

Scripps closes acquisition of eight TV stations from Nexstar-Tribune merger divestitures

Sept. 19, 2019

CINCINNATI – The E.W. Scripps Company (NASDAQ: SSP) has closed its acquisition of eight television stations in seven markets divested from the Nexstar Media Group, Inc. (NASDAQ: NXST) transaction with Tribune Media (NYSE: TRCO).

The acquisition grows the Scripps local television station footprint to 60 stations in 42 markets, making it the nation's fourth-largest independent broadcaster with a reach of 31% of U.S. TV households.

Since Jan. 1, Scripps has added 27 television stations to its portfolio, and it now expects 2020 company free cash flow to be in the range of \$225 million to \$250 million.

The stations diversify Scripps' affiliate relationships, expand its political advertising footprint and bring durability and geographic reach to its television station portfolio.

The stations joining Scripps' television portfolio today are:

- WPIX, the CW affiliate in New York City. (Scripps has granted Nexstar the option to buy back WPIX in New York City. The option is exercisable from March 31, 2020, through the end of 2021.)
- KASW, the CW affiliate in Phoenix (which joins the Scripps ABC affiliate there)
- WSFL, the CW affiliate in Miami–Fort Lauderdale (adjacent to the Scripps NBC affiliate in West Palm Beach, Florida)
- KSTU, the Fox affiliate in Salt Lake City
- WTKR, the CBS affiliate, and WGNT, the CW affiliate, in Norfolk, Virginia
- WTVR, the CBS affiliate in Richmond, Virginia
- WXMI, the Fox affiliate in Grand Rapids, Michigan

The eight stations deepen Scripps' presence in Arizona, Florida, Michigan and New York. Scripps is adding its first stations in the No. 1 ranked DMA of New York City and the states of Virginia and Utah. It will now operate nine markets with more than one station, including in its second-largest market, Phoenix.

Forward-looking statements

This document contains certain forward-looking statements related to the company's businesses that are based on management's current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties, including changes in advertising demand and other economic conditions that could cause actual results to differ materially from the expectations expressed in forward-looking statements. Such forward-looking statements are made as of the date of this document and should be evaluated with the understanding of their inherent uncertainty. A detailed discussion of principal risks and uncertainties that may cause actual results and events to differ

materially from such forward-looking statements is included in the company's Form 10-K on file with the SEC in the section titled "Risk Factors." The company undertakes no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

About Scripps

[The E.W. Scripps Company](#) (NASDAQ: SSP) serves audiences and businesses through a growing portfolio of local and national media brands. With 60 television stations in 42 markets, Scripps is one of the nation's largest independent TV station owners. Scripps runs a collection of national journalism and content businesses, including [Newsy](#), the next-generation national news network; podcast industry leader [Stitcher](#); the fast-growing national broadcast networks [Bounce](#), [Grit](#), [Escape](#), [Laff](#) and [Court TV](#); and [Triton](#), the global leader in digital audio technology and measurement services. Scripps 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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ADJUSTED COMBINED SUPPLEMENTAL INFORMATION

Due to the effect that the 2019 television station acquisitions have on our Local Media segment, and to provide meaningful period over period comparisons, we are providing this supplemental non-GAAP (Generally Accepted Accounting Principles) information to present certain financial results on an adjusted combined basis. The adjusted combined financial results have been compiled by adding, as of the earliest period presented, the acquired Waco, Texas; Tallahassee, Florida; Cordillera; and Nexstar-Tribune television stations' historical revenue, employee compensation and benefits, programming and other expenses to Scripps' historical revenue, employee compensation and benefits, programming and other expenses captions historically reported within our Local Media segment. These historical results are adjusted for certain intercompany adjustments and other impacts that would result from the companies operating under the ownership of Scripps.

Management uses the adjusted combined non-GAAP supplemental information for purposes of evaluating the performance of the Local Media segment. The company therefore believes that the non-GAAP measure presented provides useful information to investors by allowing them to view the company's businesses through the eyes of management, facilitating comparison of Local Media results across historical periods and providing a focus on the underlying ongoing operating performance of the segment.

The company uses the adjusted combined non-GAAP supplemental information to supplement the financial information presented on Scripps GAAP historical basis. This non-GAAP supplemental information is not to be considered in isolation from, or as a substitute for, the related GAAP measures, and should be read only in conjunction with financial information presented on a GAAP basis.

The adjusted combined financial results contained in the following supplemental information is for informational purposes only. These results do not necessarily reflect what the historical results of Scripps would have been if the acquisitions of the Waco, Tallahassee, Cordillera and Nexstar-Tribune broadcast operations had occurred on January 1, 2018. Nor is this information necessarily indicative of the future results of operations of the combined entities.

The adjusted combined financial information is not pro forma information prepared in accordance with Article 11 of SEC regulation S-X, and the preparation of information in accordance with Article 11 would result in a significantly different presentation.

Local Media segment Adjusted Combined segment profit

| (in thousands) | 2019 | | 2018 | | | | Total |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Q1 | Q2 | Q1 | Q2 | Q3 | Q4 | |
| Segment operating revenues: | | | | | | | |
| Core advertising | \$ 174,720 | \$ 192,570 | \$ 178,794 | \$ 193,660 | \$ 178,444 | \$ 189,602 | \$ 740,500 |
| Political | 1,188 | 2,452 | 3,380 | 22,038 | 56,694 | 114,323 | 196,435 |
| Retransmission | 113,700 | 112,374 | 100,322 | 103,525 | 107,990 | 107,808 | 419,645 |
| Other revenue | 5,641 | 5,278 | 4,907 | 5,885 | 5,267 | 5,222 | 21,281 |
| Total operating revenues | 295,249 | 312,674 | 287,403 | 325,108 | 348,395 | 416,955 | 1,377,861 |
| Segment costs and expenses: | | | | | | | |
| Employee compensation and benefits | 109,587 | 107,305 | 109,560 | 106,507 | 107,214 | 111,893 | 435,174 |
| Programming | 85,561 | 92,879 | 76,638 | 87,880 | 93,887 | 80,565 | 338,970 |
| Impairment of programming assets | — | — | — | — | — | 8,920 | 8,920 |
| Other expenses | 51,051 | 51,980 | 51,669 | 55,067 | 55,300 | 63,551 | 225,587 |
| Total costs and expenses | 246,199 | 252,164 | 237,867 | 249,454 | 256,401 | 264,929 | 1,008,651 |
| Segment profit | \$ 49,050 | \$ 60,510 | \$ 49,536 | \$ 75,654 | \$ 91,994 | \$ 152,026 | \$ 369,210 |

Non-GAAP reconciliation

Below is a reconciliation of Scripps historical reported revenue and segment profit for its Local Media segment to the adjusted combined revenue and adjusted combined segment profit for the Local Media segment with the 2019 television station acquisitions.

| (in thousands) | 2019 | | 2018 | | | | Total |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Q1 | Q2 | Q1 | Q2 | Q3 | Q4 | |
| Local Media operating revenues, as reported | \$ 203,387 | \$ 236,715 | \$ 192,059 | \$ 213,248 | \$ 230,734 | \$ 281,439 | \$ 917,480 |
| Waco/Tallahassee TV stations acquisition | — | — | 6,068 | 6,174 | 6,190 | 6,805 | 25,237 |
| Cordillera TV stations acquisition | 35,540 | 12,412 | 35,271 | 41,692 | 47,700 | 59,416 | 184,079 |
| Nexstar-Tribune stations acquisition | 64,679 | 71,349 | 58,296 | 68,297 | 68,079 | 73,607 | 268,279 |
| Other revenue adjustments ⁽¹⁾ | (8,357) | (7,802) | (4,291) | (4,303) | (4,308) | (4,312) | (17,214) |
| Local Media adjusted combined operating revenues | \$ 295,249 | \$ 312,674 | \$ 287,403 | \$ 325,108 | \$ 348,395 | \$ 416,955 | \$ 1,377,861 |

| (in thousands) | 2019 | | 2018 | | | | Total |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Q1 | Q2 | Q1 | Q2 | Q3 | Q4 | |
| Local Media segment profit, as reported | \$ 34,173 | \$ 54,329 | \$ 31,619 | \$ 53,368 | \$ 67,416 | \$ 98,716 | \$ 251,119 |
| Waco/Tallahassee TV stations acquisition | — | — | 1,770 | 1,905 | 1,893 | 2,265 | 7,833 |
| Cordillera TV stations acquisition | 7,925 | 2,828 | 8,632 | 14,287 | 19,212 | 30,338 | 72,469 |
| Nexstar-Tribune stations acquisition | 15,309 | 11,155 | 11,806 | 10,397 | 7,781 | 25,019 | 55,003 |
| Other revenue adjustments ⁽¹⁾ | (8,357) | (7,802) | (4,291) | (4,303) | (4,308) | (4,312) | (17,214) |
| Local Media adjusted combined segment profit | \$ 49,050 | \$ 60,510 | \$ 49,536 | \$ 75,654 | \$ 91,994 | \$ 152,026 | \$ 369,210 |

⁽¹⁾ Primarily reflects reduced retransmission revenue from CW affiliates under Scripps retransmission agreements in effect during each period.