# Salem Communications Announces a 0.3\% Increase in Third Quarter 2007 Total Revenue 

CAMARILLO, Calif.--(BUSINESS WIRE)--

Salem Communications Corporation (Nasdaq:SALM), a leading U.S. radio broadcaster, Internet content provider, magazine and book publisher targeting audiences interested in content related to faith, family and conservative values, today announced results for the three month period ended September 30, 2007.

Commenting on the company's results, Edward G. Atsinger III, Chief Executive Officer of Salem, said, "The radio market continues to prove challenging for all broadcasters. While our net broadcasting revenue was down $1.2 \%$, we did have some positive indications during the quarter. On a same station basis, advertising revenue on our Contemporary Christian music stations grew $3.1 \%$, our block programming revenue increased $3.6 \%$ and our non-broadcast businesses grew revenue $14.9 \%$ to $\$ 6.2$ million. We remain confident about the stability of our business model as we continue to invest in new media businesses that give us the ability to repurpose content and leverage the promotional abilities of our radio stations."

Third Quarter 2007 Results
For the quarter ended September 30, 2007 compared to the quarter ended September 30, 2006:

```
-- Total revenue increased 0.3% to $58.1 million from $57.9 million;
-- Operating income decreased 8.3% to $10.1 million from $11.0
    million;
-- Net income increased 44.4% to $2.1 million, or $0.09 per diluted
    share, from $1.5 million, or $0.06 per diluted share;
-- EBITDA increased 15.6% to $13.9 million from $12.0 million;
-- Adjusted EBITDA decreased 5.3% to $15.1 million from $15.9
    million;
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Broadcasting

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-- Net broadcasting revenue decreased 1.2% to $51.9 million from
    $52.5 million;
-- Station operating income ("SOI") decreased 7.3% to $19.2 million
    from $20.7 million;
-- Same station net broadcasting revenue decreased 0.7% to $50.8
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    million from $51.2 million;
-- Same station SOI decreased 6.9% to $19.3 million from $20.7
    million;
-- Same station SOI margin decreased to 37.9% from 40.5%;
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## Non-broadcast Media

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-- Non-broadcast revenue increased 14.9% to $6.2 million from $5.4
    million; and
-- Non-broadcast operating income increased 326.4% to $0.4 million
    from $0.1 million.
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Included in the results for the quarter ended September 30, 2007 are:

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-- A $0.3 million loss ($0.2 million loss, net of tax, or $0.01 per
    share) on the disposal of assets;
-- A $0.9 million non-cash compensation charge ($0.5 million, net of
    tax, or $0.02 per share) related to the expensing of stock options
    consisting primarily of:
        -- $0.7 million non-cash compensation included in corporate
        expenses; and
    -- $0.2 million non-cash compensation included in broadcasting
        operating expenses.
```

Included in the results for the comparable quarter ended September 30, 2006 are:

```
-- A $0.2 million loss ($0.1 million loss, net of tax) on the
    disposal of assets; and
-- A $3.6 million loss ($2.2 million loss, net of tax, or $0.09 loss
    per share) from the early redemption of $94.3 million of 9.0%
    senior subordinated notes due 2011;
-- A $0.8 million income ($0.3 gain per diluted share) from
    discontinued operations, net of tax; and
-- A $0.9 million non-cash compensation charge ($0.5 million, net of
    tax, or $0.02 per share) related to the expensing of stock
    options consisting primarily of:
-- \$0.6 million non-cash compensation included in corporate expenses; and
-- \$0.2 million non-cash compensation included in broadcasting operating expenses.
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On February 7, 2007, we sold WKNR (850 AM) in Cleveland, Ohio. We discontinued operating this radio station under a local marketing agreement effective December 1, 2006. For the quarter ended September 30, 2007, this station did not generate any revenue or profit. For the comparable 2006 period, the station generated net broadcasting revenue of $\$ 0.7$ million and generated no profit.

Other comprehensive loss of $\$ 1.5$ million, net of tax, for each of the quarters ended

September 30, 2007 and September 30, 2006 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on $23,776,449$ diluted weighted average shares for the quarter ended September 30, 2007 and 23,990,729 diluted weighted average shares for the comparable 2006 period.

## Year to Date 2007 Results

For the nine month period ended September 30, 2007 compared to the nine month period ended September 30, 2006:

```
-- Total revenue increased 3.7% to $174.2 million from $168.0
    million;
-- Operating income decreased 31.2% to $32.9 million from $47.8
    million;
-- Net income decreased 49.2% to $8.0 million, or $0.34 net income
    per diluted share, from net income of $15.7 million or $0.65 net
    income per diluted share;
-- EBITDA decreased 20.5% to $44.5 million from $56.0 million;
-- Adjusted EBITDA increased 3.5% to $44.7 million from $43.2 million
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## Broadcasting

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-- Net broadcasting revenue increased 0.8% to $156.0 million from
    $154.7 million;
-- SOI decreased 0.9% to $57.1 million from $57.7 million;
-- Same station net broadcasting revenue increased 1.4% to $153.1
    million from $150.9 million;
-- Same station SOI decreased 1.3% to $57.3 million from $58.1
    million;
-- Same station SOI margin decreased to 37.5% from 38.5%;
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## Non-broadcast Media

```
-- Non-broadcast revenue increased 36.8% to $18.3 million from $13.3
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    million; and
    -- Non-broadcast operating income increased $96.2 \%$ to $\$ 1.5$ million
from $\$ 0.8$ million.

Included in the results for the nine month period ended September 30, 2007 are:

```
-- A $2.3 million gain ($1.3 million gain, net of tax or $0.05 gain
    per diluted share) from the disposal of assets; and
-- A $2.5 million non-cash compensation charge ($1.4 million, net of
    tax, or $0.06 per share) related to the expensing of stock
    options consisting of:
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-- \$1.8 million non-cash compensation included in corporate expenses;
-- \$0.6 million non-cash compensation included in broadcasting operating expenses; and
-- \$0.1 million non-cash compensation included in non-broadcast operating expenses.

Included in the results for the comparable nine month period ended September 30, 2006 are:

```
-- A $18.9 million gain ($11.5 million gain, net of tax, or $0.47 per
    diluted share) on the disposal of assets;
-- A $3.6 million loss ($2.2 million loss, net of tax, or $0.09 loss
    per share) from the early redemption of $94.3 million of 9.0%
    senior subordinated notes due 2011;
-- A $1.1 million income from discontinued operations, net of tax or
    $0.05 per diluted share; and
-- A $3.5 million non-cash compensation charge ($2.2 million, net of
    tax, or $0.09 per share) related to the expensing of stock options
    consisting of:
    -- $2.9 million non-cash compensation included in corporate
    expenses; and
    -- $0.6 million non-cash compensation included in broadcasting
        operating expenses.
```

For the nine months ended September 30, 2007, WKNR (850 AM) in Cleveland, Ohio, which was sold on February 7, 2007, did not generate any revenue or profit. For the comparable 2006 period, the station generated net broadcasting revenue of $\$ 1.8$ million and generated no profit.

Other comprehensive loss of $\$ 0.7$ million, net of tax, for the nine months ended September 30, 2007 and other comprehensive income of $\$ 0.5$ million, net of tax, for the nine months ended September 30, 2006 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on $23,828,495$ diluted weighted average shares for the nine months ended September 30, 2007 and 24,347,388 diluted weighted average shares for the comparable 2006 period.

## Balance Sheet

As of September 30, 2007, the company had net debt of $\$ 353.2$ million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.8 versus a compliance covenant of 6.75 and its bond leverage ratio was 5.0 versus a compliance covenant of 7.0.

## Stock Repurchases and Dividends

During the quarter ended September 30, 2007, the company repurchased 187,232 shares of
its Class A common stock for approximately $\$ 1.8$ million at an average price of $\$ 9.55$ per share. As of November 6, 2007, Salem had repurchased $2,317,650$ shares of Class A common stock for approximately $\$ 34.0$ million at an average price of $\$ 14.67$ per share, and had $23,668,788$ shares of its Class A and Class B common stock outstanding.

Salem paid a special cash dividend of $\$ 0.42$ per share on its Class A and Class B common stock on August 23, 2007 to shareholders of record as of August 20, 2007. The dividend payment totaled approximately $\$ 10.0$ million.

## Acquisitions and Divestitures

During the quarter ended September 30, 2007, Salem completed the following transaction:

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-- CMCentral.com was purchased on September 12, 2007 for $0.4
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    million.
    The following transactions were pending as of September 30, 2007:

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-- KKSN (910 AM) in Portland, Oregon will be acquired for
    approximately $4.5 million (this station is operated by Salem
    under a local marketing agreement that began on February 1, }200
    with the call letters KTRO); and
-- WTPS (1080AM) in Miami, Florida will be acquired for
    approximately $12.3 million (this station is operated by Salem
    under a local marketing agreement that began on October 18,
    2007 with the call letters WMCU).
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## Fourth Quarter 2007 Outlook

For the fourth quarter of 2007, Salem is projecting:

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-- Total revenue to be between $57.9 million and $58.4 million
    compared to fourth quarter 2006 total revenue of $59.8 million;
-- Adjusted EBITDA to be between $13.0 million and $13.5 million
    compared to fourth quarter 2006 Adjusted EBITDA of $15.2 million;
    and
-- Net income per diluted share to be between $0.04 and $0.05.
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Fourth quarter 2007 outlook reflects the following:

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-- The absence of approximately $1.5 million of political revenue
    that was earned in the fourth quarter of 2006;
-- Same station net broadcasting revenue to be between $50.2 million
    and $50.7 million compared to $52.6 million in fourth quarter
    2006;
-- Non-broadcast revenue increasing to approximately $6.5 million
    from $6.0 million in fourth quarter 2006;
-- Same station SOI declining to between $17.6 million and $18.1
    million from $19.8 million in fourth quarter 2006;
-- Non-cash compensation expense of $0.8 million compared to fourth
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quarter 2006 non-cash compensation expense of $\$ 0.8$ million;
-- Continued growth from our core block programming;
-- Ongoing softness in the radio advertising market; and
-- The impact of recent acquisition and divestiture transactions.
Conference Call Information
Salem will host a teleconference to discuss its results today, on November 7, 2007 at 5:00 p.m. Eastern Time. To access the teleconference, please dial 973-582-2717 ten minutes prior to the start time 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 November 24,2007 and can be heard by dialing 973-341-3080, pass code 9333127 or on the investor relations portion of the company's website, located at www.salem.cc.

Salem Communications Corporation (Nasdaq: SALM) is a leading U.S. radio broadcaster, Internet content provider, and magazine and book publisher targeting audiences interested in Christian and family-themed content and conservative values. In addition to its radio properties, Salem owns Salem Radio Network(R), which syndicates talk, news and music programming to approximately 2,000 affiliates; Salem Radio Representatives(TM), a national radio advertising sales force; Salem Web Network(TM), an Internet provider of Christian content and online streaming; and Salem Publishing(TM), a publisher of Christian-themed magazines. Upon the close of all announced transactions, the company will own 98 radio stations, including 59 stations in 22 of the top 25 markets. Additional information about Salem may be accessed at the company's website, www.salem.cc.

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.

## Regulation G

Station operating income, non-broadcast 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 broadcasting revenues minus broadcasting operating expenses. Non-broadcast operating income is defined as nonbroadcast revenue minus non-broadcast operating expenses. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as

EBITDA before loss on early redemption of long-term debt, discontinued operations (net of tax), gain or loss on the disposal of assets 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, non-broadcast operating income, EBITDA and Adjusted EBITDA are generally recognized by the broadcasting 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 broadcasting. Station operating income, nonbroadcast 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, non-broadcast 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 | Nine Months Ended |  |
| ---: | ---: | ---: |
| September 30, | September 30, |  |
| 2006 | 2007 | 2006 |

Net broadcasting

| revenue | \$ | 52,509 | \$ | 51,888 | \$ | 154,664 | \$ | 155,978 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Non-broadcast revenue |  | 5,402 |  | 6,208 |  | 13,338 |  | 18,250 |
| Total revenue |  | 57,911 |  | 58,096 |  | 168,002 |  | 174,228 |
| Operating <br> expenses: |  |  |  |  |  |  |  |  |
| Broadcasting operating expenses |  | 31,821 |  | 32,719 |  | 97,013 |  | 98,831 |
| Non-broadcast operating expenses |  | 5,311 |  | 5,820 |  | 12,570 |  | 16,743 |
| Corporate expenses |  | 5,637 |  | 5,425 |  | 18,333 |  | 16,735 |
| Depreciation and amortization (Gain) loss on disposal of |  | 3,957 |  | 3,721 |  | 11,118 |  | 11,321 |
| assets |  | 167 |  | 309 |  | $(18,872)$ |  | $(2,326)$ |
| Total operating expenses |  | 46,893 |  | 47,994 |  | 120,162 |  | 141,304 |
| Operating income |  | 11,018 |  | 10,102 |  | 47,840 |  | 32,924 |

Other income


| Diluted weighted average shares outstanding |  | 90,729 |  | 76,449 |  | 47,388 |  | 28,495 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Other Data: |  |  |  |  |  |  |  |  |
| Station operating income | \$ | 20,688 | \$ | 19,169 | \$ | 57,651 | \$ | 57,147 |
| Station operating margin |  | 39.4\% |  | $36.9 \%$ |  | 37.3\% |  | 36.6\% |
| Salem Communications Corporation |  |  |  |  |  |  |  |  |
| Condensed Consolidated Balance Sheets (in thousands) |  |  |  |  |  |  |  |  |


| December | September |
| :---: | :---: |
| 31, | 30, |
| 2006 | 2007 |
| -------------------1 |  |
|  | (unaudited) |

Assets
Cash
Trade accounts receivable, net
Deferred income taxes
Other current assets
Property, plant and equipment, net
Intangible assets, net
Bond issue costs
Bank loan fees
Fair value of interest rate swaps
Other assets
Total assets

Liabilities and Stockholders' Equity
Current liabilities

| $\$ 27,295$ | $\$ 26,945$ |
| ---: | ---: |
| 358,978 | 350,457 |
| 53,935 | 61,611 |
| 8,340 | 8,660 |
| 237,716 | 233,718 |
| -------- | -------- |
| $\$ 686,264$ | $\$ 681,391$ |
| $=========$ | $===========$ |

Salem Communications Corporation
Supplemental Information
(in thousands)

| Three Months Ended | Nine Months Ended |
| :---: | :---: |
| September 30, | September 30, |
| 20062007 | 20062007 |

(unaudited)

[^0]producing \$ 4,002 \$ 1,632 \$ 11,796 \$ 5,403

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$ 4,002 $ 1,632 $ 11,796 $ 5,403
            869 1,539 4,333 6,556
```

Tax information
Cash tax expense
Deferred tax expense
Provision for income taxes
Tax benefit of non-book
amortization
Reconciliation of Same Station
Net Broadcasting Revenue to
Total Net Broadcasting Revenue
Net broadcasting revenue - same
station
Net broadcasting revenue -
acquisitions
Net broadcasting revenue -
dispositions
Net broadcasting revenue -
format changes
Total net broadcasting revenue
Reconciliation of Same Station
Broadcasting Operating
Expenses to Total Broadcasting
Operating Expenses
Broadcasting operating expenses
- same station
Broadcasting operating expenses
- acquisitions
Broadcasting operating expenses
- dispositions
Broadcasting operating expenses
- format changes
Total broadcasting operating
expenses
Reconciliation of Same Station
Station Operating Income to
Total Station Operating Income
Station operating income - same
station
Station operating income -
acquisitions
Station operating income -
dispositions
$\begin{array}{rrrrr}\$ 20,701 & \$ 19,264 & \$ 58,107 & \$ 57,348 \\ - & (87) & (4) & (121) \\ 109 & (25) & 25 & (65)\end{array}$

| Station operating income format changes | (122) | 17 | (477) | (15) |
| :---: | :---: | :---: | :---: | :---: |
| Total station operating income | \$20,688 \$ | \$19,169 \$ | \$ 57,651 \$ | \$ 57,147 |
| Salem Communications Corporation Supplemental Information (in thousands) |  |  |  |  |
|  | Three Months September 2006 | $\begin{aligned} & \text { s Ended } \\ & \text { r } 30, \\ & 2007 \end{aligned}$ | $\begin{aligned} & \text { Nine Mont } \\ & \text { Septemb } \\ & 2006 \end{aligned}$ | $\begin{gathered} \text { ths Ended } \\ \text { ber } 30 \text {, } \\ 2007 \end{gathered}$ |
|  | (unaudited) |  |  |  |
| Reconciliation of Station Operating Income and NonBroadcast Operating Income to Operating Income |  |  |  |  |
| Station operating income | \$20,688 | \$19,169 | \$57,651 | \$57,147 |
| Non-broadcast operating income | 91 | 388 | 768 | $1,507$ |
| Less: |  |  |  |  |
| Corporate expenses | $(5,637)$ | $(5,425)$ | $(18,333)$ | $(16,735)$ |
| Depreciation and amortization | $(3,957)$ | $(3,721)$ | $(11,118)$ | $(11,321)$ |
| Gain (loss) on disposal of assets | (167) | (309) | 18,872 | 2,326 |
| Operating income | \$11,018 | \$10,102 | \$47,840 | \$32,924 |


| Reconciliation of Adjusted EBITDA to EBITDA to Net Income |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Adjusted EBITDA | \$15,948 | \$15,096 | \$43,166 | \$44,664 |
| Less: |  |  |  |  |
| Stock-based compensation | (926) | (881) | $(3,546)$ | $(2,515)$ |
| Discontinued operations, net of tax | 802 | - | 1,106 |  |
| Gain (loss) on disposal of assets | (167) | (309) | 18,872 | 2,326 |
| Loss on early redemption of long-term debt | $(3,625)$ | - | $(3,625)$ |  |
| EBITDA | 12,032 | 13,906 | 55,973 | 44,475 |
| Plus: |  |  |  |  |
| Interest income | 68 | 52 | 114 | 160 |
| Less: |  |  |  |  |
| Depreciation and amortization | $(3,957)$ | $(3,721)$ | $(11,118)$ | $(11,321)$ |
| Interest expense | $(6,490)$ | $(6,375)$ | $(19,857)$ | $(19,137)$ |
| Provision for income taxes | (200) | $(1,764)$ | $(9,378)$ | $(6,190)$ |
| Net income | \$1,453 | \$2,098 | \$15,734 | \$7,987 |


Reconciliation of Same Station Net
Broadcasting Revenue to
Total Net Broadcasting Revenue
Net broadcasting revenue - same
station
acquisitions / dispositions / format
changes
$\begin{array}{lll}1.2 & 1.2 & 1.1\end{array}$
Total net broadcasting revenue
Reconciliation of Same Station
Station Operating Income to
Total Station Operating Income
Station operating income - same
station
\$17.6 \$18.1 \$19.8
Station operating income -
acquisitions / dispositions / format
changes
$0.1 \quad 0.1$
(0.2)
Total station operating income

| \$50.2 | \$50.7 | \$52.6 |
| :---: | :---: | :---: |
| 1.2 | 1.2 | 1.1 |
| \$51.4 | \$51.9 | \$53.7 |
| \$17.6 | \$18.1 | \$19.8 |
| 0.1 | 0.1 | (0.2) |
| \$17.7 | \$18.2 | \$19.6 |

Source: Salem Communications Corporation


[^0]:    Capital expenditures
    Acquisition related / income
    Maintenance

