E.W. SCRIPPS Co
Form 10-Q
May 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 0-16914
THE E.W. SCRIPPS COMPANY
(Exact name of registrant as specified in its charter)

Ohio	31-1223339
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
312 Walnut Street Cincinnati, Ohio (Address of principal executive offices)	45202 (Zip Code)

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 þ No o
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 þ No o
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 þ	Accelerated filer o	Emerging growth company o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 31, 2018, there were 69,754,678 of the registrant’s Class A Common shares, $0.01 par value per share, outstanding and 11,932,722 of the registrant’s Common Voting shares,$0.01 par value per share, outstanding.

Index to The E.W. Scripps Company Quarterly Report
on Form 10-Q for the Quarter Ended March 31, 2018

PART I

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

Item 1. Financial Statements

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

PART II

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our 2017 Annual Report on Form 10-K.

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

There were no sales of unregistered equity securities during the quarter ended March 31, 2018.

The following table provides information about Company purchases of Class A Common shares during the quarter ended March 31, 2018, 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
1/1/2018 — 1/31/2018	135,701	$ 15.84	$2,149,804	$80,456,225
2/1/2018 — 2/28/2018	128,500	15.24	1,958,462	$78,497,763
3/1/2018 — 3/31/2018	21,000	14.32	300,684	$78,197,079
Total	285,201	$ 15.46	$4,408,950	

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In November 2016, our Board of Directors authorized a repurchase program of up to $100 million of our Class A Common shares through December 2018. At March 31, 2018, $78.2 million remained under the authorization.

Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended March 31, 2018.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. 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
10.10	Second Amendment to Third Amended and Restated Credit Agreement
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)

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: May 7, 2018 By: /s/ Douglas F. Lyons
Douglas F. Lyons
Senior Vice President, Controller and Treasurer
(Principal Accounting Officer)

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

The E.W. Scripps Company
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share data)	As of March 31, 2018	As of December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$130,385	$148,699
Accounts receivable (less allowances—$1,892 and $1,949)	236,199	245,365
Programming	55,174	53,468
Miscellaneous	25,506	21,998
Assets held for sale — current	113,779	136,004
Total current assets	561,043	605,534
Investments	7,776	7,699
Property and equipment	212,040	209,995
Goodwill	755,949	755,949
Other intangible assets	418,653	425,975
Programming (less current portion)	87,136	85,269
Deferred income taxes	22,037	20,076
Miscellaneous	19,348	19,051
Total Assets	$2,083,982	$2,129,548
Liabilities and Equity		
Current liabilities:		
Accounts payable	$27,770	$23,647
Unearned revenue	7,184	7,353
Current portion of long-term debt	5,656	5,656
Accrued liabilities:		
Employee compensation and benefits	26,255	41,939
Programming liability	52,607	58,176
Miscellaneous	45,873	44,396
Other current liabilities	9,715	10,085
Liabilities held for sale — current	19,117	19,536
Total current liabilities	194,177	210,788
Long-term debt (less current portion)	687,106	687,619
Other liabilities (less current portion)	298,011	293,656
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: 69,754,678 and 69,699,105 shares	698	697
Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares	119	119
Total	817	816
Additional paid-in capital	1,126,688	1,129,020
Accumulated deficit	(120,635)	(90,061)

Accumulated other comprehensive loss, net of income taxes	(102,182)	(102,922)
Total The E.W. Scripps Company shareholders' equity	904,688	936,853
Noncontrolling interest	—	632
Total equity	904,688	937,485
Total Liabilities and Equity	$2,083,982	$2,129,548

See notes to condensed consolidated financial statements.

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

(in thousands, except per share data)	Three Months Ended March 31, 2018	2017
Operating Revenues:		
Advertising	$169,137	$119,896
Retransmission and carriage	71,060	66,211
Other	13,994	12,368
Total operating revenues	254,191	198,475
Costs and Expenses:		
Employee compensation and benefits	98,489	94,925
Programming	83,363	48,723
Other expenses	53,023	40,766
Restructuring costs	3,807	—
Total costs and expenses	238,682	184,414
Depreciation, Amortization, and (Gains) Losses:		
Depreciation	8,099	8,391
Amortization of intangible assets	7,321	5,470
(Gains) losses, net on disposal of property and equipment	717	47
Net depreciation, amortization, and (gains) losses	16,137	13,908
Operating income (loss)	(628)	153
Interest expense	(8,759)	(4,195)
Defined benefit pension plan expense	(1,388)	(3,467)
Miscellaneous, net	167	(879)
Income (loss) from continuing operations before income taxes	(10,608)	(8,388)
Provision (benefit) for income taxes	(2,031)	(5,655)
Income (loss) from continuing operations, net of tax	(8,577)	(2,733)
Income (loss) from discontinued operations, net of tax	(18,504)	794
Net income (loss)	(27,081)	(1,939)
Net income (loss) attributable to noncontrolling interest	(632)	—
Net income (loss) attributable to the shareholders of The E.W. Scripps Company	$(26,449)	$(1,939)
Net income (loss) per basic share of common stock attributable to the shareholders of The E.W. Scripps Company:		
Income (loss) from continuing operations	$(0.10)	$(0.03)
Income (loss) from discontinued operations	(0.23)	0.01
Net income (loss) per basic share of common stock attributable to the shareholders of The E.W. Scripps Company	$(0.33)	$(0.02)
Net income (loss) per diluted share of common stock attributable to the shareholders of The E.W. Scripps Company:		
Income (loss) from continuing operations	$(0.10)	$(0.03)
Income (loss) from discontinued operations	(0.23)	0.01
Net income (loss) per diluted share of common stock attributable to the shareholders of The E.W. Scripps Company	$(0.33)	$(0.02)

See notes to condensed consolidated financial statements.

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The E.W. Scripps Company
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands)	Three Months Ended March 31, 2018	2017
Net income (loss)	$(27,081)	$(1,939)
Changes in defined benefit pension plans, net of tax of $248 and $433	740	695
Other	—	(16)
Total comprehensive income (loss)	(26,341)	(1,260)
Less comprehensive net income (loss) attributable to noncontrolling interest	(632)	—
Total comprehensive income (loss) attributable to the shareholders of The E.W. Scripps Company	$(25,709)	$(1,260)

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
(in thousands)	2018	2017
Cash Flows from Operating Activities:		
Net income (loss)	$(27,081)	$(1,939)
Income (loss) from discontinued operations, net of tax	(18,504)	794
Income (loss) from continuing operations, net of tax	(8,577)	(2,733)
Adjustments to reconcile net income (loss) from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	15,420	13,861
(Gain)/loss on sale of property and equipment	717	47
Programming assets and liabilities	(4,947)	945
Deferred income taxes	(2,209)	(5,364)
Stock and deferred compensation plans	4,658	7,782
Pension expense, net of contributions	(1,581)	2,096
Other changes in certain working capital accounts, net	(2,258)	(11,476)
Miscellaneous, net	101	124
Net cash provided by operating activities from continuing operations	1,324	5,282
Net cash provided by operating activities from discontinued operations	3,691	4,195
Net operating activities	5,015	9,477
Cash Flows from Investing Activities:		
Additions to property and equipment	(11,362)	(3,916)
Purchase of investments	(117)	(609)
Miscellaneous, net	192	128
Net cash used in investing activities from continuing operations	(11,287)	(4,397)
Net cash used in investing activities from discontinued operations	(320)	(187)
Net investing activities	(11,607)	(4,584)
Cash Flows from Financing Activities:		
Payments on long-term debt	(750)	(979)
Dividends paid	(4,125)	—
Repurchase of Class A Common shares	(4,409)	(1,760)
Proceeds from exercise of stock options	234	1,461
Tax payments related to shares withheld for RSU vesting	(1,868)	(3,287)
Miscellaneous, net	(804)	(2,412)
Net cash used in continuing financing activities	(11,722)	(6,977)
Increase (decrease) in cash, cash equivalents and restricted cash	(18,314)	(2,084)
Cash, cash equivalents and restricted cash:		
Beginning of year	148,699	134,352
End of period	$130,385	$132,268
Supplemental Cash Flow Disclosures		
Interest paid	$3,016	$3,507
Income taxes paid	$178	$66
Non-cash investing information		
Capital expenditures included in accounts payable	$158	$428

See notes to condensed consolidated financial statements.

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

(in thousands)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
As of December 31, 2016	$ 819	$ 1,132,540	$ (94,077)	$ (93,347)	$ —	$ 945,935
Comprehensive income (loss)	—	—	(1,939)	679	—	(1,260)
Repurchase of 81,091 Class A Common shares	(1)	(1,262)	(497)	—	—	(1,760)
Compensation plans: 466,474 net shares issued *	5	4,534	—	—	—	4,539
As of March 31, 2017	$ 823	$ 1,135,812	$ (96,513)	$ (92,668)	$ —	$ 947,454
As of December 31, 2017	$ 816	$ 1,129,020	$ (90,061)	$ (102,922)	$ 632	$ 937,485
Comprehensive income (loss)	—	—	(26,449)	740	(632)	(26,341)
Cash dividend: declared and paid - $0.05 per share	—	—	(4,125)	—	—	(4,125)
Repurchase of 285,201 Class A Common shares	(3)	(4,406)	—	—	—	(4,409)
Compensation plans: 340,774 net shares issued *	4	2,074	—	—	—	2,078
As of March 31, 2018	$ 817	$ 1,126,688	$ (120,635)	$ (102,182)	$ —	$ 904,688

* Net of tax payments related to shares withheld for vested RSUs of $1,868 in 2018 and $3,287 in 2017.
See notes to condensed consolidated financial statements.

The E.W. Scripps Company
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies
As used in the Notes to Condensed 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 2017 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, serving audiences and businesses through a portfolio of local and national media brands. All of our media businesses provide content and advertising services via digital platforms, including the Internet, smartphones and tablets. Our media businesses are organized into the following reportable business segments: Local Media, National Media and Other. Additional information for our business segments is presented in the Notes to Condensed Consolidated Financial Statements.
In the fourth quarter of 2017, we began the process to divest our radio business. As such, we have classified the radio segment as held for sale in our Condensed Consolidated Balance Sheets and reported its results as discontinued operations in our Condensed Consolidated Statements of Operations. For additional information on our radio business, see Note 16.

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.
Nature of Products and Services — The following is a description of principal activities from which we generate revenue.
Core Advertising — Core advertising is comprised of sales to local and national customers. The advertising includes a combination of broadcast air spots, as well as digital advertising. Pricing of broadcast spot advertising is based on audience size and share, the demographic of our audiences and the demand for our limited inventory of commercial time. Advertising time is sold through a combination of local sales staff and national sales representative firms. Digital revenues are primarily generated from the sale of advertising to local and national customers on our local television websites, smartphone apps, tablet apps and other platforms.
Political Advertising — Political advertising is generally sold through our Washington D.C. sales office. Advertising is sold to presidential, gubernatorial, Senate and House of Representative candidates, as well as for state and local issues. It is also sold to political action groups (PACs) or other advocacy groups.

Retransmission Revenues — We earn revenue from retransmission consent agreements with multi-channel video programming distributors ("MVPDs") in our markets. The MVPDs are cable operators and satellite carriers who pay us to offer our programming to their customers. We also receive fees from over-the-top virtual MVPDs such as YouTubeTV, DirectTV

Now and Sony Vue. The fees we receive are typically based on the number of subscribers in our local market and the contracted rate per subscriber.
Other Products and Services — We derive revenue from sponsorships and community events through our Local Media segment. Our National Media segment offers subscription services for access to premium content to its customers. Our podcast business acts as a sales and marketing representative and earns commission for its work.
Refer to Note 12. Segment Information for further information, including revenue by significant product and service offering.
Revenue Recognition — Revenue is measured based on the consideration we expect to be entitled to in exchange for promised goods or services provided to customers, and excludes any amounts collected on behalf of third parties. Revenue is recognized upon transfer of control of promised products or services to customers.
Advertising revenue is recognized, net of agency commissions, over time primarily as ads are aired or impressions are delivered and any contracted audience guarantees are met. We apply the practical expedient to recognize revenue at the amount we have the right to invoice, which corresponds directly to the value a customer has received relative to our performance. For advertising sold based on audience guarantees, audience deficiency may result in an obligation to deliver additional advertisements to the customer. To the extent that we do not satisfy contracted audience ratings, we record deferred revenue until such time that the audience guarantee has been satisfied.
Retransmission revenues are considered licenses of functional intellectual property and are recognized at the point in time the content is transferred to the customer. MVPDs report their subscriber numbers to us generally on a 30- to 90-day lag. Prior to receiving the MVPD reporting, we record revenue based on estimates of the number of subscribers, utilizing historical levels and trends of subscribers for each MVPD.
Refer to Note 2. Recently Adopted and Issued Accounting Standards for further information on the adoption of the new revenue recognition standard.
Contract Balances — Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing.
Payment terms may vary by contract type, although our terms generally include a requirement of payment within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers.
The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence. Allowance for doubtful accounts totaled $1.9 million at March 31, 2018 and December 31, 2017.
We record unearned revenue when cash payments are received in advance of our performance. Unearned revenue balances totaled $7.2 million at March 31, 2018, and are expected to be recognized within revenue over the next 12 months. Unearned revenue totaled $7.4 million at December 31, 2017.
Assets Recognized from the Costs to Obtain a Contract with a Customer — We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We apply and use the practical expedient in the revenue guidance to expense costs as incurred for costs to obtain a contract when the amortization period is one year or less. This expedient applies to advertising sales commissions since advertising contracts are short-term in nature. We do not have any capitalized costs to obtain a contract recognized within our condensed consolidated balance sheets.
Use of Other Practical Expedients — For our arrangements that have an original duration of one year or less, we use the practical expedient applicable to such arrangements and do not consider the time value of money. In addition, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Share-Based Compensation — We have a Long-Term Incentive Plan (the "Plan") which is described more fully in our 2017 Annual Report on Form 10-K. The Plan provides for the award of incentive and nonqualified stock options, stock appreciation rights, restricted stock units (RSUs) and unrestricted Class A Common shares and performance units to key employees and non-employee directors.

Share-based compensation costs totaled $3.4 million and $5.8 million for the first quarter of 2018 and 2017, 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 March 31, 2018	2017
Numerator (for basic and diluted earnings per share)		
Income (loss) from continuing operations, net of tax	$(8,577)	$(2,733)
Net loss (income) attributable to noncontrolling interest	632	—
Numerator for basic and diluted earnings per share from continuing operations attributable to the shareholders of The E.W. Scripps Company	$(7,945)	$(2,733)
Denominator		
Basic weighted-average shares outstanding	81,554	82,079
Effect of dilutive securities:		
Stock options held by employees and directors	—	—
Diluted weighted-average shares outstanding	81,554	82,079
Anti-dilutive securities [(1)]	1,677	1,397

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

For the three month periods ended March 31, 2018 and 2017, we incurred a net loss and the inclusion of RSUs and stock options would have been anti-dilutive, and accordingly the diluted EPS calculation for the period excludes those common share equivalents.

2. Recently Adopted and Issued Accounting Standards

Recently Adopted Accounting Standards — In August 2016, the FASB issued new guidance related to classification of certain cash receipts and payments in the statement of cash flows. This new guidance was issued with the objective of reducing diversity in practice around eight specific types of cash flows. The new guidance was effective for us January 1, 2018 and did not have an impact on our condensed consolidated statements of cash flows.

In January 2016, the FASB issued new guidance on the recognition and measurement of financial instruments. This guidance primarily affects the accounting for equity method investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The new standard was effective for us on January 1, 2018 and did not have an impact on our condensed consolidated financial statements.

In May 2014, the FASB issued a new standard related to revenue recognition. Under this standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to be entitled to 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. In addition, the standard requires expanded footnote disclosure.

We adopted this standard on January 1, 2018, using the full retrospective method. Regarding our advertising contracts, which comprised 65% of 2017 operating revenues, the contracts are short-term in nature with transaction price consideration agreed upon in advance. Revenue on broadcast advertising spots will continue to be recognized when commercials are aired.

Online advertising revenue earned through the display of digital advertisements across various digital platforms typically take the form of an impression-based contract, fixed fee time-based contract or transaction-based contract. Revenue will continue to be recognized evenly over the contract term for fixed fee contracts where a minimum number of impressions or click-throughs is not guaranteed. Revenue will be recognized as the service is delivered for impression and transaction based contracts. Retransmission revenue, which comprised 30% of 2017 operating revenues, will be recognized under the licensing of intellectual property guidance in the standard, which will not result in a change to our previous revenue recognition.

The only identified impacts of the standard were the recording of certain revenue transactions on a gross basis that were previously recorded on a net basis and barter revenue and expense related to syndicated programming will no longer be recognized under the new guidance.

Adoption of this standard on January 1, 2018 using the full retrospective method required us to adjust certain previously reported results. The following table presents the impact of adoption of the standard on our condensed consolidated statement of operations:

	Three Months Ended March 31, 2017		
(in thousands)	As Previously Reported	Adjustments for Adoption of New Revenue Standard	As Adjusted
Operating Revenues:			
Advertising	$120,111	$ (215)	$119,896
Retransmission and carriage	66,211	—	66,211
Other	10,007	2,361	12,368
Total operating revenues	196,329	2,146	198,475
Costs and Expenses:			
Employee compensation and benefits	94,925	—	94,925
Programming	46,577	2,146	48,723
Other expenses	40,766	—	40,766
Total costs and expenses	$182,268	$ 2,146	$184,414

Adoption of the new revenue recognition standard had no impact on our condensed consolidated balance sheets, condensed consolidated statements of comprehensive income (loss), condensed consolidated statements of cash flows or condensed consolidated statements of equity.

In February 2018, the FASB issued new guidance that permits companies to reclassify the disproportionate tax effect in accumulated other comprehensive income ("AOCI") caused by the Tax Cuts and Jobs Act of 2017. We have adopted this guidance as of December 31, 2017. The impact of the adoption was to reclassify $19.4 million of tax effects related to our defined benefits plans from AOCI to retained earnings.

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

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

3. Acquisitions

Katz

On October 2, 2017, we acquired the Katz networks for $292 million, which is net of a 5.33% noncontrolling interest we owned prior to the acquisition date. Katz owns and operates four national television networks — Bounce, Grit, Escape and Laff. The acquisition was funded through the issuance of a new term loan B. Katz is included as part of our National Media segment.

Pending the finalization of asset valuations, the following table summarizes the preliminary fair values of the assets acquired and the liabilities assumed:

(in thousands)	
Assets:	
Cash	$21,372
Accounts receivable	44,306
Current portion of programming	47,120
Intangible assets	32,300
Goodwill	209,572
Programming (less current portion)	74,998
Other assets	1,395
Total assets acquired	431,063
Accounts payable and accrued liabilities	29,339
Current portion of programming liabilities	46,376
Programming liabilities	53,036
Net purchase price	$302,312

Of the $32 million allocated to intangible assets, $8 million was assigned to trade names with a life of 10 years and $24 million was assigned to advertiser relationships with a life of 5 years.

The goodwill of $210 million arises from being able to enter into the market for established over-the-air networks. The goodwill was allocated to our National Media segment. We treated the transaction as an asset acquisition for income tax purposes with a step-up in the assets acquired. The goodwill is deductible for income tax purposes.

Pro forma results of operations

Pro forma results of operations, assuming the Katz acquisition had taken place at the beginning of 2017, are presented in the following table. The pro forma information includes the historical results of operations of Scripps and Katz, as well as adjustments for additional depreciation and amortization of the assets acquired and additional interest expense related to the financing of the transaction. 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.

(in thousands, except per share data) (unaudited)	Three Months Ended March 31, 2017

Operating revenues	$233,288
Income (loss) from continuing operations, net of tax	(2,538)
Income (loss) per share from continuing operations attributable to the shareholders of The E.W. Scripps Company	
Basic	$(0.03)
Diluted	(0.03)

4. Asset Write-Downs and Other Charges and Credits

First quarter 2018 loss from continuing operations includes $3.8 million of severance and outside consulting fees associated with our previously announced restructuring.

5. Income Taxes

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

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

The effective income tax rate for the three months ended March 31, 2018 and 2017, was 19% and 67%, respectively. On December 22, 2017, the U.S. government enacted comprehensive tax legislation referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates. The U.S. federal statutory rate was 21% in the first quarter 2018 and 35% in the first quarter 2017 impacting the comparability of the income tax provision between those periods. We made a preliminary estimate of the impact of the Tax Act on our deferred taxes in our 2017 financial statements. There were no changes to that provisional estimate during the first quarter of 2018.

Other differences between our effective income tax rate and the U.S. federal statutory rate are the impact of state taxes, non-deductible expenses, release of reserves for uncertain tax positions and excess tax benefits or expense on share-based compensation ($0.7 million expense and $2.4 million benefit in 2018 and 2017, respectively).

Deferred tax assets totaled $22.0 million at March 31, 2018, which includes the tax effect of state net operating loss carryforwards. We recognize state net operating loss carryforwards as deferred tax assets, subject to valuation allowances. At each balance sheet date, we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included in the valuation allowance.

6. Restricted Cash

At March 31, 2018 and December 31, 2017, our cash and cash equivalents included $5.1 million held in a restricted cash account on deposit with our insurance carrier. This account serves as collateral, in place of an irrevocable stand-by letter of credit, to provide financial assurance that we will fulfill our obligations with respect to cash requirements associated with our workers' compensation self-insurance. This cash is to remain on deposit with the carrier until all claims have been paid or we provide a letter of credit in lieu of the cash deposit.

7. Goodwill and Other Intangible Assets

Goodwill consisted of the following:

(in thousands)	Local Media	National Media	Total
Gross balance as of December 31, 2017	$708,133	$315,133	$1,023,266
Accumulated impairment losses	(216,914)	(50,403)	(267,317)
Net balance as of December 31, 2017	$491,219	$264,730	$755,949
Gross balance as of March 31, 2018	$708,133	$315,133	$1,023,266
Accumulated impairment losses	(216,914)	(50,403)	(267,317)
Net balance as of March 31, 2018	$491,219	$264,730	$755,949

Other intangible assets consisted of the following:

(in thousands)	As of March 31, 2018	As of December 31, 2017
Amortizable intangible assets:		
Carrying amount:		
Television network affiliation relationships	$248,444	$248,444
Customer lists and advertiser relationships	69,500	69,500
Other	37,069	37,069
Total carrying amount	355,013	355,013
Accumulated amortization:		
Television network affiliation relationships	(52,734)	(49,639)
Customer lists and advertiser relationships	(28,190)	(26,345)
Other	(12,651)	(10,269)
Total accumulated amortization	(93,575)	(86,253)
Net amortizable intangible assets	261,438	268,760
Indefinite-lived intangible assets — FCC licenses	157,215	157,215
Total other intangible assets	$418,653	$425,975

Estimated amortization expense of intangible assets for each of the next five years is $20.2 million for the remainder of 2018, $26.1 million in 2019, $24.9 million in 2020, $22.5 million in 2021, $20.3 million in 2022, $15.8 million in 2023 and $131.6 million in later years.

8. Long-Term Debt

Long-term debt consisted of the following:

(in thousands)	As of March 31, 2018	As of December 31, 2017
Variable rate credit facility	$—	$—
Senior unsecured notes	400,000	400,000
Term loan B	298,500	299,250
Unsecured subordinated notes	2,656	2,656
Total outstanding principal	701,156	701,906
Less: Debt issuance costs	(8,394)	(8,631)
Less: Current portion	(5,656)	(5,656)
Net carrying value of long-term debt	$687,106	$687,619
Fair value of long-term debt *	$676,211	$703,572

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

Senior Unsecured Notes

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

We incurred approximately $7.0 million of deferred financing costs in connection with the issuance of the Senior Notes, which are being amortized over the life of the Senior Notes.

Term Loan B

On October 2, 2017, we issued a $300 million term loan B which matures in October 2024. We amended term loan B on April 4, 2018, reducing the interest rate by 25 basis points. Following the amendment, interest is payable on term loan B at a rate based on LIBOR, plus a fixed margin of 2.00%. Interest will reduce to a rate of LIBOR plus a fixed margin of 1.75% if the company’s total net leverage, as defined by the amended agreement, is below 2.75. Term loan B requires annual principal payments of $3 million.

Our Financing Agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. As of March 31, 2018, we were not required to make any additional principal payments for excess cash flow.

Under a previous financing agreement, we had a $400 million term loan B that matured in November 2020. We repaid the term loan B in 2017 with the proceeds of our Senior Notes.

As of March 31, 2018 and December 31, 2017, the interest rate was 3.90% and 3.82%, respectively on the term loan B. The weighted-average interest rate was 3.92% for the three months ended March 31, 2018.

Revolving Credit Facility

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

The Revolving Credit Facility includes maintaining a net leverage ratio when we have outstanding borrowings on the facility, as well as other restrictions on payments (dividends and share repurchases). Additionally, we can make acquisitions as long as the pro forma net leverage ratio is less than 5.5 to 1.0.

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

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

Unsecured Subordinated Notes

The unsecured subordinated promissory notes bear interest at a rate of 7.25% per annum, payable quarterly. The remaining principal payment of $2.7 million will be paid in the third quarter of 2018.

9. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of March 31, 2018	As of December 31, 2017
Employee compensation and benefits	$20,354	$18,520
Programming liability	58,836	54,641
Liability for pension benefits	206,053	207,406
Liabilities for uncertain tax positions	656	644
Other	12,112	12,445
Other liabilities (less current portion)	$298,011	$293,656

10. Supplemental Cash Flow Information

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

	Three Months Ended March 31,	
(in thousands)	2018	2017
Accounts receivable	$9,166	$(1,018)
Other current assets	(3,508)	(24)

Accounts payable	4,251	2,283
Accrued employee compensation and benefits	(13,516)	(12,741)
Other accrued liabilities	1,412	886
Other, net	(63)	(862)
Total	$(2,258)	$(11,476)

11. Employee Benefit Plans

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

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.

The components of the expense consisted of the following:

(in thousands)	Three Months Ended March 31, 2018	2017
Interest cost	$5,925	$6,486
Expected return on plan assets, net of expenses	(5,732)	(4,360)
Amortization of actuarial loss	921	1,084
Total for defined benefit plans	1,114	3,210
Multi-employer plans	47	74
SERPs	274	257
Defined contribution plan	2,793	2,904
Net periodic benefit cost	4,228	6,445
Allocated to discontinued operations	(203)	(191)
Net periodic benefit cost — continuing operations	$4,025	$6,254

We contributed $1.6 million to fund current benefit payments for our SERPs and $1.3 million for our defined benefit pension plans during the three months ended March 31, 2018. During the remainder of 2018, we anticipate contributing an additional $4.9 million to fund the SERPs' benefit payments and an additional $16.1 million to fund our qualified defined benefit pension plans.

12. Segment Information

We determine our business segments based upon our management and internal reporting structures, as well as the basis that our chief operating decision maker makes resource allocation decisions.

Effective December 31, 2017, we realigned our businesses into a new internal organization and began reporting to reflect this new structure. Under the new structure, we have the following reportable segments: Local Media, National Media and Other. We have recast the operating results for all periods to reflect this change.

Our Local Media segment includes our local broadcast stations and their related digital operations. It is comprised of fifteen ABC affiliates, five NBC affiliates, two FOX affiliates and two CBS affiliates. We also have two MyTV affiliates, one CW affiliate, one independent station and three Azteca America Spanish-language affiliates. Our Local Media segment earns revenue primarily from the sale of advertising to local, national and political advertisers and retransmission fees received from cable operators, telecommunications companies and satellite carriers. We also receive retransmission fees from over-the-top virtual MVPDs such as YouTubeTV, DirectTV Now and Sony Vue.

Our National Media segment includes our collection of national brands. Our national brands are Katz, Midroll, Newsy and other national brands. These operations earn revenue primarily through the sale of advertising.

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

Our chief operating decision maker evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan expense, income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

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Information regarding our business segments is as follows:

	Three Months Ended March 31,	
(in thousands)	2018	2017
Segment operating revenues:		
Local Media	$192,059	$187,064
National Media	60,721	9,687
Other	1,411	1,724
Total operating revenues	$254,191	$198,475
Segment profit (loss):		
Local Media	$31,619	$32,351
National Media	2,035	(3,957)
Other	(251)	249
Shared services and corporate	(14,087)	(14,582)
Restructuring costs	(3,807)	—
Depreciation and amortization of intangibles	(15,420)	(13,861)
Gains (losses), net on disposal of property and equipment	(717)	(47)
Interest expense	(8,759)	(4,195)
Defined benefit pension plan expense	(1,388)	(3,467)
Miscellaneous, net	167	(879)
Income (loss) from continuing operations before income taxes	$(10,608)	$(8,388)
Depreciation:		
Local Media	$7,556	$7,835
National Media	96	7
Other	38	67
Shared services and corporate	409	482
Total depreciation	$8,099	$8,391
Amortization of intangibles:		
Local Media	$3,705	$3,954
National Media	3,278	1,178
Shared services and corporate	338	338
Total amortization of intangibles	$7,321	$5,470
Additions to property and equipment:		
Local Media	$9,500	$3,947
National Media	1,674	11
Shared services and corporate	60	99
Total additions to property and equipment	$11,234	$4,057

A disaggregation of the principal activities from which we generate revenue is as follows:

(in thousands)	Three Months Ended March 31, 2018	2017
Operating revenues:		
Core advertising	$166,553	$118,855
Political advertising	2,584	1,041
Retransmission and carriage	71,060	66,211
Other	13,994	12,368
Total operating revenues	$254,191	$198,475

13. Capital Stock

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

Share Repurchase Plan — Shares may be repurchased from time to time at management's discretion, either in the open market, through pre-arranged trading plans or in privately negotiated block transactions. In November 2016, our Board of Directors authorized a repurchase program of up to $100 million of our Class A Common shares through December 2018. For the three months ended March 31, 2017, we repurchased $1.3 million of shares at prices ranging from $22.39 to $23.01 per share under this authorization. For the three months ended March 31, 2018, we repurchased $4.4 million of shares at prices ranging from $13.29 to $16.86 per share under this authorization. At March 31, 2018, $78.2 million remained under this authorization.

14. Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended March 31, 2018		
(in thousands)	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2017	$(102,955)	$ 33	$(102,922)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified from accumulated other comprehensive loss:			
Actuarial gain (loss), net of tax of $248 [a]	740	—	740
Net current-period other comprehensive income (loss)	740	—	740
Ending balance, March 31, 2018	$(102,215)	$ 33	$(102,182)

	Three Months Ended March 31, 2017		
(in thousands)	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2016	$(93,676)	$329	$(93,347)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified from accumulated other comprehensive loss:			
Actuarial gain (loss), net of tax of $423 [a]	695	(16)	679
Net current-period other comprehensive income (loss)	695	(16)	679
Ending balance, March 31, 2017	$(92,981		