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Q3 2016 FINANCIAL RESULTS

NOVEMBER 7, 2016



Safe Harbor

These slides contain 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 that could cause actual results to differ materially from the expectations expressed in forward-looking statements, including changes in advertising demand and other economic conditions. The company's written policy on forward-looking statements can be found on page F-4 of its 2015 Form 10-K. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

Q3 2016 Highlights

TOTAL REVENUES

**\$803.1 million,
Up 3.5%**

- \$556.4 million in consolidated advertising revenues, up 5.4%
- \$221.7 million in consolidated distribution revenues, down 1.4%

OPERATING INCOME

**\$257.9 million,
Down 4.8%**

- Driven by increased operating expenses at U.S. Networks

NET INCOME ATTRIBUTABLE TO SNI

**\$1.12 per diluted share,
Up 16.8%**

- \$0.07 TVN transaction and integration expenses
- \$0.06 TVN purchase price accounting impact
- \$0.01 reorganization costs

ADJUSTED SEGMENT PROFIT⁽¹⁾

**\$317.6 million,
Down 2.1%**

ADJUSTED NET INCOME ATTRIBUTABLE TO SNI⁽¹⁾

**\$1.26 per diluted share,
Up 13.5%**

⁽¹⁾ Refer to appendix for reconciliation of non-GAAP financial measures.

Q3 2016 U.S. Networks' Segment Summary

U.S. NETWORKS' REVENUES

**\$686.3 million,
Up 3.8%**

ADVERTISING REVENUES

**\$477.5 million,
Up 6.6%**

DISTRIBUTION REVENUES

**\$194.3 million,
Down 2.5%**

OPERATING INCOME

**\$298.8 million,
Down 2.6%**

ADJUSTED SEGMENT PROFIT⁽¹⁾

**\$327.3 million,
Down 1.4%**

⁽¹⁾ Refer to appendix for reconciliation of non-GAAP financial measures.

Q3 2016 U.S. Advertising Revenues

U.S. NETWORKS' REVENUES

- Scatter Q3 vs. Scatter Q3 2015 – Up high-teens
- Scatter Q3 vs. 2015/16 Broadcast Upfront – Up mid to high-20s
- Scatter Q4 vs. Scatter Q4 2015 – Up mid to high-teens
- Scatter Q4 vs. 2016/17 Broadcast Upfront – Up high-teens to mid-20s

TOP ADVERTISING CATEGORIES

- Food, Retail, Consumer Package Goods, Automotive and Financial

Q3 2016 U.S. Distribution Revenues

DISTRIBUTION REVENUES

**\$194.3 million,
Down 2.5%**

Positively impacted by

- Annual contract price escalators
- New distribution related to over-the-top providers

Negatively impacted by

- Previously disclosed rate equalization of certain distributor agreements
- Continued erosion in subscribers across the industry

Renewals & Negotiations

- Finalized long-term deal with DirecTV/AT&T
- Announced inclusion in DirecTV Now service
- Active in the virtual MVPD space, talking with new and prospective entrants

Q3 2016 International Networks' Segment Summary

INTERNATIONAL NETWORKS' REVENUES

**\$123.2 million,
Up 3.8%**

ADVERTISING REVENUES

**\$78.9 million,
Down 1.4%**

DISTRIBUTION REVENUES

**\$27.4 million,
Up 6.6%**

OPERATING INCOME

**(\$14.9) million,
compared with
(\$6.0) million in Q3 2015**

ADJUSTED SEGMENT PROFIT⁽¹⁾

**\$15.0 million,
Up 31.0%**

⁽¹⁾ Refer to appendix for reconciliation of non-GAAP financial measures.

Q3 2016 Balance Sheet Summary

GROSS LEVERAGE AT END OF Q3 2016

2.8 times
Adjusted EBITDA⁽¹⁾

Capital allocation priorities:

- Fund organic growth
- Pay down debt and reduce gross leverage
- M&A in the U.S. and international markets

⁽¹⁾ Refer to appendix for reconciliation of non-GAAP financial measures.

Reiterated Full-Year 2016 Consolidated Guidance

TOTAL REVENUE GROWTH

Approximately 12%

ADJUSTED SEGMENT PROFIT GROWTH⁽¹⁾

Approximately 8%

DEPRECIATION & AMORTIZATION EXPENSE

\$120 to \$125 million⁽²⁾

INTEREST EXPENSE

**Approximately
\$135 million**

INCOME TAX RATE

30% to 32%

⁽¹⁾ Refer to appendix for reconciliation of non-GAAP financial measures..

⁽²⁾ Excludes ~\$52 million of purchase price adjustments.

Q3 2016 FINANCIAL RESULTS

APPENDIX: GAAP RECONCILIATIONS

Supplemental Disclosures

Non-GAAP Financial Information

In addition to the results prepared in accordance with GAAP provided in this presentation, the company has also presented consolidated segment profit, adjusted segment profit, adjusted net income, adjusted net income per diluted share and adjusted EBITDA. A reconciliation of consolidated segment profit and adjusted segment profit to operating income, adjusted net income and adjusted EBITDA to net income, and adjusted net income per diluted share to net income per diluted share, determined in accordance with GAAP, are on the following slides.

Since consolidated segment profit, adjusted segment profit, adjusted net income, adjusted net income per diluted share, and adjusted EBITDA are non-GAAP measures, they should be considered in addition to, but not as a substitute for, operating income, net income, net income per diluted share and other measures of financial performance reported in accordance with GAAP.

Q3 2016 Reconciliation of Adjusted Segment Profit to Operating Income

\$ in thousands

	U.S. Networks		International Networks		Corporate and Other		Consolidated	
	Three months ended September 30,							
	2016	2015	2016	2015	2016	2015	2016	2015
Operating income (loss)	\$298,808	\$306,738	(\$14,854)	(\$5,962)	(\$26,037)	(\$29,780)	\$257,917	\$270,996
Depreciation	16,894	13,417	3,090	4,011	257	931	20,241	18,359
Amortization	10,098	10,098	15,673	12,834	-	-	25,771	22,932
Loss (gain) on disposal of property and equipment	209	28	(80)	13	-	(1)	129	40
Segment profit (loss)	326,009	330,281	3,829	10,896	(25,780)	(28,850)	304,058	312,327
TVN transaction and integration expenses	-	48	11,168	553	851	7,783	12,019	8,384
Restructuring costs	-	856	-	-	-	1,932	-	2,788
Reorganization costs	1,267	794	-	-	237	-	1,504	794
Adjusted segment profit (loss)	\$327,276	\$331,979	\$14,997	\$11,449	(\$24,692)	(\$19,135)	\$317,581	\$324,293

Q3 2016 Reconciliation of Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Net Income per Diluted Share, Respectively

\$ in thousands, except per share data

Three months ended September 30, 2016								
GAAP measure	Cost of services, excluding depreciation and amortization	Selling, general and administrative	Depreciation and amortization	Gain on derivatives	Gain on sale of investments	Miscellaneous, net	Net income attributable to SNI ⁽¹⁾	Earnings per diluted share
As reported	\$298,207	\$200,820	\$46,012	\$2,827	\$ -	\$21,276	\$145,997	\$1.12
TVN transaction and integration expenses	-	(12,019)	-	-	-	-	9,571	0.07
Net gain on TVN derivative contracts	-	-	-	-	-	-	-	-
Foreign currency effects due to TVN funds	-	-	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-	-	-
Reorganization costs	(981)	(523)	-	-	-	-	932	0.01
TVN purchase price accounting impact	-	-	(11,973)	-	-	-	7,423	0.06
Sale of investments	-	-	-	-	-	-	-	-
As adjusted	\$297,226	\$188,278	\$34,039	\$2,827	\$ -	\$21,276	\$163,923	\$1.26

Q3 2015 Reconciliation of Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Net Income per Diluted Share, Respectively

\$ in thousands, except per share data

Three months ended September 30, 2015								
GAAP measure	Cost of services, excluding depreciation and amortization	Selling, general and administrative	Depreciation and amortization	Gain on derivatives	Gain on sale of investments	Miscellaneous, net	Net income attributable to SNI ⁽¹⁾	Earnings per diluted share
As reported	\$270,150	\$193,645	\$41,291	\$4,037	\$ -	(\$9,543)	\$124,559	\$0.96
TVN transaction and integration expenses	-	(8,384)	-	-	-	-	5,198	0.04
Net gain on TVN derivative contracts	-	-	-	906	-	-	562	-
Foreign currency effects due to TVN funds	-	-	-	-	-	5,284	5,284	0.04
Restructuring costs	(169)	(2,619)	(473)	-	-	-	2,022	0.02
Reorganization costs	-	(794)	-	-	-	-	492	-
TVN purchase price accounting impact	-	-	(9,643)	-	-	-	5,979	0.05
Sale of investments	-	-	-	-	-	-	-	-
As adjusted	\$269,981	\$181,848	\$31,175	\$4,943	\$ -	(\$4,259)	\$144,096	\$1.11

Q3 2016 Reconciliation of Adjusted EBITDA to Net Income

\$ in thousands, Unaudited

	Three months ended December 31,	Three months ended March 31,	Three months ended June 30,	Three months ended September 30,	Twelve months ended September 30,
	2015	2016	2016	2016	2016
Net income attributable to SNI	\$164,708	\$290,897	\$184,608	\$145,997	\$786,210
Minus:					
Equity in earnings of affiliates	(11,289)	(25,678)	(21,712)	(8,473)	(67,152)
(Gain) Loss on sale of equity-method investment	-	(208,197)	16,373	-	(191,824)
Consolidated net income	153,419	57,022	179,269	137,524	527,234
Add:					
Interest expense, net	27,806	33,745	33,175	32,609	127,335
Provision for income taxes	76,706	159,047	98,303	76,043	410,099
Total depreciation & amortization expense	41,277	48,601	41,743	46,012	177,633
EBITDA	299,208	298,415	352,490	292,188	1,242,301
Add:					
Stock compensation expense	126	17,709	6,970	4,674	29,478
Loss (gain) on disposal of property & equipment	1,563	(242)	-	129	1,450
Consolidated adjusted EBITDA	\$300,897	\$315,882	\$359,460	296,991	1,273,229
Consolidated indebtedness					3,599,216
Debt/EBITDA leverage ratio					2.83



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