

E.W. SCRIPPS Co  
Form 10-Q  
August 10, 2015  
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, 2015

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 (IRS Employer  
incorporation or organization) 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  Non-accelerated filer   
(Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
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, 2015, there were 72,313,245 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, 2015

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>4</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.

Scripps and members of the Board of Directors of Journal Communications, Inc. ("Journal") were defendants in a class action lawsuit filed in Circuit Court, Milwaukee County, Wisconsin (Howard Goldfinger v. Journal Communications, Inc., et al.). The plaintiff in the lawsuit alleged that the directors of Journal breached their fiduciary duties to Journal shareholders in connection with the proposed transactions between Scripps and Journal and that the other parties to the lawsuit aided and abetted such alleged breaches of fiduciary duty. On November 12, 2014, the Circuit Court entered an order dismissing this lawsuit.

On January 6, 2015, the plaintiff in the above-referenced lawsuit filed a putative class action lawsuit in the United States District Court for the Eastern District of Wisconsin (Howard Goldfinger v. Journal Communications, Inc., et al.), naming Scripps, Journal, the Board of Directors of Journal, and certain subsidiaries of Scripps and Journal as defendants. The plaintiff asserted disclosure claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as well as state common law claims for breaches of fiduciary duty and aiding and abetting breaches of fiduciary duty. On May 8, 2015, the District Court entered an order dismissing this lawsuit.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors on our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

Table of Contents

## 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, 2015.

The following table provides information about Company purchases of Class A Common shares during the quarter ended June 30, 2015 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 plans or programs
4/1/15 - 4/30/15	—	\$—	\$—	\$100,000,000
5/1/15 - 5/31/15	41,100	22.00	905,066	\$99,094,934
6/1/15 - 6/30/15	74,719	23.76	1,777,359	\$97,317,575
Total	115,819	\$23.14	\$2,682,425	

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.

## Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended June 30, 2015.

## 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 10, 2015

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 Loss</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-23</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>F-34</u>
<u>Controls and Procedures</u>	<u>F-35</u>

F-1

---

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

(in thousands, except share data)	As of June 30, 2015	As of December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 101,420	\$ 158,459
Restricted cash	6,560	6,810
Accounts and notes receivable (less allowances — \$1,652 and \$1,390)	171,985	99,609
Transition services agreement receivable, net	17,889	—
Deferred income taxes	24,517	10,754
Income taxes receivable	1,365	—
Miscellaneous	8,400	6,521
Assets of discontinued operations — current	—	46,507
Total current assets	332,136	328,660
Investments	13,915	9,454
Property, plant and equipment	275,013	157,841
Goodwill	555,046	106,261
Other intangible assets	475,386	187,259
Deferred income taxes	8,993	54,612
Miscellaneous	23,731	15,743
Assets held for sale	14,500	—
Assets of discontinued operations — noncurrent	—	172,901
Total Assets	\$ 1,698,720	\$ 1,032,731
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 17,141	\$ 13,987
Customer deposits and unearned revenue	8,764	8,812
Current portion of long-term debt	6,656	2,000
Accrued liabilities:		
Employee compensation and benefits	27,997	20,901
Miscellaneous	24,206	31,890
Other current liabilities	12,381	9,306
Liabilities of discontinued operations — current	—	47,642
Total current liabilities	97,145	134,538
Long-term debt (less current portion)	400,467	196,000
Other liabilities (less current portion)	276,218	169,171
Liabilities of discontinued operations — noncurrent	—	13,089
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: 72,313,245 and 45,062,522 shares	723	451
Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares	119	119



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

Total	842	570
Additional paid-in capital	1,167,537	525,456
Retained earnings (accumulated deficit)	(117,616	) 118,693
Accumulated other comprehensive loss, net of income taxes	(125,873	) (126,443
The E.W. Scripps Company total shareholders' equity	924,890	518,276
Noncontrolling interest — discontinued operations	—	1,657
Total equity	924,890	519,933
Total Liabilities and Equity	\$1,698,720	\$1,032,731

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, 2015	2014	June 30, 2015	2014
<b>Operating Revenues:</b>				
Advertising	\$154,372	\$101,024	\$244,105	\$188,772
Retransmission	36,495	12,700	64,413	25,174
Other	7,267	5,972	12,639	11,054
Total operating revenues	198,134	119,696	321,157	225,000
<b>Costs and Expenses:</b>				
Employee compensation and benefits	91,118	62,639	159,480	124,581
Programs and program licenses	30,914	13,802	52,046	26,770
Other expenses	44,084	32,695	73,344	58,239
Defined benefit pension plan expense	4,120	1,319	6,806	2,640
Acquisition and related integration costs	29,973	3,939	32,747	4,201
Total costs and expenses	200,209	114,394	324,423	216,431
<b>Depreciation, Amortization, and Losses (Gains):</b>				
Depreciation	8,604	5,634	14,791	11,318
Amortization of intangible assets	4,762	1,804	6,870	3,607
Losses (gains), net on disposal of property, plant and equipment	215	13	379	48
Net depreciation, amortization, and losses (gains)	13,581	7,451	22,040	14,973
Operating loss	(15,656)	) (2,149)	) (25,306)	) (6,404)
Interest expense	(4,225)	) (2,041)	) (6,277)	) (4,295)
Miscellaneous, net	387	) (237)	) (1,049)	) (380)
Loss from continuing operations before income taxes	(19,494)	) (4,427)	) (32,632)	) (11,079)
Benefit for income taxes	(6,539)	) (1,591)	) (11,562)	) (4,063)
Net loss from continuing operations	(12,955)	) (2,836)	) (21,070)	) (7,016)
Net (loss) income from discontinued operations, net of tax	(18,448)	) (399)	) (15,432)	) 3,169
Net loss	\$(31,403)	) \$(3,235)	) \$(36,502)	) \$(3,847)
<b>Net loss per basic share of common stock:</b>				
Loss from continuing operations	\$(0.15)	) \$(0.05)	) \$(0.30)	) \$(0.13)
(Loss) income from discontinued operations	(0.22)	) (0.01)	) (0.22)	) 0.06
Net loss per basic share of common stock	\$(0.37)	) \$(0.06)	) \$(0.52)	) \$(0.07)
<b>Net loss per diluted share of common stock:</b>				
Loss from continuing operations	\$(0.15)	) \$(0.05)	) \$(0.30)	) \$(0.13)
(Loss) income from discontinued operations	(0.22)	) (0.01)	) (0.22)	) 0.06
Net loss per diluted share of common stock	\$(0.37)	) \$(0.06)	) \$(0.52)	) \$(0.07)
See notes to condensed consolidated financial statements.				



Table of Contents

The E.W. Scripps Company

Condensed Consolidated Statements of Comprehensive Loss (Unaudited)

(in thousands)	Three Months Ended		Six Months Ended		
	June 30, 2015	2014	June 30, 2015	2014	
Net loss	\$(31,403	) \$(3,235	) \$(36,502	) \$(3,847	)
Changes in fair value of derivative, net of tax of \$37, \$37, \$73 and \$74	59	59	119	118	
Changes in defined benefit pension plans, net of tax of \$1,669, \$280, \$1,211 and \$560	(2,632	) 444	(1,875	) 888	
Total comprehensive loss	\$(33,976	) \$(2,732	) \$(38,258	) \$(2,841	)
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, 2015	2014
Cash Flows from Operating Activities:		
Net loss	\$ (36,502)	) \$ (3,847)
Loss (income) from discontinued operations	15,432	) (3,169)
Loss from continuing operations	(21,070)	) (7,016)
Adjustments to reconcile net loss from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	21,661	14,925
Deferred income taxes	(9,786)	) (2,599)
Stock and deferred compensation plans	7,886	4,741
Pension expense, net of payments	6,756	2,182
Liability for withdrawal from GCIU employer retirement fund	—	4,100
Other changes in certain working capital accounts, net	(81,873)	) 5,411
Miscellaneous, net	6,810	463
Net cash (used in) provided by continuing operating activities	(69,616)	) 22,207
Net cash provided by discontinued operating activities	6,646	18,108
Net operating activities	(62,970)	) 40,315
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	2,530	(145,222)
Additions to property, plant and equipment	(8,771)	) (7,296)
Purchase of investments	(6,450)	) (1,203)
Change in restricted cash	250	1,400
Miscellaneous, net	7	580
Net cash used in continuing investing activities	(12,434)	) (151,741)
Net cash used in discontinued investing activities	(1,561)	) (895)
Net investing activities	(13,995)	) (152,636)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	200,000	—
Payments on long-term debt	(117,750)	) (1,000)
Payments of financing costs	(2,592)	) (483)
Dividends paid	(59,523)	) —
Repurchase of Class A Common shares	(2,683)	) (21,237)
Proceeds from employee stock options	5,539	8,876
Tax payments related to shares withheld for RSU vesting	(5,037)	) (3,837)
Miscellaneous, net	1,972	249
Net cash provided by (used in) continuing financing activities	19,926	(17,432)
Net cash provided by (used in) discontinued financing activities	—	—
Net financing activities	19,926	(17,432)
Decrease in cash and cash equivalents	(57,039)	) (129,753)
Cash and cash equivalents:		
Beginning of year	158,459	221,255
End of period	\$ 101,420	\$ 91,502

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

Supplemental Cash Flow Disclosures

Interest paid	\$5,319	\$1,972
Income taxes paid	\$13,970	\$367

See notes to condensed consolidated financial statements.

F-5

---

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

(in thousands, except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Loss)	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
As of December 31, 2013	\$560	\$509,243	\$ 116,893	\$ (80,923 )	\$ 1,964	\$547,737
Net loss	—	—	(3,847 )	—	(199 )	(4,046 )
Changes in defined benefit pension plans	—	—	—	888	—	888
Changes in fair value of derivative	—	—	—	118	—	118
Repurchase 1,181,560 Class A Common shares	(12 )	(12,496 )	(8,729 )	—	—	(21,237 )
Compensation plans: 1,352,813 net shares issued *	14	9,929	—	—	—	9,943
As of June 30, 2014	\$562	\$506,676	\$ 104,317	\$ (79,917 )	\$ 1,765	\$533,403
As of December 31, 2014	\$570	\$525,456	\$ 118,693	\$ (126,443 )	\$ 1,657	\$519,933
Net loss	—	—	(36,502 )	—	—	(36,502 )
Changes in defined benefit pension plans	—	—	—	(1,875 )	—	(1,875 )
Changes in fair value of derivative	—	—	—	119	—	119
Cash dividends: declared and paid — \$1.03 per share	—	—	(59,523 )	—	—	(59,523 )
Shares issued for acquisition: 26,350,993 shares issued	263	635,737	—	—	—	636,000
Spin-off of Newspapers	—	—	(138,828 )	2,326	(1,657 )	(138,159 )
Repurchase 115,819 Class A Common shares	(1 )	(1,226 )	(1,456 )	—	—	(2,683 )
Compensation plans: 1,015,549 net shares issued *	10	7,570	—	—	—	7,580
As of June 30, 2015	\$842	\$1,167,537	\$ (117,616 )	\$ (125,873 )	\$ —	\$924,890

\* Net of tax payments related to shares withheld for vested stock and RSUs of \$5,037 in 2015 and \$3,837 in 2014.

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 2014 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 diverse 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 web, smartphones and tablets. Our media businesses are organized into the following reportable business segments: television, radio, digital and syndication and other. Additional information for our business segments is presented in the Condensed Notes to Consolidated Financial Statements.

On April 1, 2015, we distributed our newspaper business to our shareholders in a tax-free spin-off. See Note 17 for additional information on the spin-off.

**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 and retransmission fees received from cable operators and satellite carriers.

The revenue recognition policies for each source of revenue are described in our 2014 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 Annual Report on Form 10-K for the year ended December 31, 2014. The Plan provides for the award of incentive and nonqualified stock options, stock appreciation rights, restricted stock units (RSUs), unrestricted Class A Common shares and performance units to key employees and non-employee directors.



Share-based compensation costs totaled \$4.5 million and \$1.4 million for the second quarter of 2015 and 2014, respectively, of which \$0.3 million of second quarter 2014 is included in discontinued operations. Year-to-date share-based

F-7

---

Table of Contents

compensation costs totaled \$6.4 million and \$4.7 million in 2015 and 2014, respectively, of which \$0.2 million and \$1.1 million are included in discontinued operations, respectively.

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 Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Numerator (for basic and diluted earnings per share)				
Net loss from continuing operations	\$(12,955)	\$(2,836)	\$(21,070)	\$(7,016)
Less income allocated to RSUs	—	—	—	—
Numerator for basic and diluted earnings per share from continuing operations	\$(12,955)	\$(2,836)	\$(21,070)	\$(7,016)
Denominator				
Basic weighted-average shares outstanding	83,903	56,043	70,692	56,063
Effect of dilutive securities:				
Stock options held by employees and directors	—	—	—	—
Diluted weighted-average shares outstanding	83,903	56,043	70,692	56,063
Anti-dilutive securities <sup>(1)</sup>	2,230	3,746	2,230	3,746

<sup>(1)</sup> Amount outstanding at balance sheet date, before application of the treasury stock method and not weighted for period outstanding.

For the quarters and periods ended June 30, 2015 and 2014, we incurred a net loss and the inclusion of RSUs and stock options held by employees and directors would have been anti-dilutive, and accordingly the diluted EPS calculation for the period excludes those common share equivalents.

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 are 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 (loss) and reclassified to earnings when the effects of the item being hedged are recognized in 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, or the underlying hedged transaction is no longer likely to occur, or the hedge designation is removed, or the derivative is terminated, the hedge accounting discussed above is discontinued.

## 2. Recently Adopted Standards and Issued Accounting Standards

Recently Issued Accounting Standards — In August 2014, the Financial Accounting Standards Board (FASB) issued new guidance related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

F-8

---

Table of Contents

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. Early adoption is permitted in 2017. We are currently assessing the impact this new guidance will have on our consolidated financial statements and have not yet determined a transition method.

In April 2014, the FASB issued new guidance on reporting and disclosure requirements as they relate to discontinued operations. With the new guidance, a disposal of a component or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The amendments in this update are effective for all disposals, or classifications as held for sale, of components of an entity that occur within annual reporting periods beginning on or after December 15, 2014 and interim periods within those years. We adopted this guidance effective January 1, 2015.

## 3. Acquisitions

## Journal Communications Broadcast Group

On April 1, 2015, we acquired the broadcast group owned by Journal Communications, Inc. ("Journal") as part of the transactions described in Footnote 17. The businesses acquired included 12 television stations and 34 radio stations. We issued 26.4 million Scripps Class A common shares to the Journal shareholders in exchange for their interest in Journal resulting in a purchase price of \$636 million. The fair value of the shares issued was determined on the basis of the closing market price of our common shares on April 1, 2015, the acquisition date.

Pending the finalization of third-party valuations and other items, the following table summarizes the preliminary fair values of the assets acquired and the liabilities assumed:

(in thousands)

Assets:	
Cash	\$2,530
Accounts receivable	48,008
Other current assets	2,310
Property, plant and equipment	123,264
Intangible assets	295,000
Goodwill	448,785
Other long-term assets	5,268
Assets held for sale	14,500
Total assets acquired	939,665
Accounts payable and accrued liabilities	44,514
Employee benefit obligations	85,261
Deferred tax liability	42,854
Long-term debt	126,873
Other long-term liabilities	4,163
Net purchase price	\$636,000

Of the \$295 million allocated to intangible assets, \$112 million was for FCC licenses which we determined to have an indefinite life and therefore are not amortized. The remaining balance of \$183 million was allocated to television network affiliation relationships and advertiser relationships with estimated amortization periods of 10 to 20 years.

The goodwill of \$449 million arising from the transaction consists largely of synergies and economies of scale and other benefits of a larger broadcast footprint. The goodwill will be allocated to our television, radio and digital segments once the

F-9

---

Table of Contents

final allocation is completed. We treated the transaction as a stock acquisition for income tax purposes resulting in no step-up in the assets acquired. The goodwill is not deductible for income tax purposes.

Concurrent with the acquisition of the Journal television stations, due to FCC conflict ownership rules, we are required to dispose of KNIN located in Boise, ID. We have entered into an agreement to sell KNIN to Raycom Media, Inc. for \$14.5 million. The sale is expected to close by the end of the year, subject to final regulatory approval. We will not recognize a gain or loss on this transaction. The assets of this station are classified as held for sale in our balance sheet at June 30, 2015.

## Granite Broadcasting

On June 16, 2014, we closed our acquisition of two television stations owned by Granite Broadcasting Corporation — the Detroit MyNetworkTV affiliate WMYD-TV and the Buffalo, N.Y. ABC affiliate WKBW-TV ("Acquired Granite Stations") — for \$110 million in cash. The acquisition of WMYD-TV created a duopoly with our Detroit ABC affiliate WXYZ-TV.

We finalized the determination of fair values of the assets acquired and the liabilities assumed in the fourth quarter of 2014. There were no material changes in the fair values of the assets acquired and the liabilities assumed from the preliminary amounts. The following table summarizes their final fair values.  
(in thousands)

Assets:	
Property, plant and equipment	\$ 12,025
Intangible assets	53,500
Goodwill	44,715
Total assets acquired	110,240
Current liabilities	240
Net purchase price	\$ 110,000

Of the \$54 million allocated to intangible assets, \$34 million was for FCC licenses which we determined to have an indefinite life and therefore are not amortized. The remaining balance of \$19 million was allocated to television network affiliation relationships and advertiser relationships with estimated amortization periods of 10 to 20 years.

The goodwill of \$45 million arising from the transaction consists largely of synergies and economies of scale and other benefits of a larger broadcast footprint, as well as synergies from being able to create a duopoly in our Detroit market. We allocated the goodwill to our television segment. We treated the transaction as an asset acquisition for income tax purposes resulting in a step-up in the assets acquired. The goodwill is deductible for income tax purposes.

Pro forma results of operations, assuming the Granite and Journal transactions (collectively the "Acquired Stations") had taken place at the beginning of 2013 and 2014, respectively, are included in the following table. The pro forma information includes the historical results of operations of Scripps and the Acquired Stations and adjustments for additional depreciation and amortization of the assets acquired, additional interest expense related to the financing of the transaction and reflecting the transaction costs incurred in 2015 as if they were incurred in the first quarter of 2014. The weighted average shares utilized in calculating the earnings per share assumes that the shares issued to the Journal shareholders were issued on January 1, 2014. The pro forma information does not include efficiencies, cost reductions or synergies expected to result from the acquisition. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have occurred had the acquisition been completed at the beginning of the period.



Table of Contents

(in thousands, except per share data) (unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Operating revenues	\$ 198,134	\$ 193,799	\$ 383,619	\$ 367,476
Income (loss) from continuing operations attributable to the shareholders of The E.W. Scripps Company	9,308	5,599	6,578	(24,679 )
Income (loss) per share from operations attributable to the shareholders of The E.W. Scripps Company:				
Basic	\$0.11	\$0.07	\$0.08	\$(0.30 )
Diluted	0.11	0.07	0.08	(0.30 )

## Media Convergence Group

On January 1, 2014 we completed our acquisition of Media Convergence Group, Inc., which operates as Newsy, a digital video news provider, for \$35 million in cash, plus a working capital adjustment of \$0.2 million.

We finalized the determination of fair values of the assets acquired and the liabilities assumed in the fourth quarter of 2014. There were no material changes in the fair values of the assets acquired and the liabilities assumed from the preliminary amounts. The following table summarizes their final fair values.  
(in thousands)

Assets:	
Accounts receivable	\$640
Other assets	74
Equipment and software	631
Intangible assets	5,900
Goodwill	28,983
Total assets acquired	36,228
Current liabilities	116
Long-term deferred liability	890
Net purchase price	\$35,222

Of the \$6 million allocated to intangible assets, \$4 million was allocated to customer relationships with an estimated amortization period of 5 years and the balance of \$2 million was allocated to various other intangible assets.

The goodwill of \$29 million arising from the transaction consists largely of the benefit we will derive from being able to enter the digital video market with an established business. We allocated the goodwill to our syndication and other segment. We treated the transaction as a purchase of stock for income tax purposes with no step-up in the assets acquired. The goodwill is not be deductible for income tax purposes. We are not presenting any pro forma results of operations since the impact of the acquisition is not material to prior year results of operations.

## Geoterrestrial

On September 16, 2014, we completed our acquisition of Geoterrestrial, Inc. ("WeatherSphere") for \$4 million. WeatherSphere is a provider of weather-related mobile apps. The stock purchase agreement includes an earnout provision, whereby up to an additional \$2.5 million may be payable over a three year period. We have estimated the



fair value of the earnout to be \$1.2 million. We are not presenting any pro forma results of operations since the impact of the acquisition is not material to prior periods results of operations.

#### 4. 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.

F-11

---

## Table of Contents

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, 2015 and 2014 was 35.4% and 36.7%, respectively. The primary reason for the difference between these rates and the U.S. federal statutory rate of 35% is the impact of state taxes, non-deductible expenses (including a portion of transaction expense related to the Journal transactions) and adjustments to reserves for uncertain tax positions (including interest).

Deferred tax assets totaled \$33.5 million at June 30, 2015. Management believes that it is more likely than not that we will realize the benefits of our federal deferred tax assets and therefore has not recorded a valuation allowance for our federal deferred tax assets. If economic conditions worsen, future estimates of taxable income could be lower than our current estimates which may require valuation allowances to be recorded in future reporting periods.

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.

During the periods ended June 30, 2015 and 2014, deferred tax assets relating to employee share-based compensation from the vesting of RSU's and the exercise of stock options have not been recognized since we are in a net tax loss position for both periods. The additional tax benefits will be reflected as net operating loss carryforwards when we file our tax returns, but the additional tax benefits are not recorded under GAAP until the tax deduction reduces taxes payable. When the benefit is recognized, it will be recorded as additional paid-in capital. The amount of unrecognized tax deductions for the six months ended June 30, 2015 and 2014 was approximately \$25 million.

### 5. Other Charges and Credits

Loss from operations was affected by the following:

Acquisition and related integration costs of \$30.0 million and \$32.7 million for the three and six months ended June 30, 2015, respectively includes costs for spinning off our newspaper operations and merging with Journal's broadcast business. The prior year amount is primarily for the acquisition of the Granite television stations.

### 6. Restricted Cash

At June 30, 2015 and December 31, 2014, we had \$6.6 million and \$6.8 million, respectively, 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.



Table of Contents

## 7. Goodwill and Other Intangible Assets

Goodwill was as follows:

(in thousands)

Gross balance as of December 31, 2014	\$ 106,261
Accumulated impairment losses	—
Net balance as of December 31, 2014	106,261
2015 Journal acquisition	448,785
Balance as of June 30, 2015	\$ 555,046
Gross balance as of June 30, 2015	\$ 555,046
Accumulated impairment losses	—
Net balance as of June 30, 2015	\$ 555,046

Due to the acquisition of Journal's broadcast business during the second quarter of 2015, our purchase price allocation for goodwill is pending the finalization of third-party valuation.

Other intangible assets consisted of the following:

(in thousands)	As of June 30, 2015	As of December 31, 2014
Amortizable intangible assets:		
Carrying amount:		
Television network affiliation relationships	\$ 248,444	\$ 93,944
Customer lists and advertiser relationships	48,900	20,000
Other	4,019	4,019
Total carrying amount	301,363	117,963
Accumulated amortization:		
Television network affiliation relationships	(18,375	) (14,092
Customer lists and advertiser relationships	(9,678	) (7,765
Other	(1,739	) (1,062
Total accumulated amortization	(29,792	) (22,919
Net amortizable intangible assets	271,571	95,044
Other indefinite-lived intangible assets — FCC licenses	203,815	92,215
Total other intangible assets	\$ 475,386	\$ 187,259

Estimated amortization expense of intangible assets for each of the next five years is \$9.8 million for the remainder of 2015, \$19.3 million in 2016, \$16.9 million in 2017, \$16.9 million in 2018, \$16.0 million in 2019, \$16.0 million in 2020, and \$176.7 million in later years.

Table of Contents

## 8. Long-Term Debt

Long-term debt consisted of the following:

(in thousands)	As of June 30, 2015	As of December 31, 2014
Variable rate credit facility	\$—	\$—
Term loan	396,500	198,000
Unsecured Subordinated Notes Payable	10,623	—
Long-term debt	407,123	198,000
Current portion of long-term debt	6,656	2,000
Long-term debt (less current portion)	\$400,467	\$196,000
Fair value of long-term debt *	\$405,800	\$194,000

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

## Financing Agreement

On April 1, 2015, we entered into a \$500 million second amended revolving credit and term loan agreement ("Second Amended Financing Agreement") to amend the terms of our existing revolving credit and term loan agreement ("Amended Financing Agreement"), to add an incremental \$200 million term loan B borrowing and to increase the line of credit by \$25 million. The Second Amended Financing Agreement includes a \$400 million term loan B maturing in November 2020 and a \$100 million revolving credit facility maturing in November 2018.

The Second Amended Financing Agreement includes the maintenance of a net leverage ratio if we borrow more than 20% on the revolving credit facility. The term loan B requires that if we borrow additional amounts or make a permitted acquisition that we cannot exceed a stated net leverage ratio on a pro forma basis at the date of the transaction.

Interest is payable on the term loan B at rates based on LIBOR with a 0.75% floor, plus a fixed margin of 2.75%. Interest is payable on the revolving credit facility at rates based on LIBOR plus a margin based on our leverage ratio ranging from 2.25% to 2.75%. As of June 30, 2015 and December 31, 2014, the interest rate was 3.5% and 3.25%, respectively, on the term loan B. The Second Amended Financing Agreement in certain circumstances requires that we must use a portion of excess cash flow to repay debt. As of June 30, 2015, we were not required to make additional principal payments based on excess cash flow. The weighted-average interest rate on borrowings was 3.37% and 3.25% for the six months ended June 30, 2015 and 2014, respectively.

Scheduled principal payments on long-term debt at June 30, 2015 are: \$2.0 million for the remainder of 2015, \$4.0 million in 2016, \$4.0 million in 2017, \$4.0 million in 2018, \$4.0 million in 2019 and \$378.5 million in 2020.

Under the terms of the Second Amended Financing Agreement, 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.

The Second Amended Financing Agreement allows us to make restricted payments (dividends and share repurchases) up to \$70 million plus additional amounts based on our financial results and condition. We can also make additional

stock repurchases equal to the amount of proceeds that we receive from the exercise of stock options held by our employees. Additionally, we can make acquisitions as long as the pro forma net leverage ratio is less than 4.5 to 1.0.

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, 2015 and December 31, 2014, we had outstanding letters of credit totaling \$1.9 million and \$0.2 million, respectively.

#### Unsecured Subordinated Notes Payable

The unsecured subordinated promissory notes bear interest at a rate of 7.25% per annum payable quarterly. The notes are payable in equal annual installments of \$2.7 million on September 30 of each of 2015, 2016, 2017 and 2018, with no prepayment right.

### 9. Financial Instruments

We are exposed to various market risks, including changes in interest rates. To manage risks associated with the volatility of changes in interest rates, we may enter into interest rate management instruments.

We may utilize interest rate swaps to manage our interest expense exposure by fixing our interest rate on portions of our floating rate term loan. We have entered into a \$75 million notional value interest rate swap expiring in December 2016 which provides for a fixed interest rate of 1.08%. We did not provide or receive any collateral for this contract. The fair value of this financial derivative, which was designated as and qualified as a cash flow hedge through November 2013, is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves and implied volatilities. In addition, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk.

#### Fair Value of Derivative Instruments

The notional amounts and fair values of derivative instruments are shown in the table below:

(in thousands)	As of June 30, 2015			As of December 31, 2014		
	Notional amount	Fair value Asset	Liability <sup>(1)</sup>	Notional amount	Fair value Asset	Liability <sup>(1)</sup>
Undesignated derivatives:						
Interest rate swap	\$75,000	\$—	\$581	\$75,000	\$—	\$471

<sup>(1)</sup> Balance recorded as other liabilities in Condensed Consolidated Balance Sheets

Through November 2013, the above derivative instrument was designated as and qualified as a cash flow hedge and the effective portion of the unrealized gains and losses on the derivative was reported as a component of accumulated other comprehensive loss and reclassified into earnings in the periods during which the hedged transactions affected earnings. Upon refinancing our term loan in November 2013, this hedge no longer qualified as a cash flow hedge and gains and losses on the derivative are recorded in current period earnings. The balance in accumulated other comprehensive loss at the date of discontinuance of hedge accounting is being amortized into earnings on a straight-line basis through December 2016. For the period ended June 30, 2015, approximately \$0.2 million was amortized into earnings from accumulated other comprehensive loss and is included in the table below as amounts reclassified from accumulated OCL, gain/(loss).

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

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Amounts reclassified from accumulated OCL, gain/(loss)	96	96	192	192
Gain/(loss) on derivative	64	(111	) (110	) (62

F-14

---

Table of Contents

## 10. Fair Value Measurement

We measure certain financial assets and liabilities at fair value on a recurring basis, such as cash equivalents and derivatives. The fair value of these financial assets and liabilities was determined based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. These levels of input are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly.

Level 3 — Unobservable inputs based on our own assumptions.

The following tables set forth our assets and liabilities that are measured at fair value on a recurring basis at June 30, 2015 and December 31, 2014:

(in thousands)	As of June 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets/(Liabilities):				
Cash equivalents	\$5,000	\$5,000	\$—	\$—
Interest rate swap	(581	) —	(581	) —

(in thousands)	As of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets/(Liabilities):				
Cash equivalents	\$10,000	\$10,000	\$—	\$—
Interest rate swap	(471	) —	(471	) —

## 11. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of June 30, 2015	As of December 31, 2014
Employee compensation and benefits	\$17,846	\$15,914
Liability for pension benefits	229,397	136,429
Liabilities for uncertain tax positions	6,845	6,741
Other	22,130	10,087
Other liabilities (less current portion)	\$276,218	\$169,171



Table of Contents

## 12. 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, 2015	2014
Other changes in certain working capital accounts, net		
Accounts and notes receivable	\$(24,368	) \$2,519
Transition services receivable, net	(17,889	) —
Income taxes receivable/payable, net	(14,193	) (235
Accounts payable	(14,124	) 424
Accrued employee compensation and benefits	260	1,243
Other accrued liabilities	(7,684	) 2,779
Other, net	(3,875	) (1,319
Total	\$(81,873	) \$5,411

## 13. Employee Benefit Plans

We sponsor various noncontributory defined benefit pension plans covering substantially all full-time employees that began employment prior to June 30, 2008. Benefits earned by employees are generally based upon employee compensation and years of service credits. We also have a non-qualified Supplemental Executive Retirement Plan ("SERP"). Effective June 30, 2009, we froze the accrual of benefits under our defined benefit pension plans and our SERP that cover the majority of our employees.

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. In connection with freezing the accrual of service credits under certain of our defined benefit pension plans, we began contributing additional amounts (referred to as transition credits) to certain employees' defined contribution retirement accounts in 2011. These transition credits, which will be made through the end of 2015, are determined based upon the employee's age, compensation and years of service. 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, 2015	2014	June 30, 2015	2014
Service cost	\$—	\$22	\$—	\$43
Interest cost	8,179	6,277	14,628	12,555
Expected return on plan assets, net of expenses	(6,624	) (5,859	) (11,709	) (11,718
Amortization of actuarial loss	1,204	641	2,336	1,283
Curtailement	1,080	—	1,080	—
Total for defined benefit plans	3,839	1,081	6,335	2,163
Multi-employer plans	38	105	97	224
Withdrawal from GCIU multi-employer plan	—	4,100	—	4,100
SERP	281	296	547	592
Defined contribution plans	2,360	3,056	5,711	6,216
Net periodic benefit cost	6,518	8,638	12,690	13,295
Allocated to discontinued operations	—	(1,332	) (1,096	) (2,541
Net periodic benefit cost — continuing operations	\$6,518	\$7,306	\$11,594	\$10,754



## Table of Contents

We contributed \$0.2 million to fund current benefit payments for our SERP during the six months ended June 30, 2015. We anticipate contributing an additional \$0.6 million to fund the SERP's benefit payments during the remainder of 2015. No contributions were made to our defined benefit pension plans during the first half of 2015. A one-time curtailment charge of \$1.1 million was recorded to our pension obligations in the second quarter of 2015 related to our defined benefit pension plan. We also remeasured the liabilities as a result of the newspaper spin-off on April 1, 2015.

We participate in multi-employer pension plans that cover certain employees that are members of unions or trade associations that have a collective bargaining agreement with us. In 2014, unions ratified our plan to withdraw from the Graphics Communication International Union (GCIU) Employer Retirement Fund. Upon ratification of the agreement, we estimated the undiscounted liability to be approximately \$6.5 million and recorded a liability of \$4.1 million in 2014 for the present value withdrawal liability. Once we reach a final agreement with the GCIU, we either will pay the liability in a lump sum or make equal monthly installments over 20 years.

### 14. 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 15 ABC affiliates, five NBC affiliates, two FOX affiliates, two CBS affiliates and four non big four affiliated stations. We also own five Azteca America affiliates. Our television stations reach approximately 18% of the nation's television households. Television stations earn revenue primarily from the sale of advertising time to local and national advertisers and retransmission fees received from cable operators and satellite carriers.

Our radio segment consists of 34 radio stations in eight markets. We operate 28 FM stations and six AM stations. In five of our markets, we operate both television and radio stations. Radio stations earn revenue primarily from the sale of advertising to local advertisers.

Our digital segment supports the digital operations for our television and radio businesses. It also includes the operations of national digital businesses such as Newsy, a digital video news service, and WeatherSphere, a provider of weather-related mobile apps. Our digital operations earn revenue primarily through the sale of advertising, marketing services and app downloads and subscriptions.

Syndication and other primarily includes the syndication of news features and comics and other features for the newspaper industry.

We allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits and other 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 (other than current service cost), 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.

Effective April 1, 2015, we began reporting our digital operations as a segment. We have recast the operating results for television, syndication and other and shared services and corporate in prior periods to reflect this change.

Table of Contents

Information regarding our business segments is as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Segment operating revenues:				
Television	\$167,394	\$111,349	\$281,612	\$209,086
Radio	19,413	—	19,413	—
Digital	8,602	5,445	14,837	10,681
Syndication and other	2,725	2,902	5,295	5,233
Total operating revenues	\$198,134	\$119,696	\$321,157	\$225,000
Segment profit (loss):				
Television	\$44,596	\$28,650	\$66,650	\$49,836
Radio	4,908	—	4,908	—
Digital	(4,917	) (6,473	) (9,571	) (11,271
Syndication and other	(1,062	) (881	) (657	) (556
Shared services and corporate	(11,507	) (10,736	) (25,043	) (22,599
Defined benefit pension plan expense	(4,120	) (1,319	) (6,806	) (2,640
Acquisition and related integration costs	(29,973	) (3,939	) (32,747	) (4,201
Depreciation and amortization of intangibles	(13,366	) (7,438	) (21,661	) (14,925
(Losses) gains, net on disposal of property, plant and equipment	(215	) (13	) (379	) (48
Interest expense	(4,225	) (2,041	) (6,277	) (4,295
Miscellaneous, net	387	(237	) (1,049	) (380
Loss from continuing operations before income taxes	\$(19,494	) \$(4,427	) \$(32,632	) \$(11,079
Depreciation:				
Television	\$7,238	\$5,028	\$12,624	\$10,139
Radio	549	—	549	—
Digital	132	92	262	179
Syndication and other	66	20	129	40
Shared services and corporate	619	494	1,227	960
Total depreciation	\$8,604	\$5,634	\$14,791	\$11,318
Amortization of intangibles:				
Television	\$4,262	\$1,600	\$6,150	\$3,199
Radio	280	—	280	—
Digital	220	204	440	408
Total amortization of intangibles	\$4,762	\$1,804	\$6,870	\$3,607
Additions to property, plant and equipment:				
Television	\$5,802	\$4,708	\$7,743	\$6,440
Radio	16	—	16	—
Digital	—	60	—	62
Syndication and other	15	42	69	68
Shared services and corporate	633	121	943	726
Total additions to property, plant and equipment	\$6,466	\$4,931	\$8,771	\$7,296
No single customer provides more than 10% of our revenue.				

Table of Contents

## 15. 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 — In May 2014, our Board of Directors authorized a new repurchase program of up to \$100 million of our Class A Common shares through December 2016. 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 authorization, we repurchased \$2.7 million of shares at prices ranging from \$21.60 to \$24.94 per share during the first half of 2015. As of June 30, 2015, we have \$97.3 million remaining for share repurchases under this authorization.

## 16. 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, 2015			Total
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	
Beginning balance, March 31, 2015	\$(419	) \$(125,120	) \$(87	) \$(125,626
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 loss, net of tax of \$1,669 <sup>(b)</sup>	—	(2,716	) 84	(2,632
Net current-period other comprehensive loss	59	(2,716	) 84	(2,573
Spin-off on Newspapers, net of tax of \$1,517	—	2,312	14	2,326
Ending balance, June 30, 2015	\$(360	) \$(125,524	) \$11	\$(125,873
(in thousands)	Three Months Ended June 30, 2014			Total
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	
Beginning balance, March 31, 2014	\$(659	) \$(79,933	) \$172	\$(80,420
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 loss, net of tax of \$280 <sup>(b)</sup>	—	444	—	444
Net current-period other comprehensive income	59	444	—	503
Ending balance, June 30, 2014	\$(600	) \$(79,489	) \$172	\$(79,917

Table of Contents

(in thousands)	Six Months Ended June 30, 2015			Total
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	
Beginning balance, December 31, 2014	\$(479	) \$(125,877	) \$(87	) \$(126,443
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss				
Interest rate swap, net of tax of \$73 <sup>(a)</sup>	119			119
Actuarial loss, net of tax of \$1,211 <sup>(b)</sup>		(1,959	) 84	(1,875
Net current-period other comprehensive income	119	(1,959	) 84	(1,756
Spin-off on Newspapers, net of tax of \$1,517	—	2,312	14	2,326
Ending balance, June 30, 2015	\$(360	) \$(125,524	) \$11	\$(125,873

(in thousands)	Six Months Ended June 30, 2014			Total
	Gains and Losses on Derivatives	Defined Benefit Pension Items	Other	
Beginning balance, December 31, 2013	\$(718	) \$(80,377	) \$172	\$(80,923
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 loss, net of tax of \$560 <sup>(b)</sup>	—	888	—	888
Net current-period other comprehensive income	118	888	—	1,006
Ending balance, June 30, 2014	\$(600	) \$(79,489	) \$172	\$(79,917

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

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

#### 17. Journal Broadcast Merger and Newspaper Spin-off (Discontinued Operations)

On July 30, 2014, Scripps and Journal Communications, Inc. ("Journal") agreed to merge their broadcast operations and spin-off their newspaper businesses and combine them into a separate publicly traded company. On April 1, 2015, Scripps and Journal separated their respective newspaper businesses and merged them, resulting in each becoming a wholly owned subsidiary of Journal Media Group, Inc. Journal Media Group is headquartered in Milwaukee and combines the 13 Scripps newspapers with Journal's Milwaukee Journal Sentinel. The company has approximately 3,600 employees. Journal's broadcast business was then merged with Scripps.

The merged broadcast and digital media company, based in Cincinnati, retains The E.W. Scripps Company name and continues to be controlled by the Scripps family. The company's television operations reaches approximately 18% of all U.S. television households and has approximately 4,000 employees across its television, radio and digital media operations.

As part of the transactions, Scripps' shareholders received a \$60 million special cash dividend on April 1, 2015.

On April 1, 2015, we entered into a Second Amended and Restated Revolving Credit and Term Loan Agreement ("New Financing Agreement") which amends and restates the Amended Revolving Credit and Term Loan Agreement dated November 26, 2013. The New Financing Agreement includes an incremental \$200 million term loan, which is due November 2020. It also increased the revolving credit facility by \$25 million to \$100 million, which is due November 2018. The proceeds from the incremental \$200 million loan were used to pay off the \$116 million existing Journal term loan, fund the \$60 million special cash dividend for Scripps shareholders and pay for transaction expenses.

F-20

---

Table of Contents

Until the completion of the spin-off of our Newspaper business, generally accepted accounting principles (“GAAP”) required us to assess impairment of the newspaper business long-lived assets using the held-and-used model. Under this model, if the expected cash flows over the life of the primary asset of the reporting unit are in excess of the carrying amount there is no impairment. Under this model no impairment charges were recorded at March 31, 2015. At the date of the spin-off of our newspaper business, GAAP required us to assess impairment using the held-for-sale model. This model compares the fair value of the disposal unit to its carrying value and if the fair value is lower, then an impairment loss is recorded. Our analysis determined that as of April 1, 2015 there was a non-cash impairment loss on disposal of the newspaper business of \$30 million which was recorded on the date of the spin-off, April 1, 2015 which is included in discontinued operations.

As a result of the spin-off, Scripps Newspapers has been presented as discontinued operations in the financial statements for all periods presented.

In connection with the transactions, certain agreements between Scripps and Journal Media Group, Inc. became effective, including a Tax Matters Agreements and a Transition Services Agreement.

The Transition Services Agreement provides for Scripps and Journal Media Group to provide services to each other on a compensated arms-length basis for a period generally not beyond March 31, 2016. For the three months ended June 30, 2015, we were paid \$1.4 million from Journal Media Group and we paid Journal Media Group \$0.5 million for services. Scripps continues to process and fund payrolls for its former newspaper employees and Journal continues to process and fund payrolls for its former broadcast employees. In addition, during the initial transition period each has paid various invoices for the other party. As of June 30, 2015, Scripps is owed \$18 million from Journal Media Group.

The Tax Matters Agreements sets forth the allocations and responsibilities of Scripps and Journal Media Group with respect to liabilities for federal, state and local income taxes for periods before and after the spin-off, disputes with taxing authorities and indemnification of income taxes that would become due if the spin-off were taxable. Generally Scripps is responsible for taxes prior to the separation and Journal Media Group will be responsible for taxes for periods after the separation of their respective businesses.

Operating results of our discontinued operations were as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Operating revenues	\$—	\$92,250	\$91,478	\$190,740
Total costs and expenses	(240)	) (84,637	) (79,517	) (172,602
Depreciation and amortization of intangibles	—	) (4,166	) (3,608	) (8,441
Other, net	—	) (4,481	) (3,298	) (4,840
Loss on disposal of Scripps Newspapers	(30,000	) —	(30,000	) —
Income (loss) on discontinued operations before income taxes	(30,240	) (1,034	) (24,945	) 4,857
Benefit (provision) for income taxes	11,792	436	9,513	(1,887
Net income (loss) from discontinued operations	(18,448	) (598	) (15,432	) 2,970
Noncontrolling interest	—	) (199	) —	) (199
Net income (loss) from discontinued operations	\$(18,448	) \$(399	) \$(15,432	) \$3,169

The Company incurred certain non-recurring costs directly related to the spin-off of our newspapers of \$30 million and \$36 million for the quarter and six months ended June 30, 2015, respectively. Accounting and other professional



and consulting fees directly related to the newspaper spin-off of \$3 million were allocated to discontinued operations in the Condensed Consolidated Statements of Operations. The remaining amount of \$33 million was recorded in earnings from continuing operations for the six months ended June 30, 2015.

F-21

---

Table of Contents

The following table presents a summary of the net assets distributed on April 1, 2015 and the amounts included in discontinued operations as of December 31, 2014.

(in thousands)	As of April 1, 2015	As of December 31, 2014
Assets:		
Total current assets	\$44,786	\$46,507
Property, plant and equipment	155,047	185,548
Intangible assets	—	2,001
Other assets	11,518	2,018
Total assets included in the disposal group	211,351	236,074
Liabilities:		
Total current liabilities	47,664	47,642
Deferred income taxes	16,520	16,666
Other liabilities	9,008	13,089
Total liabilities included in the disposal group	73,192	77,397
Net assets included in the disposal group	\$138,159	\$158,677

## 18. Contingencies

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.

Scripps and members of the Board of Directors of Journal Communications, Inc. ("Journal") were defendants in a class action lawsuit filed in Circuit Court, Milwaukee County, Wisconsin (Howard Goldfinger v. Journal Communications, Inc., et al.). The plaintiff in the lawsuit alleged that the directors of Journal breached their fiduciary duties to Journal shareholders in connection with the proposed transactions between Scripps and Journal and that the other parties to the lawsuit aided and abetted such alleged breaches of fiduciary duty. On November 12, 2014, the Circuit Court entered an order dismissing this lawsuit.

On January 6, 2015, the plaintiff in the above-referenced lawsuit filed a putative class action lawsuit in the United States District Court for the Eastern District of Wisconsin (Howard Goldfinger v. Journal Communications, Inc., et al.), naming Scripps, Journal, the Board of Directors of Journal, and certain subsidiaries of Scripps and Journal as defendants. The plaintiff asserted disclosure claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as well as state common law claims for breaches of fiduciary duty and aiding and abetting breaches of fiduciary duty. On May 8, 2015, the District Court entered an order dismissing this lawsuit.

## 19. Subsequent Events

On July 22, 2015, we acquired Midroll Media, a Los Angeles-based company that creates original podcasts and operates a network that creates more than 200 shows, including "StartUp" and "Nerdist." The purchase price is \$50 million in cash, plus a \$10 million earnout provision.

## 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. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' tastes; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. 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 diverse media enterprise with interests in television and radio stations, and local and national digital media sites. We serve audiences and businesses through a growing portfolio of television and digital media brands. We also operate an expanding collection of local and national digital journalism and information businesses including our digital video news service, Newsy, and weather app developer, WeatherSphere. We also produce television programming, run an award-winning investigative reporting newsroom in Washington, D.C., and serve as the longtime steward of one of the nation's largest, most successful and longest-running educational programs, the Scripps National Spelling Bee.

On July 30, 2014, Scripps and Journal Communications, Inc. ("Journal") agreed to merge their broadcast operations and spin-off their newspaper businesses into a separate publicly traded company. The transactions closed on April 1, 2015. Upon completion of the transactions, Scripps shareholders received 0.25 shares of common stock of Journal Media Group for each share of Scripps stock. A \$60 million special cash dividend, which was approximately \$1.00 per share, was also paid to the Scripps shareholders. Journal shareholders received 0.195 shares of common stock of Journal Media Group and 0.5176 class A common shares of Scripps for each share of Journal stock.

Journal Media Group ("JMG") combined the 13 Scripps newspapers with Journal's Milwaukee Journal Sentinel. JMG has approximately 3,600 employees and is headquartered in Milwaukee. Scripps Newspapers operations are included in our operating results for the quarters ended March 31, 2015 and 2014. In accordance with generally accepted accounting principals, the results of the newspaper operations are presented as discontinued operations in the second quarter of 2015, when the spin-off was completed.

The merged broadcast operations, which retain The E.W. Scripps Company name, is one of the nation's largest independent TV station ownership groups, reaching nearly one in five U.S. television households serving 27 markets. The company has approximately 4,000 employees across its television, radio and digital media operations. The merger enhances our national broadcast footprint and expands our affiliations to all of the big four networks.

The merger with the Journal broadcast business further leverages Scripps' digital investments, adding large and attractive markets to the portfolio. The company is expecting to build and launch market-leading digital brands that serve growing digital media audiences in addition to supporting the on-air local news brands. Further, the company expects to benefit from the new geographic markets with the national reach of digital brands, such as Newsy and WeatherSphere.

We continued our expansion of our digital business with the July 22, 2015, acquisition of Midroll Media, a Los Angeles-based company that creates original podcasts and operates a network that sells advertising for more than 200 shows, including “StartUp” and “Nerdist.” The purchase price was \$50 million in cash, plus a \$10 million earnout provision.

F-23

---

Table of Contents

## 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.

## Consolidated Results of Operations

Consolidated results of operations were as follows:

(in thousands)	Three Months Ended June 30,			Six months ended June 30,		
	2015	Change	2014	2015	Change	2014
Operating revenues	\$198,134	65.5	% \$119,696	\$321,157	42.7	% \$225,000
Employee compensation and benefits	(91,118 )	45.5	% (62,639 )	(159,480 )	28.0	% (124,581 )
Programs and program licenses	(30,914 )	124.0	% (13,802 )	(52,046 )	94.4	% (26,770 )
Other expenses	(44,084 )	34.8	% (32,695 )	(73,344 )	25.9	% (58,239 )
Defined benefit pension plan expense	(4,120 )		(1,319 )	(6,806 )		(2,640 )
Acquisition and related integration costs	(29,973 )		(3,939 )	(32,747 )		(4,201 )
Depreciation and amortization of intangibles	(13,366 )		(7,438 )	(21,661 )		(14,925 )
(Losses) gains, net on disposal of property, plant and equipment	(215 )		(13 )	(379 )		(48 )
Operating loss	(15,656 )		(2,149 )	(25,306 )		(6,404 )
Interest expense	(4,225 )		(2,041 )	(6,277 )		(4,295 )
Miscellaneous, net	387		(237 )	(1,049 )		(380 )
Loss from continuing operations before income taxes	(19,494 )		(4,427 )	(32,632 )		(11,079 )
Benefit for income taxes	6,539		1,591	11,562		4,063
Net loss from continuing operations	(12,955 )		(2,836 )	(21,070 )		(7,016 )
Net (loss) income from discontinued operations, net of tax	(18,448 )		(399 )	(15,432 )		3,169
Net loss	\$(31,403 )		\$(3,235 )	\$(36,502 )		\$(3,847 )

## Continuing Operations

The Company completed its acquisition of the Journal television and radio stations on April 1, 2015 and the acquisition of two Granite television stations on June 16, 2014, collectively referred to as the "acquired stations". The inclusion of operating results from these stations for the periods subsequent to the acquisitions impacts the comparability of our consolidated and division operating results.

Operating revenues increased 66% in the second quarter of 2015 compared to 2014 and 43% for the year-to-date period ended June 30, 2015. Television revenues increased 50% in the second quarter of 2015 primarily driven by the acquired Journal stations and by an increase in retransmission revenues from the impact of renewed contracts and annual rate increases. The acquired operations accounted for \$72 million of the increase in our revenues.

In 2014, we completed negotiations with satellite and cable television systems covering more than one-third of our subscribers in our legacy markets and our 2015 results reflect the renewal of those agreements. The increased rates in renewed agreements and contractual rate increases in existing agreements resulted in retransmission revenues more than doubling for the 2015 quarter compared to 2014 on a same-station basis.

Employee compensation and benefits increased 46% in the second quarter of 2015 and 28% for the year-to-date period ended June 30, 2015, primarily driven by the impact of the acquired stations. The second quarter of 2015 had \$3 million of increased share based compensation expense due to the timing of the issuance of the grants of our equity awards.

F-24

---

Table of Contents

Programs and program licenses increased by 124% for the three months ended June 30, 2015 and 94% for the six months ended June 30, 2015, primarily due to the acquisitions and higher network fees. The acquired stations accounted for \$8 million of the increase and higher network license fees accounted for most of the rest.

Other expenses include the following:

(in thousands)	Three Months Ended June 30,			Six months ended June 30,		
	2015	Change	2014	2015	Change	2014
Facilities rent and maintenance	\$8,662	38.4	% \$6,257	\$15,073	18.7	% \$12,702
Purchased news and content	2,227	76.7	% 1,260	3,785	45.9	% 2,595
Marketing and promotion	4,185	39.1	% 3,009	5,667	46.0	% 3,882
Miscellaneous costs	29,010	30.9	% 22,169	48,819	25.0	% 39,060
Total other expenses	\$44,084	34.8	% \$32,695	\$73,344	25.9	% \$58,239

Other expenses increased primarily as a result of the acquired stations.

Acquisition and related integration costs of \$30 million for the 2015 quarter include costs for spinning off our newspaper operations and merging with Journal's broadcast business.

Defined benefit plan expense increased year-over-year due to a \$1.1 million curtailment charge resulting from the spin-off of our newspaper business and the additional expense related to the pension obligations assumed in the Journal acquisition.

Interest expense increased year-over-year due to the increased debt related to the Journal acquisition.

The effective income tax rate was 35% and 37% for the six months ended June 30, 2015 and 2014, respectively. The impact of state and local taxes and non-deductible expenses impacted our effective rate. Certain portions of the transaction costs we incurred in connection with the Journal transactions are not deductible.

#### Discontinued Operations

Discontinued operations reflect the historical results of our newspaper operations which were spun-off on April 1, 2015. On April 1, Scripps and Journal (1) separated their newspaper businesses and then combined them through two mergers, resulting in each of them becoming a wholly owned subsidiary of Journal Media Group, Inc. and (2) merged their broadcast businesses. Journal Media Group combined the 13 Scripps newspapers with Journal's Milwaukee Journal Sentinel and Journal Community Publishing Group, Inc., which publishes several community publications principally in southeastern Wisconsin.

Upon completion of the spin-off of our Newspaper business, generally accepted accounting principles ("GAAP") required us to assess impairment of the newspaper business long-lived assets using the held-for-sale model. This model compares the fair value of the disposal unit to its carrying value and if the fair value is lower, then an impairment loss is recorded. Our analysis indicated that as of April 1, 2015 there was a non-cash impairment loss on the disposal of the newspaper business of \$30 million which was recorded on the date of the spin-off, April 1, 2015, and is included as a component of discontinued operations.

Table of Contents

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 (other than current service cost), 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.

Effective April 1, 2015, we began reporting our digital operations as a segment. We have recast the operating results for television, syndication and other and shared services and corporate in prior periods to reflect this change.

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 June 30,			Six months ended June 30,		
	2015	Change	2014	2015	Change	2014
Segment operating revenues:						
Television	\$ 167,394	50.3	% \$ 111,349	\$ 281,612	34.7	% \$ 209,086
Radio	19,413		—	19,413		—
Digital	8,602	58.0	% 5,445	14,837	38.9	% 10,681
Syndication and other	2,725	(6.1)	)% 2,902	5,295	1.2	% 5,233
Total operating revenues	\$ 198,134	65.5	% \$ 119,696	\$ 321,157	42.7	% \$ 225,000
Segment profit (loss):						
Television	\$ 44,596	55.7	% \$ 28,650	\$ 66,650	33.7	% \$ 49,836
Radio	4,908		—	4,908		—
Digital	(4,917 )	(24.0)	)% (6,473 )	(9,571 )	(15.1)	)% (11,271 )
Syndication and other	(1,062 )	20.5	% (881 )	(657 )	18.2	% (556 )
Shared services and corporate	(11,507 )	7.2	% (10,736 )	(25,043 )	10.8	% (22,599 )
Defined benefit pension plan expense	(4,120 )		(1,319 )	(6,806 )		(2,640 )
Acquisition and related integration costs	(29,973 )		(3,939 )	(32,747 )		(4,201 )
Depreciation and amortization of intangibles	(13,366 )		(7,438 )	(21,661 )		(14,925 )
(Losses) gains, net on disposal of property, plant and equipment	(215 )		(13 )	(379 )		(48 )
Interest expense	(4,225 )		(2,041 )	(6,277 )		(4,295 )
Miscellaneous, net	387		(237 )	(1,049 )		(380 )



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

Loss from continuing operations before income taxes	\$(19,494 )	\$(4,427 )	\$(32,632 )	\$(11,079 )
--	-------------	------------	-------------	-------------

F-26

---

Table of Contents

Television — Our television segment includes 15 ABC affiliates, five NBC affiliates, two FOX affiliates, two CBS affiliates and four non big four affiliated stations. We also own five Azteca America affiliates. In five of our markets, we operate both television and radio stations. Multiple properties in the same market help us to better serve advertisers, viewers and listeners and help improve our operating results. Our television stations reach approximately 18% of the nation's television households.

Our television stations earn revenue primarily from the sale of advertising time to local and national advertisers and retransmission fees received from cable operators 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 locally produced 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 June 30,			Six months ended June 30,		
	2015	Change	2014	2015	Change	2014
Segment operating revenues:						
Local	\$87,277	38.0	% \$63,239	\$146,032	22.8	% \$118,873
National	39,027	37.1	% 28,469	64,629	20.0	% 53,841
Political	2,221	(57.8	)% 5,262	2,721	(65.7	)% 7,943
Retransmission	36,495	187.4	% 12,700	64,413	155.9	% 25,174
Other	2,374	41.4	% 1,679	3,817	17.3	% 3,255
Total operating revenues	167,394	50.3	% 111,349	281,612	34.7	% 209,086
Segment costs and expenses:						
Employee compensation and benefits	63,371	35.4	% 46,792	113,429	24.6	% 91,019
Programs and program licenses	28,446	106.1	% 13,802	49,578	85.2	% 26,770
Other expenses	30,981	40.2	% 22,105	51,955	25.3	% 41,461
Total costs and expenses	122,798	48.5	% 82,699	214,962	35.0	% 159,250
Segment profit	\$44,596	55.7	% \$28,650	\$66,650	33.7	% \$49,836

The Company completed its acquisition of the Journal television on April 1, 2015 and the acquisition of the two Granite television stations on June 16, 2014. The inclusion of operating results from these transactions for the periods subsequent to the acquisitions impacts the comparability of the television division operating results.

#### Revenues

Total television revenues increased 50% in the second quarter of 2015 compared to prior year and 35% for the six months ended June 30, 2015. The Journal and Granite acquisitions accounted for \$50 million of the increase in revenues, while increased retransmission revenues drove most of the remaining growth.

In 2014, we completed negotiations with satellite and cable television systems covering more than one-third of our subscribers in our legacy markets and our 2015 results reflect the renewal of those agreements. The increased rates in renewed agreements and contractual rate increases in existing agreements resulted in retransmission revenues more than doubling for the 2015 quarter compared to 2014 on a same-station basis.

#### Costs and expenses

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

Total costs and expenses increased 48% in the second quarter of 2015 and 35% for the six-months ended June 30, 2015.

Employee compensation and benefits increased 35% for the second quarter of 2015 and 25% for the six months ended June 30, 2015 primarily due to the acquired stations.

F-27

---

Table of Contents

Programs and program licenses increased by 106% for the three months ended June 30, 2015 and 85% for the six months ended June 30, 2015, primarily due to the acquisitions and higher network fees. The acquired stations accounted for \$8 million of the increase and higher network license fees accounted for most of the rest.

Other expenses increased 40% for the 2015 quarter and 25% for the six months ended June 30, 2015 due to the impact of the acquired stations.

Radio — Our radio segment consists of 34 radio stations in eight markets. We operate 28 FM stations and six AM stations. In five of our markets, we operate both television and radio stations. Multiple properties in the same market help us to better serve advertisers, viewers and listeners and help improve our operating results. 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 June 30,		Six months ended June 30,			
	2015	Change	2014	2015	Change	2014
Segment operating revenues:						
Advertising	\$18,641		\$—	\$18,641		\$—
Other	772		—	772		—
Total operating revenues	19,413		—	19,413		—
Segment costs and expenses:						
Employee compensation and benefits	7,470		—	7,470		—
Programs	2,468		—	2,468		—
Other expenses	4,567		—	4,567		—
Total costs and expenses	14,505		—	14,505		—
Segment profit	\$4,908		\$—	\$4,908		\$—

## Revenues

Total radio revenues of \$19 million for the second quarter are consistent with the prior year amount of \$19 million when owned by Journal.

## Costs and expenses

Total costs and expenses for radio of \$14.5 million for the second quarter is \$0.3 million lower than the prior year amount of \$14.8 million when owned by Journal.

Table of Contents

Digital — Our digital segment supports the digital operations for our television and radio businesses. It also includes the operations of our digital businesses such as Newsy, a digital video news service, and WeatherSphere, a provider of weather-related mobile apps.

Our digital operations earn revenue primarily through the sale of advertising, marketing services and app downloads and subscriptions.

Operating results for our digital segment were as follows:

(in thousands)	Three Months Ended June 30,			Six months ended June 30,		
	2015	Change	2014	2015	Change	2014
Segment operating revenues:						
Digital revenues	\$8,602	58.0	% \$5,445	\$14,837	38.9	% \$10,681
Total operating revenues	8,602	58.0	% 5,445	14,837	38.9	% 10,681
Segment costs and expenses:						
Employee compensation and benefits	9,062	1.4	% 8,934	17,459	3.1	% 16,926
Technology and platform fees	1,300	(22.6	)% 1,679	3,025	(13.6	)% 3,503
Other expenses	3,157	141.9	% 1,305	3,924	157.6	% 1,523
Total costs and expenses	13,519	13.4	% 11,918	24,408	11.2	% 21,952
Segment profit	\$(4,917	) (24.0	)% \$(6,473	) \$(9,571	) (15.1	)% \$(11,271

## Revenues

Digital revenues increased 58% in the second quarter of 2015 and 39% for the six months ended June 30, 2015. The increase for both periods includes \$2 million from the acquired Journal stations, while the remainder of the increase was driven by our focus on increasing digital advertising revenues with an expanded sales force in our television markets and increased revenue from programmatic advertising.

## Cost and Expenses

Digital costs and expenses increased 13% in the second quarter of 2015 and 11% for the six months ended June 30, 2015, primarily due to the impact of the acquired stations.

## 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.

Table of Contents

## 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 is as follows:

(in thousands)	Six Months Ended	
	June 30, 2015	2014
Cash Flows from Operating Activities:		
Net loss	\$(36,502	) \$(3,847
Loss (income) from discontinued operations	15,432	(3,169
Loss from continuing operations	(21,070	) (7,016
Adjustments to reconcile net loss from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	21,661	14,925
Deferred income taxes	(9,786	) (2,599
Stock and deferred compensation plans	7,886	4,741
Pension expense, net of payments	6,756	2,182
Liability for withdrawal from GCIU employer retirement fund	—	4,100
Other changes in certain working capital accounts, net	(81,873	) 5,411
Miscellaneous, net	6,810	463
Net cash (used in) provided by continuing operating activities	(69,616	) 22,207
Net cash provided by discontinued operating activities	6,646	18,108
Net operating activities	\$(62,970	) \$40,315

The \$92 million decrease in cash provided by continuing operating activities was primarily attributable to changes in working capital in 2015 compared to 2014. The primary factors affecting changes in operating activities are described below.

• Collections of accounts receivable decreased \$24 million in 2015 compared to 2014. Collections in the first portion of an odd year are lower due to the impact of political advertising in the preceding period, which is paid in advance.

• As part of the Journal transactions, Scripps and Journal continue to fund the payroll of legacy employees who transferred to the other company. For the period since the transactions were completed, Scripps funding in excess of what Journal Media Group funded has resulted in a \$18 million use of cash. These balances will be settled no less than quarterly in 2015.

• In 2015 estimated income tax payments resulted in a \$14 million use of cash. We did not make any significant tax payments in 2014.

• The timing of payments for accounts payable decreased working capital by over \$14 million in 2015.

In addition to the working capital items described above, in connection with the Journal transactions we incurred over \$30 million of transactions costs.

Table of Contents

## Investing activities

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

(in thousands)	Six Months Ended	
	June 30, 2015	2014
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	\$2,530	\$(145,222 )
Additions to property, plant and equipment	(8,771 )	(7,296 )
Purchase of investments	(6,450 )	(1,203 )
Change in restricted cash	250	1,400
Miscellaneous, net	7	580
Net cash used in continuing investing activities	(12,434 )	(151,741 )
Net cash used in discontinued investing activities	(1,561 )	(895 )
Net investing activities	\$(13,995 )	\$(152,636 )

In 2015 and 2014 we used \$12 million and \$152 million, respectively, in cash for continuing investing activities. The primary factors affecting our investing activities for the periods are described below.

In January 2014 we completed our acquisition of Media Convergence Group, Inc., which operates as Newsy, a digital video news provider, for \$35 million in cash.

In June 2014, we completed our acquisition of two television stations owned by Granite Broadcasting Corporation for \$110 million in cash.

In the first quarter of 2015, we invested \$5 million to fund the launch and operations of a media company specializing in digital multicasting.

## Financing activities

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

(in thousands)	Six Months Ended	
	June 30, 2015	2014
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	\$200,000	\$—
Payments on long-term debt	(117,750 )	(1,000 )
Payments of financing costs	(2,592 )	(483 )
Dividends paid	(59,523 )	—
Repurchase of Class A Common shares	(2,683 )	(21,237 )
Proceeds from employee stock options	5,539	8,876
Tax payments related to shares withheld for RSU vesting	(5,037 )	(3,837 )
Miscellaneous, net	1,972	249
Net cash provided by (used in) continuing financing activities	19,926	(17,432 )
Net cash provided by (used in) discontinued financing activities	—	—
Net financing activities	\$19,926	\$(17,432 )

In 2015 and 2014, we used \$20 million and \$17 million, respectively for continuing financing activities. The primary items included in our financing activities for the periods are described below.

On April 1, 2015, we entered into a \$500 million second amended revolving credit and term loan agreement ("Second Amended Financing Agreement") to refinance our existing revolving credit and term loan agreement ("Amended Financing Agreement"). The Second Amended Financing Agreement includes a \$400 million term loan B maturing in November 2020 and a \$100 million revolving credit facility maturing in November 2018. There were no borrowings under the revolving credit agreements in any of the years.

F-31

---



Table of Contents

The Second Amended Financing Agreement includes the maintenance of a net leverage ratio if we borrow more than 20% on the revolving credit facility. The term loan B requires that if we borrow additional amounts or make a permitted acquisition that we cannot exceed a stated net leverage ratio on a pro forma basis at the date of the transaction. We were in compliance with all financial covenants in the Second Amended Financing Agreement at June 30, 2015 and December 31, 2014.

The Second Amended Financing Agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. As of June 30, 2015, we were not required to make additional principal payments based on excess cash flow.

The proceeds from the incremental \$200 million loan were used to pay off the \$116 million Journal term loan assumed in connection with the Journal acquisition, fund the \$60 million special dividend paid to the Scripps shareholders in connection with the Journal transactions and for the payment of transaction expenses.

In November 2012, our Board of Directors authorized a repurchase program of up to \$100 million of our Class A Common shares through December 2014. We repurchased \$21 million of shares under this authorization in 2014. No additional shares may be repurchased pursuant to this authorization.

In May 2014, our Board of Directors authorized a new repurchase program of up to \$100 million of our Class A Common shares through December 2016. 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 authorization, we repurchased \$3 million of shares at prices ranging from \$21.60 to 24.94 per share during the first half of 2015. As of June 30, 2015, we have \$97 million remaining for share repurchases under this authorization.

In 2015, we received \$6 million of proceeds from the exercise of employee stock options compared to \$9 million in 2014. Our employees currently hold options to purchase 1.3 million shares at exercise prices between \$5.84 and \$8.78 per share.

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 \$0.6 million in the remainder of 2015 to our defined benefit pension plans, primarily to fund benefit payments under the Supplemental Executive Retirement Plan.

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 Annual Report on Form 10-K for the year ended December 31, 2014.

## 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 Annual Report on Form 10-K for the year ended December 31, 2014 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, long-lived assets, 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 Annual Report on Form 10-K for the year ended December 31, 2014.

### Recently Adopted Standards and Issued Accounting Standards

**Recently Issued Accounting Standards** — In August 2014, the Financial Accounting Standards Board (FASB) issued new guidance related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact 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. Early adoption is permitted in 2017. We are currently assessing the impact this new guidance will have on our consolidated financial statements and have not yet determined a transition method.

In April 2014, the FASB issued new guidance on reporting and disclosure requirements as they relate to discontinued operations. With the new guidance, a disposal of a component or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The amendments in this update are effective for all disposals, or classifications as held for sale, of components of an entity that occur within annual reporting periods beginning on or after December 15, 2014 and interim periods within those years. We adopted this guidance effective January 1, 2015.

F-33

---

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, 2015		As of December 31, 2014	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk:				
Variable rate credit facility	\$—	\$—	\$—	\$—
Term loan	396,500	395,000	198,000	194,000
Unsecured promissory notes	10,623	10,800	—	—
Total long-term debt including current portion	\$407,123	\$405,800	\$198,000	\$194,000
Interest rate swap	\$581	\$581	\$471	\$471
Financial instruments subject to market value risk:				
Investments held at cost	\$11,244	(a)	\$5,503	(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.

We may utilize interest rate swaps to manage our interest expense exposure by fixing our interest rate on portions of our floating rate term loan. We have entered into a \$75 million notional value interest rate swap expiring in December 2016 which provides for a fixed interest rate of 1.08%. We did not provide or receive any collateral for this contract. The fair value of this financial derivative is based on quoted market prices which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments.

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