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Salem Communications Announces Record Fourth Quarter 2002 Results

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SALM
CAMARILLO, Calif.--(BUSINESS WIRE)--Fourth Quarter Same Station Revenues and Broadcast Cash Flow Increase 10.8% and 19.4%, Respectively

Salem Communications Corporation (Nasdaq:SALM), the leading radio broadcaster focused on religious and family themed programming, today announced results for the fourth quarter and year ended December 31, 2002.

Commenting on these results, Edward G. Atsinger III, President and CEO, said: "Despite what continues to be a challenging and uncertain economic environment, we have once again reported double digit growth in both revenue and EBITDA. Our block programming business continues to provide a very stable revenue base, which is complemented by the continued growth in our developing contemporary Christian music radio stations."

Fourth Quarter Results

For the quarter ended December 31, 2002, net broadcasting revenue increased 10.9% to $40.6 million from $36.6 million in the same period a year ago. Broadcast cash flow increased 12.7% to $14.2 million from $12.6 million in the corresponding quarter in 2001. Broadcast cash flow as a percentage of net revenues increased to 35.0% in the fourth quarter of 2002 from 34.5% in the fourth quarter of 2001. The company expects this percentage to continue to improve as its developing radio stations continue to mature.

On a same station basis, net broadcasting revenue and broadcast cash flow increased 10.8% and 19.4%, respectively, for the fourth quarter of 2002, as compared to the fourth quarter of 2001.

The company's non-broadcast media businesses generated EBITDA of $0.4 million, compared to breakeven for the same period in 2001.

EBITDA increased 23.7% to $11.5 million in the fourth quarter of 2002, compared to $9.3 million in fourth quarter of 2001.

The company reported a net loss of $0.7 million for the fourth quarter of 2002, or $0.03 per diluted share, compared with a net income of $1.0 million, or $0.04 per diluted share, in the fourth quarter of 2001.

Excluding discontinued operations, the company reported income of $1.2 million for the quarter, or $0.05 per diluted share, compared with income of $1.3 million, or $0.05 per diluted share, in the same period last year.

Excluding gain on sale of assets and adjusting for the impact of SFAS 142, the company would have been breakeven in the fourth quarter of 2001.

Per share numbers were calculated based on 23,483,854 weighted average diluted shares for the quarter ended December 31, 2002, and 23,527,586 weighted average diluted shares for the comparable 2001 period.

BCF Margin Composition Analysis

The following analysis of the company's radio station portfolio separates each station into one of four categories based upon fourth quarter 2002 performance, for analytical purposes only. The company believes this analysis is helpful in assessing the portfolio's financial and operational development.

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                    Three Months ended December 31, 2002                    (Revenue
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Full Year 2002 Results

For the year ended December 31, 2002, net broadcasting revenue increased 14.8% to $156.2 million from $136.1 million for the year ended December 31, 2001. Broadcast cash flow increased 8.5% to $52.4 million in 2002 from $48.3 million in 2001. Broadcast cash flow as a percentage of net revenue decreased to 33.5% for 2002 from 35.5% in 2001.

For full year 2002, same station net broadcasting revenue and broadcast cash flow increased 13.0% and 20.5%, respectively, as compared to full year 2001.

The company's non-broadcast media businesses generated EBITDA of $0.3 million, compared to a loss of $1.3 million in 2001.

EBITDA increased by 15.3% to $38.4 million in 2002, compared to $33.3 million in 2001.

The company reported net income of $14.0 million for 2002, or $0.59 per diluted share, compared with a net income of $4.4 million, or $0.19 per diluted share, in 2001.

Excluding discontinued operations, the company reported a loss of $2.0 million for the year, or $0.08 loss per diluted share, compared with income of $5.5 million, or $0.23 income per diluted share, for the prior year.

Excluding gain on sale of assets and adjusting for SFAS 142, the company would have reported a net loss of $0.8 million, or $0.03 loss per share, in the same period last year.

Per share numbers were calculated based on 23,582,906 weighted average diluted shares for the twelve months ended December 31, 2002, and 23,518,747 weighted average diluted shares for the comparable 2001 period.

Accounting Policy Change

The company has, in response to a routine Securities and Exchange Commission comment letter, changed its accounting policy with respect to barter transactions, where the company exchanges advertising time for goods and services. Barter transactions, under this changed accounting policy, are reported at the estimated fair value of the product or service received. The company's previous accounting policy was to report all barter transactions at zero value, as the company normally only accepts barter transactions for otherwise unsold airtime.

The impact of this accounting policy change is to increase both net broadcast revenues and broadcast operating expenses by $1.2 million in the fourth quarter of 2002, compared to $1.1 million in the corresponding year earlier period, and by $4.6 million for the year ended December 31, 2002, compared to $4.1 million in the prior year. The accounting policy change has no impact on broadcast cash flow, EBITDA, net income or earnings per share. The company has restated its historical financial statements to reflect, in all periods, the impact of this change in accounting policy.

Station Acquisitions

Since September 30, 2002, Salem announced or completed several acquisitions:

-- The completion of the acquisition of Crosswalk.com for $4.1 million.

-- The completion of the acquisition of WRLG-FM and WYYB-FM, in Nashville, Tennessee, from Tuned In Broadcasting Inc. for $5.6 million.

-- The pending acquisition of WJGR-AM, WZNZ-AM, WZAZ-AM and WBGB-FM, in Jacksonville, Florida, from Concord Media Group Inc. for $9.3 million.

First Quarter Outlook

Salem achieved same station revenue growth of 9% for January 2003 and expects to achieve approximately 9% for February 2003. Based on its most recent pacings, Salem expects first quarter same station revenue growth in the high single digits.

For the first quarter of 2003, Salem is projecting net broadcast revenues of between $38.2 and $38.7 million and broadcast cash flow of between $11.5 and $12.0 million. EBITDA is projected to be between $7.5 and $8.0 million in the first quarter of 2003.

Salem will also report a one-time loss of $6.4 million, resulting from the early retirement and refinancing of its 9.5% senior subordinated notes due 2007, which were redeemed on January 23, 2003.

Loss per share for the first quarter of 2003 is projected to be between $0.22 and $0.20 per share. Excluding the one-time loss on the redemption of senior subordinated notes, loss per share is projected to be between $0.06 and $0.04 per share.

First quarter 2003 guidance reflects the following:

-- Continued economic uncertainty due to the situation in the Middle East.

-- Increased competition faced by our Salem Radio Network business.

-- The successful renewal of Salem's national block programming contracts.

-- Continued growth from Salem's contemporary Christian music radio stations.

-- The impact of refinancing $100.0 million of high yield notes from a 9.5% interest rate down to 7.75%.

Additionally, for 2003 as a whole, the company expects corporate expenses of approximately $16.0 million. Salem also expects acquisition- and improvement-related capital expenditures of approximately $7.0 million, and maintenance capital expenditures of approximately $3.0 million.

Mr. Atsinger continued: "We expect 2003 to be a year of continued growth for the company. We successfully renewed over 95% of our block programming contracts for 2003 at an average rate increase of 5%. In addition, our developing contemporary Christian music stations are experiencing strong revenue and cash flow growth. As a whole, Salem continues to be well positioned for strong growth and we look forward to another record year."

Salem will host a teleconference to discuss its results on March 5th at 1:30 p.m. Eastern Time. To access the teleconference, please dial 973-582-2741 ten minutes prior to the start time. The teleconference will also be available via archived webcast on the investor relations portion of the Company's website, located at www.salem.cc. If you are unable to listen to the live teleconference at its scheduled time, there will be a replay available through March 14, 2003, and can be accessed by dialing 973-341-3080, passcode 3767903, or on the Company's website.

Salem Communications Corporation, headquartered in Camarillo, California, is the leading U.S. radio broadcaster focused on religious and family themes programming. Upon the close of all announced transactions, the company will own and operate 89 radio stations, including 55 stations in the top 25 markets. In addition to its radio properties, Salem owns the Salem Radio Network, which syndicates talk, news and music programming to over 1,600 affiliated radio stations; Salem Radio Representatives, a national sales force; Salem Web Network, the leading Internet provider of Christian content and online streaming; and Salem Publishing, a leading publisher of contemporary Christian music trade and consumer magazines.

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 recently launched music formats, competition in the radio broadcast, Internet and publishing industries and from new technologies, adverse economic conditions, and other risks and uncertainties detailed from time to time in Salem's periodic reports on Forms 10-K, 10-Q, 8-K and other filings filed with 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.

Although broadcast cash flow and EBITDA are not measures of performance calculated in accordance with generally accepted accounting principles, each measure should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of generally accepted accounting principles. We believe that broadcast cash flow and EBITDA are useful because they are generally recognized by the radio broadcasting industry as measures of performance and are used by analysts who report on the performance of broadcast companies. These measures are not necessarily comparable to similarly titled measures employed by other companies.

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