REFINITIV STREETEVENTS

EDITED TRANSCRIPT

SSP.OQ - Q2 2025 E W Scripps Co Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the second quarter 2025 E.W. Scripps company earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Carolyn Micheli, Head of Investor Relations. Please go ahead.

Carolyn Micheli - *E W Scripps Co - Executive Vice President, Investor Relations*

Thank you, Dede. Good morning, everyone, and thank you for joining us for a discussion of the E.W. Scripps Company's financial results and business strategies. You can visit scripps.com for more information and a link to the replay of this call.

A reminder that our conference call and webcast include forward-looking statements based on management's current outlook, and actual results may differ materially. Factors that may cause them to differ are outlined in our SEC filings.

We do not intend to update any forward-looking statements we make today. Included on this call will be a discussion of certain non-GAAP financial measures that are provided as supplements to assist management and the public in their analysis and valuation of the company.

These metrics are not formulated in accordance with GAAP and are not meant to replace GAAP financial measures and may differ from other companies' uses or formulations. Reconciliations of these measures are included in our earnings release.

We'll hear this morning from Chief Financial Officer, Jason Combs; and then Scripps' President and CEO, Adam Symson. Here's Jason.

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Good morning, everyone, and thank you for joining us. This Wednesday, we closed on the placement of $750 million of new senior secured second-lien notes. We have now used the proceeds of this offering to pay off the company's outstanding senior notes that were set to mature in 2027, prepay a portion of our Term Loan B-2 that is due in 2028 and pay off a portion of our revolving credit facilities, leaving $36 million remaining. We plan to pay off all or most of that by the end of Q3.

The new notes, which mature in 2030 carry an interest rate of 9 7/8%. We expect to pay off the remaining reduced 2028 term loan balance through cash flow, leaving us no other bond or term loan financings to address until our 2029 senior notes.

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We are pleased with the positive reception to our improved financial condition by the credit markets, which allowed us to move quickly on this transaction at an upsized amount in a new money deal and at favorable rates.

This refinancing follows the completion of our other refinancing transactions in April. At that time, we extended our 2026 and 2028 term loans to 2028 and 2029, and extended a portion of our credit facility to July of 2027.

We also introduced an accounts receivable securitization facility into our capital structure. It has a capacity of $450 million. Between these two transactions, we have now retired or extended the maturity of up to $1.7 billion. That's more than 60% of our current total debt.

And despite the elevated rate environment, these transactions have only increased our cost of capital by just over 1%. We remain focused on using cash flow to reduce the amount of our debt with debt and leverage reduction as our highest capital allocation priority.

Now I'd like to turn to a discussion of our second quarter financial results and third quarter guidance. During the second quarter, our Local Media division was impacted by the lack of political advertising revenue in this off-election year. Revenue declined 8% from the prior year quarter.

Nevertheless, we did deliver core advertising revenue that outperformed our peer results, and we attribute our better performance to both our local sports rights deals and the NBA Finals. The Finals aired across our ABC footprint, including our Indianapolis station, which benefited from the Pacers' strong run.

In addition, two of the NHL teams with whom we have full season rights deals made the playoffs, the Vegas Golden Knights and the Florida Panthers. The NBA and NHL playoffs brought in more than $7 million, helping to offset challenges in a soft advertising -- core advertising marketplace and reinforcing the value of our Scripps Sports strategy.

Outside of sports, retail was up 5%. Our largest category services as well as home improvement were flat and automotive remains weak. Local Media distribution revenue was down 1% from the year ago quarter. We renewed 25% of our legacy pay TV households at the end of the first quarter.

In this difficult economic climate, we continue to closely control expenses in the Local Media division and had less than a 1% increase from the prior year quarter. And if you back out the cost of our local sports rights, Local Media expenses were flat year-over-year.

Local Media segment profit was nearly $56 million compared to $88 million in Q2 of 2024, an election year. Also, at the end of the second quarter, we renewed our affiliation agreement for our 4 Fox stations. For the third quarter, we expect Local Media division revenue to be down in the mid- to high 20% range, including core revenue of about flat. We expect Local Media expenses to be down in the low to mid-single-digit percent range.

Now let's review the highlights for the Scripps Networks division second quarter results and third quarter guidance. In the second quarter, Scripps Networks revenue was $206 million, down 1.4% from the year ago quarter.

Along with other companies in the national networks business, we dealt with economic uncertainty, and yet we look to have delivered significantly better results than others. We saw robust spending on our connected TV and streaming networks. CTV revenue for the quarter was up 57%.

As I mentioned last quarter, the ION network is the largest contributor to our streaming revenue and the WNBA and NWSL are certainly helping to drive this growth. Game inventory for both leagues has been commanding premium advertising revenue rates.

We closely managed the division's expenses in the quarter, bringing them down more than 12% to $150 million to offset the revenue performance. Scripps Networks segment profit was $56 million, and segment margin was 27%, a nine-point lift from 18% in Q2 of 2024.

For the first half of 2025, the division has delivered a 30% margin. In the middle of last year, we began significant expense reductions in the Networks division in order to deliver higher margins, and we'll begin to cycle past those savings in the third quarter.

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So we expect a bit more moderate year-over-year decreases in expense in the back half of this year. For the third quarter, we expect Scripps Networks division revenue to be down low single digits and for Networks expenses to be down in the mid-single-digit range.

Turning to the segment labeled other. In the second quarter, we reported a loss of $7 million compared to a loss of $9.2 million in the year ago period. Shared services and corporate expenses were $21.8 million. For the third quarter, we expect that line to be about $22 million.

I have a few updates to some full year guidance numbers that all show improvement over our previous guidance. We now expect our cash interest paid to be between $170 million and $175 million, we expect CapEx to be $45 million to $50 million, and we expect cash taxes paid to be $5 million to $10 million. All of these adjustments will drive incremental cash flow this year.

Second quarter earnings per share were a loss of $0.59. The quarter included $38 million of financing transaction costs, a $31 million gain on the sale of our West Palm Beach, Florida station building, a $5.6 million write-off of deferred financing costs, and a $3 million loss on extinguishment of debt. Those items increased the loss by $0.13 per share. In addition, the preferred stock dividend has a negative impact on earnings per share even when we don't pay it.

This quarter, it reduced EPS by $0.18. At June 30, cash and cash equivalents totaled $31.7 million. Net leverage at the end of Q2 was 4.4x, a half turn below the end of Q1.

And now here's Adam.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Thanks, Jason, and good morning, everybody. Thank you for joining us. It's been a very active few months at Scripps since our last earnings call. We announced the broadcast industry's first station swap transaction. We signed another multiyear agreement with the wildly popular WNBA. Scripps Sports added a fourth NHL team with a full season agreement in one of our largest markets, Tampa. We renewed our station affiliation agreements with Fox.

Just this week, we closed a smooth and successful new money refinancing that dispatches with all of our near-term debt. And we delivered a very solid financial performance for the second quarter in the face of a soft advertising climate. That included 900 basis points of Scripps Networks margin improvement. All of these successes illustrate the management team's approach to running this company, executing a plan for improving its financial performance and balance sheet health and at the same time, charting new paths for growth.

The results should be evident to investors as we have significantly reduced our debt leverage ratio, down more than 1.5 turns from Q2 a year ago, including debt paydown with more planned. The 2 major refinancing transactions this year have taken care of all of our major short-term maturities. As Jason mentioned, we expect to pay off the remaining portion of our 2028 term loan before it comes due with cash flow from operations. I bring this up again because over the course of the last 6 months, as we have done what we said we would do, the credit markets have responded, paving the way for the refinancing transaction we just closed.

The work we are doing is focused on creating shareholder value and supporting economic growth. We are already seizing upon anticipated industry deregulation to execute on our vision for portfolio optimization, announcing a swap transaction with Gray, the first so far for the industry that will make us financially stronger. Scripps will be able to go deeper in its local coverage with 3 new duopolies in the Mountain West region. The improved economics will allow us to grow our commitment to quality news gathering and other local programming like sports for the communities we serve.

This proposal is now in front of federal regulators, and we believe it will move to closing by year-end. In the meantime, we expect to pursue more opportunities to improve the durability and profitability of our portfolio, opportunities we believe drive economic growth and support accelerated debt paydown. We were heartened by the Eighth Circuit's opinion opening the door to more sustainable station ownership rules and FCC Chairman Carr's letter welcoming the court's ruling.

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Changes in broadcast industry ownership regulations are long overdue in the fragmented media ecosystem and necessary for localism to thrive. We continue to grow the value of our distribution network. While cord-cutting has been a headwind, Scripps continues to see headroom on household rates based on the deals we've closed this year. Between that and a downward trend on the fees we pay to the Big 4 networks, I predict we will see net retrans margin expansion ahead.

Our Scripps Sports strategy has opened up new opportunity that connects our television brands with audiences around the live events that bring them joy. This strategy is very clearly bolstering local core and Scripps Networks advertising revenue. As Jason recounted, we saw this play out in the second quarter Local Media core advertising results.

On the Networks side, the WNBA and the NWSL are commanding premium ad rates for their franchise nights on ION. At the same time, we are working through our upfront sales right now, and both leagues are highly attractive to those advertisers. It's too early to report on results, but one thing is clear, sports is bringing new advertisers to our platform and will once again be a driver that differentiates our performance.

Last quarter, we were very pleased to sign a new multiyear agreement with the WNBA. Our partnership is a testament to ION's truly unique distribution value proposition, our license and ability to distribute everywhere: across free over-the-air television, cable, satellite and connected TV streaming services. In the Networks division, we are seizing upon the streaming opportunity and capturing strong growth in our connected TV advertising revenue, up 57% in the second quarter and 42% in the first quarter.

Our networks programming has proven to be durably popular with audiences, especially on streaming. Hours of viewing for our networks on streaming platforms were up 40% in the quarter and made up about 15% of total viewing. The impressive growth of CTV viewership and revenue is a testament to our strategies there: sports on ION, which is unique in the FAST marketplace and our ability to target fewer demographic segments with networks such as Bounce and Grit.

These networks allow us to reach people our local broadcast and cable peers can't. This is helping us to drive meaningful enterprise growth. The management team is well into executing the plan we have been discussing with you for several years to improve this company's financial performance and operating profile. We're pleased with our progress, though we know there's still much work to be done as we position ourselves for what will come next. You can be assured that we're getting after it. Dede, we're now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And our first question comes Dan Kurnos of The Benchmark Company. Dan Kernos of the Benchmark Company. Your line is open.

Dan Kurnos - *The Benchmark Company - Analyst*

Yeah, thanks. Good morning, Adam, I'll start with you. Obviously, a lot of movement on the dereg side. Appreciate that you and Gray kind of took first steps to put something in front of Carr. I know investors are anxious to see more, and we keep hearing everybody is talking to everybody. So to the extent that you can kind of share how much runway, how you're thinking about what comes next, what you're targeting would be super helpful. And then I have a follow-up for Jason. Thanks.

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Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Sure. Thanks, Dan. So obviously, we've talked for a while that we believe greater depth, in particular, in market is necessary for our assets to perform their very best and continue to be in service for the communities where we operate, just from a journalism, local programming and local sports perspective. So I'd expect we're going to do everything in our power to take advantage of this moment.

The greatest opportunities for us will be with swaps and select asset sales so that we can improve the performance and durability of our portfolio, our operating profile and potentially accelerate debt paydown.

We continue to work on discussions with our peers to optimize both groups' portfolios to improve the performance of the stations. And we think those opportunities will continue to be available to us, especially as a result of the change in attitude at the FCC that we spoke about earlier. I think you're seeing that reflected in the comments of my peers. This is just absolutely critical to our ability to continue to invest in localism and objective journalism in live sports. I think it's just going to take a little bit of time.

On the national cap front, the FCC is right now in the middle of receiving comments on the record refresh. And by the end of August, that will be pretty much complete. And then the FCC will take it under advisement and make a decision likely by year-end. And we're fairly optimistic that, that's going to be a significant change in the national scale rules.

On the Big 4 rule, in late July, the Eighth Circuit struck down the FCC's rule that prohibited the same company like Scripps from owning more than one Big 4, and Chairman Carr's press release statement following that ruling was really supportive of the decision.

The court's ruling isn't actually effective until late October because the court is giving the FCC time to provide any additional information it needs to in the event they want to fight the decision. But I'd say based on Carr's reaction in his letter, it doesn't seem likely that the FCC will challenge the ruling. So we're really just waiting until October 21 for that rule to go away.

Despite all that, I mean, just an update on the process with Gray, we're going through the waiver process at the FCC and the normal course of business with the DOJ. So despite those dates that I shared, it's quite possible that our deal clears regulatory hurdle even before that October date on the basis of waivers.

Dan Kurnos - *The Benchmark Company - Analyst*

Got it. That was very helpful and comprehensive. I appreciate that, Adam. And then, Jason, can you just unpack the Q3 guide a little bit? I thought you said core was flattish. So I know we're seeing a little bit of funkiness in the distribution or retrans line.

So I'm just trying to understand how you're thinking about political contribution in Q3. It's probably de minimis. And then just anything that might be going on to kind of get to your guidance for Q3?

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Yeah, So I would say from a political standpoint, political in sort of this odd year is going to be similar to past odd years, kind of mid $20-ish million. It will build throughout the year with the majority of it hitting in Q4. But I would expect -- we're about $3 million in Q1 and Q2, I'd expect Q3 to step up slightly from that.

Distribution, I would expect that to -- we were around -- down 1%, around kind of near flat in Q2. I'd expect similar as we move forward in Q3. And then core, you kind of -- you hit on it, we are guiding to flat. What I'll say there is while retail and services have remained pretty stable, we have seen a bit of a slow start to the quarter across some of our other major categories.

Obviously, a lot of economic uncertainty we're navigating right now and some hesitancy in the marketplace. But as the quarter goes, we expect a gradual build towards September, where I think you'll start to see more of a meaningful uptick tied to political and political crowd-out. So if you

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recall, last year, we had pretty much the best footprint in the industry in political. And September is really where you start to kind of see that crowd-out factor starting to come back.

Dan Kurnos - *The Benchmark Company - Analyst*

Super helpful. Thank you both.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Yeah, thanks, Dan.

Operator

Thank you.

Michael Kupinski of NOBLE Capital Markets.

Michael Kupinski - *Noble Financial Group Inc - Analyst*

Thank you. Thanks for taking my questions. I just kind of want to follow up on the core advertising question. I know that, obviously, against the backdrop of last year where core was down significantly, you kind of would hope that there would be a little bit bigger of a bounce in core.

I was just wondering if you can just kind of go back and give us a little bit more of a sense of the current advertising environment and maybe just the tone of what you're hearing from advertisers and if you're just seeing a little bit of hesitancy. It's kind of good that we're seeing improvement as we go into September.

But I was just wondering if you can just kind of give us a sense of what the advertisers are feeling or hearing and if you think that there's like maybe a little bit of pent-up demand as we kind of go into Q4?

Jason Combs - *E W Scripps Co - Chief Financial Officer*

So maybe I'll start by kind of looking back at Q2 core a little bit and just reiterating what we did there. We came in down 2% versus the prior year, that's sort of best-in-class from what I've seen across the industry and certainly as it ties directly back to our sports strategy, both our acquired sports strategy, where we saw a nice lift from the NHL playoffs for two of our teams that had first round series that we aired; as well as the NBA Finals, where I think we've continued to work to better monetize those assets.

And I think as you look forward to Q3, that's another thing where I think maybe sets our guide a little bit apart. And so optimism around our ability to monetize football as it starts to kind of of roll back in here.

Generally though, I would say outside of sports, there is a lot of hesitancy that's out there. And automotive certainly is the place where we see the most significant amount of weakness. It was our weakest category in Q2 and has gotten off to kind of a slow start in Q3. I do think there was some pull forward in auto demand when the tariffs were announced.

And frankly, there wasn't much of a reason for them to advertise because people were trying to get out ahead of the tariffs. I think we're hoping as the year progresses, we see that start to rebound some. But right now, I think hesitancy is the right word to kind of throw out there for advertisers.

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Michael Kupinski - *Noble Financial Group Inc - Analyst*

Did you get the sense that people were kind of just waiting to see, if we get the rate reductions, from the Fed, and that, I mean, I was just wondering if that's kind of a little bit of what we're seeing as well, as we kind of look into the September time frame.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Yeah, Look, Mike, it's Adam. I think whether you're talking about the biggest advertisers or the smallest advertisers, essentially, uncertainty is nobody's friend. And the continued uncertainty in the marketplace going month-to-month, not quite knowing where things are going to land from a tariff perspective, not quite knowing things -- where things are going to land from an interest rate perspective, certainly, the jobs information that we got a couple of weeks back, it all just adds to this environment of uncertainty.

And in environments of uncertainty, people hold on to their -- any expense that isn't fixed, a fixed cost. And advertising tends to be one of those things that I think generally speaking, is on the block, especially when they're not even sure what the supply of their product is going to look like if it comes from or in part from overseas.

So I think as we get past the uncertainty, there's a good shot that we will see advertisers come back to essentially kick-start demand for their business. And I'm hopeful that we'll see that resolve itself in a stronger -- potentially stronger fourth quarter in next year.

But I don't think we're going to know until the uncertainty is behind us. And frankly, I think this uncertainty or this period of uncertainty has gone on longer than I think any of us would have expected. So it's hard to answer and predict what's going to happen because I can't quite predict what's going to happen month-to-month in the macro environment.

Michael Kupinski - *Noble Financial Group Inc - Analyst*

Got you, Adam. And I have one quick question for you. I was wondering if you can talk a little bit about the impact that we're seeing in terms of the decline in search traffic referrals and what that might have on your business? Do you think it might be a net positive? Could there be a benefit to legacy mediums from the potential lower eyeballs to site, maybe less efficient digital marketing?

And then, I guess, do you have strategies to limit information crawls on your new sites? I mean I was just wondering if you have strategies in place to maybe kind of limit the use of AI and chatbot-type situations where people are just asking their Alexa for information.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Sure, Mike. So let me take the second part first. We do employ a number of different technical solutions to retain the value of our IP and block chatbots from scraping our websites. Relative to the impact on direct traffic and relative to the impact in general on brand building, I think it's going to be a mixed bag.

I don't necessarily think that the integration of AI into core chat -- I'm sorry, into core search is going to be a net positive for publishers. I don't think that -- I think it's changing the way people get -- seek and get their answers. And I would not expect all of a sudden consumers to change their habits and start massively increasing their direct transition to our digital products.

On the other hand, I tend to agree with you that I think it bodes well for other advertising mediums that are more brand building specific and less lead gen, because if you search today and you become accustomed to getting the answer in that first page in the AI results, you are essentially not going to be monetizing on search traffic. And I think advertisers will come to recognize that positioning their businesses through other channels will be important. And that's part and parcel a big reason why we've been very, very focused on the value of our video advertising, both in the CTV marketplace for our networks as well as in the CTV opportunity with our local advertisers.

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So I think it's going to be a little bit of a mixed bag. All that said, though, I mean, I would say, at this point, display advertising, so to speak, is very, very stable for us but a relatively immaterial amount of our revenue given the billions of dollars of revenue that we do across this company.

Michael Kupinski - *Noble Financial Group Inc - Analyst*

Gotcha. Thanks for that color, Adam. That's all I have.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Thanks, Mike.

Operator

Thank you.

Craig Huber of Huber Research Partners.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

Great, thank you. A couple of questions, if I could. Curious, Jason or Adam, can you just comment on what are your thoughts here about the CBS nonrenewal in the Atlanta market recently here? The Gray Media owned it, as you know, and stuff. I mean do you think this is more of a one-off thing? Or do you think the industry might start seeing more of this where the network pulls back certain stations out there if it lines up from their perspective?

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

I think it's more of a one-off, and you'd have to ask the folks at Gray exactly went down there -- what went down there. But I do think we have come to a place between the networks and the affiliates that there's an understanding that the value that they provide us has changed. And so in that way, the expense that we're going to send their way is going to be going down.

And so at some point, maybe for CBS, that became a cost-benefit analysis relative to their owning their own TV station there. But I, for the most part, really see that as much more of a one-off.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

Okay. And then secondly, Adam, your comment about that you think going forward, net retrans start to see the margin increase there and stuff. Can you just comment about how you guys are sort of budgeting and thinking about retrans sub losses here? Maybe comment, if you would, how much it's down year-over-year in the latest period for you guys, if that's changing much? And sort of what are you budgeting long term here when you say that? So I'm curious on that front.

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Yeah, So Craig, it's Jason. We continue to see sort of a down mid-single-digit 12-month trend on our sub churn. That's been pretty consistent. And generally, that's what we use on a go-forward basis. There is certainly hope for moderation in that, given some of the

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bundling and such that some of the cable and satellite providers are doing that we hope retains more people within the ecosystem. But the total number is the same. We saw a little bit of improvement in traditional loss and a slight slowing down of virtuals, but it still nets out to that down mid-single digits.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

And you and your peers have been certainly loud for quite a while here that you think the leverage is swinging more and more in your direction in terms of what you're willing to pay for network compensation and stuff. Maybe just touch on that. I mean do you think we're at the point here where these contracts are coming up for renewal that the dollars you're paying per household will start going down on average while a new contract comes up?

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Yes. And I think I indicated that based on my comments that I would expect net margin -- net retrans margin expansion because cord- cutting is real. And while there's certainly some opportunity for and headroom for us to reprice, I think the expansion or the expansion in the margin is going to come based upon expense savings in the programming line.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

Okay. My last question, if I may. You're down roughly 2% core advertising number in the second quarter. And you liken part of that to your sports strategy, which definitely stands out versus your peers. Maybe can you quantify, if you would, how much do you think your sports strategy helps your core advertising on a year-over-year basis? I mean what would have been if you didn't have that in place? I know it's a little hard maybe to get to, but maybe ballpark there.

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Yeah, So what we said broadly about sort of our acquired sports strategy in local, so our NHL deals and such, is that those are adding for the full year, low single-digit contribution or growth to core advertising. We also alluded to a number in the script of $7 million of revenue associated with a combination of the NHL playoffs and the NBA Finals.

Some of that we would have had last year because we had the Vegas Golden Knights in the playoffs last year. And we obviously we still had the ABC Finals last year. We just didn't have a home team in it, but it would be roughly about $3-ish million of incremental driven by that.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

And on a full year basis, the local sports strategy maybe adding 1% to 3%?

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Yes. Yes. When we are specific to our NHL, the 4 NHL deals that we have, yes.

Craig Huber - *Huber Research Partners LLC - Equity Analyst*

Great. That's all I had. Thanks a lot, guys.

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Operator

Thanks Greg.

Thank you.

Steven Cahall of Wells Fargo.

Steven Cahall - *Wells Fargo Securities LLC - Analyst*

Thanks. So Adam, I just wanted to ask you first about Networks. What we've seen with a lot of peer media companies is that when the content isn't kind of vast majority sports and news that the pressure on ad revenue is increasingly feeling structural versus cyclical. And you've definitely added some sports to ION like WNBA and NWSL.

So I guess, first, do you think without additional sports, it is structural? Or do you think you can kind of return the growth rate there to something in the black? And then what other sports opportunities would you see for ION as it maybe moves into this world where linear entertainment is a tougher and tougher place to be?

And then, Jason, I was just wondering how you think about the preferred equity stake and how that factors into your considerations, whether that's around M&A or capital markets transactions. As you talked about, you've done a good job of reducing debt and pushing out the debt through the refinancing. But the pref, I think it keeps picking to a higher and higher level, which creates some pressure on

the equity. So how do you think about maybe getting some of that value out or any other things that you can do on the -- that would help the equity? Thank you.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Hey, Steven, So first of all, I'm not sure I would be able to characterize what the demand would look like without sports because sports is an important part of our strategy and intentionally so. I guess to validate your concern, I think there are two reasons why our performance stands out or is far above what you would consider sort of our general entertainment peers.

The first one is our sports strategy, as you described, it's commanding very significant rates. It's allowing us both through upfront and scatter to ensure we're not just selling that time period but we're selling across network, we're selling CTV, we're selling within the network across time period. We don't just sell a spot in the WNBA, we sell packages, and that's very intentionally so.

And I think sports has been what has helped us drive that strategy. We've also added two new events that will be in the fourth quarter, the Sports Illustrated Women's Games and the Fort Myers Tip-Off, as we said, for a very, very low cost because we saw the advertising demand in last year's upfront, and we wanted to make sure we had another receptacle or vehicle to bring in that premium revenue. But there's no doubt that commoditized programming that doesn't stand apart is probably experiencing downward pressure that I would not necessarily expect to snap back.

The other factors are tied to ION's distribution, which is very different than our cable peers. ION's distribution allows us to reach people on over-the-air as well as all the cable platforms and streaming. And when you think about the fact that our streaming hours of viewing have continued to grow very dramatically, driving significant revenue growth, that's a hedge and really an area of fast growth that we continue to throw gas on.

The online or CTV streaming of our sports makes up a very significant amount of viewing that doesn't get tuned into the Nielsen ratings but gets monetized in our CTV sales.

And I would say in the CTV marketplace, ION is unique. It's the only real premium network that's distributed as a branded network in the FAST marketplace. Cable peers have preclusions from doing that because of their contracts with the cable operators.

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The networks can't do that because, of course, they have agreements with their affiliates. And so ION uniquely is distributed -- ION and all of our over-the-air networks is uniquely distributed in the FAST marketplace and represents, I would say, the far right side of the premium bell curve in FAST. And so I think that's a real differentiator investors haven't really come to understand.

On the question of sports, I do think we'll continue to look for sports for ION and potentially even for other networks, but only if it makes good financial sense. As you know, we model all of these programming assets within the time period to create value and to be profitable.

And if it doesn't create value, there's no reason to run after it. So from our perspective, we think ION brings to the leagues and to the teams great value in its reach. And we're looking for partners that recognize that value and of course, balance that against their expectation on fees. And we definitely think those partners are out there. Thus far, we've been very choosy about who we work with because we want a partnership, not just a vendor distribution platform agreement.

Jason Combs - *E W Scripps Co - Chief Financial Officer*

Steven, I'll talk about the preferred. Before though, if you're not muted, Steven, if you could mute. We're just getting some feedback on the line here.

Steven Cahall - *Wells Fargo Securities LLC - Analyst*

Sure Okay.

Jason Combs - *E W Scripps Co - Chief Financial Officer*

And I just want to make sure we can -- that it comes through okay. So on the pref, so first of all, the earliest we can take out the pref is January '26. But given both our current leveraging and the current interest rate environment where, frankly, the rate on the pref is better than we would likely get in any kind of new financing, that's unlikely.

And so I think our focus right now is on making significant progress on leverage and seeing -- and also seeing the rate environment decline over the next couple of years before we would act on the preferred.

I think that the other thing that we'll do is we intend to pick the dividend as we move through this year because we think the highest and best use of cash is to go towards traditional debt paydown right now. At some point in the future, we will -- that will not be the same decision. We'll make a decision to start paying the dividend again, but that time is not right now.

Adam Symson - *E W Scripps Co - President, Chief Executive Officer, Director*

Thank you, Thanks Steve.

Operator

Thank you. This concludes our question-and-answer session in today's conference call. Thank you for participating and you may now disconnect.

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