



scrippsnetworks  
interactive



# FOURTH QUARTER 2016 FINANCIAL RESULTS

FEBRUARY 21, 2017



# 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.

# Q4 2016 Highlights

## TOTAL REVENUES

**\$889 million,  
Up 4%**

- \$642 million in consolidated advertising revenues, up 8%
- \$221 million in consolidated distribution revenues, down 2%

## OPERATING INCOME

**\$228 million,  
Down 17%**

- Non-cash accounting adjustment for goodwill and certain associated intangible assets
- Growth in total revenues

## NET INCOME ATTRIBUTABLE TO SNI

**\$0.40 per diluted share**

- \$0.44 Non-cash accounting adjustment for goodwill
- \$0.10 Intangible assets write-down
- \$0.07 Investments write-down

## ADJUSTED SEGMENT PROFIT<sup>(1)</sup>

**\$341 million,  
Up 3%**

## ADJUSTED NET INCOME ATTRIBUTABLE TO SNI<sup>(1)</sup>

**\$1.02 per diluted share**

<sup>(1)</sup> Refer to appendix for reconciliation of non-GAAP financial measures.

# Q4 2016 U.S. Networks' Segment Summary

## U.S. NETWORKS' REVENUES

**\$731 million,  
Up 4%**

## ADVERTISING REVENUES

**\$523 million,  
Up 9%**

## DISTRIBUTION REVENUES

**\$193 million,  
Down 3%**

## OPERATING INCOME

**\$301 million,  
Up 6%**

## ADJUSTED SEGMENT PROFIT<sup>(1)</sup>

**\$329 million,  
Up 5%**

<sup>(1)</sup> Refer to appendix for reconciliation of non-GAAP financial measures.

# Q4 2016 U.S. Advertising Revenues

## U.S. NETWORKS' REVENUES

- Scatter Q4 vs. Scatter Q4 2015 – Up high-teens
- Scatter Q4 vs. 2016/17 Broadcast Upfront – Up mid to high-20s
  
- Scatter Q1 vs. Scatter Q1 2016 – Up mid to high-teens
- Scatter Q1 vs. 2016/17 Broadcast Upfront – Up low to mid-20s

## TOP ADVERTISING CATEGORIES

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

# Q4 2016 U.S. Distribution Revenues

## DISTRIBUTION REVENUES

**\$193 million,  
Down 3%**

### **Positively impacted by**

- Annual contract price escalators
- New distribution related to over-the-top and non-linear platforms

### **Negatively impacted by**

- Previously disclosed rate equalization due to industry consolidation
- Continued erosion in overall subscribers across the industry
- Lower revenues from SVOD platforms

### **Renewals & Negotiations**

- Active in the virtual MVPD space, talking with new and prospective entrants

# Q4 2016 International Networks' Segment Summary

## INTERNATIONAL NETWORKS' REVENUES

**\$165 million,  
Up 2%**

## ADVERTISING REVENUES

**\$118 million,  
Flat growth**

## DISTRIBUTION REVENUES

**\$28 million,  
Up 6%**

## OPERATING INCOME

**\$(43) million,  
compared with  
\$19 million in 2015**

## ADJUSTED SEGMENT PROFIT<sup>(1)</sup>

**\$41 million,  
Up 2%**

<sup>(1)</sup> Refer to appendix for reconciliation of non-GAAP financial measures.



# Q4 2016 Balance Sheet Summary

## LEVERAGE AT END OF Q4 2016

**2.6 times  
Adjusted EBITDA<sup>(1)</sup>**

Capital allocation priorities:

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

<sup>(1)</sup> Refer to appendix for reconciliation of non-GAAP financial measures.

# Full-Year 2017 Consolidated Guidance

## TOTAL CONSOLIDATED REVENUE GROWTH

Approximately  
6%

## ADJUSTED SEGMENT PROFIT GROWTH<sup>(1)</sup>

Approximately  
3%

## DEPRECIATION & AMORTIZATION EXPENSE

\$155 million to  
\$160 million

## Interest Expense

Approximately  
\$100 million

## Income Tax Rate

30% to 32%

<sup>(1)</sup> Includes \$30 million to \$40 million of future growth project investments.

# Q4 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.

# Reconciliation of Adjusted Segment Profit to Operating Income

\$ in thousands

	U.S. Networks		International Networks		Corporate and Other		Consolidated	
	Three months ended December 31,							
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Operating income (loss)</b>	<b>\$301,441</b>	<b>\$284,123</b>	<b>\$(42,584)</b>	<b>\$19,448</b>	<b>\$(31,106)</b>	<b>\$(28,480)</b>	<b>\$227,751</b>	<b>\$275,091</b>
Depreciation	15,285	14,842	3,240	4,649	(722)	969	17,803	20,460
Amortization	10,079	10,106	30,876	12,274	-	-	40,955	22,380
Goodwill write-down	-	-	57,878	-	-	-	57,878	-
Segment profit (loss)	326,805	309,072	49,410	36,371	(31,828)	(27,511)	344,387	317,931
TVN transaction and integration expenses	-	11	32	3,593	996	1,893	1,028	5,497
TVN purchase price accounting impact	-	-	(8,501)	-	-	-	(8,501)	-
Restructuring costs	-	1,286	-	-	-	1,639	-	2,925
Reorganization costs	1,779	3,041	-	-	1,815	31	3,594	3,072
<b>Adjusted segment profit (loss)</b>	<b>\$328,584</b>	<b>\$313,409</b>	<b>\$40,941</b>	<b>\$39,964</b>	<b>\$(29,017)</b>	<b>\$(23,948)</b>	<b>\$340,508</b>	<b>\$329,425</b>

# 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

GAAP measure	Three months ended December 31, 2016								
	Cost of services, excluding depreciation and amortization	Selling, general and administrative	Depreciation and amortization	Goodwill write-down	Gain on derivatives	Gain on sale of investments	Miscellaneous, net	Net income attributable to SNI <sup>(1)</sup>	Earnings per diluted share
<b>As reported</b>	<b>\$328,355</b>	<b>\$215,959</b>	<b>\$58,758</b>	<b>\$57,878</b>	<b>\$4,008</b>	<b>-</b>	<b>\$(28,120)</b>	<b>\$52,093</b>	<b>\$0.40</b>
Goodwill write-down	-	-	-	(57,878)	-	-	-	57,878	0.44
Intangible assets write-down	-	-	(15,943)	-	-	-	-	13,233	0.10
Investments write-down	-	-	-	-	-	-	10,701	8,668	0.07
TVN transaction and integration expenses	-	(1,028)	-	-	-	-	-	637	-
Reorganization costs	(1,568)	(2,026)	-	-	-	-	-	2,228	0.02
Gain on extinguishment of debt	-	-	-	-	-	-	(4,254)	(3,446)	(0.03)
TVN purchase price accounting impact	8,501	-	(11,505)	-	-	-	-	2,433	0.02
<b>As adjusted</b>	<b>\$335,288</b>	<b>\$212,905</b>	<b>\$31,310</b>	<b>-</b>	<b>\$4,008</b>	<b>-</b>	<b>\$(21,673)</b>	<b>\$133,724</b>	<b>\$1.02</b>

<sup>(1)</sup> Items tax effected at 38% statutory tax rate, with the exception of the following: \$57.9 million goodwill write-down, which has a 0% effective tax rate; \$15.9 million intangible assets write-down, which has a 17% effective tax rate; \$4.3 million gain on extinguishment of debt, \$3.0 million TVN purchase price accounting impact and \$10.7 million investments write-down, which have a 19% effective tax rate.

# 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 December 31, 2015									
GAAP measure	Cost of services, excluding depreciation and amortization	Selling, general and administrative	Depreciation and amortization	Goodwill write-down	Gain on derivatives	Gain on sale of investments	Miscellaneous, net	Net income attributable to SNI <sup>(1)</sup>	Earnings per diluted share
<b>As reported</b>	<b>\$322,973</b>	<b>\$210,849</b>	<b>\$42,840</b>	-	<b>\$3,088</b>	-	<b>\$17,946</b>	<b>\$164,708</b>	<b>\$1.27</b>
TVN transaction and integration expenses	-	(5,497)	-	-	-	-	-	4,019	0.03
Restructuring costs	(191)	(2,734)	(473)	-	-	-	-	2,107	0.02
Reorganization costs	(686)	(2,386)	-	-	-	-	-	1,905	0.01
Gain on extinguishment of debt	-	-	-	-	-	-	(5,319)	(3,298)	(0.03)
TVN purchase price accounting impact	-	-	(9,489)	-	-	-	-	5,883	0.05
<b>As adjusted</b>	<b>\$322,096</b>	<b>\$200,232</b>	<b>\$32,878</b>	-	<b>\$3,088</b>	-	<b>\$12,627</b>	<b>\$175,324</b>	<b>\$1.35</b>

<sup>(1)</sup> Items tax effected at 38% statutory tax rate with the exception of the following: \$3.2 million TVN transaction and integration expenses, which have a 19% effective tax rate.

# Reconciliation of Adjusted EBITDA to Net Income

\$ in thousands, Unaudited

	Twelve months ended December 31, 2016
<b>Net income attributable to SNI</b>	<b>\$673,595</b>
Add:	
Interest expense, net	129,441
Provision for income taxes	430,330
Depreciation & amortization expense	410,389
EBITDA	1,428,367
Adjustments:	
Share-based compensation	35,198
Equity in earnings of affiliates	(71,382)
Gain loss on sale of investments	(191,824)
Goodwill write-down	57,878
<b>Consolidated adjusted EBITDA</b>	<b>\$1,258,237</b>
<b>Consolidated debt</b>	<b>\$3,202,386</b>
<b>Debt/Adj. EBITDA leverage ratio</b>	<b>2.6</b>





scrippsnetworks  
interactive

