# Salem Communications Announces Fourth Quarter 2009 Total Revenue of $\$ 50.8$ Million 

CAMARILLO, CA -- (MARKET WIRE) -- 03/03/10 -- Salem Communications Corporation (NASDAQ: SALM), 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, released its results for the three and twelve months ended December 31, 2009.

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Fourth Quarter 2009 Results
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For the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008:

Consolidated
-- Total revenue decreased $7.9 \%$ to $\$ 50.8$ million from $\$ 55.2$ million;
-- Operating expenses decreased 58.2\% to $\$ 40.2$ million from \$96.2 million;
-- Operating expenses excluding impairment of indefinite-lived intangible assets, cost of denied tower site and abandoned projects and gain or loss on disposal of assets decreased 7.5\% to \$40.1 million from $\$ 43.3$ million;
-- Operating income from continued operations was $\$ 10.6$ million for the current quarter as compared to an operating loss of $\$ 41.1$ million in the prior year;
-- Net loss was $\$ 1.6$ million, or $\$ 0.07$ net loss per share, as compared to $\$ 30.6$ million, or $\$ 1.29$ net loss per share in the prior year;
-- EBITDA was $\$ 12.5$ million for the quarter as compared to a loss of $\$ 32.6$ million in the prior year; and
-- Adjusted EBITDA decreased $7.9 \%$ to $\$ 14.7$ million from $\$ 15.9$ million.
Broadcast
-- Net broadcast revenue decreased $8.8 \%$ to $\$ 43.3$ million from $\$ 47.5$ million;
-- Station operating income ("SOI") decreased 6.6\% to \$17.1 million from $\$ 18.3$ million;
-- Same station net broadcast revenue decreased 8.9\% to $\$ 42.9$ million from \$47.1 million;
-- Same station SOI decreased $7.0 \%$ to $\$ 17.0$ million from $\$ 18.3$ million; and
-- Same station SOI margin increased to 39.6\% from 38.8\%.

Non-broadcast
-- Non-broadcast revenue decreased $2.1 \%$ to $\$ 7.5$ million from $\$ 7.7$ million; and
-- Non-broadcast operating income decreased 1.2\% to $\$ 1.3$ million from \$1.4 million.
-- A $\$ 0.1$ million loss, net of tax, from discontinued operations of radio stations in Milwaukee, Wisconsin;
-- A $\$ 0.2$ million impairment of indefinite-lived intangible assets ( $\$ 0.1$ million, net of tax) related to the impairment of radio broadcasting licenses in our Detroit market;
-- A $\$ 2.3$ million charge ( $\$ 1.4$ million, net of tax, or $\$ 0.09$ per share) related to the change in fair value of our interest rate swaps;
-- A $\$ 1.7$ million loss ( $\$ 1.0$ million, net of tax, or $\$ 0.04$ per share) on early redemption of long-term debt due to the repurchase of our 7 3/4\% senior subordinated notes due in 2010; and
-- A $\$ 0.2$ million non-cash compensation charge ( $\$ 0.1$ million, net of tax) related to the expensing of stock options.

Included in the results for the quarter ended December 31, 2008 are:
-- A $\$ 0.2$ million loss, net of tax, from discontinued operations of radio stations in Milwaukee, Wisconsin;
-- A $\$ 1.0$ million gain $(\$ 0.7$ million, net of tax, or $\$ 0.3$ per diluted share) on the disposal of assets;
-- A $\$ 52.7$ million impairment of indefinite-lived intangible assets ( $\$ 34.4$ million, net of tax, or $\$ 1.45$ per share) related to the impairment of radio broadcasting licenses and goodwill in our Boston, Detroit, Cleveland, Louisville, Nashville, Tampa, Miami, Orlando, Sacramento, and Omaha markets;
-- A $\$ 1.3$ million charge $(\$ 0.8$ million, net of tax, or $\$ 0.05$ per share) related to terminated transaction costs and abandoned license upgrades;
-- A $\$ 4.8$ milion charge ( $\$ 3.2$ million, net of tax, or $\$ 0.20$ per share) related to the change in fair value of our interest rate swaps; and
-- A $\$ 4.7$ million gain $(\$ 3.0$ million, net of tax, or $\$ 0.13$ per diluted share) on early redemption of long-term debt due to the repurchase of $\$ 9.4$ million of our $73 / 4 \%$ senior subordinated notes due in 2010.

These results reflect the reclassification of the operations of our Milwaukee, Wisconsin radio stations to discontinued operations for all periods presented. These stations had no net broadcast revenue and operating income for the quarter ended December 31, 2008 and no net broadcast revenue and generated a loss of $\$ 0.2$ million for the quarter ended December 31, 2009.

Per share numbers are calculated based on $23,933,940$ diluted weighted average shares for the quarter ended December 31, 2009, and 23,673,788 diluted weighted average shares for the quarter ended December 31, 2008.

## Year to Date 2009 Results

For the twelve month period ended December 31, 2009 compared to the twelve month period ended December 31, 2008:

## Consolidated

-- Total revenue decreased $10.5 \%$ to $\$ 199.2$ million from $\$ 222.5$ million;
-- Operating expenses decreased $24.7 \%$ to $\$ 191.6$ million from $\$ 254.3$ million;
-- Operating expenses excluding impairment of goodwill and indefinite-lived assets, cost of denied tower site and abandoned projects and gain or loss on disposal of assets decreased $14.0 \%$ to \$160.8 million from $\$ 186.9$ million;
-- Operating income from continued operations was $\$ 7.6$ million as compared to an operating loss of $\$ 31.8$ million in the prior year;
-- Net loss was $\$ 8.3$ million, or $\$ 0.35$ net loss per share, as compared to $\$ 33.1$ million, or $\$ 1.40$ net loss per share;
-- EBITDA increased to $\$ 23.1$ million from a loss of $\$ 9.1$ million in the prior year; and
-- Adjusted EBITDA decreased $2.2 \%$ to $\$ 54.0$ million from $\$ 55.2$ million.
Broadcast
-- Net broadcast revenue decreased $11.4 \%$ to $\$ 172.1$ million from $\$ 194.1$ million;
-- SOI decreased $7.7 \%$ to $\$ 63.9$ million from $\$ 69.2$ million;
-- Same station net broadcast revenue decreased $11.7 \%$ to $\$ 167.4$ million from $\$ 189.7$ million;
-- Same station SOI decreased 7.7\% to $\$ 63.3$ million from $\$ 68.6$ million; and
-- Same station SOI margin increased to $37.8 \%$ from $36.2 \%$.
Non-broadcast
-- Non-broadcast revenue decreased 4.3\% to $\$ 27.2$ million from $\$ 28.4$ million; and
-- Non-broadcast operating income increased 43.5\% to $\$ 3.6$ million from $\$ 2.5$ million.

Included in the results for the twelve month period ended December 31, 2009 are:
-- A $\$ 1.1$ million charge $(\$ 0.7$ million, net of tax, or $\$ 0.05$ per share) related to the costs of a denied tower site relocation project for radio station KDOW-AM, San Francisco, California, which was rejected by the City of Hayward and an abandoned tower site relocation for KKLA-FM, Los Angeles, California;
-- A $\$ 28.0$ million impairment of indefinite-lived intangible assets ( $\$ 18.5$ million, net of tax, or $\$ 0.78$ per share) consisting of a $\$ 26.8$ million impairment of radio broadcasting licenses and goodwill in our Dallas, Atlanta, Detroit, Portland and Cleveland markets and a $\$ 1.2$ million impairment of goodwill and mastheads in our non-broadcast segment;
-- A $\$ 1.7$ million loss ( $\$ 1.1$ million, net of tax, or $\$ 0.05$ per share) on disposal of assets primarily from the sale of radio station KPXI-FM in Tyler-Longview, Texas;
-- A $\$ 0.8$ million charge $(\$ 0.5$ million, net of tax, or $\$ 0.03$ per share) related to the change in fair value of our interest rate swaps;
-- A $\$ 1.6$ million gain of bargain purchase $(\$ 1.0$ million, net of tax, or $\$ 0.05$ per diluted share) related to the purchase of WZAB-AM in Miami, Florida of $\$ 1.0$ million;
-- A $\$ 1.1$ million loss ( $\$ 0.7$ million, net of tax, or $\$ 0.03$ per share) on early redemption of long-term debt due to the repurchase of our 7 3/4\% senior subordinated notes due in 2010;
-- A $\$ 0.1$ million loss, net of tax, from discontinued operations of our radio station in Milwaukee, Wisconsin; and
-- A $\$ 0.6$ million non-cash compensation charge ( $\$ 0.4$ million, net of tax, or $\$ 0.02$ per share) related to the expensing of stock options consisting of:

- \$0.3 million non-cash compensation included in corporate expenses; and
- \$0.2 million non-cash compensation included in broadcast operating expenses; and
- \$0.1 million non-cash compensation included in non-broadcast operating expenses.

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are:
-- A $1.8 million income ($0.07 per diluted share), net of tax, from
    discontinued operations consisting primarily of:
    - A $1.3 million gain, net of tax, from the sale of WRRD-AM
        in Milwaukee, Wisconsin;
    - A $0.8 million gain, net of tax, from the sale of WFZH-FM
        in Milwaukee, Wisconsin; and
    - The operating results of CCM Magazine.
-- A $6.9 million gain ($4.4 million, net of tax, or $0.19 per diluted
    share) on disposal of assets consisting primarily of a $6.1 million
    pre-tax gain from the disposal of the assets of KTEK-AM in Houston,
    Texas and a $1.1 million pre-tax gain from the disposal of the
    assets of WRVI-FM in Louisville, Kentucky.
-- A $73.0 million impairment of indefinite-lived intangible assets
    ($47.1 million, net of tax, or $1.99 per share) related to the
    impairment of radio broadcasting licenses and goodwill in our
    Boston, Detroit, Cleveland, Louisville, Nashville, Tampa, Miami,
    Orlando, Sacramento, and Omaha markets;
-- A $1.3 million charge ( $0.8 million, net of tax, or $0.05 per
    share) related to terminated transaction costs and abandoned
    license upgrades;
-- A $4.8 million charge ($3.2 million, net of tax, or $0.20 per
    share) related to the change in fair value of our interest rate
    swaps;
-- A $4.7 million gain ($3.0 million, net of tax, or $0.13 per
    diluted share) on early redemption of long-term debt due to the
    repurchase of $9.4 million of our 7 3/4% senior subordinated notes
    due in 2010; and
-- A $3.4 million non-cash compensation charge ($2.2 million, net of
    tax, or $0.09 per share) related to the expensing of stock options.
    This charge included approximately $1.6 million related to the
    voluntary surrender of unvested stock options by senior management.
    The charge consists of:
    - $2.8 million non-cash compensation included in corporate
        expenses;
    - $0.5 million non-cash compensation included in broadcast
        operating expenses; and
    - $0.1 million non-cash compensation included in non-broadcast
        operating expenses.
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These results reflect the reclassification of the operations of our Milwaukee, Wisconsin radio stations to discontinued operations for all periods presented. These stations had net broadcast revenue of approximately $\$ 0.4$ million and generated a loss of $\$ 0.1$ million for the twelve months ended December 31, 2008 and no net broadcast revenue and generated a loss of $\$ 0.2$ million for the twelve months ended December 31, 2009.

Additionally, these results reflect the reclassification of the operations of CCM Magazine to discontinued operations for all periods presented. The magazine had non-broadcast revenue of $\$ 0.4$ million and generated a profit of $\$ 0.1$ million for the twelve months ended December 31, 2008.

The company had no other comprehensive income or loss for the twelve months ended December 31, 2009 due to the interest rate swaps becoming ineffective during the fourth quarter of 2008. Other comprehensive loss $\$ 0.5$ million, net of tax, for the twelve months ended December 31, 2008 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on $23,803,864$ diluted weighted average shares for
the twelve months ended December 31, 2009 and 23,671,288 diluted weighted average shares for the comparable 2008 period.

## Balance Sheet

As of December 31, 2009, the company had net debt of $\$ 305.1$ million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.83 versus a compliance covenant of 7.0 .

Acquisitions and Divestitures

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-- On February 12, 2010, the company completed the acquisition of
    HotAir.com, a popular conservative Internet blog, for $2.0 million;
    and
-- On December 30, 2009, the potential buyer of radio station WRFD-AM,
    Columbus, Ohio, advised the company that they would not be able to
    meet the terms of the asset purchase agreement entered into on
    July 31, 2008. Because of the buyer terminating the agreement, the
    accompanying financial information for all periods presented
    reflects the results of this market in continuing operations. In
    January 2010, the company collected a $0.2 million termination fee
    from the buyer pursuant to the asset purchase agreement.
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Conference Call Information
Salem will host a teleconference to discuss its results today, on March 3, 2010 at 2:00 p.m. Pacific Time. To access the teleconference, please dial (719) 325-2249, passcode 3481356 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 March 17, 2010 and can be heard by dialing (719) 457-0820, passcode 3481356 or on the investor relations portion of the company's website, located at www.salem.cc.

## First Quarter 2010 Outlook

For the first quarter of 2010, Salem is projecting total revenue to decrease $1 \%$ to $3 \%$ over first quarter 2009 total revenue of $\$ 48.7$ million. Salem is also projecting operating expenses before gain or loss on disposal of assets, terminated transaction costs and abandoned license upgrades and impairments to increase $1 \%$ to $4 \%$ as compared to the first quarter of 2009 operating expenses of $\$ 39.7$ million.

In addition to its radio properties, Salem owns Salem Radio Network®, which syndicates talk, news and music programming to approximately 2,000 affiliates; Salem Media Representatives, a national radio advertising sales force; Salem Web Network, an Internet provider of Christian content and online streaming; and Salem Publishing, a publisher of Christian-themed magazines. Upon the close of all announced transactions, the company will own 94 radio stations, including 58 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, $10-\mathrm{Q}, 8-\mathrm{K}$ 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 broadcast revenues minus broadcast operating expenses. Non-broadcast operating income is defined as non-broadcast 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 discontinued operations (net of tax), impairment of indefinite-lived intangible assets, 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 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, non-broadcast 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.

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(unaudited)
Net broadcast revenue \$ 47,530 \$ 43,347 \$ 194,113 \$ 172,055



Salem Communications Corporation Condensed Consolidated Balance Sheets (in thousands)

| $\begin{gathered} \text { December 31, } \\ 2008 \end{gathered}$ |  | $\begin{gathered} \text { December } 31, \\ 2009 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: |
| \$ | 1,892 | \$ | 8,945 |
|  | - |  | 100 |
|  | 28,530 |  | 27,289 |
|  | 5,670 |  | 4,700 |
|  | 2,844 |  | 3,459 |
|  | 133,910 |  | 121,174 |
|  | 423,709 |  | 397,801 |
|  | 268 |  | 7,078 |
|  | 981 |  | 1,515 |
|  | 9,914 |  | 6,984 |
| \$ | 607,718 | \$ | 579,045 |
| \$ | 22,897 | \$ | 20,373 |
|  | 329,507 |  | 313,969 |
|  | 43,106 |  | 38,973 |
|  | 9,092 |  | 8,531 |
|  | 203,116 |  | 197,199 |
| \$ | 607,718 | \$ | 579,045 |

Salem Communications Corporation
Supplemental Information
(in thousands)
(in thousands)

Capital expenditures
Acquisition related / income producing
Maintenance

Total capital expenditures
Tax information
Cash tax expense
Deferred tax expense
Provision for (benefit f
income taxes
Tax benefit of non-book
amortization

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

Reconciliation of Same Station Broadcast Operating Expenses to Total Broadcast
Operating Expenses
Broadcast operating expenses same station
Broadcast operating expenses acquisitions
Broadcast operating expenses dispositions
Broadcast operating expenses format changes

Total broadcast operating expenses


| \$ | 47,077 | \$ | 42,907 | \$ | 189,668 | \$ | 167,402 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 153 |  | 153 |  | 153 |  | 732 |
|  | 75 |  | - |  | 600 |  | 8 |
|  | 225 |  | 287 |  | 3,692 |  | 3,913 |
| \$ | 47,530 | \$ | 43,347 | \$ | 194,113 | \$ | 172,055 |



| Reconciliation of Same Station Operating Income to Total Station Operating Income |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ```Station operating income - same station``` | \$ | 18,263 | \$ | 16,990 | \$ | 68,582 | \$ | 63,331 |
| Station operating income acquisitions |  | 108 |  | 6 |  | 108 |  | 100 |
| Station operating income dispositions |  | (51) |  | - |  | (72) |  | (4) |
| Station operating income format changes |  | (5) |  | 102 |  | 614 |  | 479 |
| Total station operating income | \$ | 18,315 | \$ | 17,098 | \$ | 69,232 | \$ | 63,906 |

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Salem Communications Corporation
Supplemental Information
(in thousands)
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    Gain (loss) on disposal of
        assets 1,030
\begin{tabular}{|c|c|c|c|}
\hline 1,030 & (6) & 6,892 & \((1,676)\) \\
\hline \((32,571)\) & 12,473 & \((9,140)\) & 23,134 \\
\hline 66 & 52 & 247 & 290 \\
\hline
\end{tabular}
Interest income 66 52 247 290
Less:
    Depreciation and amortization (4,066) (3,697) (16,136) (15,120)
    Interest expense
        (5,366) (7,150) (22,381) (20,079)
    Change in fair value of
        interest rate swaps (4,827) (2,315) (4,827) (781)
        (Provision for) benefit from
        income taxes
Net loss
Outstanding
            at Applicable
December 31, Interest
    2009 Rate
Selected Debt and Swap Data
95/8% senior subordinated notes $ 300,000 9.63%
Revolving credit facility 15,000 3.73%
(1) Subject to rolling LIBOR plus a spread currently at 3.5% and
    incorporated into the rate set forth above.
Company Contact:
Evan D. Masyr
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Email Contact
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[^0]:    Salem Communications Corporation
    Condensed Consolidated Statements of Operations
    (in thousands, except share, per share and margin data)

