CORPORATE PARTICIPANTS

Ed Christian *Saga Communications, Inc. - President & CEO*

Samuel Bush *Saga Communications, Inc. - SVP, Treasurer & CFO*

CONFERENCE CALL PARTICIPANTS

Operator

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the First Quarter Earnings Call. At this time, all participants are in a listen-only mode. (Operator Instructions) And as a reminder, this conference is being recorded.

I would now like to turn the conference over to our host, President and CEO, Ed Christian. Please go ahead, sir.

Ed Christian - *Saga Communications, Inc. - President & CEO*

Thank you, and welcome everybody to Q1. And as always we start with Sam Bush and then I'll join you in just a few minutes; well actually, more than a few minutes. It will be long one from Sam today. Go for it.

Samuel Bush - *Saga Communications, Inc. - SVP, Treasurer & CFO*

Thanks, Ed. This call will contain forward-looking statements about our future performance and results of operations that involve risks and uncertainties that are described in the Risk Factors section of our most recent Form 10-K. This call will also contain a discussion of certain non-GAAP financial measures. Reconciliation for all the non-GAAP financial measures to the most directly comparable GAAP measure are attached in the selected financial data table.

It was a very good quarter, anyway you look at it. During the quarter, historical net revenue increased 12.7%. Adjusting for same station, net revenue increased 7%. Without political, gross historical revenue increased 9.3% for the quarter and 3.6% on a same-station basis. Gross political revenue for the quarter was $1.3 million compared to $125,000 for the same period last year. Almost all of the political revenue for the quarter was in radio this year; only $62,000 was from television. Last year, all of $125,000 of political was in radio.

National accounted for approximately 10.7% of gross revenue for the quarter compared to 11.4% last year. It's also worth noting that for the first time in a number of quarters, all major categories of revenue were up for the first quarter of 2016 compared to first quarter of 2015. Local set the bar being up $2.2 million for the quarter, followed by political being up $1.2 million, retransmission from our two television markets was up $261,000, and national was up $202,000. While the numbers would be different, all the categories were up similarly on a same-station basis.

During the quarter, we closed on our acquisition of WLVQ-FM in Columbus, Ohio, for $13 million. We started operating WLVQ under a local marketing agreement on November 16, last year. During the quarter, our Board of Directors declared a $0.25 per share quarterly cash dividend with a record date of March 28 and a payment date of April 15.

This is our eighth straight quarterly cash dividend; the first six at $0.20 per share and the last two at $0.25 per share. This brings the total dividends paid including the special dividends we paid the last four years to almost $35.6 million. We intend to pay regular quarter cash dividends in the future as well as considering special cash and stock dividends as declared by our Board of Directors.

At the end of the quarter, we had $36.4 million debt outstanding. Cash on hand at the end of the quarter was $15.3 million. Currently, we have cash on hand of approximately the same, $15.2 million.

Retrans revenue was $1.2 million in the quarter, up from $929,000 last year. Retrans payments to the networks were $285,000 in the quarter compared to $239,000 last year. Capital expenditures were $1 million for the quarter, which is approximately the same as last year. We still expect our CapEx for 2016 to be between $5 million and $5.5 million.

We expect station operating expenses to be up 6% to 7% on a historical basis due to the acquisitions in Harrisonburg and Columbus, and up 2.5% to 3.5% on a same-station basis for 2016. We expect interest expense for 2016 to be between $700,000 and $800,000 given the existing interest rate environment.

Our anticipated total tax rate going forward will be between 40% and 41%. We anticipate deferred taxes for 2016 to be between $3.4 million and $3.6 million. Pacing is a tough item as usual. I can say, based on the early going in the quarter, second quarter will not be a repeat of the first quarter. I expect we will be approximately flat for the quarter although the volatility continues to move these expectations around on a weekly, if not a daily basis.

And with that, I'll turn it back over to Ed for more color.

Ed Christian - *Saga Communications, Inc. - President & CEO*

We're hopeful that we can do okay in the second quarter. Thanks, Sam. It appears from what we're seeing right now and the releases from the other companies, we're kind of marching in a lockstep with the other broadcasting companies. We did perform well, if not better than most of our peers in Q1. But it is the same for us as others. Most markets were up, a few were flat and a few down, but not materially down, more kind of a shortfall. We'll get into that in a second.

In revenue reporting markets, we have about six of those; we outperformed the markets in five of our six major markets. One market reported negative growth; that was Norfolk, the whole market, while we were up 3.4%; the market itself was down 3.7%. We were up, they were down. In the other markets, they were all up. That would be like Columbus and Milwaukee and Des Moines. But this was a down market in Norfolk.

The market is experiencing a pricing problem there with other stations, which has accounted for negative growth. We've still been able to command above market rates, which has mitigated for our gross by the way and the numbers that I'm talking about for the markets are for the entire quarter.

We are very pleased, as Sam said, with the integration of WLVQ in Columbus and the revenues there are returning quickly to previous historic levels that they have not seen for years. Harrisonburg has come online and after a few conversion issues, has returned to a growth performance.

Our TV sector is much smaller part of our portfolio, and as Sam mentioned, was not affected by political in Q1 due to [location] of the markets. We have not paid down additional debt as our leverage is below one times and with that said, there was always the temptation, you pay down debt not necessarily become a debt free company. But we're looking at that, isn't it right, Sam?

Samuel Bush - *Saga Communications, Inc. - SVP, Treasurer & CFO*

That's right, Ed. Bring this [model] in place when you stay there

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Ed Christian - *Saga Communications, Inc. - President & CEO*

Our phones have been quite for some time but I'm sure that this will illicit some phone calls in the not too distant future. Maybe pay a little down here or there, just to keep the account active. You don't want to have [a call] and say not anything on your account for a while.

In acquisitions, it's interesting. We become quite proactive off late. It's not a secret in the industry that good properties are in very short supply. That was one of the things that other news, the trades reported, it is coming out of the NAB Convention at Las Vegas. There is a scarcity of inventory that is out there right now.

We're pretty good geologists and in fact we're continually sampling and [clearing] for the opportunity to bring to market companies or stations or families or companies, so looking for good stewards to maintaining image that they've created in their communities. We're not comfortable long-term and once we're able to grow our core, which is radio.

But we've always been a specialist in kind of end-markets with very strict criteria for acquisitions. We never embraced nor ever will embrace the concept of gross for the sake of announcement. This has been our thing that anybody can buy a station; operating it is different matter.

Well, Q1 left us with a good feeling and it really did. I mean, we came about not hi-fiving anybody, but at least, feeling pretty warm about the environment. Q2 reminds us of trepidations that we experienced in 2015. Actually, let me tell you a short story. I get a phone call the other day from a former broadcaster, a good friend of mine, whom I've known for decades who bowed out of the industry a decade or two ago and when he was active in the industry, he had a number of major markets and medium-sized and even some smaller markets. And called me up and said, hey, you know we haven't talked in a while and chit chat, chit chat.

He said, is radio dead? I said what, no, of course, radio is not dead. If anything -- we have our issues in it, but everything has their issues. The larger markets have the programmatic buying that they are having to deal with the removal of the one-on-one dealing for rates into a total transactional environment. We, in mid-size markets, still have the advantage and will always have the advantage of doing one-on-one with our clients that is not dead.

And so what's really happening is the United States is kind of dead. And I want to read something here. I'm using my (inaudible) for a second, to kind of bring this to perspective and I'll tie it up in a second. There is a great article in the Wall Street Journal entitled Make America Grow Again. Let me give you some facts and I'll explain why these are really relevant to the broadcasting industry. The reality is that -- I'm not quoting from the article, but the editorial. The reality is that the first quarter is further evidence of what has been the weakest economic expansion in the post war era.

The 0.5% growth is subject to revision, but it follows 1.4% in the fourth quarter. Growth over the last six months has averaged about 1% and under 2% over the last 12 months. The usual definition of a recession is two consecutive quarters of negative growth, which we barely ducked.

The first quarter growth details aren't any more reassuring. Private investment [chopped] 1.6% of GDP, following 25.5% from fourth quarter. Consumer spending slowed despite falling gasoline prices. Both declines reflect a lack of confidence in future growth. If it weren't for housing, which was up 19.3% and state and local government spending up 12.6%, GDP in the quarter would have been negative. All of this continues the slower pace of the entire expansion that began nearly seven years ago. Each year has had similar GDP dip and growth has never exceeded 2.5%.

The American economy hasn't grown by more than 3% since 2005, 3.3% and along the (inaudible) that we can find in the Bureau of Economic Analysis tables going back to the 1930s. Even a great depression saw the snap back to add rapid growth from 1934 to 1936. Yet Americans are supposed to accept this as the new abnormal of that line that one can do much about. As Governor Warsh notes, the latest excuse is blame to support growth on the rest of world. So America would be booming if it not for China, which would be blooming if not for Europe, which blames Japan, which blames America.

If you look at broadcasting, we're big mirror of our nation. We send our point of light that touch every industry and what you have to really kind of focus on is we're not a one product manufacturer. We do not sell cars. We do not sell appliances. We do not sell clothing. But we do talk to those who do.

Broadcasting is an industry that not only reflects the values of our country, but reflects the fears, the frustration and the optimism in the marketing. Usually we're a predictor of future trends. We've said this before that when we go into an area that radio can see beforehand and feel what's going to happen. First quarter gives us a good feeling that maybe better times are on the way and we are just so hopeful for that.

But that will be great for all of us, if it happens. Unfortunately, we've been riddled with disappointments for the last five years. Just when we think things are turning, they don't, but we've never forsaken the desire for quality and success and we will continue to do so.

Frankly, our success in [new rewards] are still a primary concern radio broadcasting television is a good business. But you have to look at it in the overall thing and look at, as I said again, the point of light that we are touching out to and the fact that we're not a single product thing that we are a reflection of what happens in every other industry and we're a collector of that information and as the country goes, so goes broadcasting. So to pan an industry is an unfortunate thing that should not be done, because of this.

The radio is still strong for many, many years to come, as is television. And we're really pleased by Q1. We thank you for being our investors. We thank you for being interested in Saga Communications and Sam and I are ready to answer to quiet phones here if any of you have any questions. Short phone call, I think that should be it.

Samuel Bush - *Saga Communications, Inc. - SVP, Treasurer & CFO*

It was, we as usual asked for questions ahead of time and we must be getting better at these calls and anticipating the questions because all the questions that came in were already answered in either yours or my comments Ed. So we're good. Kim I'm just going to turn it back over to you and let you wrap up the call for us.

Operator

Certainly, and ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.
