

Saga Communications, Inc.

November 6, 2025

11:00am ET

Operator

Good day, everyone, and welcome to the Saga Communications Third Quarter 2025 Earnings Release and Conference Call. At this time, all participants are placed on a listen-only mode.

It is now my pleasure to hand the floor over to your host, Chris Forgy. Sir, the floor is yours.

Chris Forgy

Thank you, Matt, and thank you to your dulcet tones. And thank you to everyone who has taken the time to join Saga's 2025 Q3 earnings call. We appreciate your continued interest and support and your participation in Saga Communications. What we believe is the best media company on the planet. I'm here with Sam Bush, and today represents 28 years of Sam doing Saga earnings calls. So, Sam, congratulations.

And with that, I'm going to relinquish the floor to you for now, and I'll save my remarks for later in the call.

Sam Bush

Thank you, Chris. 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 factor 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 tables.

For the quarter ended September 30, 2025, net revenue decreased \$528,000 or 1.8%, to \$28.2 million compared to \$28.7 million last year. Station operating expense increased \$2 million to \$24.7 million for the 3-month period. As reported in the press release, this increase was primarily the result of an industry-wide settlement with two of the music licensing organizations we are licensed by.

In mid-August, the Radio and Music License Committee, which Saga is a member of, announced separate rate-setting settlements with ASCAP and BMI. The settlements established license fees, which applied retroactively, for the periods from January 1, 2022 through September 30, 2025, and on a go-forward basis through December 31, 2029.

In September, we booked \$1.7 million for the periods from January 1, 2022 to December 31, 2024, and another \$407,000 for the 9-month period ending September 30, 2025. The fourth quarter impacted the increased rates will be approximately \$135,000 over our previously projected music licensing fees.

We reported an operating loss of \$626,000 for the quarter, which without the settlement would have been an operating income of \$1.5 million compared to \$1.6 million for the same period last year. We also reported station operating income, which is a non-GAAP financial measure of \$3.5 million for the quarter. Without the settlement, station operating income would have been \$5.6 million for the quarter compared to \$6 million for the same period last year. It is important to note that the company would have reported net income for the quarter without the music licensing settlement.

For the quarter, gross broadcast revenue included NTR, non-traditional revenue, which is mostly events we are involved in, decreased \$1.8 million or 6.8%, while our gross interactive revenue increased \$1.1 million or 32.6%. Gross political revenue was \$73,000 for the quarter this year compared to \$677,000 last year. For the third quarter this year, the increase in our interactive revenue made up almost the entire decrease in our broadcast revenue when adjusted for political.

I think Chris is going to emphasize this again, but we are in radio, so repetition is always a good thing. And I just want to say again, for the third quarter this year, the increase in our interactive revenue made up almost the entire decrease in our broadcast revenue when adjusted for political.

For the 9-month period ended September 30, 2025, net revenue decreased \$3.1 million or 3.7% to \$80.6 million compared to \$83.7 million last year. I won't go through the 9-month numbers that were reported in the press release other than to indicate that without the music licensing settlements, station operating expense would have decreased \$1.7 million instead of the reported increase of \$390,000.

Without the settlement, operating income would have been \$574,000 instead of an operating loss of \$1.5 million, and station operating in GAAP, again a non-GAAP measure, would have been \$13.8 million instead of \$11.7 million.

Also, without the settlement on a same station basis for the 9 months ended September 30, 2025, station operating expense would have decreased 3.9% or \$2.6 million. Corporate expenses decreased \$80,000 for the quarter and increased \$74,000 for the 9 months ended September 30, 2025.

Corporate expenses included \$226,000 for the 9-month period relating to a potential proxy contest initiated earlier this year by one Saga shareholder. This has been disclosed in our previous public filings.

The decrease in other operating expense for the 9 months ended September 30, 2025, compared to the same period in 2024, is primarily due to the sale of a non-productive AM station along with two translators in Asheville, North Carolina, the sale of WNDN-FM in Chiefland, Florida, and the shutting down of a non-productive AM station in Bellingham, Washington in 2024. The decrease in other income is due to a one-time gain in 2024 related to the sale of Saga's equity investment in BMI, when the organization was sold.

In addition to what I have already said, I want to emphasize that for the quarter, total interactive revenue was up 32.6%, and for the 9-month period up 17.1%, with a 54% profit margin for both the quarter and the 9-month period, excluding sales commissions for the quarter and for the year.

Pacing for the fourth quarter is currently tough as we are up against \$2 million in political we booked in the fourth quarter of last year. This was \$1.6 million in October; \$389,000 in November; and \$10,000 in December. For the fourth quarter, we are currently pacing down approximately 11%, including political; and 4.7% when political is excluded. On a positive note, our interactive pacing is strong for the fourth quarter being up 32% as of now.

The company paid a quarterly dividend of \$0.25 per share on September 19, 2025. The total dividend paid was approximately \$1.6 million. To date, Saga has paid over \$140 million in dividends to shareholders since the first special dividend was paid in 2012 as well as has bought back over \$58 million in Saga stock. The company intends to pay regular quarterly cash dividends in the future.

Further, as part of our overall capital allocation plan for 2025 and beyond and as stated in the press release on October 17, 2025, the company entered into an agreement to sell telecommunications towers and related property and other assets located at 22 sites for a total cash purchase price of approximately \$10.7 million.

Sales proceeds, net of brokerage commissions and certain adjustments in the amount of approximately \$8.7 million were paid to the company, with the remaining cash proceeds of \$1.8 million representing four sites being deposited into an escrow account pending final landlord consents to assign the ground leases where the towers are located.

We also entered into long-term leases at each of the sites to allow us continued use of the towers at a nominal cost. We are continuing to work through the tax and accounting implications of this transaction, which will be disclosed in our future filings.

As we have previously stated, we intend to use a portion of the proceeds from the sale to fund stock buybacks, which may include open market purchases, block trades, or other forms of buybacks. All said, we believe Saga is in a strong financial position to improve profitability as our digital initiative improves both local radio and interactive revenue.

The company's balance sheet reflects \$26.3 million in cash and short-term investments as of September 30, 2025, and \$34.2 million as of November 3, 2025. We currently expect to spend between \$3.25 million to \$3.75 million for capital expenditures in 2025. We currently expect that our station operating expense will be flat for the year as compared to 2024. This takes into consideration the expense reductions we have made offset by the music license fees settlement with ASCAP and BMI, as well as for our continued investment in our ongoing revenue initiatives.

Without the music licensing settlement expense, we would expect station operating expense to decrease by 2% to 3%. We anticipate that the annual corporate general and administrative expense will be approximately \$12 million for 2025 compared to \$12.4 million in 2024.

And with that, Chris, I'll turn it back over to you.

Chris Forgy

Did you say crass? That's kind of crass, Sam. Congratulations anyway on your 28 years of earnings calls. Over the past several months, Saga's elite group of leaders and employees, Saga's corporate team and Saga's Board of Directors have been extremely busy in the Sagaverse. Since early this year, we have been diligently installing Saga's blended digital strategy, including the comprehensive training and development of Saga's market leaders, sales managers, media advisors, on-air content creators, and our directors of content creation.

We've made additional strategic investments in R&D and resources to assist our team members to run faster in the Saga's blended strategy. This, in order to achieve our objective of 2x gross revenue, most of it digital, in 18 to 24 months by capturing just 5% of the available search and display dollars available in our 27 Saga markets.

We've added acumen and expertise to our Saga Board of Directors with expertise in digital, M&A, and the financial audit and consulting space. We are committed to sell one tower, and the land the tower is on to a local developer, as well as some excess land we own. And we are also in the process of listing and selling the company-owned home in Sarasota, Florida, following multiple hurricanes that pounded Florida's West Coast.

And we have completed, as Sam said, the sale of several Saga towers, not because we needed the money, but because of a larger strategic plan to return value to shareholders through stock buybacks and other capital allocation. This while continuing Saga's robust quarterly dividend strategy.

As a part of the tower sale, I would like to personally thank and show our appreciation to Executive Vice President, CFO, Sam Bush; Senior Vice President, Controller, Cathy Bobinski; Vice President of Engineering, Tom Atkins; Vice President of Finance and Board Secretary, Katie Semivan; and Financial Analysts, Cindy Loerlein and [Amy Lumbert] [ph], for their efforts to help us complete the sale of these towers. This was a Herculean effort and it's much appreciated and it's still continuing. We're not quite done yet.

We finally have and continue to make strategic expense reductions at the market and the corporate levels to allow us to reinvest in our transformational digital strategy to enable us to be more nimble. We're also selectively utilizing as we've stated earlier in AI to help improve efficiency and performance and to cut costs and to increase margins.

And over the next few months, we will continue to bring much of our digital deliverables into the house to allow us to better serve our team members and ultimately our customers. Again, to provide efficiencies, increase scalability and increase margins, all of which will require the acquisition of people to accomplish this feat.

Saga has come a long way in a very short period of time, yet we are far from finished. To fully understand how far we've come and why we believe Saga's blended strategy will work, we really need to go back to the beginning to the principles of what Saga was built on in the first place, when Ed Christian founded the company.

Internally, we refer to this with an old Latin phrase, "Finis Ab Origine Pendet", which means the end hangs on the beginning. Saga focuses on small and medium markets. Case in point, 21 of our 27 markets are smaller than market 100. Our acquisition strategy focused on markets with state capitals, state universities, non-closable military bases, strong ag business, large retirement communities with high net worth like we have in The Villages in Ocala, Florida.

And on the ground, Saga's market employees are known, liked, and trusted in the local communities in which they serve. We pour ourselves into the local marketplace. Our leaders get involved in the city government, raise money for important causes where money raised stays in the local community. We get belly to belly with influencers and decision makers to move local business forward.

Saga is really woven into the fabric of the communities in which we serve. But the name Saga is never mentioned. It's all about our local media groups and the name, like the Columbus Media Group, for example.

Finally, Saga does, on average, \$1 million to \$1.5 million more a month in local direct revenue than we do in local agency revenue. And as we stated, local direct revenue is the primary driver to Saga's blended strategy. I hope this is starting to make sense to you now. Saga was 10 years late to the digital party. We started this digital transformation way behind the curve, and we had the luxury of observing and learning from iterations and reiterations of our broadcast brethren.

From a digital advertising perspective, Saga is really a cash flush startup. And what we know is this, the local advertising market is overdue for disruption. And it just so happens that Saga Communications operates in the size markets where we can have strong impact and influence on the local communities in which we operate, and that includes the advertising community.

These local advertising markets are ripe for disruption. Why? Because businesses are pouring more and more money into digital advertising every year. But the rapid growth of digital budgets has outpaced the ability of advertisers to completely understand them and to use them effectively. There are too many digital providers and too many conflicting solutions. Businesses don't know who to trust. In this case, trust, simplicity, clarity with a "Click, Visit, Call and Search" approach, focused on the consumer journey, not the product-based selling that usually takes place wins. And advertisers are fed up with ineffective campaigns and empty promises. They don't really like what they are buying, know what they are buying, and they don't really like who they are buying it from.

And there is a shift in consumer behavior. Advertising strategies haven't caught up with the journey people take when they buy. In other words, search and display is broken and there is a gap where tech meets human behavior. So, focusing on the influence of the ads on the real consumer journey when a

consumer interacts with a product or service will allow us, we believe, to not only win the market but also redefine it.

And internally, we have begun seeing measurable returns on the yeoman's efforts that our team members have put into this transformation. And I want to underscore yeoman's efforts. We have found that local direct advertisers who were not pitched the blend, we lose 29% of our existing radio business that we had. And with local direct advertisers that bought a blended product, their radio spend increased by 9%, and their overall radio and blended spend increased by 27%. Now, we just simply need to scale it.

And finally, this biggest and most encouraging news comes from Sam's report that he mentioned not once but twice, and I'm going to mention it a third time, because frequency sells. And again, the biggest and most encouraging news comes from Sam's report. During today's earnings call and to make sure you didn't miss it, I'm going to make sure you didn't miss it. This above all else proves that there are green shoots popping up as it relates to our digital transformation. The blend is gaining momentum.

Again, for the third quarter 2025, the increase in Saga's interactive revenue made up almost completely the decrease in our broadcast revenue when you adjust for political. The question has always been, can we run fast enough in the blend to outrun the downdraft in the sector? Well, hope is not a strategy and this may be an indication that perhaps we can.

But make no mistake, although we're still in the infant stages of our digital transformation, this transformation is hard, really hard. It's taxing and it's working. We have the very best, most committed, and passionate team of broadcasters, I have ever had the pleasure of working with and serving. And they are the engine that make the blended transformation0020a reality.

Thank you to all of you again for your time, and your interest, and your support, and involvement in Saga Communications, what we believe to be the best media company on the planet. Sam, do we have any questions?

Sam Bush

We did. We got questions from three different shareholders and an analyst. And I'll start with Michael Kupinski's questions from Noble Capital. The first two, he had three questions, but the first two are interrelated, so I'm going to read both of them and let you address them jointly.

Can you give us some color on the tone of the market, pacings into the upcoming quarter, local spot versus digital versus national? And then the second part of that is, while Saga does not get a lot of national advertising, it had been a key revenue growth driver for the company. How is this category performing going forward?

Chris Forgy

So, I'll address the last vertical first. National is weak in the fourth quarter. And it has had a little bit of a tradition in coming in later and later, which impacts our forward pacing. And Saga has two outstanding

national sales managers in Tom Howe and Bruce Werner and a really proactive partner in Katz Radio. Unfortunately, we don't really control a lot of what happens in that vertical. As Sam mentioned, overall total revenue pacing, excluding political is down 4.7% for the quarter. Local pacing is consistent across the quarter, and digital pacing is still pacing plus 32% for the quarter, which is why we are running to the Saga's digital transformation in the first place. I hope that answered the question.

Sam Bush

I think it made a great start towards it. Historically, advertisers reacted favorably in anticipation to Fed rate cuts given the favorable influence they had on the economy. As we have seen in many radio company results, the Fed rate action has had no impact and the radio spot advertising remains weak. Any thoughts on why there is this anomaly?

Chris Forgy

Well, first of all, Sam, I don't believe it's an anomaly. And by no means, what I'm about to say is directed at the person who asked this question and it's the economy, stupid. On Main Street, there's a delayed reaction. In my opinion, to rate cuts by the Fed. In our world, rate cuts impact our two largest economic indicators as to how radio will perform going forward and they are housing starts and auto purchases.

The 50 basis points reduction the Fed has dribbled out, kicking and screaming, simply has not gotten to Main Street just yet. We believe spot radios downdraft is more a function of the macro decline in the sector and not the rate cuts or lack thereof. And as I said, not really based on the interest rate reduction.

Sam Bush

Very good. Thank you, Chris. We did have two additional questions from two shareholders. And I'm going to combine them because they were similar in nature, augmented each other. There was a question as to why there wasn't a concrete plan for a buyback, including timing and amounts, once the tower sale closed?

And I would say there was a number of complexities to the tower sale. And we, Saga, had very specific expectations for the final terms and conditions, as well as there were certain real estate transfer issues that had to be dealt with and are still being dealt with, shown by the fact that four of our towers, the sites, are still in escrow, which we will work through, but we're working through the timing and the complexities of getting the real estate aspect, so that those transactions, those pieces of transactions closed. It wasn't until days before the closing that we actually felt comfortable with the final sale proceeds. As Chris stated, we didn't sell the towers because we needed the money. We sold them because it was the right thing to do from a capital allocation standpoint.

So, again, we didn't feel comfortable with the amount until a couple of days before the closing and as to what the final sales proceeds would be and when the closing would take place. And that's information that was necessary, is necessary for the board to know when considering final buyback plans. Buybacks are still a priority for a portion of these proceeds, as we have previously stated. There will be more clarity

to this in the near future as the board continues to look at the amount and timing and make some final decisions.

And I think that's it. We appreciate all of you joining. And I think we can turn it back over to Matt to wrap up the call.

Chris Forgy

Thank you, Matt.

Operator

Thank you. Everyone, this concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.