

E.W. SCRIPPS Co  
Form 10-Q  
August 03, 2017  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16914

THE E.W. SCRIPPS COMPANY

(Exact name of registrant as specified in its charter)

Ohio 31-1223339

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

312 Walnut Street 45202  
Cincinnati, Ohio (Zip Code)

(Address of principal executive offices)  
Registrant's telephone number, including area code: (513) 977-3000

Not applicable

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Emerging growth company

Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Edgar Filing: E.W. SCRIPPS Co - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of June 30, 2017, there were 70,245,801 of the registrant's Class A Common shares, \$.01 par value per share, outstanding and 11,932,722 of the registrant's Common Voting shares, \$.01 par value per share, outstanding.

---

Index to The E.W. Scripps Company Quarterly Report  
on Form 10-Q for the Quarter Ended June 30, 2017

Item No.	Page
<u>PART I - Financial Information</u>	
<u>1. Financial Statements</u>	<u>3</u>
<u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>3</u>
<u>3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>3</u>
<u>4. Controls and Procedures</u>	<u>3</u>
<u>PART II - Other Information</u>	
<u>1. Legal Proceedings</u>	<u>3</u>
<u>1A. Risk Factors</u>	<u>3</u>
<u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>3</u>
<u>3. Defaults Upon Senior Securities</u>	<u>4</u>
<u>4. Mine Safety Disclosures</u>	<u>4</u>
<u>5. Other Information</u>	<u>4</u>
<u>6. Exhibits</u>	<u>4</u>
<u>Signatures</u>	<u>5</u>

Table of Contents

PART I

As used in this Quarterly Report on Form 10-Q, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Item 1. Financial Statements

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 4. Controls and Procedures

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

Item 1. Legal Proceedings

We are involved in litigation arising in the ordinary course of business, such as defamation actions, and governmental proceedings primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our 2016 Annual Report on Form 10-K, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the quarter ended June 30, 2017.

The following table provides information about Company purchases of Class A Common shares during the quarter ended June 30, 2017, and the remaining amount that may still be purchased under the program.

Period	Total number of shares purchased	Average price paid per share	Total market value of shares purchased	Maximum value that may yet be purchased under the
--------	-------------------------------------------	---------------------------------------	----------------------------------------------------	---------------------------------------------------------------

Edgar Filing: E.W. SCRIPPS Co - Form 10-Q

plans or  
programs

4/1/17-4/30/17	30,300	\$ 22.48	\$681,132	\$98,049,617
5/1/17-5/31/17	94,500	18.80	1,776,334	\$96,273,283
6/1/17-6/30/17	116,000	17.57	2,037,574	\$94,235,709
Total	240,800	\$ 18.67	\$4,495,040	

3

---

Table of Contents

In November 2016, our Board of Directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2018. At June 30, 2017, \$94.2 million remained under the authorization.

Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended June 30, 2017.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE E.W. SCRIPPS COMPANY

Dated: August 3, 2017 By: /s/ Douglas F. Lyons  
Douglas F. Lyons  
Vice President, Controller and Treasurer  
(Principal Accounting Officer)

Table of Contents

The E.W. Scripps Company  
Index to Financial Information (Unaudited)

Item	Page
<u>Condensed Consolidated Balance Sheets</u>	<u>F-2</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>F-3</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>F-4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>F-5</u>
<u>Condensed Consolidated Statements of Equity</u>	<u>F-6</u>
<u>Condensed Notes to Consolidated Financial Statements</u>	<u>F-7</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>F-18</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>F-29</u>
<u>Controls and Procedures</u>	<u>F-30</u>

F-1

---



Table of ContentsThe E.W. Scripps Company  
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share data)	As of June 30, 2017	As of December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,649	\$ 134,352
Accounts and notes receivable (less allowances—\$1,929 and \$1,632)	200,215	192,531
Miscellaneous	30,193	19,012
Total current assets	380,057	345,895
Investments	13,520	14,221
Property and equipment	252,044	260,731
Goodwill	616,780	616,780
Other intangible assets	456,666	467,896
Deferred income taxes	9,538	9,075
Miscellaneous	12,776	13,775
Total Assets	\$ 1,741,381	\$ 1,728,373
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 25,701	\$ 26,670
Customer deposits and unearned revenue	4,789	7,122
Current portion of long-term debt	2,656	6,571
Accrued liabilities:		
Employee compensation and benefits	29,136	32,636
Miscellaneous	25,637	18,986
Other current liabilities	11,108	12,146
Total current liabilities	99,027	104,131
Long-term debt (less current portion)	395,599	386,614
Deferred income taxes	19,570	17,740
Other liabilities (less current portion)	269,636	273,953
Equity:		
Preferred stock, \$.01 par — authorized: 25,000,000 shares; none outstanding	—	—
Common stock, \$.01 par:		
Class A — authorized: 240,000,000 shares; issued and outstanding: 70,245,801 and 70,042,300 shares	702	700
Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares	119	119
Total	821	819
Additional paid-in capital	1,135,291	1,132,540
Accumulated deficit	(88,717)	(94,077)
Accumulated other comprehensive loss, net of income taxes	(91,989)	(93,347)
Total The E.W. Scripps Company shareholders' equity	955,406	945,935
Noncontrolling interest	2,143	—
Total equity	957,549	945,935

Total Liabilities and Equity	\$1,741,381	\$1,728,373
------------------------------	-------------	-------------

See notes to condensed consolidated financial statements.

F-2

---

Table of ContentsThe E.W. Scripps Company  
Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Operating Revenues:				
Advertising	\$155,105	\$163,444	\$289,353	\$309,763
Retransmission	66,059	53,433	132,270	107,047
Other	10,656	10,940	21,198	20,505
Total operating revenues	231,820	227,817	442,821	437,315
Costs and Expenses:				
Employee compensation and benefits	95,489	92,463	198,104	188,348
Programs and program licenses	47,841	43,503	94,212	84,071
Other expenses	52,724	50,284	98,439	96,031
Acquisition and related integration costs	—	—	—	578
Total costs and expenses	196,054	186,250	390,755	369,028
Depreciation, Amortization, and (Gains) Losses:				
Depreciation	9,153	8,928	18,142	17,584
Amortization of intangible assets	5,496	5,858	11,231	11,613
Losses (gains), net on disposal of property and equipment	224	22	311	18
Net depreciation, amortization, and (gains) losses	14,873	14,808	29,684	29,215
Operating income	20,893	26,759	22,382	39,072
Interest expense	(8,248)	(4,432)	(12,443)	(9,011)
Defined benefit pension plan expense	(3,467)	(3,449)	(6,934)	(6,899)
Miscellaneous, net	5,103	(458)	4,224	(649)
Income from operations before income taxes	14,281	18,420	7,229	22,513
Provision for income taxes	5,736	6,932	623	6,137
Net income	\$8,545	\$11,488	\$6,606	\$16,376
Net income per basic share of common stock	\$0.10	\$0.14	\$0.08	\$0.19
Net income per diluted share of common stock	\$0.10	\$0.13	\$0.08	\$0.19

See notes to condensed consolidated financial statements.

Table of Contents

The E.W. Scripps Company

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)	Three Months		Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Net income	\$8,545	\$11,488	\$6,606	\$16,376
Changes in fair value of derivative, net of tax of \$37 and \$74	—	59	—	118
Changes in defined benefit pension plans, net of tax of \$433, \$401, \$866, and \$801	695	640	1,390	1,282
Other	(16 )	(7 )	(32 )	(14 )
Total comprehensive income	\$9,224	\$12,180	\$7,964	\$17,762
See notes to condensed consolidated financial statements.				

F-4

Table of ContentsThe E.W. Scripps Company  
Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	Six Months Ended	
	June 30, 2017	2016
Cash Flows from Operating Activities:		
Net income	\$6,606	\$16,376
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	29,373	29,197
Deferred income taxes	521	6,825
Stock and deferred compensation plans	11,227	8,861
Pension expense, net of contributions	202	5,099
Other changes in certain working capital accounts, net	(16,370)	(29,893)
Miscellaneous, net	(2,564)	896
Net cash provided by operating activities	28,995	37,361
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	—	(43,500)
Additions to property and equipment	(9,295)	(13,382)
Purchase of investments	(834)	(1,728)
Miscellaneous, net	3,634	22
Net cash used in investing activities	(6,495)	(58,588)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	400,000	—
Payments on long-term debt	(389,542)	(2,000)
Payments of financing costs	(7,558)	—
Repurchase of Class A Common shares	(6,257)	(18,686)
Proceeds from exercise of stock options	1,461	4,641
Tax payments related to shares withheld for RSU vesting	(3,340)	(2,603)
Miscellaneous, net	(1,967)	(2,807)
Net cash used in financing activities	(7,203)	(21,455)
Increase (decrease) in cash, cash equivalents and restricted cash	15,297	(42,682)
Cash, cash equivalents and restricted cash:		
Beginning of year	134,352	114,621
End of period	\$149,649	\$71,939
Supplemental Cash Flow Disclosures		
Interest paid	\$4,855	\$8,143
Income taxes paid	\$776	\$355
See notes to condensed consolidated financial statements.		

Table of ContentsThe E.W. Scripps Company  
Condensed Consolidated Statements of Equity (Unaudited)

(in thousands, except share data)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
As of December 31, 2015, as originally reported	\$ 838	\$ 1,163,985	\$(174,038 )	\$( 89,802 )	\$ —	\$ 900,983
Adoption of new accounting guidance	—	(58 )	14,808	—	—	14,750
As of January 1, 2016, as adjusted	838	1,163,927	\$(159,230 )	\$( 89,802 )	—	\$ 915,733
Net income	—	—	16,376	—	—	16,376
Changes in defined benefit pension plans	—	—	—	1,282	—	1,282
Changes in fair value of derivative	—	—	—	118	—	118
Repurchase of 1,108,000 Class A Common shares	(11 )	(17,280 )	(1,395 )	—	—	(18,686 )
Compensation plans: 824,900 net shares issued *	8	9,584	—	—	—	9,592
Other	—	—	—	(14 )	—	(14 )
As of June 30, 2016	\$ 835	\$ 1,156,231	\$(144,249 )	\$( 88,416 )	\$ —	\$ 924,401
As of December 31, 2016	\$ 819	\$ 1,132,540	\$(94,077 )	\$( 93,347 )	\$ —	\$ 945,935
Net income	—	—	6,606	—	—	6,606
Changes in defined benefit pension plans	—	—	—	1,390	—	1,390
Repurchase of 321,891 Class A Common shares	(3 )	(5,008 )	(1,246 )	—	—	(6,257 )
Compensation plans: 525,392 net shares issued *	5	7,759	—	—	—	7,764
Minority interest contribution to venture	—	—	—	—	2,143	2,143
Other	—	—	—	(32 )	—	(32 )
As of June 30, 2017	\$ 821	\$ 1,135,291	\$(88,717 )	\$( 91,989 )	\$ 2,143	\$ 957,549

\* Net of tax payments related to shares withheld for vested stock and RSUs of \$3,340 in 2017 and \$2,603 in 2016.

See notes to condensed consolidated financial statements.

Table of Contents

The E.W. Scripps Company

Condensed Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

As used in the Condensed Notes to Consolidated Financial Statements, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

**Basis of Presentation** — The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in our 2016 Annual Report on Form 10-K. In management's opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

**Nature of Operations** — We are a media enterprise with a portfolio of television, radio and digital media brands. All of our media businesses provide content and advertising services via digital platforms, including the Internet, smartphones and tablets. Our media businesses are organized into the following reportable business segments: television, radio, digital, and other. Additional information for our business segments is presented in the Condensed Notes to Consolidated Financial Statements.

**Use of Estimates** — Preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the periods over which long-lived assets are depreciated or amortized; the fair value of long-lived assets, goodwill and indefinite lived assets; the liability for uncertain tax positions and valuation allowances against deferred income tax assets; the fair value of assets acquired and liabilities assumed in business combinations; and self-insured risks. While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

**Revenue Recognition** — We recognize revenue when persuasive evidence of a sales arrangement exists, delivery occurs or services are rendered, the sales price is fixed or determinable and collectability is reasonably assured. When a sales arrangement contains multiple elements, such as the sale of advertising and other services, we allocate revenue to each element based upon its relative fair value. We report revenue net of sales and other taxes collected from our customers.

Our primary sources of revenue are from the sale of broadcast and digital advertising, as well as retransmission fees received from cable operators, telecommunications companies and satellite carriers.

The revenue recognition policies for each source of revenue are described in our 2016 Annual Report on Form 10-K.

**Share-Based Compensation** — We have a Long-Term Incentive Plan (the “Plan”) which is described more fully in our 2016 Annual Report on Form 10-K. The Plan provides for the award of incentive and nonqualified stock options, stock appreciation rights, restricted stock units (RSUs), restricted and unrestricted Class A Common shares and performance units to key employees and non-employee directors.

Share-based compensation costs totaled \$3.0 million and \$2.2 million for the second quarter of 2017 and 2016, respectively. Year-to-date share-based compensation costs totaled \$9.1 million and \$7.2 million in 2017 and 2016, respectively.

F-7

---



Table of Contents

Earnings Per Share (“EPS”) — Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our RSUs, are considered participating securities for purposes of calculating EPS. Under the two-class method, we allocate a portion of net income to these participating securities and, therefore, exclude that income from the calculation of EPS for common stock. We do not allocate losses to the participating securities.

The following table presents information about basic and diluted weighted-average shares outstanding:

(in thousands)	Three Months		Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Numerator (for basic and diluted earnings per share)				
Net income	\$8,545	\$11,488	\$6,606	\$16,376
Less income allocated to RSUs	(116 )	(159 )	(96 )	(203 )
Numerator for basic and diluted earnings per share	\$8,429	\$11,329	\$6,510	\$16,173
Denominator				
Basic weighted-average shares outstanding	82,302	83,773	82,191	83,869
Effect of dilutive securities:				
Stock options held by employees and directors	163	278	198	315
Diluted weighted-average shares outstanding	82,465	84,051	82,389	84,184

Derivative Financial Instruments — It is our policy that derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. Derivative financial instruments are utilized to manage interest rate risks. We do not hold derivative financial instruments for trading purposes. All derivatives must be recorded on the balance sheet at fair value. Each derivative is designated as a cash flow hedge or remains undesignated. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affected earnings. These changes are offset in earnings to the extent the hedge was effective by fair value changes related to the risk being hedged on the hedged item. Changes in the fair value of undesignated hedges are recognized currently in earnings. All ineffective changes in derivative fair values are recognized currently in earnings.

All designated hedges are formally documented as to the relationship with the hedged item as well as the risk-management strategy. Both at inception and on an ongoing basis, the hedging instrument is assessed as to its effectiveness, when applicable. If and when a derivative is determined not to be highly effective as a hedge, the underlying hedged transaction is no longer likely to occur, the hedge designation is removed, or the derivative is terminated, the hedge accounting discussed above is discontinued.

## 2. Recently Adopted and Issued Accounting Standards

Recently Adopted Accounting Standards — In March 2017, the Financial Accounting Standards Board (FASB) issued new guidance on the presentation of net periodic benefit cost in the statement of operations. It requires entities to disaggregate the current service cost component from the other components of net benefit cost. The total for service cost is to be presented with other current compensation costs in the statement of operations, while the total of the other components is to be presented outside of income from operations. We elected to early adopt this guidance as of January 1, 2017. We do not have a service cost associated with our net benefit cost, as such, the impact of adopting this new guidance was to reclassify our defined benefit pension plan expense out of operating costs and expenses and to classify it as a non-operating expense below operating income.

In January 2017, the FASB issued new guidance to simplify the measurement of goodwill impairments by eliminating Step 2 from the impairment test, which requires a hypothetical purchase price allocation to measure impairment loss. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. We have elected to early adopt this guidance as of January 1, 2017.

In November 2016, the FASB issued new guidance to clarify the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, restricted cash and restricted cash equivalents are included in the cash and cash equivalent balances in the statement of cash flows. Additionally, changes in restricted cash and restricted cash equivalents are no longer presented as a financing cash flow activity within the statement of cash flows. We elected to early adopt this

F-8

---

Table of Contents

guidance as of December 31, 2016, and retrospectively applied the guidance to prior periods. The impact of adopting the new guidance was to increase cash and cash equivalents by \$5.5 million and \$6.6 million at June 30, 2016, and December 31, 2015, respectively, the amount reclassified from restricted cash.

In March 2016, the FASB issued new guidance which simplifies the accounting for share-based compensation arrangements, including the related income tax consequences and classification in the statement of cash flows. We elected to early adopt this guidance effective January 1, 2016. The adoption used the modified retrospective transition method which had no impact on prior years. The impact of adopting this guidance was to record \$14.7 million of previously unrecognized tax benefits, increasing deferred tax assets and retained earnings as of December 31, 2015. Additionally, we elected to adopt a policy of recording actual forfeitures, the impact of which was not material to current or prior periods.

In January 2017, the FASB issued new guidance to clarify the definition of a business for acquisitions, with the intent to make application of the guidance more consistent and cost-efficient. We elected to early adopt this guidance as of June 30, 2017, for acquisitions subsequent to our adoption date. We do not expect the adoption of this guidance to affect the treatment of future acquisitions or dispositions.

Recently Issued Accounting Standards — In August 2016, the FASB issued new guidance related to classification of certain cash receipts and payments in the statement of cash flows. This new guidance was issued with the objective of reducing diversity in practice around eight specific types of cash flows. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact of this guidance on our consolidated statements of cash flows.

In June 2016, the FASB issued new guidance that changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that will replace today’s “incurred loss” model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The guidance is effective in 2020 with early adoption permitted in 2019. We are currently evaluating the impact of this guidance on our consolidated financial statements and the timing of adoption.

In February 2016, the FASB issued new guidance on the accounting for leases. Under this guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In January 2016, the FASB issued new guidance on the recognition and measurement of financial instruments. This guidance primarily affects the accounting for equity method investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In May 2014, the FASB issued new guidance on revenue recognition. Under this new standard, an entity shall recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard creates a five-step process that requires entities to exercise judgment when considering the terms of the contract(s) and all relevant facts and circumstances. This standard permits the use of either the retrospective or cumulative effect transition method and will be effective for us beginning in 2018. We are currently assessing the impact this new

guidance will have on our consolidated financial statements and have not yet determined a transition method. We are progressing in our process of adopting the new guidance and are working to identify all performance obligations and changes, if any, that the new guidance will have on the timing and amounts of revenue recorded. To date we are evaluating the impact, if any, that the new guidance might have on the revenue recognition for our retransmission consent agreements as well as our broadcast advertising arrangements. We are also evaluating the impact the new guidance has on our programming barter arrangements. We expect that the adaption of the new standard will also require expanded footnote disclosure.

F-9

---

## Table of Contents

### 3. Acquisitions

#### Stitcher

On June 6, 2016, we completed the acquisition of Stitcher for a cash purchase price of \$4.5 million. Stitcher is a podcast listening service which facilitates discovery and streaming for more than 65,000 podcasts. Stitcher now operates as part of Midroll Media, which broadens Midroll's consumer base and technological capabilities. Of the \$4.5 million purchase price, \$2.9 million was allocated to intangible assets, the majority of which was technological software with an estimated amortization period of 3 years. The remainder of the purchase price was allocated to goodwill.

#### Cracked

On April 12, 2016, we acquired the multi-platform humor and satire brand, Cracked, which informs and entertains millennial audiences with a website, original digital video, social media and a popular podcast. The purchase price was \$39 million in cash.

The final fair values of the assets acquired were \$9.6 million of intangibles and \$29.4 million of goodwill. Of the \$9.6 million allocated to intangible assets, \$7.6 million was for trade names with an estimated amortization period of 20 years. The remaining balance of \$2.0 million was allocated to content library with an estimated amortization period of 3 years.

The goodwill of \$29 million arising from the transaction consists largely of the benefit we derive from being able to expand our presence and digital brands on the web, in over-the-top video and audio and on other emerging platforms. We allocated the goodwill to our digital segment. We treated the transaction as an asset acquisition for income tax purposes, with a step-up in the assets acquired. The goodwill is deductible for income tax purposes.

#### Pro forma results of operations

Individually or in the aggregate, the impact of the Cracked and Stitcher acquisitions is not material to prior year results of operations and, therefore, no pro forma information has been provided.

### 4. Asset Write-Downs and Other Charges and Credits

Income from operations includes the following:

2017 — In the second quarter, we sold our newspaper syndication business, resulting in a gain of \$3.0 million.

In the second quarter, there was a \$2.5 million reduction to the Midroll earn out provision resulting in other income.

2016 — Acquisition costs of \$0.6 million include costs associated with acquisitions, such as legal and accounting fees, as well as costs to integrate acquired operations.

### 5. Income Taxes

We file a consolidated federal income tax return, consolidated unitary tax returns in certain states and other separate state income tax returns for our subsidiary companies.

The income tax provision for interim periods is generally determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate, we must estimate both the total income (loss) before income tax for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income (loss) before income tax is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates of income (loss) before income tax for the full year and the jurisdictions in which we expect that income will be taxed.

The effective income tax rate for the six months ended June 30, 2017 and 2016, was 9% and 27%, respectively. The primary reasons for the difference between these rates and the U.S. federal statutory rate of 35% are the impact of state taxes, non-deductible expenses and excess tax benefits on share-based compensation (\$2.4 million and \$1.9 million in 2017 and 2016, respectively).

F-10

---

Table of Contents

Deferred tax assets relating to our state jurisdictions totaled \$9.5 million at June 30, 2017, which includes the tax effect of state net operating loss carryforwards. We recognize state net operating loss carryforwards as deferred tax assets, subject to valuation allowances. At each balance sheet date, we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included in the valuation allowance.

## 6. Restricted Cash

At June 30, 2017 and December 31, 2016, our cash and cash equivalents included \$5.1 million and \$5.5 million, respectively, held in a restricted cash account on deposit with our insurance carrier. This account serves as collateral, in place of an irrevocable stand-by letter of credit, to provide financial assurance that we will fulfill our obligations with respect to cash requirements associated with our workers' compensation self-insurance. This cash is to remain on deposit with the carrier until all claims have been paid or we provide a letter of credit in lieu of the cash deposit.

## 7. Goodwill and Other Intangible Assets

Goodwill consisted of the following:

(in thousands)	Television	Radio	Digital	Total
Gross balance as of December 31, 2016	\$681,535	\$41,000	\$132,159	\$854,694
Accumulated impairment losses	(215,414 )	—	(22,500 )	(237,914 )
Net balance as of December 31, 2016	\$466,121	\$41,000	\$109,659	\$616,780
Gross balance as of June 30, 2017	\$681,535	\$41,000	\$132,159	\$854,694
Accumulated impairment losses	(215,414 )	—	(22,500 )	(237,914 )
Net balance as of June 30, 2017	\$466,121	\$41,000	\$109,659	\$616,780

Other intangible assets consisted of the following:

(in thousands)	As of June 30, 2017	As of December 31, 2016
Amortizable intangible assets:		
Carrying amount:		
Television network affiliation relationships	\$248,444	\$248,444
Customer lists and advertiser relationships	56,100	56,100
Other	26,923	26,923
Total carrying amount	331,467	331,467
Accumulated amortization:		
Television network affiliation relationships	(43,449 )	(37,019 )
Customer lists and advertiser relationships	(26,820 )	(24,380 )
Other	(8,347 )	(5,987 )
Total accumulated amortization	(78,616 )	(67,386 )
Net amortizable intangible assets	252,851	264,081
Indefinite-lived intangible assets — FCC licenses	203,815	203,815
Total other intangible assets	\$456,666	\$467,896

Estimated amortization expense of intangible assets for each of the next five years is \$10.8 million for the remainder of 2017, \$21.6 million in 2018, \$19.9 million in 2019, \$18.5 million in 2020, \$16.2 million in 2021, \$16.1 million in

2022, and \$149.7 million in later years.

F-11

---



Table of Contents

## 8. Long-Term Debt

Long-term debt consisted of the following:

(in thousands)	As of June 30, 2017	As of December 31, 2016
Variable rate credit facility	\$—	\$—
Senior unsecured notes	400,000	—
Term loan B	—	390,521
Unsecured subordinated notes	5,312	5,312
Total outstanding principal	405,312	395,833
Less: Debt issuance costs	(7,057 )	(2,648 )
Less: Current portion	(2,656 )	(6,571 )
Net carrying value of long-term debt	\$395,599	\$386,614
Fair value of long-term debt *	\$420,122	\$395,514

\* Fair value of the Senior Notes and the term loan B were estimated based on quoted private market transactions and is classified as Level 1 in the fair value hierarchy. The fair value of the unsecured subordinated notes is determined based on a discounted cash flow analysis using current market interest rates of comparable instruments and is classified as Level 2 in the fair value hierarchy.

## Senior Unsecured Notes

On April 28, 2017, we issued \$400 million of senior unsecured notes ("the Senior Notes"), which bear interest at a rate of 5.125% per annum and mature on May 15, 2025. The proceeds of the Senior Notes were used to repay our term loan B, for the payment of the related issuance costs and for general corporate purposes. The Senior Notes were priced at 100% of par value and interest is payable semi-annually on May 15 and November 15. Prior to May 15, 2020, we may redeem the Senior Notes, in whole or in part, at any time, or from time to time, at a price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to the date of redemption, plus a "make-whole" premium, as set forth in the Senior Notes indenture. In addition, on or prior to May 15, 2020, we may redeem up to 40% of the Senior Notes, using proceeds of equity offerings. If we sell certain of our assets or have a change of control, the holders of the Senior Notes may require us to repurchase some or all of the notes. The Senior Notes are also guaranteed by us and the majority our subsidiaries. The Senior Notes contain covenants with which we must comply that are typical for borrowing transactions of this nature. We incurred approximately \$7.0 million of deferred financing costs in connection with the issuance of the Senior Notes, which will be amortized over the life of the Senior Notes.

In connection with the new financing we wrote off to interest expense \$2.4 million of deferred financing cost associated with the term loan B.

## Revolving Credit Facility

On April 28, 2017, we amended and restated our \$100 million revolving credit facility ("Revolving Credit Facility"), increasing its capacity to \$125 million and extending the maturity to April 2022. Interest is payable on the Revolving Credit Facility at rates based on LIBOR, plus a margin based on our leverage ratio, ranging from 1.75% to 2.50%.

The Revolving Credit Facility includes maintaining of a net leverage ratio when we have outstanding borrowings on the facility, as well as other restrictions on payments (dividends and share repurchases). Additionally, we can make

acquisitions as long as the pro forma net leverage ratio is less than 5.5 to 1.0.

We granted the lenders mortgages on certain of our real property, pledges of our equity interests in our subsidiaries and security interests in substantially all other personal property including cash, accounts receivables, and equipment.

Commitment fees of 0.30% to 0.50% per annum, based on our leverage ratio, of the total unused commitment are payable under the Revolving Credit Facility.

As of June 30, 2017 and December 31, 2016, we had \$0.8 million of outstanding letters of credit.

#### Financing Agreement

Until April 28, 2017, we had a \$500 million revolving credit and term loan agreement ("Financing Agreement"). Under the Financing Agreement, we had a \$400 million term loan B that matured in November 2020 and a \$100 million revolving credit facility that matured in November 2018. We repaid the term loan B with the proceeds of our Senior Notes. The Revolving Credit Facility was amended as described above.

Interest was payable on the term loan B at rates based on LIBOR, plus a fixed margin of 2.5%. Prior to December 2016, interest was payable at rates based on LIBOR, with a 0.75% floor, plus a fixed margin of 2.75%. As of December 31, 2016, the interest rate was 3.27% on the term loan B. The weighted-average interest rate on the term loan B was 4.93% for the six months ended June 30, 2016.

#### Unsecured Subordinated Notes

The unsecured subordinated promissory notes bear interest at a rate of 7.25% per annum payable quarterly. The notes are payable in annual installments of \$2.7 million through 2018, with no prepayment right.

#### 9. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of June 30, 2017	As of December 31, 2016
Employee compensation and benefits	\$19,789	\$18,356
Liability for pension benefits	231,424	232,788
Liabilities for uncertain tax positions	2,517	2,416
Other	15,906	20,393
Other liabilities (less current portion)	\$269,636	\$273,953

#### 10. Supplemental Cash Flow Information

The following table presents additional information about the change in certain working capital accounts:

(in thousands)	Six Months Ended June 30,	
	2017	2016
Accounts and notes receivable	\$(7,684 )	\$(19,342)
Income taxes receivable/payable, net	—	3,466
Accounts payable	(1,348 )	472
Accrued employee compensation and benefits	(3,500 )	(7,244 )
Other accrued liabilities	6,651	(2,910 )

Other, net	(10,489 )	(4,335 )
Total	\$(16,370)	\$(29,893)

#### 11. Employee Benefit Plans

We sponsor two noncontributory defined benefit pension plans as well as two non-qualified Supplemental Executive Retirement Plans ("SERPs"). Both of the defined benefit plans and the SERPs have frozen the accrual of future benefits.

F-12

---

Table of Contents

We sponsor a defined contribution plan covering substantially all non-union and certain union employees. We match a portion of employees' voluntary contributions to this plan.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

The components of the expense consisted of the following:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Interest cost	\$6,486	\$6,770	\$12,971	\$13,540
Expected return on plan assets, net of expenses	(4,360 )	(4,599 )	(8,720 )	(9,196 )
Amortization of actuarial loss	1,084	997	2,168	1,995
Total for defined benefit plans	3,210	3,168	6,419	6,339
Multi-employer plans	59	42	133	85
SERPs	257	281	515	560
Defined contribution plan	1,957	2,086	4,861	4,274
Net periodic benefit cost	\$5,483	\$5,577	\$11,928	\$11,258

We contributed \$0.5 million to fund current benefit payments for our SERPs and \$6.2 million for our defined benefit pension plans during the six months ended June 30, 2017. During the remainder of 2017, we anticipate contributing an additional \$1.0 million to fund the SERPs' benefit payments and an additional \$10.0 million to fund our qualified defined benefit pension plans.

## 12. Segment Information

We determine our business segments based upon our management and internal reporting structures. Our reportable segments are strategic businesses that offer different products and services.

Our television segment includes fifteen ABC affiliates, five NBC affiliates, two FOX affiliates and two CBS affiliates. We also have three MyTV affiliates, one CW affiliate, one independent station and three Azteca America Spanish-language affiliates. Our television stations reach approximately 18% of the nation's television households based on audience reach. Television stations earn revenue primarily from the sale of advertising time to local, national and political advertisers and retransmission fees received from cable operators, telecommunications companies and satellite carriers.

Our radio segment consists of thirty-four radio stations in eight markets. We operate twenty-eight FM stations and six AM stations. Our radio stations earn revenue primarily from the sale of advertising to local advertisers.

Our digital segment includes the digital operations of our local television and radio businesses. It also includes the operations of our national digital businesses of Midroll, a podcast industry leader, Newsy, an over-the-top ("OTT") video news service and Cracked, a multi-platform humor and satire brand. Our digital operations earn revenue primarily through the sale of advertising, marketing services and agency commissions.

We allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits and shared services, to our business segments. The allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash and cash equivalents, restricted cash, property and equipment primarily used for corporate purposes, and deferred income taxes.

Our chief operating decision maker evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure called segment profit. Segment

profit excludes interest, defined benefit pension plan expense, income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

F-13

---

Table of Contents

Information regarding our business segments is as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Segment operating revenues:				
Television	\$193,304	\$191,745	\$373,102	\$371,649
Radio	17,246	18,183	31,242	32,786
Digital	19,349	15,207	34,706	27,533
Other	1,921	2,682	3,771	5,347
Total operating revenues	\$231,820	\$227,817	\$442,821	\$437,315
Segment profit (loss):				
Television	\$49,785	\$53,298	\$84,500	\$94,985
Radio	2,909	3,903	4,517	6,046
Digital	(4,199 )	(4,715 )	(10,376 )	(7,848 )
Other	(1,763 )	(1,045 )	(1,445 )	(152 )
Shared services and corporate	(10,966 )	(9,874 )	(25,130 )	(24,166 )
Acquisition and related integration costs	—	—	—	(578 )
Depreciation and amortization of intangibles	(14,649 )	(14,786 )	(29,373 )	(29,197 )
(Losses) gains, net on disposal of property and equipment	(224 )	(22 )	(311 )	(18 )
Interest expense	(8,248 )	(4,432 )	(12,443 )	(9,011 )
Defined benefit pension plan expense	(3,467 )	(3,449 )	(6,934 )	(6,899 )
Miscellaneous, net	5,103	(458 )	4,224	(649 )
Income from operations before income taxes	\$14,281	\$18,420	\$7,229	\$22,513
Depreciation:				
Television	\$8,002	\$7,932	\$15,828	\$15,397
Radio	603	543	1,201	1,080
Digital	15	54	31	108
Other	59	65	126	129
Shared services and corporate	474	334	956	870
Total depreciation	\$9,153	\$8,928	\$18,142	\$17,584
Amortization of intangibles:				
Television	\$3,632	\$4,240	\$7,505	\$8,479
Radio	265	265	530	530
Digital	1,260	1,014	2,519	1,927
Shared services and corporate	339	339	677	677
Total amortization of intangibles	\$5,496	\$5,858	\$11,231	\$11,613
Additions to property and equipment:				
Television	\$4,855	\$6,519	\$8,802	\$9,630
Radio	367	83	554	316
Digital	186	13	197	17
Other	—	26	—	41
Shared services and corporate	22	266	121	324
Total additions to property and equipment	\$5,430	\$6,907	\$9,674	\$10,328

Table of Contents

## 13. Capital Stock

Capital Stock — We have two classes of common shares, Common Voting shares and Class A Common shares. The Class A Common shares are only entitled to vote on the election of the greater of three or one-third of the directors and other matters as required by Ohio law.

Share Repurchase Plan — Shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in privately negotiated block transactions. In May 2014, our Board of Directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2016. For the six months ended June 30, 2016, we repurchased \$18.7 million of shares at prices ranging from \$14.71 to \$19.51 per share under this authorization. Before this authorization expired at the end of 2016, \$0.5 million of shares were repurchased but not settled until 2017. No additional shares may be repurchased under this program. In November 2016, our Board of Directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2018. For the six months ended June 30, 2017, we repurchased \$6.3 million of shares at prices ranging from \$16.82 to \$23.01 per share under this authorization. At June 30, 2017, \$94.2 million remained under this authorization.

## 14. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss ("AOCL") by component, including items reclassified out of AOCL, were as follows:

(in thousands)	Three Months Ended June 30, 2017			
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	Total
Beginning balance, March 31, 2017	\$—	\$(92,981)	\$313	\$(92,668)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial gain (loss), net of tax of \$423 <sup>(b)</sup>	—	695	(16)	679
Net current-period other comprehensive income (loss)	—	695	(16)	679
Ending balance, June 30, 2017	\$—	\$(92,286)	\$297	\$(91,989)
	Three Months Ended June 30, 2016			
(in thousands)	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	Total
Beginning balance, March 31, 2016	\$(183)	\$(89,098)	\$173	\$(89,108)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss:				
Interest rate swap, net of tax of \$37 <sup>(a)</sup>	59	—	—	59
Actuarial gain (loss), net of tax of \$397 <sup>(b)</sup>	—	640	(7)	633
Net current-period other comprehensive income (loss)	59	640	(7)	692

Ending balance, June 30, 2016                      \$(124) \$(88,458) \$166    \$(88,416)

F-15

---



Table of Contents

(in thousands)	Six Months Ended June 30, 2017			
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2016	\$ (93,676)	\$ 329		\$ (93,347)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial gain (loss), net of tax of \$846 <sup>(b)</sup>	—1,390	(32 )		1,358
Net current-period other comprehensive income (loss)	—1,390	(32 )		1,358
Ending balance, June 30, 2017	\$ (92,286)	\$ 297		\$ (91,989)
	Six Months Ended June 30, 2016			
(in thousands)	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2015	\$ (242)	\$ (89,740)	\$ 180	\$ (89,802)
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss:				
Interest rate swap, net of tax of \$74 <sup>(a)</sup>	118	—	—	118
Actuarial gain (loss), net of tax of \$793 <sup>(b)</sup>	—	1,282	(14 )	1,268
Net current-period other comprehensive income (loss)	118	1,282	(14 )	1,386
Ending balance, June 30, 2016	\$ (124)	\$ (88,458)	\$ 166	\$ (88,416)

<sup>(a)</sup> Interest rate swap amortization is included in interest expense in the Condensed Consolidated Statements of Operations

<sup>(b)</sup> Actuarial gain (loss) is included in defined benefit pension plan expense in the Condensed Consolidated Statements of Operations

Table of Contents

15. Noncontrolling Interest

A noncontrolling owner holds a 30% interest in our venture to develop, produce and air our lifestyle daytime talk show. In April 2017, on the formation of the venture, the noncontrolling owner made a \$2.1 million non-cash contribution to the venture. The contribution included the rights to the show concept, contractual rights with the show's talent, as well as other pre-production items.

16. Subsequent Events

On July 31, 2017, we signed an agreement to purchase the Katz Broadcasting networks for \$292 million, which is net of a 5% minority interest we currently own. Katz owns and operates four national television networks, Bounce, Grit, Escape and Laff. The acquisition is expected to close October 2, 2017, subject to Hart-Scott-Rodino clearance and other customary closing conditions. We expect to pay for the acquisition with cash on hand and \$250 million in new debt.

Due to the limited time since we signed the agreement for the acquisition, we have not yet completed the initial acquisition accounting for the transaction, including the determination of the fair values of the assets acquired and the liabilities assumed.

We will complete the initial preliminary purchase price allocation in the fourth quarter and it will be reflected in our December 31, 2017 financial statements. The results of operations of the acquired business will be included in our results from October 2, 2017, the expected date of the closing of the acquisition.

## Table of Contents

### Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis of financial condition and results of operations is based upon the Condensed Consolidated Financial Statements and the Condensed Notes to Consolidated Financial Statements. You should read this discussion in conjunction with those financial statements.

### Forward-Looking Statements

Certain forward-looking statements related to our businesses are included in this discussion. Those forward-looking statements reflect our 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 the forward-looking statements. A detailed discussion of principal risks and uncertainties which may cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" in our 2016 Annual Report on Form 10-K and as may be described in subsequently filed quarterly reports on Form 10-Q. The words "believe," "expect," "anticipate," "estimate," "intend" and similar expressions identify forward-looking statements. You should evaluate our forward-looking statements, which are as of the date of this filing, with the understanding of their inherent uncertainty. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date the statement is made.

### Executive Overview

The E.W. Scripps Company ("Scripps") is a media enterprise, serving audiences and businesses through a portfolio of television, radio and digital media brands. Scripps is one of the nation's largest independent TV station ownership groups, with 33 television stations in 24 markets and a reach of nearly one in five U.S. television households. We have affiliations with all of the "Big Four" television networks. We also own 34 radio stations in eight markets. We operate an expanding collection of local and national digital journalism and information businesses including our podcast business, Midroll, over-the-top ("OTT") video news service, Newsy, and the multi-platform humor and satire brand, Cracked. We also produce television programming, run an award-winning investigative reporting newsroom in Washington, D.C., and serve as the longtime steward of the nation's largest, most successful and longest-running educational programs, the Scripps National Spelling Bee.

On July 31, 2017, we signed an agreement to purchase the Katz Broadcasting networks for a net price of \$292 million. Katz owns and operates four national television networks, Bounce, Grit, Escape and Laff. The acquisition is expected to close October 2, 2017, subject to Hart-Scott-Rodino clearance and other customary closing conditions. We expect to pay for the acquisition with cash on hand and \$250 million in new debt.

### Results of Operations

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, you should read the following discussion of our consolidated results of operations in conjunction with the discussion of the operating performance of our business segments that follows.

Table of Contents

## Consolidated Results of Operations

Consolidated results of operations were as follows:

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2017	Change 2016		June 30, 2017	Change 2016	
Operating revenues	\$231,820	1.8 %	\$227,817	\$442,821	1.3 %	\$437,315
Employee compensation and benefits	(95,489 )	3.3 %	(92,463 )	(198,104 )	5.2 %	(188,348 )
Programs and program licenses	(47,841 )	10.0 %	(43,503 )	(94,212 )	12.1 %	(84,071 )
Other expenses	(52,724 )	4.9 %	(50,284 )	(98,439 )	2.5 %	(96,031 )
Acquisition and related integration costs	—		—	—		(578 )
Depreciation and amortization of intangibles	(14,649 )		(14,786 )	(29,373 )		(29,197 )
(Losses) gains, net on disposal of property and equipment	(224 )		(22 )	(311 )		(18 )
Operating income	20,893		26,759	22,382		39,072
Interest expense	(8,248 )		(4,432 )	(12,443 )		(9,011 )
Defined benefit pension plan expense	(3,467 )		(3,449 )	(6,934 )		(6,899 )
Miscellaneous, net	5,103		(458 )	4,224		(649 )
Income from operations before income taxes	14,281		18,420	7,229		22,513
Provision for income taxes	(5,736 )		(6,932 )	(623 )		(6,137 )
Net income	\$8,545		\$11,488	\$6,606		\$16,376

Cracked was acquired on April 12, 2016 and is referred to as the "Cracked acquisition." The inclusion of operating results from this business for the periods subsequent to its acquisition impacts the comparability of our consolidated and segment operating results.

Operating revenues increased 1.8% in the second quarter of 2017 and 1.3% for the first half of 2017. The revenue increase was from higher retransmission revenues and increased revenues from Newsy and Midroll. These increases were offset by lower political revenues of \$6 million and \$14 million for the quarterly and year-to-date periods from our television segment in a non-political year and lower local and national television revenues.

Employee compensation and benefits increased 3.3% in the second quarter of 2017 and 5.2% for the first half of 2017, primarily driven by the expansion of our national digital brands, Newsy and Midroll, and the impact of the Cracked acquisition.

Programs and program licenses expense increased 10.0% for the second quarter of 2017 and 12.1% for the first half of 2017, primarily due to higher network affiliation fees. Network affiliation fees increased from contractual rate increases.

Other expenses include the following:

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2017	Change 2016		June 30, 2017	Change 2016	
Facilities rent and maintenance	\$9,703	2.6 %	\$9,456	\$19,281	2.7 %	\$18,778
Ratings and consumer research services	5,807	6.3 %	5,465	11,492	4.6 %	10,989
Purchased news and content	3,091	(4.1 )%	3,224	6,073	11.5 %	5,447
Marketing and promotion	6,776	35.4 %	5,003	10,469	32.1 %	7,928
Miscellaneous costs	27,347	0.8 %	27,136	51,124	(3.3 )%	52,889

Edgar Filing: E.W. SCRIPPS Co - Form 10-Q

Total other expenses \$52,724 4.9 % \$50,284 \$98,439 2.5 % \$96,031

Other expenses were up 4.9% and 2.5% for the quarter and the first half of 2017, respectively, primarily due to increases in marketing and promotion of our national digital brands, Newsy and Midroll.

F-19

---

Table of Contents

Interest expense increased for the second quarter of 2017 and six months ended June 30, 2017, primarily due to the \$2.4 million write-off of loan fees associated with our term loan B which was refinanced in the second quarter of 2017 and the higher interest rate on the new debt.

Miscellaneous, net increased for the second quarter and first half of 2017 due to a \$3.0 million gain from the sale of our newspaper syndication business and a \$2.5 million adjustment to the purchase price earn out for Midroll.

The effective income tax rate was 9% and 27% for the six months ended June 30, 2017 and 2016, respectively. State taxes and non-deductible expenses impacted our effective rate. In addition, the provision for the 2017 and 2016 periods included \$2.4 million and \$1.9 million, respectively, of excess tax benefits from the exercise and vesting of share-based compensation awards.

**Business Segment Results** — As discussed in the Condensed Notes to Consolidated Financial Statements, our chief operating decision maker evaluates the operating performance of our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan expense, income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profit generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are, therefore, excluded from the measure. Generally, our corporate executives make financing, tax structure and divestiture decisions. Excluding these items from measurement of our business segment performance enables us to evaluate business segment operating performance based upon current economic conditions and decisions made by the managers of those business segments in the current period.

We allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits and shared services to our business segments. The allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash and cash equivalents, restricted cash, property and equipment primarily used for corporate purposes and deferred income taxes.

Table of Contents

Information regarding the operating performance of our business segments and a reconciliation of such information to the consolidated financial statements is as follows:

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2017	Change	2016	June 30, 2017	Change	2016
Segment operating revenues:						
Television	\$ 193,304	0.8 %	\$ 191,745	\$ 373,102	0.4 %	\$ 371,649
Radio	17,246	(5.2 )%	18,183	31,242	(4.7 )%	32,786
Digital	19,349	27.2 %	15,207	34,706	26.1 %	27,533
Other	1,921	(28.4)%	2,682	3,771	(29.5 )%	5,347
Total operating revenues	\$ 231,820	1.8 %	\$ 227,817	\$ 442,821	1.3 %	\$ 437,315
Segment profit (loss):						
Television	\$ 49,785	(6.6 )%	\$ 53,298	\$ 84,500	(11.0 )%	\$ 94,985
Radio	2,909	(25.5)%	3,903	4,517	(25.3 )%	6,046
Digital	(4,199 )	(10.9)%	(4,715 )	(10,376 )	32.2 %	(7,848 )
Other	(1,763 )	68.7 %	(1,045 )	(1,445 )	850.7 %	(152 )
Shared services and corporate	(10,966 )	11.1 %	(9,874 )	(25,130 )	4.0 %	(24,166 )
Acquisition and related integration costs	—		—	—		(578 )
Depreciation and amortization of intangibles	(14,649 )		(14,786 )	(29,373 )		(29,197 )
(Losses) gains, net on disposal of property and equipment	(224 )		(22 )	(311 )		(18 )
Interest expense	(8,248 )		(4,432 )	(12,443 )		(9,011 )
Defined benefit pension plan expense	(3,467 )		(3,449 )	(6,934 )		(6,899 )
Miscellaneous, net	5,103		(458 )	4,224		(649 )
Income from operations before income taxes	\$ 14,281		\$ 18,420	\$ 7,229		\$ 22,513

Table of Contents

Television — Our television segment includes fifteen ABC affiliates, five NBC affiliates, two FOX affiliates and two CBS affiliates. We also have three MyTV affiliates, one CW affiliate, one independent station and three Azteca America Spanish-language affiliates. Our television stations reach approximately 18% of the nation's television households based on audience reach.

Our television stations earn revenue primarily from the sale of advertising time to local, national and political advertisers and retransmission fees received from cable operators, telecommunications companies and satellite carriers.

National television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. In addition to network programs, we broadcast internally produced local and national programs, syndicated programs, sporting events and other programs of interest in each station's market. News is the primary focus of our locally-produced programming.

The operating performance of our television group is most affected by local and national economic conditions, particularly conditions within the automotive, services and retail categories and by the volume of advertising time purchased by campaigns for elective office and political issues. The demand for political advertising is significantly higher in the third and fourth quarters of even-numbered years.

Operating results for our television segment were as follows:

(in thousands)	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2017	Change 2016	2017	Change 2016	
Segment operating revenues:					
Local	\$85,432	(3.8)%	\$88,812	\$163,003	(3.6)% \$169,069
National	35,708	(5.8)%	37,904	66,724	(6.5)% 71,349
Political	2,525		8,449	3,566	17,709
Retransmission	66,059	23.6%	53,433	132,270	23.6% 107,047
Other	3,580	13.8%	3,147	7,539	16.4% 6,475
Total operating revenues	193,304	0.8%	191,745	373,102	0.4% 371,649
Segment costs and expenses:					
Employee compensation and benefits	64,755	1.8%	63,593	131,642	1.8% 129,360
Programs and program licenses	44,835	10.5%	40,573	89,983	12.4% 80,052
Other expenses	33,929	(1.0)%	34,281	66,977	(0.4)% 67,252
Total costs and expenses	143,519	3.7%	138,447	288,602	4.3% 276,664
Segment profit	\$49,785	(6.6)%	\$53,298	\$84,500	(11.0)% \$94,985
Revenues					

Total television revenues were up 0.8% and 0.4% for the second quarter of 2017 and the first half of 2017, respectively. Retransmission revenues increased by 24%, which was offset by lower political revenues in a non-presidential election year, as well as lower local and national revenues. Retransmission revenues increased due to the renewal of retransmission agreements with higher rates and contractual rate increases. Rate increases from the renewal of contracts covering three million subscribers were effective in the fourth quarter of 2016. The decline in our local and national revenues was due to weakness in our retail, media, banking and auto categories.

#### Costs and expenses

Total costs and expenses increased approximately 4% in the second quarter of 2017 and the first half of 2017.

Employee compensation and benefits increased less than 2% for the second quarter of 2017 and the first half of 2017, primarily from merit increases and higher benefit costs.



Programs and program licenses expense increased 11% for the second quarter of 2017 and 12% for the first half of 2017, due to higher network affiliation fees, which increased primarily due to contractual rate increases.

F-22

---

Table of Contents

Radio — Our radio segment consists of thirty-four radio stations in eight markets. We operate twenty-eight FM stations and six AM stations. Radio stations earn revenue primarily from the sale of advertising to local advertisers.

Our radio stations focus on providing targeted and relevant local programming that is responsive to the interest of the communities in which we serve, strengthening our brand identity and allowing us to provide effective marketing solutions for advertisers by reaching their targeted audiences.

Operating results for our radio segment were as follows:

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2017	Change	2016	June 30, 2017	Change	2016
Segment operating revenues:						
Advertising	\$16,551	(5.8 )%	\$17,568	\$30,011	(5.3 )%	\$31,690
Other	695	13.0 %	615	1,231	12.3 %	1,096
Total operating revenues	17,246	(5.2 )%	18,183	31,242	(4.7 )%	32,786
Segment costs and expenses:						
Employee compensation and benefits	7,168	1.5 %	7,059	14,546	1.4 %	14,350
Programs	3,006	2.6 %	2,930	4,229	5.2 %	4,019
Other expenses	4,163	(3.0 )%	4,291	7,950	(5.0 )%	8,371
Total costs and expenses	14,337	0.4 %	14,280	26,725	(0.1 )%	26,740
Segment profit	\$2,909	(25.5)%	\$3,903	\$4,517	(25.3)%	\$6,046

## Revenues

Total radio revenues decreased approximately 5% in the 2017 second quarter and the six months ended June 30, 2017 due to weakness in our largest market and several smaller markets, as well as the absence of political revenues in a non-political year.

## Costs and expenses

Total costs and expenses were flat year-over-year.

Digital — Our digital segment includes the digital operations of our local television and radio businesses, as well as the operations of our national digital businesses of Midroll, Newsy and Cracked.

Our digital operations earn revenue primarily through the sale of advertising, marketing services and agency commissions.

Operating results for our digital segment were as follows:

(in thousands)	Three Months Ended			Six Months Ended		
	June 30, 2017	Change	2016	June 30, 2017	Change	2016
Total operating revenues	\$19,349	27.2 %	\$15,207	\$34,706	26.1 %	\$27,533
Segment costs and expenses:						
Employee compensation and benefits	13,043	10.9 %	11,757	26,355	21.8 %	21,634
Other expenses	10,505	28.7 %	8,165	18,727	36.2 %	13,747
Total costs and expenses	23,548	18.2 %	19,922	45,082	27.4 %	35,381
Segment loss	\$(4,199 )	(10.9)%	\$(4,715 )	\$(10,376)	32.2 %	\$(7,848 )

Our digital business Cracked was acquired on April 12, 2016 and the inclusion of operating results from this business for the period subsequent to the acquisition impacts the comparability of our digital segment operating results.

F-23

---

Table of Contents

## Revenues

Digital revenues increased 27%, or \$4.1 million, in the second quarter of 2017 and 26% for the six months ended June 30, 2017. Excluding the results of Cracked, revenues increased 20% for the periods, primarily driven by increased revenues from Midroll and Newsy.

## Cost and Expenses

Digital costs and expenses increased 18% in the second quarter of 2017 and 27% for the six months ended June 30, 2017. Excluding the results of Cracked, expenses increased 9% and 22% for the second quarter and six months ended June 30, 2017, respectively, mainly due to promotion and other costs for our national digital brands.

## Shared services and corporate

We centrally provide certain services to our business segments. Such services include accounting, tax, cash management, procurement, human resources, employee benefits and information technology. The business segments are allocated costs for such services at amounts agreed upon by management. Such allocated costs may differ from amounts that might be negotiated at arms-length. Costs for such services that are not allocated to the business segments are included in shared services and corporate costs. Shared services and corporate also includes unallocated corporate costs, such as costs associated with being a public company.

## Liquidity and Capital Resources

Our primary source of liquidity is our available cash and borrowing capacity under our revolving credit facility.

## Operating activities

Cash flows from operating activities for the six months ended June 30 are as follows:

(in thousands)	Six Months Ended June 30,	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Net income	\$6,606	\$16,376
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	29,373	29,197
Deferred income taxes	521	6,825
Stock and deferred compensation plans	11,227	8,861
Pension expense, net of contributions	202	5,099
Other changes in certain working capital accounts, net	(16,370 )	(29,893 )
Miscellaneous, net	(2,564 )	896
Net cash provided by operating activities	\$28,995	\$37,361

The \$8 million decrease in cash provided by operating activities was primarily attributable the \$16 million year-over-year decrease in segment profit, \$5 million of additional pension contributions year-over-year, as well as to changes in working capital in 2017 compared to 2016. We made \$6 million of advance payments for production cost for our new lifestyle show which will begin airing at the end of the 2017 third quarter.



Table of Contents

## Investing activities

Cash flows from investing activities for the six months ended June 30 are as follows:

(in thousands)	Six Months Ended	
	2017	2016
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	\$—	\$(43,500)
Additions to property and equipment	(9,295 )	(13,382 )
Purchase of investments	(834 )	(1,728 )
Proceeds from sale of property and equipment	—	
Miscellaneous, net	3,634	22
Net cash used in investing activities	\$(6,495)	\$(58,588)

In 2017 and 2016, we used \$6 million and \$59 million, respectively, in cash for investing activities.

- In 2016, we acquired Cracked for \$39 million and Stitcher for \$4.5 million.
- In the second quarter of 2017, we received \$3 million in proceeds from the sale of our newspaper syndication business.

As discussed below, certain of our channels have been reassigned in conjunction with the FCC repacking process. We expect to begin to incur capital expenditures in the later half of 2017 related to the repacking process. We expect that at least a portion of expenditures will be reimbursed by the fund established by the FCC.

Congress authorized the FCC to conduct so-called “incentive auctions” to auction and re-purpose broadcast television spectrum for mobile broadband use. In the repacking process associated with the auction, the FCC has reassigned some stations to new post-auction channels. We do not expect reassignment to new channels to have a material impact on our coverage. We received letters from the FCC in February 2017, notifying us that 17 of our stations have been assigned to new channels. The legislation authorizing the incentive auction provides the FCC with a \$1.75 billion fund to reimburse reasonable costs incurred by stations that are reassigned to new channels in the repack. We cannot predict whether the fund will be sufficient to reimburse all of our expenses related to the repack.

## Financing activities

Cash flows from financing activities for the six months ended June 30 are as follows:

(in thousands)	Six Months Ended	
	2017	2016
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	\$400,000	\$—
Payments on long-term debt	(389,542 )	(2,000 )
Payments of financing costs	(7,558 )	—
Repurchase of Class A Common shares	(6,257 )	(18,686 )
Proceeds from exercise of stock options	1,461	4,641
Tax payments related to shares withheld for RSU vesting	(3,340 )	(2,603 )
Miscellaneous, net	(1,967 )	(2,807 )
Net cash used in financing activities	\$(7,203 )	\$(21,455)

For financing activities, we used \$7 million in cash in 2017 and \$21 million in 2016. The primary items impacting our financing activities are described below.

Our current share repurchase program allows the purchase of up to \$100 million of our Class A Common shares through December 2018. Shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in privately negotiated block transactions. Under the current and prior authorizations, we

F-25

---

Table of Contents

repurchased \$6.3 million of shares during the first six months of 2017 and \$18.7 million of shares during the first six months of 2016. At June 30, 2017, we had \$94.2 million remaining for share repurchases under our current authorization.

In 2017, we received \$1.5 million of proceeds from the exercise of employee stock options compared to \$4.6 million in 2016. We have not issued any stock options since 2008.

On April 28, 2017, we issued \$400 million of senior unsecured notes ("the Senior Notes"), which bear interest at a rate of 5.125% per annum and mature on May 15, 2025. The proceeds of the Senior Notes were used to repay our term loan B, for the payment of the related issuance costs and for general corporate purposes.

On April 28, 2017, we also amended and restated our \$100 million revolving credit facility ("Revolving Credit Facility"), increasing its capacity to \$125 million and extending the maturity to April 2022. Interest will be payable on the Revolving Credit Facility at rates based on LIBOR plus a margin based on our leverage ratio ranging from 1.75% to 2.50%. There were no borrowings under the revolving credit agreement in any of the periods presented. The revolving credit agreement includes certain financial covenants which we were in compliance with at June 30, 2017, and December 31, 2016.

Other

We have met our funding requirements for our defined benefit pension plans under the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. We expect to contribute approximately \$11 million during the remainder of 2017 to fund our defined benefit pension plans and our SERPs.

We expect that our cash, cash from operating activities and available borrowing capacity will be sufficient to meet our operating and capital needs over the next 12 months.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

There have been no material changes to the off-balance sheet arrangements disclosed in our 2016 Annual Report on Form 10-K.

F-26

---



## Table of Contents

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make a variety of decisions that affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for acquisitions, goodwill and indefinite-lived intangible assets, income taxes and pension plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2016 Annual Report on Form 10-K.

### Recently Adopted Standards and Issued Accounting Standards

**Recently Adopted Accounting Standards** — In March 2017, the Financial Accounting Standards Board (FASB) issued new guidance on the presentation of net periodic benefit cost in the statement of operations. It requires entities to disaggregate the current service cost component from the other components of net benefit cost. The total for service cost is to be presented with other current compensation costs in the statement of operations, while the total of the other components is to be presented outside of income from operations. We elected to early adopt this guidance as of January 1, 2017. We do not have a service cost associated with our net benefit cost, as such, the impact of adopting this new guidance was to reclassify our defined benefit pension plan expense out of operating costs and expenses and to classify it as a non-operating expense below operating income.

In January 2017, the FASB issued new guidance to simplify the measurement of goodwill impairments by eliminating Step 2 from the impairment test, which requires a hypothetical purchase price allocation to measure impairment loss. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. We have elected to early adopt this guidance as of January 1, 2017.

In November 2016, the FASB issued new guidance to clarify the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, restricted cash and restricted cash equivalents are included in the cash and cash equivalent balances in the statement of cash flows. Additionally, changes in restricted cash and restricted cash equivalents are no longer presented as a financing cash flow activity within the statement of cash flows. We elected to early adopt this guidance as of December 31, 2016, and retrospectively applied the guidance to prior periods. The impact of adopting the new guidance was to increase cash and cash equivalents by \$5.5 million and \$6.6 million at June 30, 2016, and December 31, 2015, respectively, the amount reclassified from restricted cash.

In March 2016, the FASB issued new guidance which simplifies the accounting for share-based compensation arrangements, including the related income tax consequences and classification in the statement of cash flows. We elected to early adopt this guidance effective January 1, 2016. The adoption used the modified retrospective transition

method which had no impact on prior years. The impact of adopting this guidance was to record \$14.7 million of previously unrecognized tax benefits, increasing deferred tax assets and retained earnings as of December 31, 2015. Additionally, we elected to adopt a policy of recording actual forfeitures, the impact of which was not material to current or prior periods.

In January 2017, the FASB issued new guidance to clarify the definition of a business for acquisitions, with the intent to make application of the guidance more consistent and cost-efficient. We elected to early adopt this guidance as of June 30, 2017, for acquisitions subsequent to our adoption date. We do not expect the adoption of this guidance to affect the treatment of future acquisitions or dispositions.

F-27

---

Table of Contents

Recently Issued Accounting Standards — In August 2016, the FASB issued new guidance related to classification of certain cash receipts and payments in the statement of cash flows. This new guidance was issued with the objective of reducing diversity in practice around eight specific types of cash flows. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact of this guidance on our consolidated statements of cash flows.

In June 2016, the FASB issued new guidance that changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that will replace today’s “incurred loss” model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The guidance is effective in 2020 with early adoption permitted in 2019. We are currently evaluating the impact of this guidance on our consolidated financial statements and the timing of adoption.

In February 2016, the FASB issued new guidance on the accounting for leases. Under this guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In January 2016, the FASB issued new guidance on the recognition and measurement of financial instruments. This guidance primarily affects the accounting for equity method investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In May 2014, the FASB issued new guidance on revenue recognition. Under this new standard, an entity shall recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard creates a five-step process that requires entities to exercise judgment when considering the terms of the contract(s) and all relevant facts and circumstances. This standard permits the use of either the retrospective or cumulative effect transition method and will be effective for us beginning in 2018. We are currently assessing the impact this new guidance will have on our consolidated financial statements and have not yet determined a transition method. We are progressing in our process of adopting the new guidance and are working to identify all performance obligations and changes, if any, that the new guidance will have on the timing and amounts of revenue recorded. To date we are evaluating the impact, if any, that the new guidance might have on the revenue recognition for our retransmission consent agreements as well as our broadcast advertising arrangements. We are also evaluating the impact the new guidance has on our programming barter arrangements. We expect that the adaptation of the new standard will also require expanded footnote disclosure.

Table of Contents

## Quantitative and Qualitative Disclosures About Market Risk

Earnings and cash flow can be affected by, among other things, economic conditions and interest rate changes. We are also exposed to changes in the market value of our investments.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows and to reduce overall borrowing costs.

The following table presents additional information about market-risk-sensitive financial instruments:

(in thousands)	As of June 30, 2017		As of December 31, 2016	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk:				
Variable rate credit facility	\$—	\$—	\$—	\$—
Senior unsecured notes	400,000	415,000	—	—
Term loan B	—	—	390,521	390,521
Unsecured subordinated notes payable	5,312	5,122	5,312	4,993
Long-term debt, including current portion	\$405,312	\$420,122	\$395,833	\$395,514
Financial instruments subject to market value risk:				
Investments held at cost	\$10,275	(a)	\$10,774	(a)

(a) Includes securities that do not trade in public markets so the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value. There can be no assurance that we would realize the carrying value upon sale of the securities.

Table of Contents

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Scripps management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company’s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation.

Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective. There were no changes to the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

The E.W. Scripps Company

Index to Exhibits

Exhibit Number Exhibit Description

31.A	Section 302 Certifications
31.B	Section 302 Certifications
32.A	Section 906 Certifications
32.B	Section 906 Certifications
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith)

E-1