just an L.A. Story

We continue to recommend purchase of Young Broadcasting based on the enduring signs of momentum at the company's KCAL-TV station, an independent television property in Los Angeles acquired in November 1996. Although the turnaround at KCAL has been erratic, recent results suggest that the station is headed in the right direction. As the Los Angeles advertising market continues to be revived, the station's revenue pacings and ratings trends have strengthened considerably. We continue to look for free cash flow of nearly $3.30 per share this year, which we expect will be used to pay down debt. BCF growth could come in at nearly 10% in 1998 followed by an anticipated 6.4% gain in 1999. Although the stock has had a nice run-up in recent months, it continues to trade at one of the lowest BCF multiples in the group. Given Young's small share base, high leverage, and low stock valuation, even modest expansion in its multiple would translate into robust upside.

- **Stock Still Relatively Inexpensive.** Factoring in Young's new share base of 15.0 million and year-end net debt approaching $608.3 million (both pro forma), enterprise value approximates $1.3 billion. On this basis, the stock is trading at 10.3x our BCF estimate of $130 million for 1998 and at 9.6x our BCF projection of $138.7 million for 1999. Assuming year-end 1999 net debt approaching $549.7 million and an EV/BCF multiple of 10.5x, we believe the stock could trade at $60 within the next 12 months. Our target multiple, which is on the low end of our valuation range for comparable companies, reflects the higher inherent risk at the Los Angeles property and the slower growth expected from Young's more mature properties.

- **Los Angeles Station Is Reborn.** On November 22, 1996, Young Broadcasting purchased KCAL, a pure independent in Los Angeles, for $386 million from the Walt Disney Company. Young has made remarkable progress with the station; after extensive changes in programming, advertising focus, and station management, KCAL is showing strong growth in revenues and BCF — only one year after being acquired by Young and despite an anemic Los Angeles advertising market. For example, thus far in the second quarter, KCAL's revenue pacings are running 20%-plus ahead of year-ago levels. We believe that KCAL has the potential to earn $44-$45 million in BCF during 1998, up 10.5%-13.0% year over year.

- **Potential for Upside Earnings Surprises.** Young posted on-target first-quarter 1998 revenues and BCF and appears poised to record stronger growth in the next three quarters of the year. Thus far in the second quarter, revenue pacings at KCAL are running 20% or more ahead of year-ago levels, and at low-double-digit levels at core television properties. We believe this momentum, coupled with the anticipated strength in the local political advertising environment in the second half of 1998, could provide some upside surprises in BCF growth for the next several quarters.

- **Core Stations Are Solid Franchises.** Young Broadcasting owns Big Three network affiliates in 11 markets, ranked 33rd (Nashville) to 135th (Rockford, Illinois). The company has shown a particularly strong knack for identifying and acquiring high-quality television properties at good multiples and, in many cases, owns the dominant television property in its markets. Even though seven of its stations are in markets ranked 70th or higher in size, they are the dominant franchises in these communities, which allows them to generate cash flow levels equivalent to those of a typical station in a larger market. This is key, because these stations tend to participate very heavily in local political advertising, which should help bolster results in the second half of this year.

- **Acquisition of National Rep Firm a Positive Step.** In the first quarter of 1998, Young acquired Adam Young, Inc., its national representation firm, for 476,000 Class A common shares (valued at $20.2 million), or an estimated 9.2x 1997 cash flow of $2.2 million. Although the majority of the rep firm's gross billings of roughly $7.5 million in 1997 came from Young Broadcasting's station group, it also represents 12 television properties not owned by Young Broadcasting. We think this transaction makes sense for three reasons. First, it clarifies the relationship between Young Broadcasting and the rep, both of which have common affiliates. Second, it aligns the motivation of Adam Young's salesforce because the firm's employees can now participate in Young Broadcasting's 401(k) stock incentive plan and will be rewarded for the performance of the broadcaster's stock in the future. Third, we expect the new operation to be accretive immediately.

- **Commitment to Sports.** News and sports products are significant programming staples for KCAL, although the margins the station generates during this programming are significantly lower than margins for the news or syndicated programming that is preempted to clear the way for the sports programming. This is true because the sports programming is a revenue-sharing agreement (after up-front costs of production are covered). We estimate that the company's stations show more than 150 sporting events per year, covering basketball (Los Angeles Lakers and Los Angeles Clippers), baseball (Anaheim Angels), hockey (Los Angeles Kings and Anaheim Mighty Ducks), football (Pacific Ten football and Los Angeles Raiders preseason) and boxing. Most of the company's sports contracts expire after the seasons end in 2000, although we believe the Mighty Ducks have extended their contract to 2004. We do not know whether all the broadcast contracts will be secured in Los Angeles, especially given recent investments by News Corp. in several L.A. teams. However, if the company does lose some of its sports contracts two years from now, it already has programming ready to replace any changes in the sports lineup.

- **Stock Buyback Program.** During the second quarter of 1997, Young used approximately $11.9 million under its $20 million stock buyback program to repurchase approximately 459,000 shares at an average price of $26, representing nearly 3% of all outstanding shares. This represents nearly 60% of the stock buyback program. The buyback creates even more potential leverage for the stock price, particularly in view of the company's BCF growth potential.

- **Rapidly Paying Down Debt.** Young has been aggressively paying down debt with the significant level of free cash flow it generates. We estimate that net debt approached $651.4 million at the end of 1997 (after repurchasing $12.3 million in equity), down from $670.5 million at the end of 1996. During the first quarter of 1998, the company reduced debt by approximately $12 million, and by year-end, we expect these levels to fall to $608.3 million. In 1999, we believe that Young can generate free cash flow of nearly $4.23 per share.

MAJOR STRATEGIC FOCUS: GETTING THE MOST OUT OF THE L.A. MARKET

Los Angeles — Alive and Kicking

KCAL generated BCF of nearly $40 million in 1997, suggesting that the company purchased this property at about 9.25x cash flow one year out — a remarkable feat given that this station is located in the nation's largest television market (in terms of revenue) and that the bidding environment for properties has become extremely aggressive.

Young began operating KCAL on November 22, 1996, and immediately went to work to improve its financial performance. Over the subsequent months, the station underwent a massive makeover, including the following changes: 1) it reduced personnel by about 120 people; 2) it brought in new management, in such positions as general manager, general sales manager, program director, and news director; 3) it changed national rep firms from Blair Television to Adam Young; 4) it removed "American Journal" and "Inside Edition" from its lineup; 5) it moved the Walt Disney Children's block to the morning from the middle of the day to improve "adult" audience flow throughout the day; 6) it launched a new local news "look" and hired a very popular news anchor, Jerry Dunfee, from KCBS; and 7) it added "Judge Judy," "People's Court," and "Pictionary" to the weekday programming schedule.

We think these changes are already paying off. KCAL posted a nearly 45% upsurge in BCF from the $27.6 million level its registered in 1996 — just one year after being acquired by Young. However, even though the company exceeded internal expectations for expense cost savings, it did not meet its revenue goals because of the change in the national rep firm in Los Angeles, which held back BCF growth in the first and second quarter. The soft Los Angeles television market in the third quarter (and, to a lesser extent, in the fourth quarter as well) further exacerbated the problem. While the national advertising environment has been weaker than Young had expected, a strong local market allowed KCAL to generate significant levels of cash flow throughout the year.

The Los Angeles advertising market began to show signs of strength late in the fourth quarter of 1997. In addition, the station is starting to enjoy stronger ratings in many day parts. For example, KCAL airs "The Jerry Springer Show" two times daily, and its share in both time periods has increased nicely. The morning rotation (from 9:00 a.m. to 12:00 p.m.) share rose 50% from November 1997's ratings book to February 1998's book (to a six share from a nine share), buoyed by Springer. Between 11:00 p.m. and 12:00 a.m., Springer commands a 19% share of the viewing audience, regularly beating "The Tonight Show with Jay Leno," "The Late Show with David Letterman," and "Nightline" with Ted Koppel.

Management has also made some programming changes at the station. In 1997, the station did not renew "American Journal" or "Inside Edition," shows in which the company was not earning any cash flow. One replacement show is "Judge Judy," which has a lower cost and delivers an audience as large as the replaced shows. This has translated into a very positive cash flow proposition for the company. In the early part of the fourth quarter last year, Young repositioned and reinvented its prime-time news programming, which it refers to as its "trombo" (advertisers buy the cumulative ratings of the three unique, one-hour segments). The trombo's share climbed to 10% in February 1998 from 9% in November 1997. In the February book, the station's news programming tied or beat every prime-time and late news in the Los Angeles market. In addition, sports ratings have also been strong — the Clippers' and Lakers' ratings are up 30% and 10%, respectively.

Sports Programming Committed to Year 2000

News and sports product are KCAL's lifeblood, in our view. We estimate that the company's stations show more than 150 sporting events per year. The profile of the sports market is changing rapidly in Los Angeles. We believe that the company airs away games. The Walt Disney Company controls the Anaheim Mighty Ducks and the Anaheim Angels. Recently, News Corp. purchased the Los Angeles Dodgers and a minority interest in the Los Angeles Kings, which also gives it the ability to purchase a stake in the Los Angeles Lakers. News Corp. has been building its Liberty/Fox Sports franchise and will, in our estimation, use the ownership/minority stakes in these sports teams to ramp up its Fox Sports West franchise.

We do not know whether News Corp.'s ownership influence will alter KCAL's sports agreements with the Lakers and the Kings. One potential threat to KCAL could be the first-quarter 1999 launch of USA Broadcasting's station. Just as USA Broadcasting used the Miami Heat broadcast rights to provide instant credibility to the local station, it could do the same in Los Angeles. This is all the more logical considering Barry Diller's (CEO of USA Networks) close former association with News Corp.

As things stand now, we believe the company controls the majority of its sports contracts, most of which are revenue-sharing agreements, until the 2000 season, including the Lakers, Angels, and Kings. Recently, the Mighty Ducks renewed through 2004. The only team expected to come up for earlier renewal is the Los Angeles Clippers, whose contract runs out after the 1999 season. Another potential risk to 1999 sports revenues could be the National Basketball Association's (NBA) league contract renegotiations, which could interrupt the 1998-99 basketball season. Although the league hopes that negotiations will be concluded by June 30, 1998, there is no guarantee that this will occur. Young's late 1998/early 1999 revenues and cash flow could be hurt by a strike or lockout.

During second-quarter 1997, the company used approximately $11.9 million under its stock buyback program to repurchase about 459,000 shares at an average price of $26 per share. This represented nearly 3% of all outstanding shares. Young can repurchase more than $50 million of stock under its existing authorization plan (as long as leverage does not exceed 6.25x EBITDA). This buyback creates even more possible leverage to the stock price. With its significant leverage, small share base, and BCF growth potential, any expansion in the company's cash flow estimates or multiple could lead to more explosive growth in its stock price.

Young has also been aggressively paying down debt with the substantial level of free cash flow that it generates. We estimate that the company ended 1996 with net debt that approached $670.5 million. By year-end 1997, we believe net debt was about $651.4 million after repurchasing $12.3 million in equity. During first-quarter 1998, Young reduced debt by roughly $12 million. By the end of this year, we project that net debt should be around $610 million — nearly $60 million, or $4.06 per share, lower than in 1996. In 1999, we think the company should have free cash flow that approaches $4.50 per share. Thus, the stock is inexpensive on a free cash flow per share basis as well.

Investment Risks

Los Angeles Market Can Be Erratic

Although the Los Angeles market ranks No. 2 in terms of TV households (5.1% of TV households versus New York's 7.0%), it is the largest in the U.S. in gross revenue at approximately $1.4 billion versus New York's $1.30-$1.35 billion. The Los Angeles market has been erratic throughout 1997, driven by significant changes in national advertising growth. Its mere size means that slight changes in the advertising climate can translate into big fluctuations in revenues and broadcast cash flow. For example, a 3% drop in the L.A. market would translate into a $42 million falloff in revenue and a $34 million decline in BCF for the local market operators (assuming 80% BCF margins on this incremental revenue).

Overall, we estimate that KCAL-TV takes 10.0% of the market's revenue. Young's results are closely tied to the growth, or lack thereof, of the L.A. market, and where that market will go is unpredictable.

FIRST-QUARTER SNAPSHOT

Young reported the first-quarter BCF of $24.8 million, which exceeded our estimate of $24.4 million by $400,000, or 1.6%. During the quarter, revenues grew to $64.6 million, or $3.3 million higher than in the first quarter of 1997, reflecting low-single-digit revenue growth at the television properties and the addition of consolidated results for Adam Young, Inc., the company's rep firm during the period. In all, we believe that Adam Young contributed approximately $500,000 in BCF for the quarter. In the first quarter of 1997, Adam Young had reported a cash flow loss of $100,000. Overall, on a pro forma basis, the company's BCF increased by 5.1%, to $24.8 million versus $23.6 million in the first quarter of 1997. Of the $1.2 million gain in pro forma BCF, the rep firm accounted for approximately 50% of first-quarter 1998 growth. We believe that political dollars started to materialize early for Young, with the company booking nearly $1 million in political revenue during the period.

KCAL. We believe that BCF growth at KCAL was essentially flat, as low-double-digit revenue increases in the quarter gave way to increased programming expenses related to revenue-sharing agreements in sports programming contracts. Overall, the quarter was mixed at KCAL as January and March momentum was offset by the impact of the Olympics at the CBS affiliate in Los Angeles. The company estimates that approximately $20 million, mostly national advertising dollars, was siphoned from the market during the Olympics in February. Management believes the market itself was up by low-single digits for the quarter. Moreover, despite modest revenue growth in the market overall in the first quarter of 1998, we believe that BCF was essentially flat during the period, reflecting cost increases associated with revenue sharing arrangements with sport teams, which led to program payments of $10.5 million for the quarter — $400,000 higher than our projected level of $10.1 million. (However, for the entire company, it should be noted that total programming payments actually declined 1.6%, to $10.5 million, during the quarter.)

Still, the company believes that the station recorded some of its highest market revenue shares in March and suggests this indicates that momentum has been created from the February 1998 ratings book, which was strong and remained so during the first week of May sweeps. We think that audience growth has been evident within sports programming (10%-plus for the Lakers and 20%-plus for the Clippers), prime-time news, daytime, and late night (where the station went to a 19% share of audience in February 1998 from 9% in February 1997). In our view, this performance is leading to brisker revenue pacings for the second quarter, which we expect could end up 7%-11%. April's pacing level could have exceeded this range. Pacings should be further buoyed by the ratings gains posted so far during the first week of the May sweeps relative to last year's showing. Besides weak comparisons in children's programming, which the station is deemphasizing, many other dayparts are up nicely. Daytime, early-fringe, prime-time access, prime-time news and late-night ratings are all ahead by strong double-digit rates. This should bode well for the station's advertising rate card. Since Los Angeles has "overnights" available (nightly metered ratings), rate cards can be adjusted quickly.

We are optimistic about KCAL's prospects for the second quarter. For the second half of the year, we expect political advertising to improve dramatically, given several competitive political races in California.

Core Stations. The core 11 network affiliates continue to perform but were primarily driven by CBS affiliates in the quarter, which benefited from Olympic programming. Young's CBS growth may not have been as healthy as some other CBS affiliates' growth during the quarter because most of these stations were dominant players in their markets to begin with. Moreover, the five CBS affiliates in Lansing (market rank No. 106), Sioux Falls (107), Layfayette (121), LaCrosse (130), and Rockford (135) represent the company's five smallest market television stations. We do not believe that ad growth was as spectacular in smaller markets, especially in light of the fact that much of the Olympic growth came from national advertising. Stations in these markets often rely more heavily on local advertising in general and would be less likely to draw increases in national spending. We also believe that the company's ABC affiliates (which contributed nearly 40% of 1997 BCF) were under pressure from the CBS Olympics in February and continued ratings declines at the ABC network in general, down 7.6% and 8.0% in household and in the 18-49 demographic ratings for the 1997-98 broadcast season, respectively.

Financial Outlook

We project that reported revenues at the television broadcasting properties can rise by roughly 9.3% in 1998, to $288.1 million. This performance should be spurred by overall strengthening in the Los Angeles advertising market, continued growth at the core affiliates, increases in political advertising spending, and higher local ad volume. BCF could climb approximately 10.2%, to $130.3 million. In 1999, we expect that BCF could expand by nearly 6.4% on a pro forma basis, to $138.7 million from $130.3 million, reflecting the continued accelerated growth of KCAL and mid-single-digit growth at the company's core stations combined with slower expense growth. During 1999, we expect the company will generate more than $60 million in free cash flow ($4.23-plus per share) due to its substantial operating leverage. We project that this cash will be used to reduce net debt to $549.7 million by year-end 1999 from $608.3 million in 1998.

Exhibit 83. Television Properties — Young Broadcasting

Market	Market Rank	Station	Affiliation	Channel Frequency	1996 In-Market Viewership Share(1) (%)	1996 Gross Market Revenues ($ MM)	1996 Station Ad Revenues ($ MM)	Revenue Share	Oversell(2)
Los Angeles	2	KCAL	IND	9/VHF	7	$1,432	$110	8	1.1
Nashville	33	WKRN	ABC	2/VHF	19	$136	$28	20	1.1
Richmond, VA	59	WRIC	ABC	8/VHF	25	$68	$20	29	1.2
Knoxville	64	WATE	ABC	6/VHF	23	$61	$18	30	1.3
Albany, NY	52	WTEN	ABC	10/VHF	24	$76	$18	23	1.0
Green Bay, WI	70	WBAY	ABC	2/VHF	26	$50	$17	33	1.3
Davenport, IA	89	KWQC	NBC	6/VHF	43	$36	$16	45	1.0
Lafayette, LA	122	KLFY	CBS	10/VHF	59	$28	$15	54	0.9
Lansing, MI	105	WLNS	CBS	6/VHF	39	$37	$14	38	1.0
Sioux Falls/Mitchell, SD	108	KELO	CBS	11/VHF	47	$25	$12	50	1.1
Rockford, IL	135	WTVO	ABC	17/UHF	24	$27	$7	26	1.1
La Crosse, WI	129	WKBT	CBS	8/VHF	27	$23	$6	25	0.9

(1) In-Market Viewership Share equals a television station's viewership share divided by total of viewership shares for all commercial television stations.

(2) Oversell is the ratio of station revenue share to "in-market" audience share.

Note: Station List is Representative of All Announced Acquisitions or Dispositions.

Source: BIA Investing in Television '97; Nielsen Media Research; Bear, Stearns & Co. Inc.

Exhibit 84. Young Broadcasting Combined Operating Cash Flow and Income Statement — Quarterly 1997 and 98E

	1Q97	2Q97	3Q97	4Q97	1997	1Q98	2Q98E	3Q98E	4Q98E	1998E
Net Broadcasting Revenues	$61.3	$71.1	$57.9	$73.2	$263.5	$64.6	$76.6	$64.8	$82.1	$288.1
Total Cash Operating Expenses	($26.9)	($26.6)	($26.8)	($26.5)	($106.7)	($29.3)	($29.2)	($28.7)	($29.7)	($116.9)
Film Payments (Sports Production and Team Revenue Split)	($10.7)	($9.7)	($6.6)	($11.7)	($38.6)	($10.5)	($10.2)	($7.2)	($13.0)	($40.9)
Broadcast Cash Flow	**$23.7**	**$34.8**	**$24.6**	**$35.1**	**$118.2**	**$24.8**	**$37.2**	**$28.9**	**$39.3**	**$130.3**
Corporate Overhead	($1.5)	($1.6)	($1.3)	($2.7)	($7.2)	($2.0)	($1.9)	($1.9)	($1.9)	($7.7)
Operating Cash Flow (EBITDA)	**$22.2**	**$33.3**	**$23.2**	**$32.4**	**$111.1**	**$22.8**	**$35.3**	**$27.0**	**$37.4**	**$122.5**
Plus: Film Payments (Cash Flow Basis)	$10.7	$9.7	$6.6	$11.7	$38.6	$10.5	$10.2	$7.2	$13.0	$40.9
Less: Amort. Program Contracts (Inc. Statement Basis)	($10.4)	($9.6)	($6.6)	($11.7)	($38.3)	($10.4)	($10.2)	($7.2)	($13.0)	($40.8)
Less: Dep. and Amort. Prop. and Equip.	($6.5)	($6.3)	($4.2)	($2.5)	($19.5)	($6.1)	($5.8)	($5.8)	($5.8)	($23.3)
Less: Amort. of Intang., Noncompete and Consulting	($5.6)	($5.7)	($8.8)	($7.3)	($27.4)	($6.5)	($7.1)	($7.1)	($7.1)	($27.9)
Less: Noncash Compensation (Com. Stock)	($0.2)	($0.3)	($0.2)	($0.2)	($1.0)	($0.3)	($0.3)	($0.2)	($0.4)	($1.2)
Less: Merger Related Costs	$0.0	$0.0	$0.0	$0.0	$0.0	($1.4)	$0.0	$0.0	$0.0	($1.4)
Operating Income	$10.0	$21.1	$10.0	$22.3	$63.5	$8.6	$22.2	$13.9	$24.1	$68.8
Other Income and Expense										
Int. and Amort. of Debt Discount Expenses	($15.6)	($15.7)	($16.4)	($16.4)	($64.1)	($15.7)	($15.3)	($15.1)	($14.8)	($61.0)
Other Income (Expense)	($0.0)	($0.2)	($0.2)	($0.1)	($0.5)	($0.2)	($0.2)	($0.2)	($0.2)	($0.7)
Pretax Income before Unusual Items	($5.6)	$5.2	($6.6)	$5.8	($1.1)	($7.3)	$6.7	($1.4)	$9.2	$7.1
Taxes - Federal and State	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Income (Loss) before Extraordinary Items, Net of Tax	($5.6)	$5.2	($6.6)	$5.8	($1.1)	($7.3)	$6.7	($1.4)	$9.2	$7.1
Extraordinary Items										
Extraordinary Loss on Exting. Debt	$0.0	$0.0	$0.0	($9.2)	($9.2)	$0.0	$0.0	$0.0	$0.0	$0.0
Sale of Television Property, Net of Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cum. Effect of Change in Accting Principle	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income (Loss)	($5.6)	$5.2	($6.6)	($3.5)	($10.4)	($7.3)	$6.7	($1.4)	$9.2	$7.1
Statistics										
Margins (Percent of Net Revenues)	1Q97	2Q97	3Q97	4Q97	1997	1Q98	2Q98E	3Q98E	4Q98E	1998E
Operating Expenses and SGA	43.9%	37.4%	46.2%	36.2%	40.5%	45.3%	38.1%	44.3%	36.2%	40.6%
Film Payments	17.4%	13.6%	11.4%	15.9%	14.7%	16.3%	13.3%	11.1%	15.8%	14.2%
Broadcast Cash Flow	38.7%	49.0%	42.4%	47.9%	44.9%	38.4%	48.6%	44.6%	47.9%	45.2%
Corporate Overhead	2.5%	2.2%	2.3%	3.7%	2.7%	3.2%	2.5%	2.9%	2.3%	2.7%
Operating Cash Flow	36.2%	46.8%	40.1%	44.2%	42.1%	35.3%	46.1%	41.7%	45.6%	42.5%
Growth Rates										
Net Revenue	121.2%	97.2%	63.7%	32.6%	70.7%	5.4%	7.8%	11.8%	12.1%	9.3%
Cash Operating Expenses	103.1%	87.3%	71.6%	22.2%	65.0%	8.9%	9.7%	7.2%	12.4%	9.5%
Film Payments	475.0%	417.5%	229.0%	150.6%	271.8%	-1.6%	5.4%	8.9%	11.5%	5.9%
Broadcast Cash Flow	88.2%	74.2%	38.1%	21.5%	49.1%	4.6%	6.9%	17.7%	12.1%	10.2%
Operating Cash Flow	92.6%	75.9%	38.4%	16.9%	48.2%	2.6%	6.2%	16.1%	15.7%	10.3%
Shares/Per Share										
Average Outstanding Shares for EPS Calculation	14.2	14.0	13.8	14.1	14.0	14.1	14.8	14.8	14.8	14.6
EPS (Average Shares) - Before Extraordinary Items	($0.40)	$0.37	($0.48)	$0.41	($0.08)	($0.52)	$0.45	($0.09)	$0.62	$0.49
EPS (Average Shares) - After Extraordinary Items	($0.40)	$0.37	($0.48)	($0.24)	($0.74)	($0.52)	$0.45	($0.09)	$0.62	$0.49

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 85. Young Broadcasting Inc. Combined Operating Cash Flow and Income Statement — 1996-99E

	1996	1997	1998E	1999E
Net Broadcasting Revenues	$154.3	$263.5	$288.1	$300.9
Total Cash Operating Expenses	($64.7)	($106.7)	($116.9)	($120.1)
Film Payments (Sports Production and Team Revenue Split)	($10.4)	($38.6)	($40.9)	($42.1)
Broadcast Cash Flow	**$79.3**	**$118.2**	**$130.3**	**$138.7**
Corporate Overhead	($4.3)	($7.2)	($7.7)	($8.1)
Operating Cash Flow (EBITDA)	**$74.9**	**$111.1**	**$122.5**	**$130.5**
Plus: Film Payments (Cash Flow Basis)	$10.4	$38.6	$40.9	$42.1
Less: Amort. Program Contracts (Inc. Statement Basis)	($11.0)	($38.3)	($40.8)	($41.1)
Less: Dep. and Amort. Prop. and Equip.	($18.1)	($19.5)	($23.3)	($21.1)
Less: Amort. of Intang., Non Compete and Consulting	($12.8)	($27.4)	($27.9)	($27.9)
Less: Non Cash Compensation (Com. Stock)	($0.8)	($1.0)	($1.2)	($1.2)
Less: Merger Related Costs	$0.0	$0.0	($1.4)	$0.0
Operating Income	$42.5	$63.5	$68.8	$81.3
Other Income and Expense				
Int. and Amort. of Debt Discount Expenses	($42.8)	($64.1)	($61.0)	($57.2)
Other Income (Expense)	$1.3	($0.5)	($0.7)	($0.7)
Pretax Income before Unusual Items	$0.9	($1.1)	$7.1	$23.3
Taxes - Federal and State	$0.0	$0.0	$0.0	$0.0
Income (Loss) before Extraordinary Items, Net of Tax	$0.9	($1.1)	$7.1	$23.3
Extraordinary Items				
Extraordinary Loss on Exting. Debt	$0.0	($9.2)	$0.0	$0.0
Sale of Television Property, Net of Taxes	$0.0	$0.0	$0.0	$0.0
Cum. Effect of Change in Accting Principle	$0.0	$0.0	$0.0	$0.0
Net Income (Loss)	$0.9	($10.4)	$7.1	$23.3
Statistics				
Margins (Percent of Net Revenues)	1996	1997A	1998E	1999E
Operating Expenses and SGA	41.9%	40.5%	40.6%	39.9%
Film Payments	6.7%	14.7%	14.2%	14.0%
Broadcast Cash Flow	51.4%	44.9%	45.2%	46.1%
Corporate Overhead	2.8%	2.7%	2.7%	2.7%
Operating Cash Flow	48.5%	42.1%	42.5%	43.4%
Growth Rates				
Net Revenue	26.0%	70.7%	9.3%	4.4%
Cash Operating Expenses	25.3%	65.0%	9.5%	2.7%
Film Payments	53.9%	271.8%	5.9%	3.0%
Broadcast Cash Flow	23.5%	49.1%	10.2%	6.4%
Operating Cash Flow	23.2%	48.2%	10.3%	6.5%
Shares/Per Share				
Average Outstanding Shares for EPS Calculation	11.5	14.0	14.6	14.8
EPS (Average Shares) - Before Extraordinary Items	$0.08	($0.08)	$0.49	$1.58
EPS (Average Shares) - After Extraordinary Items	$0.08	($0.74)	$0.49	$1.58

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 86. Young Broadcasting Inc. Cash Flow Statement — 1997-99E

	1997	1998E	1999E
Income Statement Flows			
Operating Cash Flow	$111.1	$122.5	$130.5
Plus/(Minus) Other Income	($0.5)	($0.7)	($0.7)
Plus: Non-cash Compensation	($1.0)	$0.0	$0.0
Less: Interest Paid	($64.1)	($60.6)	($57.2)
Less: Taxes Paid	$0.0	$0.0	$0.0
After-Tax Free Cash Flow	$45.5	$61.2	$72.6
Balance Sheet Flows - Maintenance			
Working Investment	($4.4)	($1.0)	($1.0)
Capital Expenditures(Maintenance)	($9.0)	($7.0)	($7.0)
Capital Expenditures(Digital)	$0.0	($7.0)	($5.0)
Balance Sheet Flows - Maintenance	($13.5)	($15.0)	($13.0)
Free Cash Flow from Core Operations	**$32.0**	**$46.2**	**$59.6**
Acquisition/Sale of Television Properties			
KELO - Sioux Falls	$0.0	($2.0)	$0.0
KWQC - Quad Cities	$0.0	$0.0	$0.0
KCAL - Los Angeles	$0.0	$0.0	$0.0
Nationwide Payments	($1.0)	($1.0)	($1.0)
Closing Costs/Deferred Acquisition and Debt Refinancing	($3.0)	$0.0	$0.0
Acquisition/Sale of Television Properties	($4.0)	($3.0)	($1.0)
Financing Activities			
Senior Debt Borrowed	$0.0	$0.0	$0.0
Subordinated Debt Raised	$200.0	$0.0	$0.0
New Public Equity Raised - Net Proceeds to Young	$0.0	$0.0	$0.0
Repurchase Equity	($12.3)	$0.0	$0.0
Refinance/Mandatory Amortization of Debt	($220.7)	($37.5)	($44.8)
Other	($0.3)	$0.0	$0.0
Financing Activities	($33.4)	($37.5)	($44.8)
Net Increase/(Decrease) in Cash	**($5.4)**	**$5.7**	**$13.8**
Statistics:			
Free Cash Flow per Average Share			
FCF from Operations per Share	**$2.28**	**$3.27**	**$4.23**
Net Debt			
Cash	$1.6	$7.3	$21.1
Projected Debt - Year End	$653.1	$615.6	$570.8
Projected Net Debt - Year End	**$651.4**	**$608.3**	**$549.7**
Leverage			
Total Leverage - Net Debt - Pro forma OCF	**5.9**	**5.0**	**4.2**

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 87. Young Broadcasting, Inc. Valuation Using Discounted Cash Flow Analysis

		1999E	2000E	2001E
Cash Flows for Valuation Purposes				
Pretax Income		$23	$42	$49
Plus: Interest Expense		$57	$56	$56
Unlevered Pretax Income		$81	$98	$104
Taxes at Rate of	40.0%	($32)	($39)	($42)
Unlevered Net Income		$48	$59	$63
Non-Cash Expenses		$91	$94	$95
Film Payments		($42)	($44)	($46)
Working Capital Investment		($1)	($1)	($1)
Capital Expenditures - Maintenance		($7)	($7)	($7)
Unlevered Free Cash Flows from Operations (FCF)		$90	$100	$104
Terminal Value of FCF Assuming Perpetual Growth Rate of	5.3%			$1,815
Free Cash Flows for Valuation Purposes		**$90**	**$100**	**$1,919**
Equity Value				
Enterprise Value (NPV) Using Discount Rate of	11.3%	**$1,729**		
Debt Outstanding - End of Year 1998		($616)		
Cash - End of Year 1998		$7		
Equity Value		**$1,120**		
Share Price				
Shares - Fully Diluted		15.1		
Private Market Value		**$74.33**		
Discount Applied to PMV		**20.0%**		
Target Stock Price		**$59.46**		
Current Share Price		$48.50		
Upside to Target		22.6%		

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

A special note of thanks to Nick Trigony for inspiring the title of this report.

Companies mentioned:

A.H. Belo Corp.§ (BLC-53)
CBS/Westinghouse Corp.§ (CBS-31)
Chancellor Media Corp.* (AMFM-42)
Chris-Craft Industries (CCN-55)
Clear Channel Communications (CCU-97)
Coca-Cola (KO-79)
Columbia/HCA Healthcare Corp.§ (COL-34)
Cox Communications (COX-46)
Emmis Broadcasting Corp. (EMMS-46)
Gannett Co. Inc. (GCI-68)
General Electric (GE-86)
Granite Broadcasting, Inc.* (GBTVK-11)
Hearst-Argyle* (HATV-34)
Heftel Broadcasting (HBCCA-40)
Jacor Communications* (JCOR-54)
Knight Ridder Inc. (KRI-57)
McDonald's Corp. (MCD-66)
Media General (MEGA-48)
Meredith Corp. (MDP-42)
Microsoft Corp.* (MSFT-86)
News Corp./Fox (NWS-25)
Paxson Communications (PAX-12)
Peapod (PPOD-$6^7/_8$)
Pepsico Inc. (PEP-40)
Pulitzer Publishing Co. (PTZ-90)
Sinclair Broadcast Group* (SBGI-52)
Susquehanna Bancshares Inc. (SUSQ-38)
Tele-Communications Liberty Media* (LBTYA-33)
Tele-Communications TCI Group*§ (TCOMA-36)
Telemundo Group*(TLMD-42)
Time Warner§ (TWX-82)
Tribune Co. (TRB-66)
Univision Communications Inc. (UVN-37)
USA Networks Inc.* (USAI-23)
Viacom§ (VIA-58)
Wal-Mart Stores (WMT-56)
Walt Disney Company (The)§ (DIS-116)
Washington Post Corp. (WPO-545)
Young Broadcasting, Inc.* (YBTVA-49)

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Broadcast Television Fact Book

- **Ownership Data Base:** 50 Largest Television Broadcast Groups
- **Station Transactions:** 1991 to September 1998
- **Advertising Statistics:** Total; Measured Media; Television Local/National; Political
- **Ratings Data:** Broadcast Networks and Cable Networks

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