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SGA - Q2 2016 Saga Communications Inc Earnings Call

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CORPORATE PARTICIPANTS**Ed Christian** *Saga Communications, Inc. - President, CEO & Chairman***Sam 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 Saga Communications Second Quarter Earnings Call. (Operator Instructions) I would now like to turn the conference over to Ed Christian. Please go ahead.

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

Thank you, Art. Good morning everybody and welcome to another one of the many conference calls we've had over the years since we become a public company, and Sam, as usual, has his one lengthy explanation and with his cautionary dialogue to begin.

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

Not so long and lengthy this quarter, but still good information I believe. 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.

During the quarter, historical net revenue increased 6.1%. Adjusting for same station, net revenue increased approximately 1%. Gross political revenue for the quarter was \$358,000 compared to \$158,000 for the second quarter last year. For the quarter, radio was approximately even with last year at \$147,000, while television was \$211,000 compared to \$10,000 last year. We do expect political revenue to pick up significantly again in the third quarter. Keep in mind that we did approximately \$1.3 million of gross political revenue in the first quarter.

National accounted for approximately 11.6% of gross revenue for the quarter compared to 12.1% last year. During the quarter, our Board of Directors declared a \$0.25 per share quarterly cash dividend with a record date of June 15 and a payment date of July 08. This is our ninth straight quarterly cash dividend, the first six at \$0.20 a share, the last three at \$0.25 a share. This brings the total dividends paid including the special dividends over the last four years to almost \$37.1 million. We intend to pay regular quarterly 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 \$17.7 million. Currently, we have cash on hand of approximately \$21.8 million. Retrans revenue was \$1.2 million in the quarter, up from \$1 million last year. Retrans payments to the networks were \$245,000 in the quarter compared to \$247,000 last year. Capital expenditures were \$1.5 million for the quarter compared to \$1.3 million last year. We currently 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, and 2.5% to 3% 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.

And with that, I will turn it back over to you, Ed.



AUGUST 04, 2016 / 3:00PM, SGA - Q2 2016 Saga Communications Inc Earnings Call

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

That wasn't too bad, Sam.

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

No, it was one of the shorter ones I've had.

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

I didn't get a chance for mine now. Anyway, thanks. In all candor, I'm glad with the 6% plus side results, which once again demonstrated broadcasting is a reliable medium and most assuredly works for advertisers. It's unlike print where you can only have really one impression per day. Radio and TV continues to reach and reach and reach our audience [of American] consumers, and unlike digital, we know we deliver honest impressions and have no trouble verifying the honesty of our advertising, I wish I had to say that.

With that said, I kind of have felt for the last year that we've been stuck in low gear and trying to shift up to fourth gear as we get jammed up in our transmission. I know it's not the driver's fault but that's very little solace. It's just very frustrating. We as a company are adding accounts, new businesses and continually coming up with new and unusual ideas to enhance our advertising viewers and their experience with radio and TV, but try as we may and try hard as we do, there are heavy contributory factors that have inhibited even normal natural organic growth.

Let me give an example. Last Friday, what we feel was acknowledged, whether it was announced that the US economy expanded at 1.2% annual rate in Q2, and this is close to one half of what economic expectations were. Not only this, but the numbers for Q1 were revised down to 0.8%. Thus we have a six month rate of 1%, which is the slowest growth rate since 2011.

There is good news that we are growing. It's just that I'm impatient. We're historically used to seeing a lot better growth. Now, Sam and I have been just talking about it, as of next month, we've been a company for 30 years and there's been no time in that 30-year period that we have not been profitable, not even a month where we have not been profitable. And there is absolutely no expectations for this to change of the future. We do know what we're doing and we do it pretty well.

Now let me talk a little bit of what's been happening in the Company. Both of our acquisitions in the last year, Harrisonburg with the addition of seven radio stations is doing extremely well. These are very well operated properties that were enhanced by the addition of one additional station.

In Columbus, our additional of WLVQ has pushed us into a much more competitive position with adults 25 to 54. Before we were really dominant with women with WSNY, we needed support from men which we now have in WLVQ. The Nielsen ratings that just came out yesterday showed us third and fourth in the market, this is out of 23 radio stations that are recorded in the Nielsen ratings.

In men, with WLVQ now, we're number three. With women, we're starting, we're number three. Together, we're third and fourth in the marketplace separated by (inaudible). So, we're really in a wonderful position there and if we can continue to grow LVQ as we have been doing and get it to the revenue that we have accomplished on WSNY, this will be just rolling out of the park, home run for us in that market there.

We're also outpacing the market, though the market was down, our growth was there and I'm not going to go into specific things in Miller, Kaplan because you continually kind of get lost if you look at month by month by month, but the stations are really poised to continue to do really good things there.

Political has been good this year. Yes, thank you very much and WZID in Manchester was rated as the second highest recipient of political dollars in the United States. Thank you (inaudible) New Hampshire, but number two, which is pretty impressive for Manchester, New Hampshire and political will continue well for us for the balance of the year as we have hot states such as Ohio, Virginia and Missouri.



AUGUST 04, 2016 / 3:00PM, SGA - Q2 2016 Saga Communications Inc Earnings Call

And in Missouri, we are doing extremely well, and it's because our Joplin station is Missouri and Kansas and in July, I think we did 64% of the political TV dollars in the marketplace on KOAM and KFJX and we had a huge hot month in July for political with the TV stations in Missouri.

Without signing (inaudible) our last round of ratings in markets where we subscribe showed a solid but we still believe that there is growth potential. We also continue to win awards and some people (inaudible) awards, but I'll just focused on the states where we win awards and recently we've been recognized as leaders in news, programing, production, et cetera and promotions in such states as Virginia, Maine, Arkansas, Missouri, Wisconsin, Illinois, New York, Texas and New Hampshire. We really tie into the community and we do good work.

And I am proud of what we do at Saga and can assure you that every day in every way we encourage our people to do better broadcasting and better revenue. One normally begets the other but there are some wicked wins that are pushing against us, not just us, but the radio industry and the condominium in the US and I do have to (inaudible) on that because it's not like we're the single ship out there, we're in this giant regatta and all of us are just having trouble inching forward. It's kind of like going cross-country in a jet and if you're falling into the winds and sometimes it takes an extra hour to get to the coast because of the headwinds that you are getting into.

Anyway, one [finally], I really appreciate kind of the intricacy of Swiss watches and I liken it to broadcasting and [you're getting to go], how is that? When everything works together, great things can occur. Even when you add complications to the watch, it can still work wonderfully. One of the best Swiss watches is Vacheron Constantin which (inaudible). The company was founded in 1755 and they adopted there motto which is still used today in 1819 and they're quoted for Saga managers because I think it's a wonderful, it kind of stands, it's emblematic for similar things that we do. And the motto was "Do better if possible and that is always possible" and that is what we're trying to.

Sam, did we have any questions today?

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

Everything we had questions on, we must be getting pretty good at this, because everything we had questions on, we've already answered in our comments.

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

I guess, so then we --

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

We can wrap up.

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

We can talk to everybody again in 90 days. Arthur, it's back to you for whatever you have to say. Art? Did we miss him? We are probably too fast.

Operator

I'm right here. Ladies and gentlemen, that does concludes your conference. Thank for your participation and thank you for using AT&T Executive Teleconference Service. You may now disconnect. Thank you, gentlemen.



AUGUST 04, 2016 / 3:00PM, SGA - Q2 2016 Saga Communications Inc Earnings Call

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

Thank you, Art.

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