

Scripps acquires four fast-growing, audience-targeted television networks

Aug. 1, 2017

CINCINNATI — The E.W. Scripps Company (NYSE: SSP) has acquired the Katz broadcast networks, which distribute programming for targeted audiences over the air, in a deal worth \$302 million. The four national networks — Bounce, Grit, Escape and Laff — each reach more than 80 percent of all U.S. households and are among the fastest-growing in television today.

“In today’s fragmented television ecosystem, a growing number of viewers are consuming content from new over-the-air networks as a complement to over-the-top services,” said Rich Boehne, chairman, president and CEO of Scripps. “The entrepreneurs at Katz were among the first to take full advantage of this resurgence in over-the-air viewing. We were early investors in the company, and it’s a strategy and team we know well.

“Acquiring these innovators will increase our opportunity to serve the nation’s largest advertisers, who see tremendous value in the networks’ content and the large, targeted audiences they draw.”

Scripps was already a 5 percent owner in a portion of the business, so its net purchase price is \$292 million. The deal will be treated as a purchase of assets for tax purposes. After including the present value of the future tax benefits, the purchase multiple is about 8x, based on our forecast for 2018 segment profit.

Because of the strong corporate debt market, Scripps intends to finance the transaction with \$250 million of new debt and about \$50 million of cash on hand. Upon closing, Scripps’ leverage is expected to be about 3x on a pro forma 2017/18 blended basis. At June 30, 2017, Scripps had \$150 million of cash on its balance sheet and unfunded revolver commitments of \$125 million.

The transaction is subject to Hart-Scott-Rodino clearance and customary closing conditions and is expected to close Oct. 2.

The four networks are forecast to generate about \$180 million in revenue and about \$30 million in segment profit in 2018. The transaction is expected to be accretive to Scripps’ earnings in 2018 and beyond.

Founder Jonathan Katz, a former top Turner Broadcasting programming executive, will continue to lead the Katz networks business. The company, with about 130 employees, will remain based in the Atlanta area.

All four networks are Nielsen rated and depend on a blend of general-market and direct-response advertising.

[Bounce TV](#) launched in 2011 and is the first and only African-American broadcast network on television. The Bounce programming lineup features original dramas and off-network series, movies, specials, live sports and more.

[Grit](#) launched in 2014 targeting men ages 25-54 with a lineup of Western, war and action films.

[Escape](#) also launched in 2014, to reach women ages 25-54 with a brand of programming anchored in stories of investigation and mystery.

[Laff](#), the nation's first over-the-air network devoted to comedy around the clock, went live in 2015 with contemporary off-network sitcoms and popular movies geared toward an audience of adults ages 18-49.

"Over-the-air" television programming is distributed through local broadcast towers; "over-the-top" programming is sent through the internet.

"Television is changing as over-the-air, cable and OTT all come together into a more seamless viewing experience for consumers," said Adam Symson, chief operating officer for Scripps. "With national reach and scale, the Katz networks represent valuable real estate, consistent with our strategy to remain a leader in the evolving TV landscape."

Scripps will host a call for investors and reporters at 11 a.m. Eastern today. Callers from the U.S. can dial (800) 288-8967 and international callers can dial (612) 332-0226 to join the call five minutes before it begins and ask to join the "Scripps media call." A replay will be available from 1 p.m. Aug. 1 until midnight Aug. 15 at (800) 475-6701; international callers can dial (320) 365-3844. Access code: 427723.

A presentation is available at scripps.com under "Investor Information".

About Scripps

[The E.W. Scripps Company](#) (NYSE: SSP) serves audiences and businesses through a growing portfolio of television, radio and digital media brands. With 33 television stations, Scripps is one of the nation's largest independent TV station owners. Scripps runs an expanding collection of local and national digital journalism and content businesses, including [Newsy](#), the next-generation national news network; and podcast industry leader [Midroll Media](#). Scripps produces original programming including "Pickler & Ben," runs an award-winning investigative reporting newsroom in Washington, D.C., and is the longtime steward of the [Scripps National Spelling Bee](#). Founded in 1878, Scripps has held for decades to the motto, "Give light and the people will find their own way."

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