



scrippsnetworks  
interactive



# FIRST QUARTER 2017 FINANCIAL RESULTS

MAY 4, 2017



# Forward-looking Statements

This presentation 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 that could cause actual results to differ materially from the expectations expressed in forward-looking statements. Those include changes in advertising demand and other economic conditions as well as other reasons described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the caption entitled "Forward-Looking Statements" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our most recently filed Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The company undertakes no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

# Q1 2017 Highlights

## TOTAL REVENUES

**\$855 million,  
Up 5%**

- \$597 million in consolidated advertising revenues, up 4%
- \$238 million in consolidated distribution revenues, up 4.5%

## INCOME FROM OPERATIONS BEFORE INCOME TAXES

**\$351 million,  
Down 30%**

- First quarter of 2016 includes the sale of the company's investment in a regional sports network, totaling a gain of \$208 million

## NET INCOME ATTRIBUTABLE TO SNI

**\$1.53 per diluted share,  
Down 32%**

- First quarter of 2016 includes the sale of the company's investment in a regional sports network, totaling a gain of \$208 million

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

**\$369 million,  
Up 6%**

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

**\$1.53 per diluted share,  
Up 19%**

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

# Q1 2017 U.S. Networks' Segment Summary

## U.S. NETWORKS' REVENUES

**\$737 million,  
Up 5%**

## ADVERTISING REVENUES

**\$512 million,  
Up 5%**

## DISTRIBUTION REVENUES

**\$211 million,  
Up 4.5%**

## INCOME FROM OPERATIONS BEFORE INCOME TAXES

**\$370 million,  
Down 33%**

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

**\$384 million,  
Up 6%**

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

# Q1 2017 U.S. Advertising Revenues

## U.S. NETWORKS' REVENUES

- Scatter Q1 vs. Scatter Q1 2016 – Up high-teens
- Scatter Q1 vs. 2016/17 Broadcast Upfront – Up mid-20 percent
- Scatter Q2 vs. Scatter Q2 2016 – Up low single to low double-digits
- Scatter Q2 vs. 2016/17 Broadcast Upfront – Up mid to high-teens

## TOP ADVERTISING CATEGORIES

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

# Q1 2017 U.S. Distribution Revenues

## DISTRIBUTION REVENUES

**\$211 million,  
Up 4.5%**

### **Positively impacted by**

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

### **Negatively impacted by**

- Continued erosion in overall subscribers across the industry

### **Renewals & Negotiations**

- Finalized long-term renewals with a number of partners
- Networks included in Hulu virtual MVPD when launched

# Q1 2017 International Networks' Segment Summary

## INTERNATIONAL NETWORKS' REVENUES

**\$125.5 million,  
Up 3.5%**

## ADVERTISING REVENUES

**\$85 million,  
Flat growth**

## DISTRIBUTION REVENUES

**\$27 million,  
Up 5%**

## INCOME FROM OPERATIONS BEFORE INCOME TAXES

**\$34 million,  
Up 20%**

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

**\$15.5 million,  
Up 59%**

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



# Q1 2017 Balance Sheet Summary

**LEVERAGE AT END OF  
Q1 2017**

**2.3 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.

# Reiterated 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.

# Q1 2017 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 (loss), adjusted segment profit (loss), adjusted net income (loss), adjusted net income per diluted share and adjusted EBITDA. A reconciliation of consolidated segment profit (loss) and adjusted segment profit (loss) to income (loss) from operations before income taxes, adjusted net income (loss) and adjusted EBITDA to net income (loss), and adjusted net income (loss) per diluted share to net income (loss) per diluted share, determined in accordance with GAAP, are on the following slides.

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

# Reconciliation of Adjusted Segment Profit (Loss) to Income (Loss) from Operations before Income Taxes

\$ in thousands

	U.S. Networks		International Networks		Corporate and Other		Consolidated	
	Three months ended March 31,							
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Income (loss) from operations before income taxes</b>	<b>\$369,763</b>	<b>\$554,680</b>	<b>\$33,615</b>	<b>\$28,044</b>	<b>\$(52,424)</b>	<b>\$(83,731)</b>	<b>\$350,955</b>	<b>\$498,993</b>
Interest (expense) income, net	(120)	(17)	147	(6,867)	(24,280)	(26,861)	(24,252)	(33,745)
Equity in earnings of affiliates	5,243	7,732	15,206	17,946	-	-	20,449	25,678
(Loss) gain on derivatives	-	-	-	-	(2,336)	2,766	(2,336)	2,766
Gain on sale of investments	-	208,197	-	-	-	-	-	208,197
Miscellaneous, net	2,483	3,487	19,903	31,058	5,154	(28,479)	27,540	6,066
Operating income (loss)	362,157	335,281	(1,641)	(14,093)	(30,962)	(31,157)	329,554	290,031
Depreciation	11,499	14,195	2,872	2,841	589	261	14,960	17,297
Amortization	9,918	10,021	14,279	21,041	-	-	24,197	31,062
Segment profit (loss)	383,574	359,497	15,510	9,789	(30,373)	(30,896)	368,711	338,390
TVN transaction and integration expenses	-	-	-	(13)	-	1,368	-	1,355
Restructuring costs	-	(29)	-	-	-	(281)	-	(310)
Reorganization costs	-	3,806	-	-	-	3,519	-	7,325
<b>Adjusted segment profit (loss)</b>	<b>\$383,574</b>	<b>\$363,274</b>	<b>\$15,510</b>	<b>\$9,776</b>	<b>\$(30,373)</b>	<b>\$(26,290)</b>	<b>\$368,711</b>	<b>\$346,760</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

Three months ended March 31, 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 <sup>(1)</sup>	Earnings per diluted share
<b>As reported</b>	<b>\$279,667</b>	<b>\$198,821</b>	<b>\$48,359</b>	<b>\$2,766</b>	<b>\$208,197</b>	<b>\$6,066</b>	<b>\$290,897</b>	<b>\$2.24</b>
TVN transaction and integration expenses	-	(1,355)	-	-	-	-	840	0.01
Restructuring costs	-	310	-	-	-	-	(192)	-
Reorganization costs	(1,707)	(5,618)	-	-	-	-	4,542	0.03
Sale of investments	-	-	-	-	(208,197)	-	(129,082)	(0.99)
<b>As adjusted</b>	<b>\$277,960</b>	<b>\$192,158</b>	<b>\$48,359</b>	<b>\$2,766</b>	<b>-</b>	<b>\$6,066</b>	<b>\$167,005</b>	<b>\$1.29</b>

<sup>(1)</sup> Items tax effected at 38% statutory tax rate.

# Reconciliation of Adjusted EBITDA to Net Income

\$ in thousands, Unaudited

	Twelve months ended March 31, 2017
<b>Net income attributable to SNI</b>	<b>\$582,598</b>
Add:	
Interest expense, net	119,948
Provision for income taxes	372,423
Depreciation & amortization expense	185,799
EBITDA	1,260,768
Adjustments:	
Share-based compensation	37,602
Equity in earnings of affiliates	(66,153)
Gain on sale of equity-method investment	16,373
Goodwill write-down	57,878
<b>Consolidated adjusted EBITDA</b>	<b>\$1,306,468</b>
<b>Consolidated debt</b>	<b>\$3,053,559</b>
<b>Debt/EBITDA leverage ratio</b>	<b>2.3</b>



scrippsnetworks  
interactive

