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2016 Duff & Phelps  
YOUiversity Deal Challenge

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October 24, 2015

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Section 1

# Executive Summary

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# Executive Summary

- ❖ Summit Networks operates as a provider of entertainment content
  - Operates 8 Cable Television channels
  - Derives 100% of its revenue in the United States.
  - Originally founded in 1980s. Since that time, it has developed branded content and acquired various valuable programming rights
  - Company is facing challenges in growing its advertising revenue as consumer transition from traditional multiple-system operators
- ❖ Revenue in Fiscal Year (“FY”) 2015 was approximately \$1.88 billion, and is projected to be \$1.95 billion in FY 2016. EBITDA in FY 2015 was \$551.8 million, and is projected to be \$524.4 million in FY 2016.
- ❖ Currently, Summit has interest-bearing debt obligations of \$1.6 billion, and is carrying an optimal amount of cash and working capital, consistent with the industry average.

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Section 2

# Background

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# Business Description

Summit Networks is a leading provider of entertainment content through its diverse portfolio of cable networks. Summit Networks operates the following television Networks:

## General Entertainment TV Networks

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Classic Network

Summit United Network (SUN)

Independent Network

## Sports Networks

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Summit Sports Networks

## Lifestyle Networks

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C&C Network

Home Improvement Network

## Kids Networks

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Blast Network

Blast Jr. Network

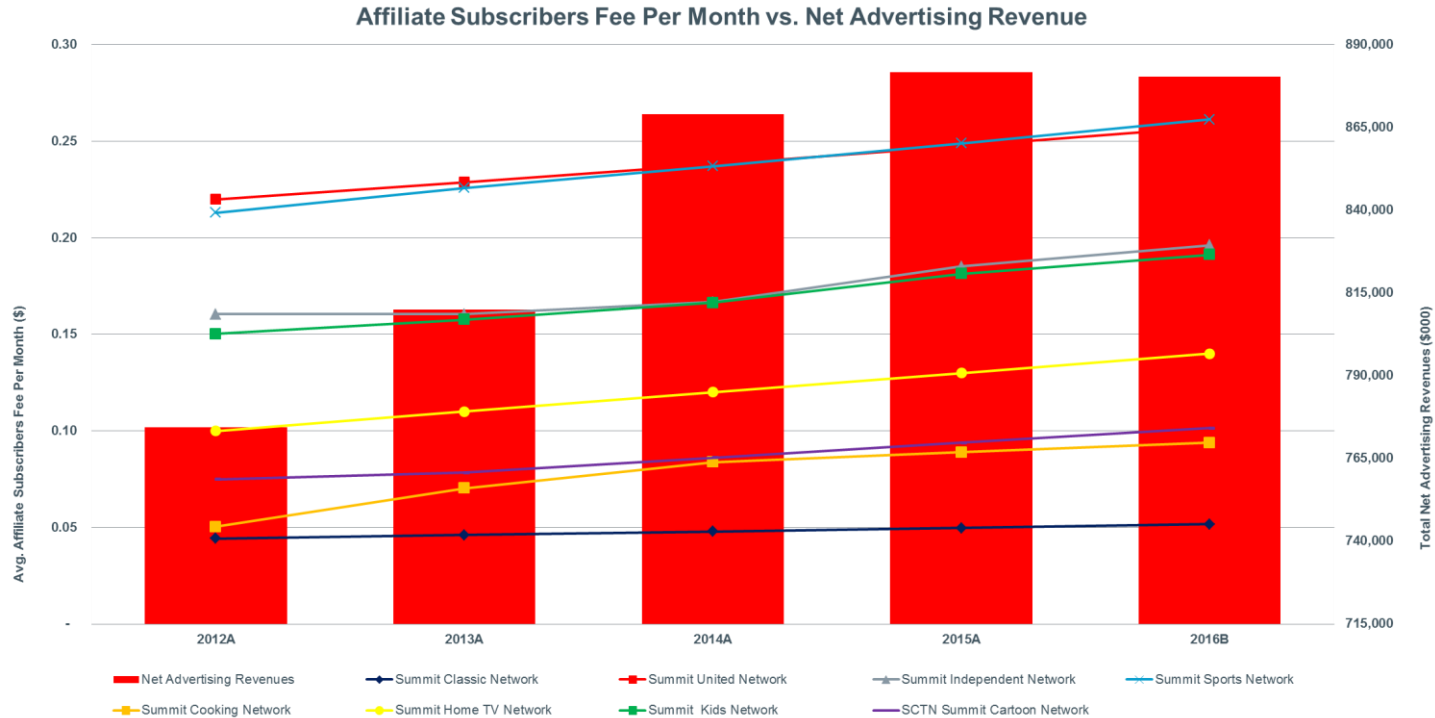
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- ❖ Fiscal year end is September 30.
- ❖ The company is controlled by one family and it has been privately held for over 25 years.
- ❖ Headquarters: Los Angeles, California
- ❖ Highly experienced senior management team (25+ combined years in industry)

Channel Overview	2015 Avg. Subs (M) <sup>1</sup>	2015 Avg. Affiliate Fee per Sub/ Month	Major Affiliate Contracts Expire	Description
<b>Summit Classic Network</b>	22.5	\$0.05	2018-2020	Focused on classic movies and television series, Classic Network was launched in January 2008.
<b>United Network</b>	96.9	\$0.25	2018-2020	United Network programming consists of television series and feature films, with a focus on sitcom comedy. Summit United Network was launch in 1992.
<b>Independent TV Network</b>	71.8	\$0.19	2018-2020	Programming on the channel includes original comedies, acquired series, and fan favorite films. The network was launched in 2001.
<b>Summit Sports Network</b>	53.0	\$0.25	2018-2020	The newest addition to the Summit family of networks, SSN airs an array of live sporting events, including golf, tennis, motor sports and college basketball. The network was rebrand to SSN in 2010.
<b>C&amp;B Network</b>	61.4	\$0.09	2018-2020	A channel dedicated to food and cooking programming, Cooking Network was launched by Summit in 2004..
<b>Home Improvement Network</b>	6.6	\$0.13	2018-2020	Home TV Network is dedicated to broadcasting a variety of how-to shows with a focus on home-improvement and gardening. Home TV Network was launched in 2004.
<b>Blast Network</b>	80.5	\$0.18	2018-2020	The crown jewel of Summit's Networks, Kids Network was launch in 1980s and purchased by Summit in 1992. Most of Kids Network programming is aimed at children and adolescents ages 8 to 16.
<b>Blast Jr. Network</b>	67.1	\$0.09	2018-2020	Launched in 2001, Summit Cartoon Network provides programming for kids ages 2 to 8 with a focus on animated programming.

1. For a detailed performance of each network and contract expiration by distributor, please refer to the Appendix.

# Affiliate Fee vs. Subscribers



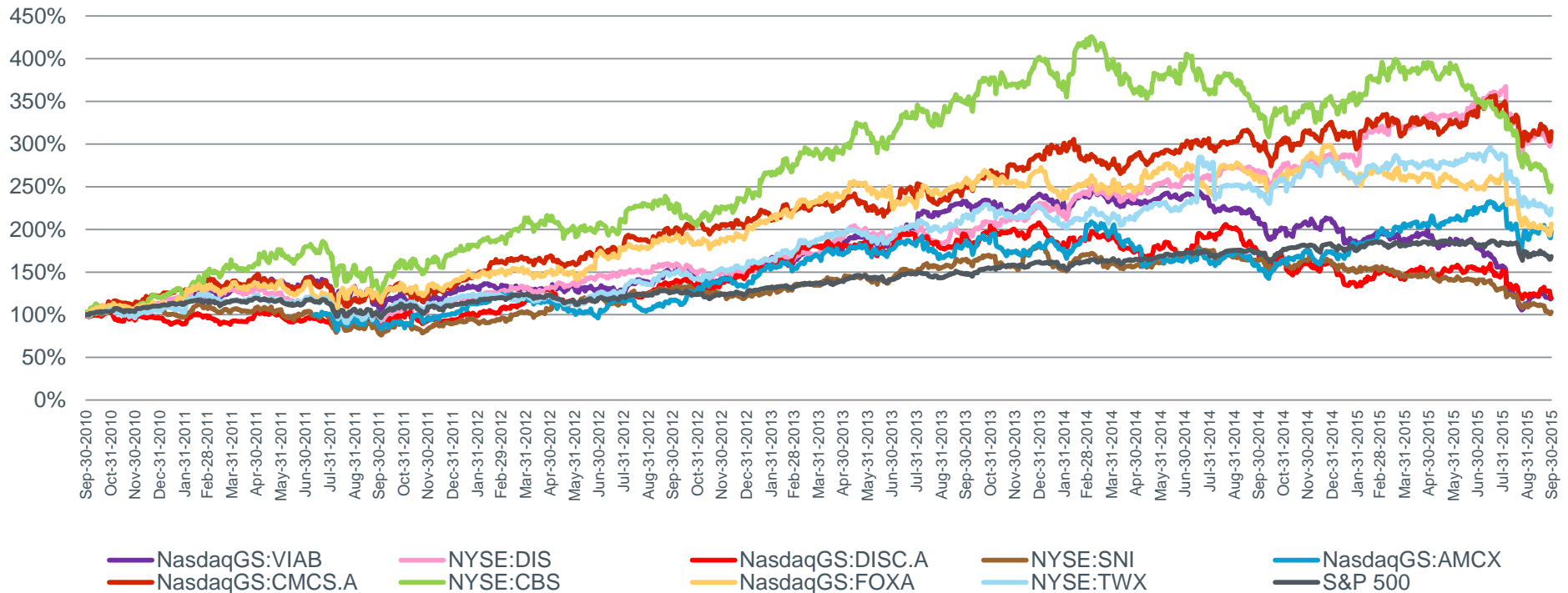
- ❖ Despite stable subscription numbers and a gradual increase in the number of subscribers, Management expects a decrease in total net advertising revenues in 2015.
- ❖ Recent trends in technology have increased advertising inventory. Advertisers have more options to target the consumers.
- ❖ As a result, traditional media and entertainment companies have experienced significant challenge from the new forms of technology for their advertising dollars.
- ❖ Due to the recent changes, Management of the traditional media and entertainment companies have been forced to create additional sources of revenues to compensate the loss of advertising dollars.



# A Market In turmoil

- ❖ Recently, share prices of the publicly traded traditional entertainment and media companies have done poorly. Technological changes in conjunction with the changes in consumer behavior and uncertainty surrounding the ability of traditional entertainment and media players to adapt to new changes are factors that have put the share prices of the entertainment and media companies under pressure.

## Major Entertainment and Media Companies Stock Performance



# Historical Financial Information<sup>1</sup>

## Historical Financial Information

(USD in Thousands)

	2012A	2013A	2014A	2015A
Gross Advertising Revenue	\$ 911,044.0	\$ 952,841.0	\$ 1,022,310.0	\$ 1,037,337.0
Less: Advertising Commission	(136,657.0)	(142,925.0)	(153,347.0)	(155,600.0)
<b>Net Advertising Revenue</b>	<b>774,387.0</b>	<b>809,916.0</b>	<b>868,963.0</b>	<b>881,737.0</b>
Affiliate Revenue	733,222.0	790,227.3	869,070.0	945,623.6
Other Operating Revenue	32,222.0	42,364.0	49,328.0	49,638.0
<b>Operating Revenue, Net</b>	<b>1,539,831.0</b>	<b>1,642,507.3</b>	<b>1,787,361.0</b>	<b>1,876,998.6</b>
Programming Expenses	671,965.1	710,866.2	803,605.7	873,231.6
<b>Gross Profit</b>	<b>867,865.8</b>	<b>931,641.1</b>	<b>983,755.3</b>	<b>1,003,767.1</b>
<i>Gross Margin</i>	56.4%	56.7%	55.0%	53.5%
Networks Operating SG&A Expense	330,567.0	341,778.0	354,605.0	358,131.0
Corporate Overhead	76,991.5	82,125.4	89,368.1	93,849.9
<b>Operating Expenses</b>	<b>407,558.5</b>	<b>423,903.4</b>	<b>443,973.1</b>	<b>451,980.9</b>
<i>Margin</i>	26.5%	25.8%	24.8%	24.1%
<b>EBITDA</b>	<b>460,307.3</b>	<b>507,737.7</b>	<b>539,782.3</b>	<b>551,786.1</b>
<i>Margin</i>	29.9%	30.9%	30.2%	29.4%
Depreciation	26,177.1	26,280.1	25,023.1	28,155.0
Amortization	30,796.6	34,492.7	37,534.6	37,540.0
<b>EBIT</b>	<b>403,333.5</b>	<b>446,965.0</b>	<b>477,224.6</b>	<b>486,091.2</b>
<i>Margin</i>	26.2%	27.2%	26.7%	25.9%
Capital Expenditures	23,097.5	26,280.1	28,597.8	26,278.0
Amortization of Programming Rights	262,066.4	270,129.2	297,334.1	314,363.4
Acquired Programming - Cash Cost	262,066.4	281,721.4	316,936.5	348,630.2

## Notes:

1. Other Operating Revenue includes consumer products licensing, brand licensing, sale of content on DVDs and Blu-ray discs, licensing of our content for download-to-own and download-to-rent services and television syndication.
2. Programming expenses are comprised of costs related to original and acquired programming, including programming amortization. For the purpose of calculating EBITDA, the amortization of programming expense is not excluded. The programming amortization represents the on-going cost of content that is necessary for the operation of the Networks.
3. SG&A expense consist primarily of employee compensation, marketing, research and professional services fees and facility and occupancy costs.
4. Depreciation and Amortization expenses reflect deprecation of fixed assets and amortization of finite-lived intangible assets.

# Historical Financial Information

## Common Size

	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>
Gross Advertising Revenue	59.2%	58.0%	57.2%	55.3%
Less: Advertising Commission	(8.9%)	(8.7%)	(8.6%)	(8.3%)
<b>Net Advertising Revenue</b>	<b>50.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Affiliate Revenue	47.6%	48.1%	48.6%	50.4%
Other Operating Revenue	2.1%	2.6%	2.8%	2.6%
<b>Operating Revenue, Net</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Programming Expenses	43.6%	43.3%	45.0%	46.5%
<b>Gross Profit</b>	<b>56.4%</b>	<b>56.7%</b>	<b>55.0%</b>	<b>53.5%</b>
<i>Gross Margin</i>				
Networks Operating SG&A Expense	21.5%	20.8%	19.8%	19.1%
Corporate Overhead	5.0%	5.0%	5.0%	5.0%
<b>Operating Expenses</b>	<b>26.5%</b>	<b>25.8%</b>	<b>24.8%</b>	<b>24.1%</b>
<b>EBITDA</b>	<b>29.9%</b>	<b>30.9%</b>	<b>30.2%</b>	<b>29.4%</b>
Depreciation	1.7%	1.6%	1.4%	1.5%
Amortization	2.0%	2.1%	2.1%	2.0%
<b>EBIT</b>	<b>26.2%</b>	<b>27.2%</b>	<b>26.7%</b>	<b>25.9%</b>
Capital Expenditures	1.5%	1.6%	1.6%	1.4%
Amortization of Programming Rights	17.0%	16.4%	16.6%	16.7%
Acquired Programming - Cash Cost	17.0%	17.2%	17.7%	18.6%

# Historical Financial Information

## Trend Analysis

	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>
Gross Advertising Revenue	10.0%	4.6%	7.3%	1.5%
Less: Advertising Commission	<u>10.0%</u>	<u>4.6%</u>	<u>7.3%</u>	<u>1.5%</u>
<b>Net Advertising Revenue</b>	<b>10.0%</b>	<b>4.6%</b>	<b>7.3%</b>	<b>1.5%</b>
Affiliate Revenue	6.0%	7.8%	10.0%	8.8%
Other Operating Revenue	<u>61.0%</u>	<u>31.5%</u>	<u>16.4%</u>	<u>0.6%</u>
<b>Operating Revenue, Net</b>	<b>5.9%</b>	<b>6.7%</b>	<b>8.8%</b>	<b>5.0%</b>
Programming Expenses	5.0%	5.8%	13.0%	8.7%
<b>Gross Profit</b>	<b>6.6%</b>	<b>7.3%</b>	<b>5.6%</b>	<b>2.0%</b>
Networks Operating SG&A Expense	5.9%	3.4%	3.8%	1.0%
Corporate Overhead	<u>5.9%</u>	<u>6.7%</u>	<u>8.8%</u>	<u>5.0%</u>
<b>Operating Expenses</b>	<b>5.9%</b>	<b>4.0%</b>	<b>4.7%</b>	<b>1.8%</b>
<b>EBITDA</b>	<b>7.2%</b>	<b>10.3%</b>	<b>6.3%</b>	<b>2.2%</b>
Depreciation	5.9%	0.4%	(4.8%)	12.5%
Amortization	5.9%	12.0%	8.8%	0.0%
<b>EBIT</b>	<b>7.4%</b>	<b>10.8%</b>	<b>6.8%</b>	<b>1.9%</b>
Capital Expenditures	5.9%	13.8%	8.8%	(8.1%)
Amortization of Programming Rights	2.4%	3.1%	10.1%	5.7%
Acquired Programming - Cash Cost	2.4%	7.5%	12.5%	10.0%

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Section 3

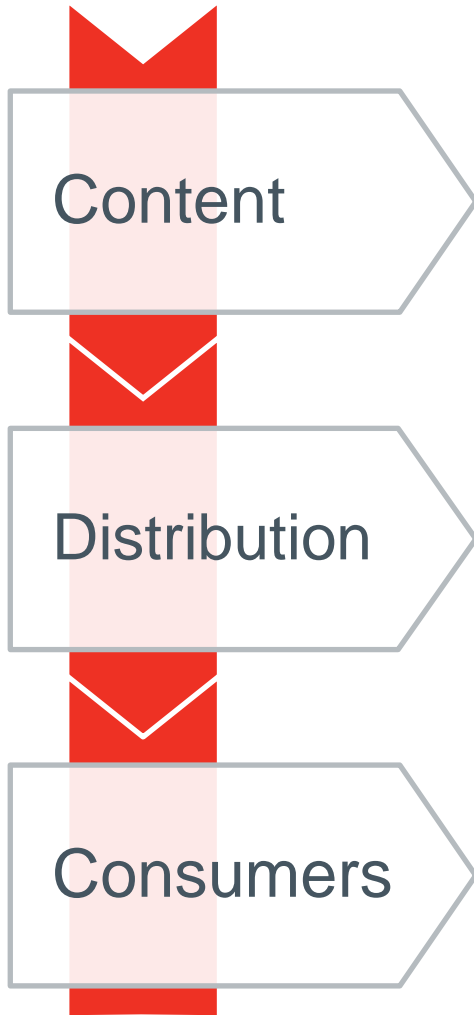
# Industry Information

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# Entertainment & Media Platforms

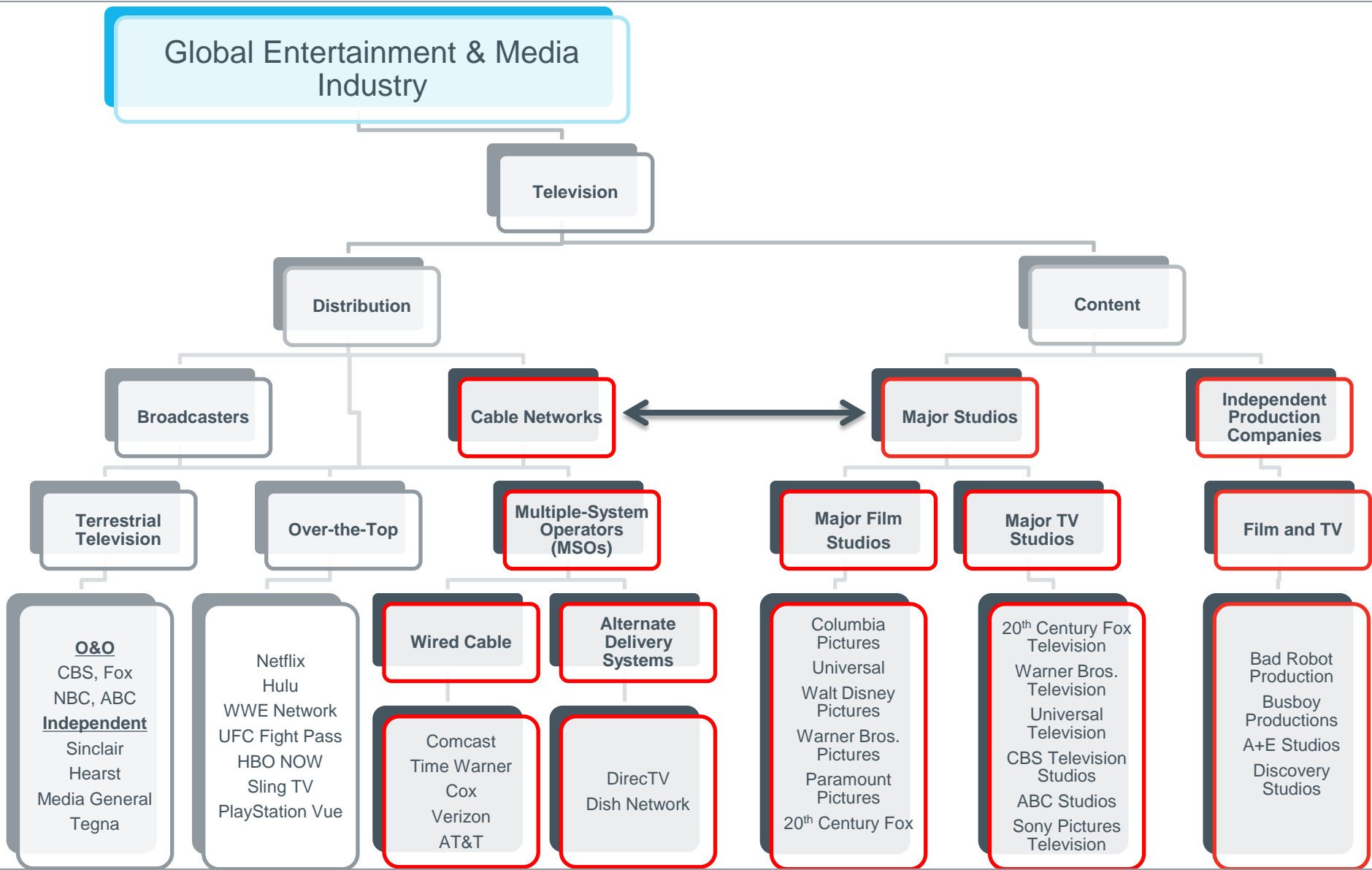
- Entertainment businesses are basically characterized by one of two activities:
  - Content creation
  - Distribution
- Content creation requires substantial upfront investment
  - Deficit financing model
- Distributors generate revenues from various kinds of distribution arrangements:
  - Sale or rental of their content to consumers (e.g. Home Video, iTunes, etc.)
  - Advertising sales; and
  - Subscription service sales.
- The recent convergence of media platforms is providing both challenges and opportunities to market participants.
  - For example, the shift in content creation control from businesses into the hands of consumers. (User generated content is making up an increasing portion of the content provided on the Internet)
    - » Example: Maker Studios, Fullscreen, and other multi-channel networks
  - New forms of distribution, mobile, digital download, etc. has resulted in opportunities (i.e. Netflix, YouTube, Facebook) and threats (Cord Cutters, publishing industry, music labels, etc.)

# Television Industry Overview



- The television industry comprises of companies that produce and distribute entertainment content.
- Companies in this industry broadcast television programs free to the public (TV Broadcast) and through multi-channel distributors (Cable, Satellite, and Telcos).
- Traditionally, Broadcasters have relied on local TV stations that transmit TV signals over the air through their FCC licenses.
- Cable Networks, on the other hand, rely on the multiple-system operators (“MSOs”) (e.g., Comcast) and telco companies (e.g., AT&T) and satellite (e.g., DirecTV) for distribution to American households.
- Consumers ultimately pay for the networks through cable/satellite subscription and advertising (Based on viewership/ratings).

# Television Industry Structure Overview





# Cable Networks History<sup>1</sup>

- ❖ Cable television was developed in the late 1940s to provide television service to small communities that could not receive over-the-air signals due to difficult terrain or physical distance from broadcast stations.
- ❖ The service was slow to catch on at first. By 1970, cable served approximately 3.9 million subscribers, representing 6.7% of TV household at the time.
- ❖ Despite further advancements in early 1970s, which allowed cable companies to transmit more than 100 channels over their systems, the expansion was slow due to lackluster demand (consumers were able to receive over-the-air signal at no cost), prohibitive costs to expand.
- ❖ The advent of the first cable-only network, Time Warner Inc.'s Home Box Office (HBO), increased the demand dramatically. HBO's success spurred other cable networks to enter the market.
- ❖ In 1970s, the satellite television industry also was born in the U.S. from the cable television industry since cable companies were using communication satellites to distribute television programming.
- ❖ HBO, Turner Broadcasting System (TBS), and Christian Broadcasting Network (CBN) were among the first to use satellite television to deliver programming.
- ❖ Therefore, satellite television, a.k.a. Alternate Delivery Systems (ADS), provided another distribution system for cable networks.
- ❖ As of January 1, 2015, there are approximately 113 million TV Homes in the U.S., according to Nielsen. Among the U.S. TV Homes, the breakdown between ADS, Wired Cable, and Over the Air (OTA) (those without either ADS or Wired) is as follows:

	Total ADS		Cable		Telco		OTA	
TV Homes in U.S. <sup>2</sup>	34.3 M	30.5%	53.7 M	47.7%	13.2 M	11.7%	11.3 M	10.0%

1. Source: Industry Surveys: Broadcasting, Cable & Satellite, S&P Capital IQ.

2. TVB.org and SNL Kagan; as of Q2 of 2015.

# Cable Networks Industry Overview

- ❖ Companies in this industry develop, produce, and market programming to consumers.
- ❖ Cable Networks programming typically is “narrowcast,” with a limited format, such as mostly news, sports, or education, or narrowly targeted audience based on viewer demographics, such as youth, or women.<sup>1</sup>
- ❖ Cable networks have placed their bet on developing and airing high-quality programming that has appealed to targeted demographics.
- ❖ Sports programming has become a larger part of cable networks program offering.
- ❖ The industry is impacted by total advertising expenditure, number of cable TV subscription, rising consumer spending, and technology innovation.
- ❖ Cable Networks industry is highly regulated.
- ❖ Primary Sources of Revenue:
  1. Advertising;
  2. Subscription Fees.

1. First Research.  
2. Source: Nielsen.

## Major Cable Networks



## Select 2014 Cable Networks Ratings<sup>2</sup>

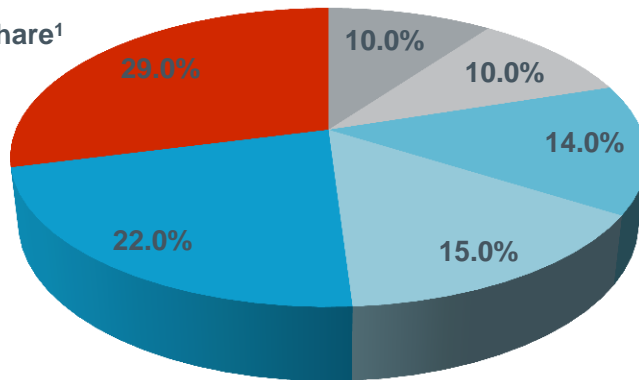
Top Primetime (Avg. Adults 18-49)	Top Viewers (Total Viewers)	Top Primetime Series (Total Viewers)
<b>ESPN</b> 990,000 (up 3% vs. 2013)	<b>ESPN</b> 2.28 million (up 6%)	<b>The Walking Dead (AMC)</b> 19.81 million
<b>TBS</b> 932,000 (down 14%)	<b>USA</b> 2.18 million (down 20%)	<b>NFL Monday Night (ESPN)</b> 13.23 million
<b>USA</b> 908,000 (down 14%)	<b>TNT</b> 2.04 million (down 4%)	<b>Sons of Anarchy (FX)</b> 7.77 million
<b>FX</b> 767,000 (down 7%)	<b>Disney</b> 1.94 million (down 22%)	<b>Duck Dynasty (A&amp;E)</b> 7.73 million
<b>TNT</b> 740,000 (down 12%)	<b>TBS</b> 1.87 million (down 10%)	<b>Rizzoli &amp; Isles (TNT)</b> 7.62 million
<b>Ad Swim</b> 680,000 (down 10%)	<b>History</b> 1.86 million (down 14%)	<b>NFL Thursday Night (NFLN)</b> 7.56 million
<b>Discovery</b> 657,000 (down 10%)	<b>Fox News</b> 1.73 million (even)	<b>American Horror Story (FX)</b> 7.16 million

# Competitive Landscape

## Internal Competition

- ❖ The industry is highly concentrated:
  - The industry's top four players make up 60.0% of industry revenue.

Market Share<sup>1</sup>



■ Viacom Inc.      ■ 21st Century Fox      ■ NBCUniversal Media LLC  
■ Time Warner Inc.      ■ The Walt Disney Company      ■ Other

1. Source: SNL Kagan; Considers the Cable Networks operation of each company. Estimated industry revenue of approximately \$70 billion.

## External Competition



- ❖ Over-the-top (OTT) as the main threat
- ❖ Compete on the basis of:
  - Content
  - Distribution Channel / Access
- ❖ Faces competition from:
  - DVD players, home theater systems, etc.
  - Video games
  - Movie Theaters
  - Theme parks
  - Sports
  - Social Media

# Cable Networks Trends<sup>1</sup>

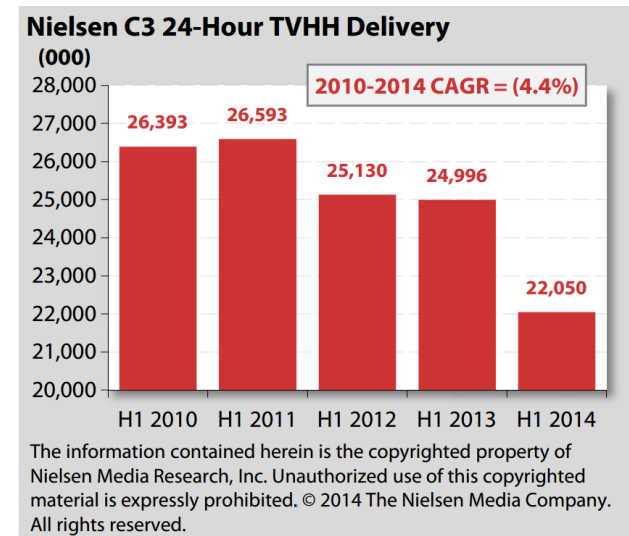
- ❖ After two decades of tremendous growth, the cable networks industry has matured. Recent years have seen increased pressure on pay-TV subscriber growth, amid increased popularity of broadband video outlets (also known as “Over-the-top”), such as Netflix and Hulu, as well as the so-called TV Everywhere services (e.g., HBO GO).
- ❖ Cable Networks compete for audience with many forms of media transmission. The rise of mobile devices, and subscription video on demand (SVOD) services such as Netflix and Hulu has provided consumers compelling product offerings to substitute their cable subscription.
- ❖ In addition to slowing growth, cable networks have faced challenges to retain their share of advertising dollars due to declining ratings.
- ❖ As viewership habits of consumer have shifted to tablets, mobile phones and online, cable networks have tried distributing their content across these new mediums. However, lack of trustworthy rating metrics for measuring the reach of their content has dissuaded the major advertisers to spend their advertising dollars on cable networks programming across these new mediums of distribution.
- ❖ The shift discussed above has resulted in cable networks increased reliance on affiliate fees from MSOs. According to SNL Kagan, in 1993, 50.3% of cable network revenues came from advertising. By 2013, it was just 40.8%.

U.S. advertising revenue market share by sector (%)	2010	2011	2012	2013	2014
Direct mail	21.4	21.2	20.3	19.7	18.4
Cable TV	13.4	14.4	15.0	15.7	16.0
Internet and Mobile	12.5	15.2	17.0	19.5	21.6
Broadcast TV, Stations, Synd-barter	19.4	18.4	19.5	18.3	19.1
Newspaper/Magazine/Publications	18.6	17.1	15.5	14.5	13.2
Radio	7.3	7.1	7.0	6.9	6.7
Other (Yellow Pages, Outdoor, etc.)	7.4	6.6	5.7	5.4	5.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1. Source: SNL Kagan.

# Cable Networks Trends<sup>1</sup>

- ❖ One issue that Cable Networks are facing is the continuous drop in ratings.
- ❖ The average TV household delivery for the 78 cable networks that have been rated by Nielsen since January 2010 dropped from an estimated 26.4 million in the first half of 2010 to 22.1 million in the first half of 2014. That decrease represents a negative 4.4% compound annual growth rate.
- ❖ In response to the drop in ratings Cable Networks have:
  1. Increased their expenditure on original programming. An example is AMC Networks *Breaking Bad* and *Walking Dead*.
  2. Increased their portfolio of must-have programming such as sporting events. For example, ESPN and Turner Broadcasting (the Cable Networks subsidiary of Time Warner, Inc.) have spent billions of dollars on the rights to broadcast college sports and NBA games.
  3. Cable Networks are also expanding their offerings across the internet by creating mobile apps and operating their own dedicated YouTube channels.
- ❖ Increasing merger & acquisition (M&A) activity could take the industry by storm. Despite the failed attempt by Twenty-First Century Fox to buy Time Warner, the saturation of the domestic advertising market, rising programming costs and the increasingly consolidated carriers (MSOs), small cable networks will be more vulnerable in the market.



1. Source: SNL Kagan.

# State of the Cable Television

Multichannel SMARIN



SEP 14 2015



## Pay TV Execs: For Viewers, Bundle Is Joy

Content, And Packages, Still Have 'Robust' Demand

Cable CEOs, despite market volatility over the past few months, showed their love for the bundle last week, defending broader packages of programming over so-called skinny content lineups that have gained an increasing amount of popularity with pundits.

"We continue to believe in the bundle and we will continue to look at ways to enhance the value of that." -Tom Staggs, COO of Disney

"The headlines over the last several months have been way ahead of the facts," Marcus said. "We're not seeing this mass migration to skinny bundles." -Rob Marcus, CEO of Time Warner Cable

"More people are watching than ever before. They're just watching it in places that many times aren't rated, that aren't monetized." -Steve Burke, CEO of NBCUniversal

*Hollywood* REPORTER



THE BUSINESS



## Viacom CEO Philippe Dauman Defends Cable Bundle

**"While praising the potential of new media, streaming short-form content and the like, he stressed that good old-fashioned television is still where it's at."**

*VARIETY*

Editions: U.S

SIGN IN



Google Custom Search



Subs

FILM +

TV +

DIGITAL +

CONTENTENDERS +

VIDEO +

DIRT +

JOBS +

HOME | TV | RATINGS

## Summer Ratings: Discovery Shines, But Many Cable Networks Take a Tumble

"With the number of scripted television offerings spreading the viewer pool ever thinner, and more Americans turning to streaming video online, primetime ratings for many of the heavyweight cable entertainment networks continue to decline."

# Cable Executives Downplay Subscription Decline

**James Murdoch**  
Twenty-First Century Fox, Inc.  
CEO

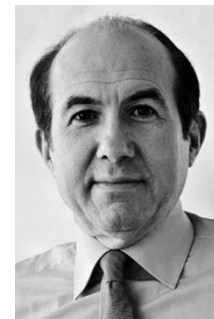


*Domestically in the U.S., I think stuff that I've seen says consensus would be kind of 1% decline in the pay-TV, the traditional pay-TV universe, and that seems reasonable. For us though, we're in a slightly different position than others, where many of our channels are younger, are just newer businesses and we're actually growing our billable subscribers as well as rates. So if I look at clearing Fox Sports 1 and 2, if I look at the growth at National Geographic, if I look at the total FX suite with FX Movies and FXX, we're actually still growing into a marketplace there. It's really only 2 of our channels, FOX News and FX, that are closer to fully distributed where we're seeing some of those other sorts of declines.*

*"The real story is we will see a rebuilding of the bundle. We'll see a lot of packaging options."*

Twenty-First Century Fox, Inc. Presents at Goldman Sachs 24<sup>th</sup> Annual Communacopia Conference, September 16, 2015.

**Philippe Dauman**  
Viacom, Inc.  
CEO



*"We are intensifying our focus on the creation of great original programming. At the same time, we are strategically working with all the relevant business partners to improve the consumer experience, driving both the multi-platform experience, but also the better monetization and measurement of all of that viewing."*

*"I think people are totally overplaying [cord cutting]. When we're looking at [cable subscription], there's not a material acceleration of what has been a modest decline in subscribers over the last couple of years. In fact, in certain segments like the cable companies, we're seeing stabilization on the cable company part of the MVPD universe."*

Viacom, Inc. Presents at Goldman Sachs 24<sup>th</sup> Annual Communacopia Conference, September 16, 2015.

# Cable Executives Downplay Subscription Decline

**Jeffrey L. Bewkes**  
Time Warner, Inc.  
CEO



*Could you talk a little bit about your concern about cord cutting? And very specifically, I think what investors are worried about is that worry may be on 2Q might mark an inflection where we're going to see a more accelerated rate of decline in pay TV subscribers versus what we've seen in the past, which I think we all know has been fairly, fairly muted?*

*"Yes. A keyword there was a little bit, not a lot. So we didn't see, on tipping point, an acceleration. We have not seen an indication of what you had at the end there, which is, is this the beginning acceleration of decline? Not that we've seen. Now it was a little bit more, we're talking in the 1% to 1.5% range. There were other network companies, depending on their -- what genre they're in and what contracts they have, that had I think more, but not in the concentrated network position we have."*

Twenty-First Century Fox, Inc. Presents at Goldman Sachs 24<sup>th</sup> Annual Communacopia Conference, September 16, 2015.

**Sean Sullivan**  
AMC Networks  
Executive VP and CFO



*"We don't see the rate acceleration [decline in subscription] increasing. I think that our results speak themselves in terms of what we've been able to accomplish. So, not sure whether it's an inflection point or not. Obviously, we'll monitor the evolution of consumers viewing, subs, etc. I think we are positioned quite well even in a changing world like it is now, but I don't think, I think to a certain degree, it's been somewhat overblown, but obviously the future will indicate otherwise or not."*

*"I think we had been participant in the skinny bundles to-date. So we were on Sling, we've done a deal with Sony. So we are a participant and view skinny bundles as part of the future. Again it will be an evolution, there's certainly been talk about unbundling and re-bundling, I think that regardless of what occurs and transpires over the next three to five years, I think we're well positioned."*

Viacom, Inc. Presents at Goldman Sachs 24<sup>th</sup> Annual Communacopia Conference, September 16, 2015.



# Cable Executives Downplay Subscription Decline

**Sean Sullivan**  
**AMC Networks**  
**Executive VP and CFO**



*“I think that having brands and shows that matter and that's why not only just AMC, our biggest channel but all five of the channels are investing in making sure those brands have shows that really matter to viewers, I think positions us well in any future state of ecosystem.”*

*“I think the other thing that matters is wholesale price, so we have five channels, but if you look at Kagan data, what have you can get all five of our channels for a buck roughly. So I think in the new world, if it migrates to a skinnier place, I think wholesale price will matter and I think we are positioned quite well with the value that we deliver in terms of the suite of our offerings for the price point.”*

Viacom, Inc. Presents at Goldman Sachs 24th Annual Communacopia Conference, September 16, 2015.

**Lori A. Hickok**  
**Scripps Networks Interactive**  
**CFO**



*“We've certainly seen subscriber losses in the pay industry for some time, but really, there's opportunities in different places, but we really still believe that the bundle is an efficient price, that it's going to be around for a long time. And I really think it comes down to putting compelling content on the air, being a must-have in the bundle, which I think that we are. So from our perspective, with our unique set of brands, we are something that help drive the bundle for the distributors. It also has a great advertising element. Our advertisers like that. But we really think it's about compelling brands, it's being in our great category that's driving the bundle.”*

Viacom, Inc. Presents at Goldman Sachs 24th Annual Communacopia Conference, September 16, 2015.

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Section 4

# Management Plan

# 2016 Budget and 2017 and 2018 Estimate

## Projected Financial Information

(USD in Thousands)

	2016B	2017E	2018E
Gross Advertising Revenue	\$ 1,035,610.0	\$ 1,004,541.7	\$ 974,405.4
Less: Advertising Commission	(155,342.2)	(150,681.3)	(146,160.8)
<b>Net Advertising Revenue</b>	<b>880,267.8</b>	<b>853,860.4</b>	<b>828,244.6</b>
Affiliate Revenue	1,016,671.7	1,073,078.2	1,119,503.8
Other Operating Revenue	51,623.5	53,688.5	55,836.0
<b>Operating Revenue, Net</b>	<b>1,948,563.0</b>	<b>1,980,627.1</b>	<b>2,003,584.5</b>
Programming Expenses	958,711.2	976,300.7	999,735.0
<b>Gross Profit</b>	<b>989,851.8</b>	<b>1,004,326.5</b>	<b>1,003,849.5</b>
<i>Gross Margin</i>	50.8%	50.7%	50.1%
Networks Operating SG&A Expense	370,011.5	375,727.5	376,669.7
Corporate Overhead	95,479.6	96,060.4	96,172.1
<b>Operating Expenses</b>	<b>465,491.1</b>	<b>471,787.9</b>	<b>472,841.8</b>
<i>Margin</i>	23.9%	23.8%	23.6%
<b>EBITDA</b>	<b>524,360.7</b>	<b>532,538.5</b>	<b>531,007.7</b>
<i>Margin</i>	26.9%	26.9%	26.5%
Depreciation	29,228.4	29,709.4	30,053.8
Amortization	38,971.3	39,612.5	40,071.7
<b>EBIT</b>	<b>456,161.0</b>	<b>463,216.6</b>	<b>460,882.3</b>
<i>Margin</i>	23.4%	23.4%	23.0%
Capital Expenditures	29,228.4	29,709.4	30,053.8
Amortization of Programming Rights	345,136.0	351,468.2	369,901.9
Acquired Programming - Cash Cost	376,520.6	395,346.6	411,160.5

- ❖ Management expects the advertising revenues to fall as the external competition for advertising dollars from mobile and SVOD players increase.
- ❖ Advertising commission is 15% of gross advertising revenue.
- ❖ Affiliate revenues are contractual through the end of 2018 and they are projected to grow based on the projected subscriber per network and the contractual monthly affiliate fee.
- ❖ Management expects an increase in programming cost that would result in a lower EBITDA.
- ❖ Capital expenditures, depreciation and amortizations (except the Amortization of Programming Rights) are projected to remain constant as a percentage of the net operating revenues.

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# Long-term Prospect

- ❖ The negotiations with the MSOs regarding the renewal of the affiliate contracts has not started yet. Management believes they may be in a weaker negotiating power against the MSOs since they are a smaller network group compared to others.
- ❖ The Management is confident that they will be able to renew their contracts; however, they are not sure whether they are positioned to increase their affiliate fee for their networks.
- ❖ In addition, Management is concerned about the influence of OTT options and the impact on affiliate revenue and ad revenue.

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Appendix A

# Deliverables

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# Deliverable 1

- ❖ Research 2 potential buyers for Summit Networks: 1 strategic buyer and 1 financial buyer. For each buyer, estimate what they are willing to pay and why? How will they structure the purchase? Conclusion should assess all facts and circumstances, including consideration of the value perspective of opposing parties (e.g., you must consider value perspectives of the two buyers and the seller.)
- ❖ Assume a deal close (and valuation date) as of December 31, 2015.
- ❖ Specific deliverables must include:
  1. Valuation models for Summit Networks showing concluded value and detailed calculations for revenue, gross margin, operating expenses, depreciation, amortization, capital expenditures, programming cost, working capital, present value factors, and residual calculations; synergy calculations, if any, should be separately quantified.
  2. Common size and growth trend analysis for concluded forecasts.
  3. Calculation of cost of capital showing detailed calculations for cost of debt and cost of equity (including leveraging/re-leveraging beta as appropriate), and debt and equity weighting factors.
  4. Qualitative list of issues analyzed, and support for final assumptions; list should describe analysis of opposing party views as appropriate.
  5. Your team's recommendation for best buyer based on all information, including quantitative support for qualitative decisions – e.g., alternate views of cost of capital, achievable synergies, long-term assumptions, sensitivity of value conclusions to different inputs, etc.

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# Deliverable 1

- ❖ As part of your analysis, you should rely on the Income Approach (i.e. Discount Cash Flow Method) and the Market Approach (i.e. a Market Comparable Method and Precedent Transaction Method).
- ❖ Consider sensitivity and scenario analysis of key drivers of value.
- ❖ Comment on the results of the valuation approaches utilized. In specific:
  1. Provide your opinion on relevance of the key assumptions in your Discounted Cash Flow Method;
  2. Comment on the relevance of the selected transactions in your Precedent Transaction Method; and
  3. Comment on the rationale behind selecting the comparable guideline companies in your Market Comparable Method and provide your reasoning for selecting the appropriate multiple for Summit Networks.
- ❖ If necessary, reconcile the result of the valuation approaches utilized above, for both the strategic and financial buyer. That is, if the value indicators from the various valuation approaches (i.e. DCF, Market Comparable Method, etc.) materially differ, provide rationale for the differences in values.

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## Deliverable 2

- ❖ Summit is the one of the few pure-play cable network operators.
  - It's reliance on the cable network model makes it vulnerable to rapid changes in the entertainment and media industry
- ❖ Summit launched Summit Sports Network to increase its leverage against MSOs. However, it expects the cost of programming to escalate substantially going forward.
- ❖ To continue its growth and maintain its profitability, Summit has decided to increase its presence over online platforms such as YouTube and other Subscription Video on Demand (SVOD) providers such as Netflix and Hulu.
- ❖ Management does not breakdown its advertising revenue by its sources; however, in the latest presentation to the Board, Management indicated that 10% of their advertising revenue is generated through non-MSO distribution method (i.e. YouTube, etc.).
- ❖ Discuss the impact of Management's proposed digital strategy. How would it impact the upcoming negotiations with the MSOs in FY 2017. Discuss potential cannibalization of the current relationship with the MSOs.



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## Deliverable 3

- ❖ RatingsTRAK ratings calculates viewership size and composition for television programming. These ratings are the primary metrics used by broadcasters and cable networks to establish the value of their airtime and more effectively schedule and promote their programming. Advertisers also use this information to negotiate advertising rates.
- ❖ RatingsTRAK calculates television ratings in the United States by collecting viewership data from a sample of households. It uses various methods to collect data, including electronic meters and written diaries. These methods enable RatingsTRAK to measure not only the audience size but also the demographics of the sample audience.
- ❖ Due to a miscalculation in the way RatingsTRAK had been estimating total audience size, the ratings given to certain television programming (including those by Summit) had been artificially inflated for the past year. As a result, advertisers were paying higher rates to run commercials on the affected television programs (including those on Summit's networks).
- ❖ The affected television advertisers have brought a class action lawsuit against RatingsTRAK and the cable networks for damages due to inaccurate viewership measurement and overpayment of advertising.
- ❖ Present a methodology for calculating potential damages in this matter (*i.e.*, how would one determine damages based on the allegations?). A final damages calculation is not required.

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Appendix B

# Additional Assumptions

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# Suggested Comparable Companies

## **Pure-play Cable Networks Companies:**

1. Crown Media Holdings Inc.
2. Discovery Communications, Inc.
3. AMC Networks, Inc.
4. Scripps Networks Interactive, Inc.

## **Media Companies with Cable Networks Division:**

1. Twenty-First Century Fox, Inc.
2. Viacom, Inc.
3. The Walt Disney Company
4. Comcast Corporation
5. Time Warner, Inc.

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## Other Information

**Tax Rate:** 40% based on blended federal and state tax

**Company's Credit Rating:**

- Standard & Poor's Issuer Credit Rating = BBB
- Moody's Issuer Credit Rating = Baa

**Company's Outstanding Debt:** \$1.6 Billion

- Total Senior Bonds and Notes (Senior Unsecured) with par value of \$1.6 billion with coupon rate of 5.0%

**Acquired Programming – Cash Cost Treatment:** The cash cost associated with acquisition of third party programming is amortized according to accounting rules and based on the life of the acquired programming. The life of the acquired programming is typically short. Therefore, in many cases, the amortization of the acquired programming equates to the cash cost to acquire it.

However, in certain situations (i.e. increasing the cost of programming to support revenue growth), these two could diverge. Therefore, in doing the discounted cash flows, it is typical to adjust the Free Cash Flows by the difference of the amortization of the acquired programming and the cash cost of the acquired programming.

Furthermore, analyst covering cable networks typically include the amortization of the acquired programming in the operating expenses (or programming expense) when calculating the EBITDA since the amortization of the acquired programming is an ongoing cost of operating a cable network business.

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Appendix C

# Network Level Details

# Summit Classic Network

## Summit Classic Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	12.619	17.716	21.490	22.508	22.089	21.983	22.000
Affiliate Revenue Per Avg Sub/ Month (\$)	0.044	0.046	0.048	0.050	0.052	0.054	0.056
Gross Advertising Revenue (\$000)	4,320	6,127	7,272	7,504	7,400	7,178	6,963
Net Advertising Revenue (\$000)	3,672	5,208	6,181	6,378	6,290	6,101	5,918
Affiliate Revenue (\$000)	6,698	9,779	12,337	13,437	13,715	14,195	14,773
Other Operating Revenue (\$000)	1,234	1,289	1,354	1,414	1,471	1,529	1,591
Operating Revenue, Net (\$000)	11,604	16,276	19,872	21,229	21,475	21,826	22,282
Operating SG&A Expense (\$000)	3,088	3,220	3,377	3,512	3,436	3,383	3,342
Programming Expenses (\$000)	3,133	4,395	5,763	6,581	7,087	7,639	8,022
Operating Expenses (\$000)	6,221	7,615	9,140	10,093	10,523	11,022	11,364
EBITDA (\$000)	5,383	8,662	10,732	11,136	10,952	10,804	10,918
Amortization of Programming Rights	1,222	1,670	2,132	2,369	2,551	2,750	2,968
Acquired Programming - Cash Cost	1,222	1,742	2,273	2,627	2,783	3,093	3,299

## Summit Classic Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	67.3%	40.4%	21.3%	4.7%	-1.9%	-0.5%	0.1%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	59.4%	41.8%	18.7%	3.2%	-1.4%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	59.3%	41.8%	18.7%	3.2%	-1.4%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	74.0%	46.0%	26.2%	8.9%	2.1%	3.5%	4.1%
Other Operating Revenue (% Growth)	4.1%	4.5%	5.0%	4.4%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	58.1%	40.3%	22.1%	6.8%	1.2%	1.6%	2.1%
Operating SG&A Expense (% Margin)	26.6%	19.8%	17.0%	16.5%	16.0%	15.5%	15.0%
Programming Expenses (% Margin)	27.0%	27.0%	29.0%	31.0%	33.0%	35.0%	36.0%
Operating Expenses (% Margin)	53.6%	46.8%	46.0%	47.5%	49.0%	50.5%	51.0%
EBITDA (% Growth)	143.7%	60.9%	23.9%	3.8%	-1.7%	-1.4%	1.1%
EBITDA (% Margin)	46.4%	53.2%	54.0%	52.5%	51.0%	49.5%	49.0%

# United Network

## United Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	99,325	99,256	98,632	96,880	95,983	96,000	96,000
Affiliate Revenue Per Avg Sub/ Month (\$)	0.220	0.229	0.238	0.247	0.257	0.268	0.278
Gross Advertising Revenue (\$000)	599,891	594,436	611,272	591,017	596,962	579,053	561,682
Net Advertising Revenue (\$000)	509,907	505,271	519,581	502,365	507,417	492,195	477,429
Affiliate Revenue (\$000)	262,218	272,518	281,635	287,699	296,439	308,344	320,682
Other Operating Revenue (\$000)	6,292	6,550	6,832	7,242	7,532	7,833	8,146
Operating Revenue, Net (\$000)	778,417	784,339	808,048	797,306	811,387	808,372	806,258
Operating SG&A Expense (\$000)	176,418	178,535	180,873	176,352	178,505	185,926	185,439
Programming Expenses (\$000)	369,748	372,561	399,984	410,612	434,092	436,521	443,442
Operating Expenses (\$000)	546,166	551,096	580,857	586,964	612,598	622,447	628,881
EBITDA (\$000)	232,251	233,243	227,191	210,341	198,790	185,926	177,377
Amortization of Programming Rights	144,202	141,573	147,994	147,820	156,273	157,148	164,073
Acquired Programming - Cash Cost	144,202	147,649	157,751	163,933	170,484	176,766	182,374

## United Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	0.1%	-0.1%	-0.6%	-1.8%	-0.9%	0.0%	0.0%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	-3.5%	-0.9%	2.8%	-3.3%	1.0%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	-3.5%	-0.9%	2.8%	-3.3%	1.0%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	4.1%	3.9%	3.3%	2.2%	3.0%	4.0%	4.0%
Other Operating Revenue (% Growth)	4.0%	4.1%	4.3%	6.0%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	-1.0%	0.8%	3.0%	-1.3%	1.8%	-0.4%	-0.3%
Operating SG&A Expense (% Margin)	22.7%	22.8%	22.4%	22.1%	22.0%	23.0%	23.0%
Programming Expenses (% Margin)	47.5%	47.5%	49.5%	51.5%	53.5%	54.0%	55.0%
Operating Expenses (% Margin)	70.2%	70.3%	71.9%	73.6%	75.5%	77.0%	78.0%
EBITDA (% Growth)	-3.2%	0.4%	-2.6%	-7.4%	-5.5%	-6.5%	-4.6%
EBITDA (% Margin)	29.8%	29.7%	28.1%	26.4%	24.5%	23.0%	22.0%

# Independent TV Network

## Independent TV Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	63.924	63.000	69.797	71.807	74.889	75.500	76.000
Affiliate Revenue Per Avg Sub/ Month (\$)	0.160	0.160	0.167	0.185	0.196	0.204	0.212
Gross Advertising Revenue (\$000)	19,421	33,617	47,703	66,250	60,000	58,200	56,454
Net Advertising Revenue (\$000)	16,508	28,574	40,548	56,313	51,000	49,470	47,986
Affiliate Revenue (\$000)	123,010	121,232	139,688	159,515	176,348	184,896	193,563
Other Operating Revenue (\$000)	1,563	8,248	13,748	12,442	12,940	13,457	13,996
Operating Revenue, Net (\$000)	141,081	158,054	193,984	228,270	256,536	247,824	255,544
Operating SG&A Expense (\$000)	41,281	44,996	49,721	53,450	57,721	58,239	58,775
Programming Expenses (\$000)	50,789	56,899	73,714	89,025	102,614	106,564	109,884
Operating Expenses (\$000)	92,070	101,895	123,435	142,475	160,335	164,803	168,659
EBITDA (\$000)	49,011	56,159	70,549	85,795	96,201	83,021	86,885
Amortization of Programming Rights	19,808	21,622	27,274	32,049	36,941	38,363	40,657
Acquired Programming - Cash Cost	19,808	22,550	29,072	35,543	40,300	43,152	45,192

## Independent TV Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	13.6%	-1.4%	10.8%	2.9%	4.3%	0.8%	0.7%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	-16.1%	0.0%	4.0%	11.0%	6.0%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	27.9%	73.1%	41.9%	38.9%	-9.4%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	27.9%	73.1%	41.9%	38.9%	-9.4%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	-4.6%	-1.4%	15.2%	14.2%	10.6%	4.8%	4.7%
Other Operating Revenue (% Growth)	-36.3%	427.7%	66.7%	-9.5%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	-2.3%	12.0%	22.7%	17.7%	12.4%	-3.4%	3.1%
Operating SG&A Expense (% Margin)	29.3%	28.5%	25.6%	23.4%	22.5%	23.5%	23.0%
Programming Expenses (% Margin)	36.0%	36.0%	38.0%	39.0%	40.0%	43.0%	43.0%
Operating Expenses (% Margin)	65.3%	64.5%	63.6%	62.4%	62.5%	66.5%	66.0%
EBITDA (% Growth)	-16.1%	14.6%	25.6%	21.6%	12.1%	-13.7%	4.7%
EBITDA (% Margin)	34.7%	35.5%	36.4%	37.6%	37.5%	33.5%	34.0%



# Summit Sports Network

## Summit Sports Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	41.557	45.008	48.504	53.002	58.000	61.000	60.500
Affiliate Revenue Per Avg Sub/ Month (\$)	0.213	0.226	0.237	0.249	0.261	0.272	0.283
Gross Advertising Revenue (\$000)	51,335	60,046	69,563	78,294	88,248	85,601	83,033
Net Advertising Revenue (\$000)	43,635	51,039	59,128	66,550	75,011	72,760	70,578
Affiliate Revenue (\$000)	106,229	121,954	137,997	158,337	181,931	198,995	205,255
Other Operating Revenue (\$000)	12,453	12,702	12,972	13,232	13,761	14,312	14,884
Operating Revenue, Net (\$000)	162,317	185,695	210,097	238,119	270,438	286,067	290,717
Operating SG&A Expense (\$000)	20,554	21,171	21,943	22,766	24,339	24,316	24,711
Programming Expenses (\$000)	68,985	78,920	93,493	109,535	129,810	143,034	145,358
Operating Expenses (\$000)	89,539	100,091	115,436	132,301	154,150	167,349	170,069
EBITDA (\$000)	72,778	85,604	94,661	105,818	116,288	118,718	120,647
Amortization of Programming Rights	26,904	29,990	34,592	39,432	46,732	51,492	53,783
Acquired Programming - Cash Cost	26,904	31,277	36,873	43,731	50,981	57,921	59,781

## Summit Sports Network Economics

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	12.5%	8.3%	7.8%	9.3%	9.4%	5.2%	-0.8%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	6.0%	6.0%	5.0%	5.0%	5.0%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	30.5%	17.0%	15.8%	12.6%	12.7%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	30.5%	17.0%	15.8%	12.6%	12.7%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	19.2%	14.8%	13.2%	14.7%	14.9%	9.4%	3.1%
Other Operating Revenue (% Growth)	2.2%	2.0%	2.1%	2.0%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	20.5%	14.4%	13.1%	13.3%	13.6%	5.8%	1.6%
Operating SG&A Expense (% Margin)	12.7%	11.4%	10.4%	9.6%	9.0%	8.5%	8.5%
Programming Expenses (% Margin)	42.5%	42.5%	44.5%	46.0%	48.0%	50.0%	50.0%
Operating Expenses (% Margin)	55.2%	53.9%	54.9%	55.6%	57.0%	58.5%	58.5%
EBITDA (% Growth)	114.8%	17.6%	10.6%	11.8%	9.9%	2.1%	1.6%
EBITDA (% Margin)	44.8%	46.1%	45.1%	44.4%	43.0%	41.5%	41.5%

# C&B Network

## C&B Network

<b>Financial Information</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016B</b>	<b>2017E</b>	<b>2018E</b>
Average Subscribers (M)	57.650	58.999	60.223	61.402	64.064	65.985	65.500
Affiliate Revenue Per Avg Sub/ Month (\$)	0.050	0.070	0.084	0.089	0.094	0.098	0.102
Gross Advertising Revenue (\$000)	34,687	43,822	56,547	63,104	60,000	58,200	56,454
Net Advertising Revenue (\$000)	29,484	37,249	48,065	53,638	51,000	49,470	47,986
Affiliate Revenue (\$000)	34,846	49,821	60,610	65,482	72,161	77,298	79,803
Other Operating Revenue (\$000)	1,282	1,463	1,571	1,718	1,787	1,858	1,933
Operating Revenue, Net (\$000)	65,612	88,533	110,246	120,838	124,948	128,626	129,721
Operating SG&A Expense (\$000)	27,136	29,090	31,184	32,743	33,111	33,443	32,430
Programming Expenses (\$000)	19,684	26,560	35,279	41,085	44,981	46,305	47,997
Operating Expenses (\$000)	46,820	55,650	66,463	73,828	78,092	79,748	80,427
EBITDA (\$000)	18,792	32,883	43,784	47,010	46,855	48,878	49,294
Amortization of Programming Rights	7,677	10,093	13,053	14,791	16,193	16,670	17,759
Acquired Programming - Cash Cost	7,677	10,526	13,914	16,403	17,666	18,751	19,740

## C&B Network

<b>Financial Information</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016B</b>	<b>2017E</b>	<b>2018E</b>
Average Subscribers (% Growth)	1.6%	2.3%	2.1%	2.0%	4.3%	3.0%	-0.7%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	6.6%	39.7%	19.2%	6.0%	5.6%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	34.9%	26.3%	29.0%	11.6%	-4.9%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	34.9%	26.3%	29.0%	11.6%	-4.9%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	8.3%	43.0%	21.7%	8.0%	10.2%	7.1%	3.2%
Other Operating Revenue (% Growth)	3.0%	14.1%	7.4%	9.4%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	18.7%	34.9%	24.5%	9.6%	3.4%	2.9%	0.9%
Operating SG&A Expense (% Margin)	41.4%	32.9%	28.3%	27.1%	26.5%	26.0%	25.0%
Programming Expenses (% Margin)	30.0%	30.0%	32.0%	34.0%	36.0%	36.0%	37.0%
Operating Expenses (% Margin)	71.4%	62.9%	60.3%	61.1%	62.5%	62.0%	62.0%
EBITDA (% Growth)	-991.1%	75.0%	33.1%	7.4%	-0.3%	4.3%	0.9%
EBITDA (% Margin)	28.6%	37.1%	39.7%	38.9%	37.5%	38.0%	38.0%

# Home Improvement Network

## Home Improvement Network

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	5.838	6.051	6.351	6.601	6.776	7.176	7.600
Affiliate Revenue Per Avg Sub/ Month (\$)	0.100	0.110	0.120	0.130	0.140	0.146	0.151
Gross Advertising Revenue (\$000)	6,457	7,227	8,116	8,689	8,000	7,760	7,527
Net Advertising Revenue (\$000)	5,488	6,143	6,899	7,386	6,800	6,596	6,398
Affiliate Revenue (\$000)	7,006	7,987	9,145	10,298	11,384	12,537	13,810
Other Operating Revenue (\$000)	493	543	584	636	661	688	715
Operating Revenue, Net (\$000)	12,987	14,673	16,628	18,320	19,892	19,821	20,923
Operating SG&A Expense (\$000)	2,094	2,166	2,241	2,336	2,487	2,478	2,511
Programming Expenses (\$000)	4,935	5,576	6,651	7,694	8,752	8,919	9,415
Operating Expenses (\$000)	7,029	7,742	8,892	10,030	11,239	11,397	11,926
EBITDA (\$000)	5,958	6,931	7,736	8,289	8,653	8,424	8,997
Amortization of Programming Rights	1,925	2,119	2,461	2,770	3,151	3,211	3,484
Acquired Programming - Cash Cost	1,925	2,210	2,623	3,072	3,437	3,612	3,872

## Home Improvement Network

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	3.8%	3.6%	5.0%	3.9%	2.7%	5.9%	5.9%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	11.1%	10.0%	9.1%	8.3%	7.7%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	17.5%	11.9%	12.3%	7.1%	-7.9%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	17.5%	11.9%	12.3%	7.1%	-7.9%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	15.3%	14.0%	14.5%	12.6%	10.5%	10.1%	10.1%
Other Operating Revenue (% Growth)	9.8%	10.1%	7.6%	8.9%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	16.0%	13.0%	13.3%	10.2%	8.6%	-0.4%	5.6%
Operating SG&A Expense (% Margin)	16.1%	14.8%	13.5%	12.8%	12.5%	12.5%	12.0%
Programming Expenses (% Margin)	38.0%	38.0%	40.0%	42.0%	44.0%	45.0%	45.0%
Operating Expenses (% Margin)	54.1%	52.8%	53.5%	54.8%	56.5%	57.5%	57.0%
EBITDA (% Growth)	101.1%	16.3%	11.6%	7.2%	4.4%	-2.6%	6.8%
EBITDA (% Margin)	45.9%	47.2%	46.5%	45.2%	43.5%	42.5%	43.0%

# Blast Network

## Blast Network

<b>Financial Information</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016B</b>	<b>2017E</b>	<b>2018E</b>
Average Subscribers (M)	78.121	79.359	80.553	80.548	80.282	81.123	83.000
Affiliate Revenue Per Avg Sub/ Month (\$)	0.150	0.158	0.166	0.181	0.191	0.199	0.207
Gross Advertising Revenue (\$000)	138,590	156,405	166,634	160,707	160,000	155,200	150,544
Net Advertising Revenue (\$000)	117,802	132,945	141,639	136,601	136,000	131,920	127,962
Affiliate Revenue (\$000)	140,759	150,142	160,781	175,239	184,267	193,644	206,052
Other Operating Revenue (\$000)	6,802	9,034	9,530	10,000	10,400	10,816	11,249
Operating Revenue, Net (\$000)	265,363	292,121	311,950	321,840	341,929	336,380	345,264
Operating SG&A Expense (\$000)	45,467	47,331	49,271	50,257	52,999	52,139	53,516
Programming Expenses (\$000)	110,126	121,230	135,698	146,437	162,416	161,462	169,179
Operating Expenses (\$000)	155,593	168,561	184,969	196,694	215,415	213,601	222,695
EBITDA (\$000)	109,770	123,560	126,981	125,146	126,514	122,779	122,569
Amortization of Programming Rights	42,949	46,067	50,208	52,717	58,470	58,126	62,596
Acquired Programming - Cash Cost	42,949	48,044	53,518	58,464	63,787	65,383	69,578

## Blast Network

<b>Financial Information</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016B</b>	<b>2017E</b>	<b>2018E</b>
Average Subscribers (% Growth)	2.4%	1.6%	1.5%	0.0%	-0.3%	1.0%	2.3%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	10.0%	5.0%	5.5%	9.0%	5.5%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	24.5%	12.9%	6.5%	-3.6%	-0.4%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	24.5%	12.9%	6.5%	-3.6%	-0.4%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	12.7%	6.7%	7.1%	9.0%	5.2%	5.1%	6.4%
Other Operating Revenue (% Growth)	84.7%	32.8%	5.5%	4.9%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	18.9%	10.1%	6.8%	3.2%	6.2%	-1.6%	2.6%
Operating SG&A Expense (% Margin)	17.1%	16.2%	15.8%	15.6%	15.5%	15.5%	15.5%
Programming Expenses (% Margin)	41.5%	41.5%	43.5%	45.5%	47.5%	48.0%	49.0%
Operating Expenses (% Margin)	58.6%	57.7%	59.3%	61.1%	63.0%	63.5%	64.5%
EBITDA (% Growth)	39.1%	12.6%	2.8%	-1.4%	1.1%	-3.0%	-0.2%
EBITDA (% Margin)	41.4%	42.3%	40.7%	38.9%	37.0%	36.5%	35.5%

# Blast Jr. Network

## Blast Jr. Network

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (M)	58.323	60.421	64.683	67.101	66.081	65.707	65.000
Affiliate Revenue Per Avg Sub/ Month (\$)	0.075	0.078	0.086	0.094	0.101	0.105	0.110
Gross Advertising Revenue (\$000)	56,343	51,161	55,203	61,772	55,000	53,350	51,750
Net Advertising Revenue (\$000)	47,891	43,487	46,922	52,506	46,750	45,348	43,987
Affiliate Revenue (\$000)	52,456	56,793	66,877	75,617	80,427	83,169	85,566
Other Operating Revenue (\$000)	2,103	2,535	2,737	2,954	3,072	3,195	3,323
Operating Revenue, Net (\$000)	102,450	102,815	116,536	131,077	139,308	131,711	132,876
Operating SG&A Expense (\$000)	14,529	15,269	15,995	16,715	17,414	15,805	15,945
Programming Expenses (\$000)	44,566	44,724	53,024	62,262	68,957	65,856	66,438
Operating Expenses (\$000)	59,095	59,993	69,019	78,977	86,371	81,661	82,383
EBITDA (\$000)	43,355	42,821	47,517	52,101	52,937	50,050	50,493
Amortization of Programming Rights	17,381	16,995	19,619	22,414	24,825	23,708	24,582
Acquired Programming - Cash Cost	17,381	17,725	20,912	24,857	27,082	26,668	27,324

## Blast Jr. Network

Financial Information	2012A	2013A	2014A	2015A	2016B	2017E	2018E
Average Subscribers (% Growth)	3.1%	3.6%	7.1%	3.7%	-1.5%	-0.6%	-1.1%
Affiliate Revenue Per Avg Sub/ Month (% Growth)	4.5%	4.5%	10.0%	9.0%	8.0%	4.0%	4.0%
Gross Advertising Revenue (% Growth)	8.5%	-9.2%	7.9%	11.9%	-11.0%	-3.0%	-3.0%
Net Advertising Revenue (% Growth)	8.5%	-9.2%	7.9%	11.9%	-11.0%	-3.0%	-3.0%
Affiliate Revenue (% Growth)	7.7%	8.3%	17.8%	13.1%	6.4%	3.4%	2.9%
Other Operating Revenue (% Growth)	288.7%	20.5%	8.0%	7.9%	4.0%	4.0%	4.0%
Operating Revenue, Net (% Growth)	9.7%	0.4%	13.3%	12.5%	6.3%	-5.5%	0.9%
Operating SG&A Expense (% Margin)	14.2%	14.9%	13.7%	12.8%	12.5%	12.0%	12.0%
Programming Expenses (% Margin)	43.5%	43.5%	45.5%	47.5%	49.5%	50.0%	50.0%
Operating Expenses (% Margin)	57.7%	58.4%	59.2%	60.3%	62.0%	62.0%	62.0%
EBITDA (% Growth)	27.9%	-1.2%	11.0%	9.6%	1.6%	-5.5%	0.9%
EBITDA (% Margin)	42.3%	41.6%	40.8%	39.7%	38.0%	38.0%	38.0%

# Fiscal Year 2018 Contractual Subscribers Chart

## Fiscal Year 2018 MSO Contractual Subscribers Chart

(USD in Thousands)

		Networks															
Contract Expiration Date		Summit Classic Network		United Network		Independent TV Network		Summit Sports Network		C&B Network		Home Improvement Network		Blast Network		Blast Jr. Network	
		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per	
		Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month
<b>Comcast</b>	9/30/2018	4,849.13	0.05766	21,159.84	0.28685	16,751.54	0.21871	13,335.11	0.29133	14,437.18	0.10462	1,675.15	0.15603	18,294.45	0.21318	14,326.98	0.11304
<b>DirecTV</b>	9/30/2019	4,408.48	0.05876	19,237.00	0.29229	15,229.29	0.22285	12,123.32	0.29686	13,125.24	0.10661	1,522.93	0.15899	16,631.99	0.21722	13,025.05	0.11519
<b>DISH</b>	9/30/2020	2,972.39	0.05596	12,970.43	0.27837	10,268.26	0.21224	8,174.08	0.28272	8,849.62	0.10153	1,026.83	0.15142	11,214.02	0.20688	8,782.07	0.10970
<b>Time Warner Cable</b>	9/30/2019	2,387.39	0.05876	10,417.71	0.29229	8,247.35	0.22285	6,565.33	0.29686	7,107.92	0.10661	824.74	0.15899	9,006.98	0.21722	7,053.66	0.11519
<b>AT&amp;T U-Verse</b>	9/30/2020	1,298.04	0.05316	5,664.19	0.26445	4,484.15	0.20163	3,569.62	0.26858	3,864.63	0.09645	448.42	0.14385	4,897.16	0.19654	3,835.13	0.10422
<b>Verizon FIOS</b>	9/30/2018	1,253.26	0.05036	5,468.77	0.25053	4,329.45	0.19102	3,446.47	0.25445	3,731.30	0.09138	432.94	0.13628	4,728.21	0.18619	3,702.82	0.09873
<b>Charter Communications</b>	9/30/2020	925.65	0.05596	4,039.21	0.27837	3,197.71	0.21224	2,545.54	0.28272	2,755.92	0.10153	319.77	0.15142	3,492.23	0.20688	2,734.88	0.10970
<b>Cox Communications</b>	9/30/2018	869.57	0.05876	3,794.47	0.29229	3,003.95	0.22285	2,391.30	0.29686	2,588.93	0.10661	300.40	0.15899	3,280.63	0.21722	2,569.17	0.11519
<b>Cablevision Systems Corp.</b>	9/30/2018	573.26	0.05876	2,501.50	0.29229	1,980.36	0.22285	1,576.47	0.29686	1,706.75	0.10661	198.04	0.15899	2,162.76	0.21722	1,693.73	0.11519
<b>Others</b>	9/30/2018	2,462.83	0.04757	10,746.88	0.23661	8,507.94	0.18040	6,772.77	0.24031	7,332.50	0.08630	850.79	0.12871	9,291.57	0.17585	7,276.53	0.09325
<b>Average Subscribers (000):</b>		22,000		96,000		76,000		60,500		65,500		7,600		83,000		65,000	
<b>Subscriber Fee per Month (\$):</b>		0.05596		0.27837		0.21224		0.28272		0.10153		0.15142		0.20688		0.10970	
<b>Total Affiliate Revenue (\$000):</b>		14,773		320,682		193,563		205,255		79,803		13,810		206,052		85,566	

# Fiscal Year 2019 Contractual Subscribers Chart

## Fiscal Year 2019 MSO Contractual Subscribers Chart

(USD in Thousands)

		Networks															
Contract Expiration Date	Summit Classic Network		United Network		Independent TV Network		Summit Sports Network		C&B Network		Home Improvement Network		Blast Network		Blast Jr. Network		
	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	Avg. Subs	Fee per Sub per Month	
<b>Comcast</b>	9/30/2018																
<b>DirectTV</b>	9/30/2019	4,408.48	0.06111	19,237.00	0.30398	15,229.29	0.23177	12,123.32	0.30873	13,125.24	0.11087	1,522.93	0.16535	16,631.99	0.22591	13,025.05	0.11979
<b>DISH</b>	9/30/2020	2,972.39	0.05820	12,970.43	0.28950	10,268.26	0.22073	8,174.08	0.29403	8,849.62	0.10559	1,026.83	0.15748	11,214.02	0.21516	8,782.07	0.11409
<b>Time Warner Cable</b>	9/30/2019	2,387.39	0.06111	10,417.71	0.30398	8,247.35	0.23177	6,565.33	0.30873	7,107.92	0.11087	824.74	0.16535	9,006.98	0.22591	7,053.66	0.11979
<b>AT&amp;T U-Verse</b>	9/30/2020	1,298.04	0.05529	5,664.19	0.27503	4,484.15	0.20969	3,569.62	0.27933	3,864.63	0.10031	448.42	0.14960	4,897.16	0.20440	3,835.13	0.10838
<b>Verizon FIOS</b>	9/30/2018																
<b>Charter Communications</b>	9/30/2020	925.65	0.05820	4,039.21	0.28950	3,197.71	0.22073	2,545.54	0.29403	2,755.92	0.10559	319.77	0.15748	3,492.23	0.21516	2,734.88	0.11409
<b>Cox Communications</b>	9/30/2018																
<b>Cablevision Systems Corp.</b>	9/30/2018																
<b>Others</b>	9/30/2018																
<b>Average Subscribers (000):</b>		11,992		52,329		41,427		32,978		35,703		4,143		45,242		35,431	
<b>Subscriber Fee per Month (\$):</b>		0.05953		0.29614		0.22579		0.30077		0.10801		0.16109		0.22009		0.11670	
<b>Total Affiliate Revenue (\$000):</b>		8,567		185,960		112,245		119,025		46,277		8,008		119,487		49,619	

# Fiscal Year 2020 Contractual Subscribers Chart

**Fiscal Year 2020 MSO Contractual Subscribers Chart**

(USD in Thousands)

Contract Expiration Date		Networks															
		Summit Classic Network		United Network		Independent TV Network		Summit Sports Network		C&B Network		Home Improvement Network		Blast Network		Blast Jr. Network	
		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per		Fee per Sub per	
		Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month	Avg. Subs	Month
<b>Comcast</b>	9/30/2018																
<b>DirecTV</b>	9/30/2019																
<b>DISH</b>	9/30/2020	2,972.39	0.06053	12,970.43	0.30108	10,268.26	0.22956	8,174.08	0.30579	8,849.62	0.10981	1,026.83	0.16378	11,214.02	0.22376	8,782.07	0.11865
<b>Time Warner Cable</b>	9/30/2019																
<b>AT&amp;T U-Verse</b>	9/30/2020	1,298.04	0.05750	5,664.19	0.28603	4,484.15	0.21808	3,569.62	0.29050	3,864.63	0.10432	448.42	0.15559	4,897.16	0.21257	3,835.13	0.11272
<b>Verizon FIOS</b>	9/30/2018																
<b>Charter Communications</b>	9/30/2020	925.65	0.06053	4,039.21	0.30108	3,197.71	0.22956	2,545.54	0.30579	2,755.92	0.10981	319.77	0.16378	3,492.23	0.22376	2,734.88	0.11865
<b>Cox Communications</b>	9/30/2018																
<b>Cablevision Systems Corp.</b>	9/30/2018																
<b>Others</b>	9/30/2018																
<b>Average Subscribers (000):</b>		5,196		22,674		17,950		14,289		15,470		1,795		19,603		15,352	
<b>Subscriber Fee per Month (\$):</b>		0.05977		0.29732		0.22669		0.30197		0.10844		0.16173		0.22097		0.11717	
<b>Total Affiliate Revenue (\$000):</b>		3,727		80,898		48,830		51,779		20,132		3,484		51,980		21,586	