

# **Saga Communications, Inc. NasdaqGM:SGA**

## **FQ1 2021 Earnings Call Transcripts**

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**S&P Global Market Intelligence Estimates**

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# Call Participants

## EXECUTIVES

**Samuel D. Bush**  
*Senior VP, Treasurer & CFO*

# Presentation

## Operator

Good morning, ladies and gentlemen, and welcome to the Saga Communications First Quarter Earnings Release and Conference Call.

[Operator Instructions]

It is now my pleasure to turn the floor over to your host for today, Sam Bush, Chief Financial Officer. Sir, the floor is yours.

## **Samuel D. Bush**

*Senior VP, Treasurer & CFO*

Thank you, Cathy. First, let me start by reading our obligatory disclaimer statement. 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 tables.

Well, for the first time in almost 24 years that I've been at Saga and the almost 30 years that Saga has been a public company, Ed will not be on the call today.

Ed recently suffered a muscle pull in his back, but remains fully functional and active in Saga's day-to-day business.

Obviously, this injury is painful. His doctor called him into his office this morning to get additional X-rays, and he is there now.

He, as always, will be available for direct calls to discuss Saga's first quarter performance as well as what we are seeing as the future develops.

He and I as well as Chris Forgy, Angela Parks, others have had good conversations with him this morning as he heads out to meet his doctor as he was very disappointed not to be able to be on this call.

I will not be able to tell the enlightening stories or paint the brilliant picture of our business that he does on each of these quarterly calls, but I will give you the highlights.

And rest assured, Ed is doing fine. It's just an unfortunate circumstance for timing relative to the call and relative to his doctor's availability.

Saga's first quarter results continue to show an unfavorable comparison to the prior period in 2020 that we had yet to fully experience the ongoing marketplace uncertainties, which began in March of last year.

During this time, we have continued to manage the business at every level. The net revenue reduction we experienced during the first quarter when compared to last year was more than offset by expense reductions at both the station operating expense and the corporate G&A levels. This allowed us to post operating income of \$883,000 for the first quarter, which compares to \$837,000 last year after adjusting for the \$1.4 million of other income we received in 2020 for the sale of land and a building that were no longer useful to our operations.

Our free cash flow for the quarter of \$1.8 million was 21.4% better than the comparable period last year. Gross political revenue for the quarter was \$209,000 in 2021 compared to \$1 million for the same period in 2020.

We expect political revenue to continue to be lower in 2021 due to the normal election cycle and the significant amount of political revenue we did in 2020.

As expected, January and February net revenue showed negative comparisons to the comparable periods in 2020. Net revenue in March was positive in comparison to last year, and we expect ongoing months in the second quarter to show significant gains against comparable periods last year.

Internally, while we don't expect to return to 2019 revenue levels for the full year in 2021, we are pushing to get close to the 2019 monthly revenue levels as we approach the latter part of the year.

We are focusing our efforts on comparisons to the revenue we obtained in 2019 and managing our operations accordingly. All our internal management reports have been revamped to show how 2021 is developing in comparison to 2019. Comparisons to 2020 after February are not very meaningful relative to how we should be performing as we move toward a post-pandemic environment.

Posting high double-digit growth against 2020 monthly numbers is nice, but given the type of year it was, it is not meaningful in the long run. We had \$56.3 million in cash on hand as of March 31, 2021. Currently, we have \$57.4 million of cash on hand.

Our outstanding debt remains at \$10 million, which given the cash on hand, presents no covenant or liquidity issues. Leverage per our bank covenants is negative when you consider the cash we have on hand.

Now is when, obviously, you all would be looking forward to Ed's picturesque comments and what's going on in the industry. And unfortunately, we will be forgoing that now. But we did get a few questions that Ed and I talked about this morning, and I wanted to be sure that I gave a view, his and my perspective, on where we think things are.

So we did have a few questions. The first 1 was a question of Saga reinstating a dividend and what needs to occur for that to happen?

At a senior management and Board level, we are constantly managing performance, which at this time includes our first quarter results as well as we -- how we see April, May and June developing. We also are looking at the economic variables that we can't control, such as the ongoing issues with the supply chain, consumer confidence and consumer spending as well as how the states are reacting and what they're doing to open up the economy as well as potentials for locking it back down at some point if there are increases in pandemic level of COVID.

Our intention is to reinstate a dividend as soon as it is feasible. But at the same time, we do not want to reinstate it and then to shortly thereafter, have to make corrections to it, if the economic conditions warrant such.

Believe me, this is a daily, weekly conversation and will continue to be so until the dividend is reinstated.

Secondly, we are asked why -- we were asked why we don't pay back the last \$10 million of our bank debt, given we are earning so little interest on our cash on hand. This, too, is the subject of much consideration and will be a topic of conversation at our June Board of Directors meeting.

Paying the balance off is certainly a very strong possibility. Stay tuned for more on this.

Finally, we had a question about how the second quarter was developing. As I mentioned before, we are seeing very good progress with April and May growth being up in the high double digits. We are also seeing very positive trends against pacing towards getting back to 2019 revenue levels, which is an even more important measure. While there are still uncertainties across the Board where revenue is concerned, 1 category that is still to develop is events. With current and previous state controls, we pretty much lost this category of revenue in 2020, and this is a very important category for any radio company, including Saga.

While we are beginning to see some resurgence of events, we still have a long ways to go. The good news is that in Ocala, Florida, we have been able to schedule an outdoor expo at the new World Equestrian Center in August. The space we are utilizing is a 65,000 square-foot space. Our Ocala sales team has already sold out all the sponsorships available for this event. This has historically been a really good event for the market, but this goes beyond what we have even seen before.

We have a few more of these type of examples that certainly encourage us for the future development this year, and we do believe the revenue impact in 2021 from events will be significantly better than 2020.

As always, please give Ed or I a call to further discuss the first quarter earnings release as well as what we are seeing for the future. Ed will certainly be available for those calls. I want to reiterate, as I stated before, that while the injury is painful and timing just required him to be at his doctor's office this morning for some additional X-rays and exams. He is fully functional and believe me, active day-to-day, hour to hour. We still get e-mails and calls all hours of the day at night, as you all know, this is what Ed does and what Ed will always do.

So thank you for joining us for the call today. And with that, I'm going to turn it back over to Cathy.

**Operator**

Thank you. Ladies and gentlemen, this does conclude today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.

**Samuel D. Bush**

*Senior VP, Treasurer & CFO*

Thank you, Cathy.

**Operator**

Have a good day, Sam.

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