# Salem Communications Announces Increase in First Quarter 2014 Total Revenue of $\mathbf{1 2 . 1 \%}$ to $\$ 62.3$ Million 

CAMARILLO, CA -- (Marketwired) -- 05/06/14 -- Salem Communications Corporation (NASDAQ: SALM) released its results for the three months ended March 31, 2014.

First Quarter 2014 Highlights

- Acquired the businesses of Eagle Publishing on January 10, 2014
- Total revenue increased 12.1\%
- Internet and e-commerce revenue increased 32.9\% and Internet and e-commerce operating income increased $7.6 \%$
- Publishing revenue increased $44.4 \%$


## First Quarter 2014 Results

For the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013:

## Consolidated

- Total revenue increased $12.1 \%$ to $\$ 62.3$ million from $\$ 55.6$ million;
- Total operating expenses increased $16.2 \%$ to $\$ 57.0$ million from $\$ 49.0$ million;
- Operating expenses, excluding gains or losses on the sale or disposal of assets, stockbased compensation expense and changes in the estimated fair value of contingent earn-out consideration increased $16.9 \%$ to $\$ 56.4$ million from $\$ 48.2$ million;
- Operating income decreased $19.0 \%$ to $\$ 5.3$ million from $\$ 6.6$ million;
- Net income increased to $\$ 0.4$ million, or $\$ 0.02$ net income per diluted share, from a net loss of $\$ 18.6$ million, or $\$ 0.75$ net loss per share, in the prior year;
- EBITDA (1) increased to $\$ 10.1$ million from a loss of $\$ 17.3$ million; and
- Adjusted EBITDA ${ }^{(1)}$ decreased $4.3 \%$ to $\$ 10.7$ million from $\$ 11.2$ million.


## Broadcast

- Net broadcast revenue increased $5.4 \%$ to $\$ 45.6$ million from $\$ 43.2$ million;
- Station operating income ("SOI") ${ }^{(1)}$ increased $5.2 \%$ to $\$ 14.4$ million from $\$ 13.7$ million;
- Same station net broadcast revenue increased $5.2 \%$ to $\$ 45.4$ million from $\$ 43.2$ million;
- Same station SOI increased $5.2 \%$ to $\$ 14.5$ million from $\$ 13.8$ million; and
- Same station SOI margin remained consistent at 31.8\%.
- Internet and e-commerce revenue increased $32.9 \%$ to $\$ 12.9$ million from $\$ 9.7$ million; and
- Internet and e-commerce operating income ${ }^{(1)}$ increased $7.6 \%$ to $\$ 3.1$ million from $\$ 2.9$ million.


## Publishing

- Publishing revenue increased $44.4 \%$ to $\$ 3.8$ million from $\$ 2.7$ million; and
- Publishing operating loss ${ }^{(1)}$ increased to $\$ 0.6$ million from $\$ 0.4$ million.

Included in the results for the quarter ended March 31, 2014 are:

- A $\$ 0.1$ million gain ( $\$ 0.1$ million, net of tax) includes a $\$ 0.1$ million pre-tax gain of insurance proceeds for damages associated with one of our stations and various fixed asset and equipment disposals; and
- A $\$ 0.6$ million non-cash compensation charge ( $\$ 0.4$ million, net of tax, or $\$ 0.01$ per share) related to the expensing of stock options consisting of:
- \$0.4 million non-cash compensation included in corporate expenses;
- \$0.1 million non-cash compensation included in broadcast operating expenses; and
- \$0.1 million non-cash compensation included in Internet operating expenses.

Included in the results for the quarter ended March 31, 2013 are:

- A $\$ 27.7$ million loss ( $\$ 16.6$ million, net of tax, or $\$ 0.68$ per share) on early retirement of long-term debt due to the redemption of $\$ 212.6$ million of the $95 / 8 \%$ senior secured second lien notes due in 2016 and the termination of existing bank debt; and
- A $\$ 0.8$ million non-cash compensation charge ( $\$ 0.5$ million, net of tax, or $\$ 0.02$ per share) related to the expensing of stock options and restricted stock consisting of:
- $\$ 0.5$ million non-cash compensation included in corporate expenses;
- \$0.2 million non-cash compensation included in broadcast operating expenses; and
- \$0.1 million non-cash compensation included in Internet operating expenses.

Per share numbers are calculated based on $25,881,811$ diluted weighted average shares for the quarter ended March 31, 2014, and 24,632,431 diluted weighted average shares for the quarter ended March 31, 2013.

## Balance Sheet

As of March 31, 2014, the company had $\$ 289.0$ million outstanding on the Term Loan B and $\$ 2.3$ million on the revolver. The company was in compliance with the covenants of its credit facility. The company's bank leverage ratio was 5.52 versus a compliance covenant of 6.50 .

## Cash Distribution

On March 6, 2014, we announced a quarterly distribution in the amount of $\$ 0.0575$ per share on Class A and Class B common stock. The quarterly distribution of $\$ 1.4$ million was paid on March 31, 2014 to all Class A and Class B common stockholders of record as of

## Acquisitions and Divestitures

The following transactions were completed since January 1, 2014:

- On February 7, 2014, we completed the acquisition of radio stations KDIS-FM, Little Rock, Arkansas and KRDY-AM, San Antonio, Texas for $\$ 2.0$ million in cash.
- On January 10, 2014, we acquired the businesses of Eagle Publishing, including Regnery Publishing, HumanEvents.com, Redstate.com, Eagle Financial Publications and Eagle Wellness, for $\$ 8.5$ million of which $\$ 3.5$ million in cash was paid at closing, $\$ 2.5$ million is payable in January 2015 and $\$ 2.5$ million is payable in January 2016. We paid an additional $\$ 0.4$ million of costs upon closing associated with liabilities incurred by the seller. Up to an additional $\$ 8.5$ million of contingent earn-out consideration can be paid over the next three years based on the achievement of certain revenue benchmarks established for calendar years 2014, 2015 and 2016.


## Conference Call Information

Salem will host a teleconference to discuss its results on May 6, 2014 at 2:00 p.m. Pacific Time. To access the teleconference, please dial (719) 325-4900, passcode 6906826 or listen via the investor relations portion of the company's website, located at www.salem.cc. A replay of the teleconference will be available through May 20, 2014 and can be heard by dialing (719) 457-0820, passcode 6906826 or on the investor relations portion of the company's website, located at www.salem.cc.

## Second Quarter 2014 Outlook

For the second quarter of 2014, the company is projecting total revenue to increase $13 \%$ to $15 \%$ over the second quarter 2013 total revenue of $\$ 60.1$ million. The company is also projecting operating expenses before gains or losses on the sale or disposal of assets, impairments, change in estimated fair value of contingent earn-out consideration and stockbased compensation expense to increase $16 \%$ to $19 \%$ as compared to the second quarter of 2013 operating expenses of $\$ 49.7$ million. Without the acquisition of Eagle, we would be projecting our revenue to increase $5 \%$ to $7 \%$ and our expenses to increase $6 \%$ to $9 \%$.

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## About Salem Communications

Salem Communications Corporation is America's leading Christian and conservative multimedia corporation, with media properties comprising radio, book publishing, and digital media. Each day Salem serves a loyal and dedicated audience of listeners and readers numbering in the millions nationally. With its unique programing focus, Salem provides compelling content, fresh commentary and relevant information from some of the most respected figures across the media landscape.

The company, through its Salem Radio Group, is the largest commercial U.S. radio broadcasting company providing Christian and conservative programing. Salem owns and
operates 103 local radio stations, with 62 stations in the top 25 media markets. Salem Radio Network ("SRN") is a full-service national radio network, with nationally syndicated programs comprising Christian teaching and talk, conservative talk, news, and music. SRN is home to many industry-leading hosts including: Bill Bennett, Mike Gallagher, Hugh Hewitt, Michael Medved, Dennis Prager and Janet Mefferd.

Salem's Regnery Publishing unit, with a 65-year history, remains the nation's leading publisher of conservative books. Having published many of the seminal works of the early conservative movement, Regnery today continues as the dominant publisher in the conservative space, with leading authors including: Ann Coulter, Dinesh D'Souza, Newt Gingrich, David Limbaugh, Michelle Malkin and Mark Steyn.

Salem Web Network ("SWN") is a powerful source of Christian and conservative themed news, analysis, and commentary. SWN sites include: Christianity.com, Crosswalk.com, BibleStudyTools.com, GodTube.com, GodVine.com, WorshipHouseMedia.com and OnePlace.com. Considered by many to be a consolidation of the conservative blogosphere's most influential brands, SWN political sites include Townhall.com, HotAir.com, Twitchy.com, Human Events.com and Red State.com.

Salem Publishing ${ }^{\text {TM }}$ circulates Christian and conservative magazines includingHomecoming, YouthWorker Journal, The Singing News, Preaching and Townhall Magazine. Xulon Press ${ }^{\text {TM }}$ is a provider of self-publishing services targeting the Christian audience.

Salem Communications also ownsEagle Financial Publications and Eagle Wellness. Eagle Financial Publications provide market analysis and specific investment advice for individual investors from seasoned financial experts Mark Skousen, Nicholas Vardy, Chris Versace and Doug Fabian. Eagle Wellness provides practical health advice and is a trusted source for nutritional supplements from one of the country's leading complementary health physicians.

## Forward-Looking Statements

Statements used in this press release that relate to future plans, events, financial results, prospects or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to the ability of Salem to close and integrate announced transactions, market acceptance of Salem's radio station formats, competition from new technologies, adverse economic conditions, and other risks and uncertainties detailed from time to time in Salem's reports on Forms 10-K, 10-Q, 8-K and other filings filed with or furnished to the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Salem undertakes no obligation to update or revise any forward-looking statements to reflect new information, changed circumstances or unanticipated events.

## (1) Regulation G

Station operating income, Internet and e-commerce operating income and publishing operating income, EBITDA and Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). Station operating income is defined as net broadcast revenues minus broadcast operating expenses. Internet and e-commerce operating income is defined as Internet revenue minus Internet operating expenses. Publishing operating income is defined as publishing revenue minus publishing
operating expenses. EBITDA is defined as net income before interest, taxes, depreciation, amortization and change in fair value of interest rate swaps. Adjusted EBITDA is defined as EBITDA before gain or loss on the disposal of assets, change in estimated fair value of contingent earn-out consideration and non-cash compensation expense. In addition, Salem has provided supplemental information as an attachment to this press release, reconciling these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP. The company believes these non-GAAP financial measures, when considered in conjunction with the most directly comparable GAAP financial measures, provide useful measures of the company's operating performance.

Station operating income, Internet and e-commerce operating income and publishing operating income, EBITDA and Adjusted EBITDA are generally recognized by the broadcast industry as important measures of performance and are used by investors as well as analysts who report on the industry to provide meaningful comparisons between broadcast. Station operating income, Internet and e-commerce operating income and publishing operating income, EBITDA and Adjusted EBITDA are not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to and not a substitute for, or superior to, the company's results of operations presented on a GAAP basis such as operating income and net income. In addition, Salem's definitions of station operating income, Internet and e-commerce operating income and publishing operating income, EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

Salem Communications Corporation
Condensed Consolidated Statements of Operations (in thousands, except share, per share and margin data)

|  | Three Months Ended March 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  | 2014 |  |
| Net broadcast revenue | \$ | 43,247 | \$ | 45,576 |
| Net Internet and e-commerce revenue |  | 9,716 |  | 12,910 |
| Net publishing revenue |  | 2,665 |  | 3,847 |
| Total revenue |  | 55,628 |  | 62,333 |
| Operating expenses: |  |  |  |  |
| Broadcast operating expenses |  | 29,567 |  | 31,189 |
| Internet operating expenses |  | 6,841 |  | 9,817 |
| Publishing operating expenses |  | 3,023 |  | 4,419 |
| Corporate expenses |  | 5,796 |  | 6,830 |
| Change in the estimated fair value of contingent earn-out consideration |  | - |  | 127 |
| Depreciation and amortization |  | 3,815 |  | 4,737 |
| (Gain) loss on the sale or disposal of assets |  | 4 |  | (117) |
| Total operating expenses |  | 49,046 |  | 57,002 |
| Operating income from continuing operations |  | 6,582 |  | 5,331 |
| Other income (expense): |  |  |  |  |
| Interest income |  | 21 |  | 15 |
| Interest expense |  | (5,723) |  | $(3,779)$ |
| Change in the fair value of interest rate swap |  | (429) |  | (1,096) |
| Loss on early retirement of long-term debt |  | $(27,721)$ |  | (8) |
| Net miscellaneous income and expenses |  | 6 |  | 66 |
| Income (loss) from continuing operations before income taxes |  | $(27,264)$ |  | 529 |
| Provision for (benefit from) income taxes |  | $(8,682)$ |  | 98 |

Income (loss) from continuing operations
Loss from discontinued operations, net of tax
Net income (loss)
Basic income (loss) per share before discontinued operations Income (loss) per share from discontinued operations, net of tax Basic income (loss) per share after discontinued operations
Diluted income (loss) per share before discontinued operations
Income (loss) per share from discontinued operations, net of tax
Diluted income (loss) per share after discontinued operations
Dividends per share
Basic weighted average shares outstanding
Diluted weighted average shares outstanding

## Other data:

Station operating income
Station operating margin
Salem Communications Corporation
Condensed Consolidated Balance Sheets
(in thousands)

|  | December 31, 2013 |  | March 31, 2014 |  |
| :---: | :---: | :---: | :---: | :---: |
| Assets |  |  |  |  |
| Cash | \$ | 65 | \$ | 278 |
| Trade accounts receivable, net |  | 37,627 |  | 36,021 |
| Deferred income taxes |  | 6,876 |  | 6,876 |
| Other current assets |  | 6,477 |  | 10,001 |
| Property, plant and equipment, net |  | 98,928 |  | 99,639 |
| Intangible assets, net |  | 413,871 |  | 426,080 |
| Interest rate swaps |  | 3,177 |  | 2,081 |
| Deferred financing costs |  | 4,130 |  | 3,962 |
| Other assets |  | 3,962 |  | 4,009 |
| Total assets | \$ | 575,113 | \$ | 588,947 |
| Liabilities and Stockholders' Equity |  |  |  |  |
| Current liabilities | \$ | 31,782 | \$ | 40,571 |
| Long-term debt and capital lease obligations |  | 287,672 |  | 288,445 |
| Deferred income taxes |  | 43,457 |  | 43,429 |
| Other liabilities |  | 10,417 |  | 14,591 |
| Stockholders' equity |  | 201,785 |  | 201,911 |
| Total liabilities and stockholders' equity | \$ | 575,113 | \$ | 588,947 |

## Salem Communications Corporation <br> Supplemental Information <br> (in thousands)

## Capital Expenditures

Reconciliation of Same Station Net Broadcast Revenue to Total Net Broadcast Revenue
Net broadcast revenue - same station
Net broadcast revenue - acquisitions
Net broadcast revenue - dispositions
Net broadcast revenue - format changes
Total net broadcast revenue

| Three Months Ended March 31, |  |  |  |
| :---: | :---: | :---: | :---: |
| 2013 |  | 2014 |  |
| \$ | 2,343 | \$ | 3,010 |
| \$ | 43,198 | \$ | 45,427 |
|  | 49 |  | 149 |
|  | - |  | - |
|  | - |  | - |
| \$ | 43,247 | \$ | 45,576 |

Reconciliation of Same Station Broadcast Operating Expenses to Total Broadcast
Operating Expenses

| Broadcast operating expenses - same station | \$ | 29,448 | \$ | 30,959 |
| :---: | :---: | :---: | :---: | :---: |
| Broadcast operating expenses revenue - acquisitions |  | 119 |  | 230 |
| Broadcast operating expenses - dispositions |  | - |  | - |
| Broadcast operating expenses - format changes |  | - |  | - |
| Total broadcast operating expenses | \$ | 29,567 | \$ | 31,189 |
| Reconciliation of Same Station Operating Income to Total Station Operating Expenses |  |  |  |  |
| Station operating income - same station | \$ | 13,750 | \$ | 14,468 |
| Station operating income - acquisitions |  | (70) |  | (81) |
| Station operating income - dispositions |  | - |  | - |
| Station operating income - format changes |  | - |  | - |
| Total station operating income | \$ | $\underline{ } 13,680$ | \$ | $\underline{14,387}$ |

## Salem Communications Corporation Supplemental Information (in thousands)

## Reconciliation of SOI and Internet and e-commerce Operating Income and Publishing Operating Income to Operating Income from Continuing Operations

| Station operating income | \$ | 13,680 | \$ | 14,387 |
| :---: | :---: | :---: | :---: | :---: |
| Internet and e-commerce operating income |  | 2,875 |  | 3,093 |
| Publishing operating loss |  | (358) |  | (572) |
| Less: |  |  |  |  |
| Corporate expenses |  | (5,796 ) |  | $(6,830)$ |
| Depreciation and amortization |  | $(3,815)$ |  | (4,737) |
| Change in the estimated fair value of contingent earn-out consideration |  | - |  | (127) |
| (Gain) loss on the sale or disposal of assets |  | (4) |  | 117 |
| Operating income from continuing operations | \$ | 6,582 | \$ | 5,331 |
| Reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss) |  |  |  |  |
| Adjusted EBITDA | \$ | 11,227 | \$ | 10,747 |
| Less: |  |  |  |  |
| Stock-based compensation |  | (820) |  | (603) |
| Loss on early retirement of long-term debt |  | $(27,721)$ |  | (8) |
| Discontinued operations, net of tax |  | (11) |  | - |
| Change in estimated fair value of contingent earn-out consideration |  | - |  | (127) |
| (Gain) loss on the sale or disposal of assets |  | (4) |  | 117 |
| EBITDA |  | $(17,329)$ |  | 10,126 |
| Plus: |  |  |  |  |
| Interest income |  | 21 |  | 15 |
| Less: |  |  |  |  |
| Depreciation and amortization |  | $(3,815)$ |  | (4,737) |
| Interest expense |  | $(5,723)$ |  | (3,779) |
| Change in the fair value of interest rate swap |  | (429) |  | (1,096) |
| Provision for (benefit from) income taxes |  | 8,682 |  | (98) |
| Net income (loss) | \$ | $\underline{(18,593)}$ | \$ | 431 |
| Reconciliation of Adjusted EBITDA to Free Cash Flow |  |  |  |  |
| Adjusted EBITDA | \$ | 11,227 | \$ | 10,747 |
| Less: |  |  |  |  |
| Cash interest |  | $(5,895$ ) |  | $(3,350)$ |
| Cash taxes |  | (23) |  | (8) |

Capital expenditures

## Free Cash Flow

| Selected Debt Data | Outstanding at March 31, 2014 | Applicable Interest Rate |
| :---: | :---: | :---: |
| Term Loan B (1) | \$ 139,000 | 4.50 \% |
| Term Loan B (2) | 150,000 | 5.52 \% |
| Revolver | 2,318 | 5.25 \% |

(1) Subject to rolling LIBOR but no less than $1.00 \%$ plus a spread of $3.50 \%$.
(2) Under its swap agreement, the company pays a fixed rate of $1.645 \%$ plus a spread of $3.50 \%$. The swap is subject to a LIBOR floor of $0.625 \%$ versus the Term Loan B debt floor of $1.00 \%$. The swap matures March 28, 2019.

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