



2017 Annual Letter

To our fellow shareholders:

Every now and then I am introduced to someone who knows, kind of, who I am and what I do and they instinctively ask, “How are things at Saga?” (they pronounce it “say-gah”). I am polite and correct their pronunciation (“sah-gah”) as I am proud of the word and its history. This is usually followed by, “What is a “sah-gah?” My response is that there are several definitions — a common one from 1857 deems a “Saga” as “a long, convoluted story.” The second one that we prefer is “an ongoing adventure.” That’s what we are.

Next they ask, “What do you do there?” (pause, pause). I, too, pause, as by saying my title doesn’t really tell what I do or what Saga does. In essence, I tell them that I am in charge of the wellness of the Company and overseer and polisher of the multiple brands of radio stations that we have.

Then comes the question, “Radio stations are brands?” “Yes,” I respond. “A consistent allusion can become a brand. Each and every one of our radio stations has a created personality that requires ongoing care. That is one of the things that differentiates us from other radio companies.”

We really care about the identity, ambiance, and mission of each and every station that belongs to Saga. We have radio stations that have been on the air for close to 100 years and we have radio stations that have been created just months ago. All stations in our portfolio must retain their long-term identities and additionally be curated to maintain their visage for today.

This isn’t easy in today’s environment where brand maintenance is being neglected and challenged. First off, you must distinguish the difference between a brand and a brand name. We must decide on a mission for the radio station and create a brand name for that. Recently we created new formats for specific audiences, such as “The Outlaw – Legends and Young Guns,” a music approach and niche country music format that creates the environment of honky tonks and saloons. We now have this format on in Des Moines, Iowa; Asheville, North Carolina; Clarksville, Tennessee; Jonesboro, Arkansas; and Springfield, Illinois. We also have “Pure Oldies” on the air in five markets, and our new EZ Favorites, a late 70’s-early 80’s soft adult contemporary format, is airing in Des Moines, Iowa and Hilton Head, South Carolina.

So, we have the brand names and the missions which we meld together so that each station has a perceived, untouchable value to the community -- that’s the branding part. We also need to make the community aware that these stations are relevant and special and should become part of the fabric of their lives. It is surprising to us that the relevance of brand management in all facets today is decreasing and diminishing in other companies.

Why do we have to go through this? Because at Saga we believe that our effectiveness correlates to powerful brands that are well curated with constant attention to branding. That’s why radio advertising works. We even care about the creative process for our advertisers and suggest different copy for different environments.

There is no question. It is a tough environment and we are challenged to overcome advertising agencies’ new push towards algorithmic marketing and quantifiable targeted reach. We know that our stations create an audio environment of comfortability and trust. This trust follows through to our advertisers and their messages. Trust engenders loyalty with the advertiser from long time consumers and also a level of comfortability with new consumers.



Radio concentrates on the big picture and we want our clients to be with us for the next hundred years. Just like the clients who have relied on our stations, I also salute these stations that have served their communities and been on the air for close to a century — WNAX 96 years, KGMI 92 years, KRNT 83 years, WWSA 83 years, WHCU 96 years, WKBK 97 years, WFEA 86 years, WHMP 68 years, WGAN 80 years WZAN 93 years, WTAX 95 years, and KICD 76 years.

Now, a quick summary of 2017:

The year was quite a bit different from our normal years (if there is such a thing) as we sold our television stations in Joplin, MO and Victoria, TX. These stations were great contributors to our financial success over the years but, as we saw the changes taking place in the television industry, it was time to turn them over to a company that plans to continue to grow their television presence as we plan on our continued growth in radio. We were able to redeploy \$23 million of the sale proceeds immediately into purchasing radio stations in Charleston and Hilton Head, SC. Both of these markets are growing rapidly and present the opportunity for us to continue the growth of both heritage and developmental radio stations in these outstanding communities.

For the year net income increased \$36.5 million to \$54.7 million. Net revenue for the year was \$118.2 million and free cash flow from operations was \$20.1 million. Free cash flow including both operations and the sale of the television stations was approximately \$50 million. Including the dividend paid on March 30, 2018, Saga will have paid over \$55 million in dividends since December 3, 2012.

If you now understand that, to us, our radio stations are alive and well and dedicated to being the best every day, you understand our commitment as stewards of the brands. The passion for radio glows around us. There is nothing convoluted about us, just a dedicated group of broadcasters on a continuing adventure – our “Saga.”

As always, if you are in any of our markets, we sincerely invite you to contact our market manager and arrange a personal visit. Expect further examples of how we work, why radio works for advertisers, and how we intertwine ourselves with our communities.

Sincerely and Thank You,

A handwritten signature in black ink, appearing to read "Ed Christian". The signature is fluid and stylized, with a prominent loop at the end.

Ed Christian
Chief Curator of SAGA