SALEM MEDIA GROUP, INC.

DELAWARE
State of Incorporation

4880 SANTA ROSA ROAD, CAMARILLO CA 93012
Company Address

Telephone: (805) 987-0400
Corporate Website: www.salemmedia.com
Company Email: ir@salemmedia.com

SIC Code:4832

Quarterly Report
For the period ending March 31, 2024
(the "Reporting Period")

The number of shares outstanding of our Class A Common Stock is 21,663,091and Class B Common Stock is 5,553,696 as of March 31, 2024
The number of shares outstanding of our Common Stock was 21,663,091and Class B Common Stock was 5,553,696 as of December 31, 2023 (end of previous reporting period)

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes ☐ No ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes ☐ No ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:
Yes ☐ No ☒

INDEX TO FINANCIAL STATEMENTS

Item 1 Exact name of the issuer and the address of its principal executive offices.

Salem Media Group, Inc.
4880 Santa Rosa Road
Camarillo, CA 93012

Item 2 Shares outstanding.

Class A	Outstanding at March 31, 2024
Common Stock, $0.01 par value per share	21,663,091 shares

Class B	Outstanding at March 31, 2024
Common Stock, $0.01 par value per share	5,553,696 shares

As of March 31, 2024, we had approximately 51 stockholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) of Class A common stock and two stockholders of record of Class B common stock.

Item 3 Interim financial statements.

The interim financial statements are attached at the end of this Disclosure Statement.

Item 4 Management's discussion and analysis or plan of operation.

The company's Management's Discussion and Analysis of Financial Condition and Results of Operations are attached at the end of this Disclosure Statement starting on page 29.

Off-Balance Sheet Arrangements.

There are no off-balance sheet arrangements.

Item 5 Legal proceedings.

Please refer to Footnote 13 - Commitments and Contingencies attached at the end of this Disclosure Statement starting on page 24.

Item 6 Defaults upon senior securities.

None noted.

Item 7 Other information.

Note noted.

Item 8 Exhibits.

None noted.

Item 9 Certifications.

I, David P. Santrella, certify that:

1. I have reviewed this quarterly disclosure statement of Salem Media Group, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 9, 2024

David P. Santrella
Chief Executive Officer

I, Evan D. Masyr, certify that:

1. I have reviewed this quarterly disclosure statement of Salem Media Group, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 9, 2024

Evan D. Masyr
Executive Vice President and
Chief Financial Officer

CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this quarterly report to “Salem” or the “company,” including references to Salem by “we” “us” “our” and “its” refer to Salem Media Group, Inc. and our subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Salem makes “forward-looking statements” from time to time in both written reports (including this quarterly report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company “believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “intends,” “could,” “would,” “should,” “seeks,” “predicts,” or “plans” and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this quarterly report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this quarterly report. Any such forward-looking statements, whether made in this quarterly report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act’).

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2023 (Note 1)	**March 31, 2024 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	**$ —**
Restricted cash	284	—
Accounts receivable (net of allowances of $8,442 in 2023 and $8,156 in 2024)	32,016	**28,266**
Unbilled revenue	1,175	**1,931**
Income tax receivable	293	**87**
Other receivables (net of allowances of $640 in 2023 and 2024)	2,665	**2,754**
Prepaid expenses	5,641	**5,944**
Assets held for sale	4,732	**7,759**
Total current assets	46,806	**46,741**
Notes receivable (net of allowance of $454 in 2023 and $275 in 2024)	963	**31**
Property and equipment, net of accumulated deprecation	75,054	**71,657**
Operating lease right-of-use assets	44,149	**45,061**
Financing lease right-of-use assets	67	**69**
Broadcast licenses	257,172	**254,414**
Goodwill	22,577	**22,577**
Amortizable intangible assets, net of accumulated amortization	3,591	**3,147**
Deferred financing costs	1,168	**1,301**
Other assets	3,994	**4,973**
Total assets	$ 455,541	**$ 449,971**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 32,532	**$ 28,685**
Accrued interest	980	**3,948**
Contract liabilities	12,636	**14,218**
Deferred rent income	102	**108**
Current portion of operating lease liabilities	8,659	**8,730**
Current portion of financing lease liabilities	33	**40**
Total current liabilities	54,942	**55,729**
Long-term debt, less current portion	169,791	**168,647**
Operating lease liabilities, less current portion	41,998	**42,911**
Financing lease liabilities, less current portion	36	**30**
Deferred income taxes	49,348	**48,460**
Contract liabilities, long-term	3,291	**3,145**
Deferred rent income, less current portion	3,567	**3,544**
Other long-term liabilities	60	**53**
Total liabilities	323,033	**322,519**
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,980,741 issued and 21,663,091 outstanding at December 31, 2023 and March 31, 2024	232	**232**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2023 and March 31, 2024	56	**56**
Additional paid-in capital	249,283	**249,407**
Accumulated deficit	(83,057)	**(88,237)**
Treasury stock, at cost (2,317,650 shares at December 31, 2023 and March 31, 2024)	(34,006)	**(34,006)**
Total stockholders' equity	132,508	**127,452**
Total liabilities and stockholders' equity	$ 455,541	**$ 449,971**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
Net broadcast revenue	$ 48,340	**$ 46,099**
Net digital media revenue	10,510	**10,710**
Net publishing revenue	4,639	**1,800**
Total net revenue	63,489	**58,609**
Operating expenses:		
Broadcast operating expenses (including $482 and $573 for the quarters ended March 31, 2023 and 2024, respectively, paid to related parties)	42,809	**42,098**
Digital media operating expenses	8,994	**9,035**
Publishing operating expenses	5,376	**1,720**
Unallocated corporate expenses (including $9 and $32 for the quarters ended March 31, 2023 and 2024, respectively, paid to related parties)	4,996	**4,731**
Depreciation	2,850	**2,766**
Amortization	543	**461**
Change in the estimated fair value of contingent earn-out consideration	(2)	**(27)**
Impairment of indefinite-lived long-term assets other than goodwill	2,124	—
Net (gain) loss on the disposition of assets	(21)	**(144)**
Total operating expenses	67,669	**60,640**
Operating income (loss)	(4,180)	**(2,031)**
Other income (expense):		
Interest income	13	**11**
Interest expense	(3,431)	**(3,848)**
Gain (loss) on early retirement of long-term debt	(60)	—
Earnings from equity method investment	8	**2**
Net miscellaneous income and (expenses)	220	**(16)**
Net loss before income taxes	(7,430)	**(5,882)**
Benefit from income taxes	(2,276)	**(702)**
Net loss	$ (5,154)	$ **(5,180)**
Basic loss per share data:		
Basic loss per share Class A and Class B common stock	$ (0.19)	**$ (0.19)**
Diluted loss per share data:		
Diluted loss per share Class A and Class B common stock	$ (0.19)	**$ (0.19)**
Basic weighted average Class A and Class B shares outstanding	27,216,787	27,216,787
Diluted weighted average Class A and Class B shares outstanding	27,216,787	27,216,787

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Class A Common Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Stockholders' equity, December 31, 2022	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,820**	**$ (39,745)**	**$(34,006)**	**$ 175,357**
Stock-based compensation	—	—	—	—	**75**	—	—	**75**
Net loss	—	—	—	—	—	**(5,154)**	—	**(5,154)**
Stockholders' equity, March 31, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,895**	**$ (44,899)**	**$(34,006)**	**$ 170,278**

	Class A Common Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Stockholders' equity, December 31, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 249,283**	**$ (83,057)**	**$(34,006)**	**$ 132,508**
Stock-based compensation	—	—	—	—	**124**	—	—	**124**
Net loss	—	—	—	—	—	**(5,180)**	—	**(5,180)**
Stockholders' equity, March 31, 2024	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 249,407**	**$ (88,237)**	**$(34,006)**	**$ 127,452**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2024**
OPERATING ACTIVITIES		
Net loss	$ (5,154)	**$ (5,180)**
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	75	**124**
Depreciation and amortization	3,393	**3,227**
Amortization of deferred financing costs	480	**605**
Non-cash lease expense	2,253	**2,195**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	5	—
Provision for bad debts	(612)	**182**
Deferred income taxes	(2,243)	**(888)**
Change in the estimated fair value of contingent earn-out consideration	(2)	**(27)**
Impairment of indefinite-lived long-term assets other than goodwill	2,124	—
(Gain) loss on early retirement of long-term debt	60	—
Net (gain) loss on the disposition of assets	(21)	**(144)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	2,860	**2,437**
Income tax receivable	(38)	**206**
Inventories	(195)	—
Prepaid expenses and other current assets	(987)	**(392)**
Accounts payable and accrued expenses	1,039	**(2,689)**
Operating lease liabilities	(2,596)	**(2,123)**
Contract liabilities	(985)	**1,436**
Deferred rent income	(20)	**6**
Other liabilities	(6)	**(7)**
Net cash used in operating activities	(570)	**(1,032)**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(2,614)	**(313)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(18)	**(23)**
Purchases of broadcast assets and radio stations	(5,535)	**(3,500)**
Purchases of digital media businesses and assets	(25)	—
Equity investment in limited liability corporations	(1,500)	—
Proceeds from sale of long-lived assets	—	**4,238**
Other	190	**212**
Net cash provided by (used in) investing activities	(9,502)	**614**
FINANCING ACTIVITIES		
Proceeds from the issuance of 2028 Notes	44,685	—
Payments to repurchase 2024 Notes	(38,966)	—
Proceeds from borrowings under ABL Facility	61,593	**47,089**
Payments on ABL Facility	(52,367)	**(48,420)**
Payments of debt issuance costs	(3,957)	**(551)**
Payments of acquisition-related contingent earn-out consideration	(1)	**(883)**
Payments on financing lease liabilities	(15)	**(11)**
Restricted cash	—	**284**
Book overdraft	(897)	**2,910**
Net cash provided by financing activities	10,075	**418**
Net increase (decrease) in cash and cash equivalents	3	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of period	$ 3	$ —

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(*Dollars in thousands*)

	Three Months Ended March 31,			
	2023		**2024**	
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Cash paid for interest	$	1,029	**$**	**273**
Cash paid for interest on finance lease liabilities	$	1	**$**	**1**
Cash paid (received) for income taxes, net of refunds	$	5	**$**	**(19)**
Other supplemental disclosures of cash flow information:				
Barter revenue	$	736	**$**	**943**
Barter expense	$	792	**$**	**1,149**
Non-cash investing and financing activities:				
Capital expenditures reimbursable under tenant improvement allowances	$	18	**$**	**23**
Right-of-use assets acquired through operating leases	$	3,125	**$**	**3,107**
Right-of-use assets acquired through financing leases	$	—	**$**	**12**
Net assets and liabilities assumed in a non-cash acquisition	$	5,020	**$**	—
Estimated present value of contingent-earn out consideration	$	554	**$**	—

See accompanying notes

SALEM MEDIA GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of Business

Salem Media Group, Inc. ("Salem" "we," "us," "our" or the "company") is a domestic multimedia company specializing in Christian and conservative content. Our media properties include radio broadcasting, digital media, and publishing entities. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which are discussed in Note 15. Segment Data.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of Salem include the company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Information with respect to the three months ended March 31, 2023 and 2024 is unaudited. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations and cash flows of the company. The unaudited interim financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report for Salem for the year ended December 31, 2023. Our results are subject to seasonal fluctuations and therefore, the results of operations for the interim periods presented are not necessarily indicative of the results of operations for a full year.

The balance sheet at December 31, 2023 included in this report has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP. Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies described in Note 2 to our Annual Report for the year ended December 31, 2023, that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

Recent Accounting Pronouncements

Changes to accounting principles are established by the Financial Accounting Standards Board ("FASB") In the form of Accounting Standards Update ("ASUs") to the FASB's Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

<u>*Accounting Standards Adopted in 2024*</u>

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) – Common Control Arrangements*. The ASU amends the accounting for leasehold improvements in common control arrangements by requiring a lessee in a common control lease arrangement to amortize leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. Further, a lessee that no longer controls the use of the underlying asset will derecognize the remaining carrying amount of the improvements through an adjustment to equity, reflecting the transfer of the asset to the lessor under common control. This ASU was effective for fiscal years beginning after December 15, 2023 (fiscal 2024). The adoption of ASU No. 2023-01 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*. This amended guidance clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The ASU was effective January 1, 2024. The adoption of ASU No. 2022-03 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

NOTE 3. RECENT TRANSACTIONS

During the three-month periods ended March 31, 2023 and 2024, we completed the following transactions:

Debt Transactions

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due 2028 ("2028 Notes") at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due 2024 ("2024 Notes"). The redemption of the 2024 Notes closed on March 27, 2023.

On January 19, 2023, we repurchased $2.5 million of the 2024 Notes at 97.25% of face value recognizing a gain of $39,000 after adjusting for debt issue costs.

Acquisitions

We invested in a limited liability company that will own, distribute, and market a motion picture. The investment of $1.5 million at March 31, 2024 is reflected at cost in other assets.

On March 24, 2023, we closed on the acquisition of Digital Felt Productions and the digital content library through its www.digitalfelt.com domain and website for $25,000 in cash.

On February 1, 2023, we closed the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. We will pay the seller 25% of net revenue generated from sales of most Eagle Financial products during the next year to subscribers who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On January 10, 2023, we closed the acquisition of radio stations WWFE-AM, WRHC-AM, two FM translators and six office condominiums in Miami, Florida for $3.0 million in cash.

On January 6, 2023, we closed on the acquisition of radio station WMYM-AM and an FM translator in Miami, Florida for $3.2 million in cash.

The total purchase price consideration for our business acquisitions and asset purchases during the three-month period ending March 31, 2023, is as follows:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	$ 5,568
Escrow deposits paid in prior years	750
Fair value of contingent earn-out consideration	263
Total purchase price consideration	$ 6,581

The allocations presented in the table below are based upon estimates of the fair values using valuation techniques including income, cost and market approaches. The following preliminary purchase price allocations are based upon the valuation of assets and these estimates and assumptions are subject to change as we obtain additional information during the measurement period, which may be up to one year from the acquisition date. Differences between the preliminary and final valuation could be substantially different from the initial estimate.

	Net Broadcast Assets Acquired	Net Digital Media Assets Acquired	Total Net Assets
Assets			
Property and equipment	$ 2,671	$ 39	$ 2,710
Broadcast licenses	3,542	—	3,542
Goodwill	80	1,181	1,261
Domain and brand names	—	718	718
Subscriber base and lists	—	1,769	1,769

Non-Compete agreement	—	1,601	1,601
Liabilities			
Contract liabilities	—	(5,020)	(5,020)
	$ 6,293	$ 288	$ 6,581

Divestitures

On February 23, 2024 we sold the transmitter site in Greenville, South Carolina for $3.0 million. On February 26, 2023, we repurchased the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million from a related party, resulting in a combined pre-tax loss of $1.0 million.

On February 20, 2024 we received $1.2 million from the sale of our shares of Broadcast Music, Inc.

Pending Transactions

On March 20, 2024 we entered into an agreement to sell three radio stations in Nashville, Tennessee and one radio station in Honolulu, Hawaii for $7.0 million. The $3.0 million carrying value of the assets were reclassed as held for sale as of March 31, 2024. The sales is expected to close in the second quarter of the year.

On January 25, 2024 we entered into a sale leaseback agreement for our corporate headquarters building for $5.5 million. The $4.7 million carrying value of the assets were reclassed as held for sale as of December 31, 2023. The related lease is for five years at $0.4 million in annual lease payments. The sale closed on May 3, 2024.

On October 17, 2023 we entered into an agreement to sell land in Sarasota, Florida for $9.5 million. The closing is conditional upon getting the property rezoned, and we expect to close the sale in late 2024.

NOTE 4. REVENUE RECOGNITION

The following table presents our revenues disaggregated by revenue source for each of our operating segments:

	Three Months Ended March 31, 2023			
	Broadcast	**Digital Media**	**Publishing**	**Consolidated**
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 13,526	$ —	$ —	$ 13,526
Block Programming – Local	6,017	—	—	6,017
Broadcast Programming Revenue	**19,543**	—	—	**19,543**
Spot Advertising – National	2,889	—	—	2,889
Spot Advertising – Local	9,427	—	—	9,427
Network Advertising	5,114	—	—	5,114
Broadcast Advertising Revenue	**17,430**	—	—	**17,430**
Infomercials	183	—	—	183
Other Revenue	1,995	—	—	1,995
Other Broadcast Revenue	**2,178**	—	—	**2,178**
Digital Advertising	7,284	3,903	—	11,187
Digital Streaming	1,519	861	—	2,380
Digital Downloads	25	1,741	—	1,766
Digital Subscriptions	213	3,983	—	4,196
Other Digital Revenue	148	22	—	170
Digital Revenue	**9,189**	**10,510**	—	**19,699**
Book Sales	—	—	2,864	2,864
Estimated Sales Returns & Allowances	—	—	(489)	(489)
Net Book Sales	—	—	2,375	2,375
E-Book Sales	—	—	269	269
Self-Publishing Fees	—	—	1,846	1,846
Other Publishing Revenue	—	—	149	149
Publishing Revenue	—	—	**4,639**	**4,639**
	$ **48,340**	$ **10,510**	$ **4,639**	**$ 63,489**
Timing of Revenue Recognition				
Point in Time	$ 47,885	$ 10,510	$ 4,639	$ 63,034
Rental Income (1)	455	—	—	455
	$ **48,340**	$ **10,510**	$ **4,639**	**$ 63,489**

	Three Months Ended March 31, 2024			
	Broadcast	Digital Media	Publishing	Consolidated
		(Dollars in thousands)		
By Source of Revenue:				
Block Programming – National	$ 13,190	$ —	$ —	$ 13,190
Block Programming – Local	5,722	—	—	5,722
Broadcast Programming Revenue	**18,912**	—	—	**18,912**
Spot Advertising – National	3,239	—	—	3,239
Spot Advertising – Local	8,386	—	—	8,386
Network Advertising	4,387	—	—	4,387
Broadcast Advertising Revenue	**16,012**	—	—	**16,012**
Infomercials	139	—	—	139
Other Revenue	1,662	—	—	1,662
Other Broadcast Revenue	**1,801**	—	—	**1,801**
Digital Advertising	7,498	3,397	—	10,895
Digital Streaming	1,454	806	—	2,260
Digital Downloads	22	1,980	—	2,002
Digital Subscriptions	274	4,502	—	4,776
Other Digital Revenue	126	25	—	151
Digital Revenue	**9,374**	**10,710**	—	**20,084**
Book Sales	—	—	405	405
Estimated Sales Returns & Allowances	—	—	(7)	(7)
Net Book Sales	—	—	398	398
E-Book Sales	—	—	(54)	(54)
Self-Publishing Fees	—	—	1,387	1,387
Other Publishing Revenue	—	—	69	69
Publishing Revenue	—	—	**1,800**	**1,800**
	$ **46,099**	$ **10,710**	$ **1,800**	**$ 58,609**
Timing of Revenue Recognition				
Point in Time	$ 45,723	$ 10,710	$ 1,800	$ 58,233
Rental Income (1)	376	—	—	376
	$ **46,099**	$ **10,710**	$ **1,800**	**$ 58,609**

(1) Rental income is not applicable to FASB ASC Topic 606, but shown for the purpose of identifying each revenue source presented in total revenue on our Condensed Consolidated Financial Statements within this quarterly report.

Refer to Footnote 4 – Revenue Recognition of our annual report for the year ended December 31, 2023 for a description of each of our revenue streams under ASC 606.

Contract Assets

Contract Assets – Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in the Condensed Consolidated Balance Sheets. The amount capitalized is incremental to the contract and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are expensed at the point in time that related revenue is recognized. Prepaid commission expenses are periodically reviewed for impairment. At March 31, 2024, our prepaid commission expense was $0.6 million.

Contract Liabilities

Contract liabilities consist of customer advance payments and billings in excess of revenue recognized. We may receive payments from our customers in advance of completing our performance obligations. Additionally, new customers, existing customers without approved credit terms and authors purchasing specific self-publishing services, are required to make payments in advance of the delivery of the products or performance of the services. We record contract liabilities equal to the amount of payments received in excess of revenue recognized, including payments that are refundable if the customer cancels the contract according to the contract terms. Contract liabilities were historically recorded under the caption “deferred revenue” and are reported as current liabilities on our condensed consolidated financial statements when the time to fulfill the performance obligations under terms of our contracts is less than one year. Long-term contract liabilities represent the amount of payments received in excess of revenue earned, including those that are refundable, when the time to fulfill the performance obligation is greater than one year. Our long-term liabilities consist of subscriptions with a term of two years for which some customers have purchased and paid for multiple years.

Significant changes in our contract liabilities balances during the period are as follows:

	Short Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2024	$ 12,636	$ 3,291
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(4,783)	—
Additional amounts recognized during the period	7,886	249
Revenue recognized during the period that was recorded during the period	(1,916)	—
Transfers	395	(395)
Balance, end of period March 31, 2024	**$ 14,218**	**$ 3,145**
Amount refundable at beginning of period	$ 12,636	$ 3,291
Amount refundable at end of period	$ 14,218	$ 3,145

We expect to satisfy these performance obligations as follows:

For the Year Ended March 31,	**Amount** *(Dollars in thousands)*
2025	$ 14,218
2026	1,807
2027	727
2028	186
2029	73
Thereafter	352
	$ 17,363

Significant Financing Component

The length of our typical sales agreement is less than 12 months; however, we may sell subscriptions with a two-year term. The balance of our long-term contract liabilities represents the unsatisfied performance obligations for subscriptions with a remaining term in excess of one year. We review long-term contract liabilities that are expected to be completed in excess of one year to assess whether the contract contains a significant financing component. The balance includes subscriptions that will be satisfied at various dates between April 1, 2024, and March 31, 2029. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under FASB ASC Topic 606.

Our self-publishing contracts may exceed a one-year term due to the length of time for an author to submit and approve a manuscript for publication. The author may pay for publishing services in installments over the production timeline with payments due in advance of performance. The timing of the transfer of goods and services under self-publishing arrangements are at the discretion of the author and based on future events that are not substantially within our control. We require advance payments to provide us with protection from incurring costs for products that are unique and only sellable to the author. Based on these considerations, we have concluded that our self-publishing contracts do not contain a significant financing component under FASB ASC Topic 606.

Variable Consideration

We make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns. Under FASB ASC Topic 606, estimates of variable consideration are to be recognized before contingencies are resolved in certain circumstances, including when it is probable that a significant reversal in the amount of any estimated cumulative revenue will not occur.

We enter into agreements under which the amount of revenue we earn is contingent upon the amount of money raised by our customer over the contract term. Our customer is typically a charity or programmer that purchases blocks of programming time or spots to generate revenue from our audience members. Contract terms can range from a few weeks to a few months, depending on the charity or programmer. If the campaign does not generate a pre-determined level of donations or revenue to our customer, the consideration that we expect to be entitled to may vary above a minimum base level per the contract. Historically, under FASB ASC Topic 605, we reported variable consideration as revenue when the amount was fixed and determinable. Under FASB ASC Topic 606, variable consideration is to be estimated using the expected value or the most likely amount to the extent it is probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the constraints for using estimates of variable consideration within FASB ASC Topic 606, and our historical experience with these campaigns, we will continue to recognize revenue at the base amount of the campaign with variable consideration recognized when the uncertainty of each campaign is resolved. These constraints include: (1) the amount of consideration received is highly susceptible to factors outside of our influence, specifically the extent to which our audience donates or contributes to our customer or programmer, (2) the length of time in which the uncertainty about the amount of consideration expected is to be resolved, and (3) our experience has shown these contracts have a large number and broad range of possible outcomes.

Trade and Barter Transactions

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter advertising campaign in favor of customers who purchase the advertising campaign for cash. The value of these non-cash exchanges are included in revenue at an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies, and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Trade and barter revenue and expenses were as follows:

	Three Months Ended March 31,	
	2023	**2024**
Net broadcast barter revenue	$ 736	$ **943**
Net broadcast barter expense	$ 792	$ **1,149**

NOTE 5. PROPERTY AND EQUIPMENT

We account for property and equipment in accordance with FASB ASC Topic 360-10, *Property, Plant and Equipment*.

The following is a summary of the categories of our property and equipment:

	As of	
	December 21, 2023	**March 31, 2024**
	(Dollars in thousands)	
Buildings	$ 21,970	$ **21,959**
Office furnishings and equipment	35,177	**35,226**
Antennae, towers and transmitting equipment	79,212	**77,282**
Studio, production, and mobile equipment	31,822	**32,239**
Computer software and website development costs	33,169	**33,436**
Automobiles	1,646	**1,646**
Leasehold improvements	19,549	**19,705**
	$ 222,545	$ **221,493**
Less accumulated depreciation	(180,646)	**(181,058)**
	41,899	$ **40,435**
Land	$ 25,337	**24,939**
Construction-in-progress	7,818	**6,283**
	$ 75,054	$ **71,657**

Depreciation expense was approximately $2.9 million and $2.8 million for the three-months ended March 31, 2023, and 2024, respectively. We periodically review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. This review requires us to estimate the fair value of the assets using significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. There were no indications of impairment during the period ended March 31, 2024.

NOTE 6. OPERATING AND FINANCE LEASE RIGHT-OF-USE ASSETS

Leasing Transactions

Our leased assets include offices and studios, transmitter locations, antenna sites, towers, tower sites, and land. Our lease portfolio has remaining terms ranging from less than one-year up to twenty-six years. Many of these leases contain options to extend the term from five to twenty years, the exercise of which is at our sole discretion. Renewal options are excluded from our calculation of lease liabilities unless we are reasonably assured to exercise the renewal option. Our lease agreements do not contain residual value guarantees or material restrictive covenants. We lease certain properties from our principal stockholders or from trusts and partnerships created for the benefit of our principal stockholders and their families. These leases are designated as Related Party leases in the details provided. We are obligated to pay taxes, insurance, and common area maintenance charges under a majority of our lease agreements.

Operating leases are reflected on our balance sheet within operating lease ROU assets and the related current and non-current operating lease liabilities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from lease agreement. Operating lease ROU assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectation regarding the lease terms. Variable lease costs, such as common area maintenance, property taxes and insurance, are expensed as incurred. There were no indications of impairment during the period ended March 31, 2024.

The various discount rates are based on our incremental borrowing rate due to the rate implicit in the leases not being readily determinable. The incremental borrowing rate is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. We used publicly available information about low-grade debt, adjusted for the effect of collateralization, to determine the various rates it would pay to finance transactions over similar time periods.

Balance Sheet

Supplemental balance sheet information related to leases was as follows:

	March 31, 2024 (Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 7,682	$ 37,379	$ 45,061
Operating lease liabilities (current)	$ 1,293	$ 7,437	$ 8,730
Operating lease liabilities (non-current)	6,654	36,257	42,911
Total operating lease liabilities	$ 7,947	$ 43,694	$ 51,641

Weighted Average Remaining Lease Term	
Operating leases	7.1 years
Finance leases	2.2 years
Weighted Average Discount Rate	
Operating leases	8.81%
Finance leases	8.39%

Lease Expense

The components of lease expense were as follows:

	Three Months Ended March 31, 2024 (Dollars in thousands)
Amortization of finance lease ROU Assets	$ 11
Interest on finance lease liabilities	1
Finance lease expense	12
Operating lease expense	3,322
Variable lease expense	391
Short-term lease expense	100
Total lease expense	$ 3,825

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

		Three Months Ended March 31, 2024
		(Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	3,241
Operating cash flows from finance leases		1
Financing cash flows from finance leases		11
Leased assets obtained in exchange for new operating lease liabilities	$	3,107
Leased assets obtained in exchange for new finance lease liabilities		12

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2024, are as follows:

	Operating									
		Related Party		Other		Total		Finance		Total
						(Dollars in thousands)				
2024	$	1,850	$	11,073	$	12,923	$	44	$	12,967
2025		2,028		11,052		13,080		21		13,101
2026		1,819		8,931		10,750		9		10,759
2027		1,525		6,573		8,098		2		8,100
2028		723		5,467		6,190		1		6,191
Thereafter		3,029		19,308		22,337		—		22,337
Undiscounted Cash Flows	$	10,974	$	62,404	$	73,378	$	77	$	73,455
Less: imputed interest		(3,027)		(18,710)		(21,737)		(7)		(21,744)
Total	**$**	**7,947**	**$**	**43,694**	**$**	**51,641**	**$**	**70**	**$**	**51,711**
Reconciliation to lease										
Lease liabilities – current	$	1,293	$	7,437	$	8,730	$	40	$	8,770
Lease liabilities – long-term		6,654		36,257		42,911		30		42,941
Total Lease Liabilities	**$**	**7,947**	**$**	**43,694**	**$**	**51,641**	**$**	**70**	**$**	**51,711**

NOTE 7. BROADCAST LICENSES

We account for broadcast licenses in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired. In the case of our broadcast radio stations, we would not be able to operate the properties without the related broadcast license for each property. Broadcast licenses are renewed with the FCC every eight years for a nominal fee that is expensed as incurred. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal and all of our broadcast licenses have been renewed. We expect all of our broadcast licenses to be renewed in the future and therefore, we consider our broadcast licenses to be indefinite-lived intangible assets. We are not aware of any legal, competitive, economic, or other factors that materially limit the useful life of our broadcast licenses. There were no indications of impairment during the three months ended March 31, 2024.

The following table presents the changes in broadcasting licenses that include acquisitions and divestitures of radio stations and FM translators as described in Note 3 – Recent Transactions as described below.

Broadcast Licenses		Twelve Months Ended December 31, 2023		**Three Months Ended March 31, 2024**
		(Dollars in thousands)		
Balance before cumulative loss on impairment, beginning of period	$	429,890	$	**419,845**
Accumulated loss on impairment, beginning of period		(126,116)		**(162,673)**
Balance after cumulative loss on impairment, beginning of period		303,774		**257,172**
Acquisitions of radio station and FM Translators		3,542		—
Capital projects to improve broadcast signal and strength		200		—
Disposition of radio stations and FM translators		(8,627)		—
Assets held for sale		—		**(2,758)**
Loss on impairment		(41,717)		—
Balance, end of period after cumulative loss on impairment	$	257,172	$	**254,414**
Balance, end of period before cumulative loss on impairment	$	419,845	$	**413,732**
Accumulated loss on impairment, end of period		(162,673)		**(159,318)**
Balance, end of period after cumulative loss on impairment	$	257,172	$	**254,414**

NOTE 8. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year. There were no indications of impairment during the three months ended March 31, 2024.

The following table presents the changes in goodwill including business acquisitions as described in Note 3 - Recent Transactions as described below.

Goodwill	Twelve Months Ended December 31, 2023	**Three Months Ended March 31, 2024**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,975	$ **30,047**
Accumulated loss on impairment	(4,890)	**(7,470)**
Balance, beginning of period after cumulative loss on impairment	24,085	**22,577**
Acquisitions of radio stations	80	—
Acquisitions of digital media entities	1,181	—
Disposition of publishing entities	(189)	—
Loss on impairment	(2,580)	—
Ending period balance	$ 22,577	$ **22,577**
Balance, end of period before cumulative loss on impairment	30,047	**30,047**
Accumulated loss on impairment	(7,470)	**(7,470)**
Ending period balance	$ 22,577	$ **22,577**

NOTE 9. AMORTIZABLE INTANGIBLE ASSETS

The following tables provide a summary of our significant classes of amortizable intangible assets:

	As of December 31, 2023		
	Cost	Accumulated Amortization	**Net**
		(Dollars in thousands)	
Customer lists and contracts	$ 23,677	$ (23,171)	$ 506
Domain and brand names	19,854	(19,142)	712
Favorable and assigned leases	1,479	(1,479)	—
Subscriber base and lists	10,416	(9,156)	1,260
Author relationships	1,089	(1,089)	—
Non-compete agreements	3,586	(2,473)	1,113
Other amortizable intangible assets	1,411	(1,411)	—
	$ 61,512	$ (57,921)	$ 3,591

	As of March 31, 2024		
	Cost	Accumulated Amortization	**Net**
		(Dollars in thousands)	
Customer lists and contracts	$ **23,677**	**$ (23,278)**	**$ 399**
Domain and brand names	**19,854**	**(19,193)**	**661**
Favorable and assigned leases	**1,479**	**(1,479)**	**—**
Subscriber base and lists	**10,416**	**(9,323)**	**1,093**
Author relationships	**1,106**	**(1,091)**	**15**
Non-compete agreements	**3,586**	**(2,607)**	**979**
Other amortizable intangible assets	**1,404**	**(1,404)**	**—**
	$ **61,522**	**$ (58,375)**	**$ 3,147**

Amortization expense was approximately $0.5 million for the three-months ended March 31, 2023, and 2024. Based on the amortizable intangible assets as of March31, 2024, we estimate amortization expense for the next five years to be as follows:

Year ended December 31,		Amortization Expense
		(Dollars in thousands)
2024 (April – Dec)	$	1,133
2025		1,408
2026		363
2027		231
2028		12
Thereafter		—
Total	$	**3,147**

NOTE 10. LONG-TERM DEBT

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

Long-term debt consists of the following:

		December 31, 2023		**March 31, 2024**
		(Dollars in thousands)		
2028 Notes	$	159,416	$	**159,416**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%		(6,456)		**(6,269)**
2028 Notes net carrying value		152,960		**153,147**
Asset-Based Revolving Credit Facility principal outstanding (1)		16,831		**15,500**
Long-term debt less unamortized discount and debt issuance costs	$	169,791	$	**168,647**
Less current portion		—		—
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$	169,791	**$**	**168,647**

(1) As of March 31, 2024, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $25.4 million, $15.5 million in outstanding borrowings, $2.3 million in letters of credit, a $2.0 million availability block, resulting in a $5.6 million borrowing base availability.

Our weighted average interest rate was 7.38% and 7.33% at December 31, 2023, and March 31, 2024, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of March 31, 2024:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $15.5 million outstanding borrowings under the ABL facility, with interest payments due at Secured Overnight Financing Rate ("SOFR") plus 4.5% per annum with a SOFR floor of 4.3%;
- $2.3 million in standby letters of credit with interest payment at an annual rate of 4.5%; and
- Commitment fee of 0.35% per annum on the unused portion of the ABL Facility.

2028 Notes

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due in 2028 at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due. The redemption of the 2024 Notes closed on March 27, 2023.

The 2028 Notes are guaranteed on a senior secured basis. We may redeem the 2028 Notes, in whole or in part, at any time prior to June 1, 2024, at a price equal to 100% of the principal amount of the 2028 Notes plus a "make-whole" premium and accrued and unpaid interest, if any, up to, but not including, the redemption date. At any time on or after June 1, 2024, we may redeem some or all of the 2028 Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2028 Notes indenture, plus accrued and unpaid interest, if any, up to, but not including the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2028 Notes before June 1, 2024, with the net cash proceeds from certain equity offerings at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, up to, but not including the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the 2028 Notes per twelve-month period, in connection with up to two redemptions in such twelve-month period, at a redemption price of 101% of the principal amount plus accrued and unpaid interest up to, but not including, the redemption date.

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrued on the 2028 Notes is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year. Based on the balance of the 2028 Notes outstanding at March 31, 2024, we are required to pay $11.4 million per year in interest. As of March 31, 2024, accrued and unpaid interest on the 2028 Notes was $3.8 million.

The indenture to the 2028 Notes contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At March 31, 2024, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.5 million. During the three-month periods ended March 31, 2023 and 2024, $0.4 million of debt issuance costs, discount and delayed draw associated with the Notes was amortized to interest expense.

2024 Notes

On May 19, 2017, we issued 2024 Notes in a private placement. The 2024 Notes were guaranteed on a senior secured basis by our existing subsidiaries ("Subsidiary Guarantors"). The 2024 Notes accrued interest at a rate of 6.75% per year and were maturing on June 1, 2024, unless they were earlier redeemed or repurchased. Interest was payable semi-annually, in cash in arrears, on June 1 and December 1 of each year.

The 2024 Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors other than the ABL Facility Priority Collateral as described below. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During three-month period ended March 31, 2023, $20,000 of debt issuance costs associated with the Notes was amortized to interest expense.

On March 27, 2023, we redeemed the remaining $36.5 million of 2024 Notes and paid $0.8 million in accrued but unpaid interest through the redemption date.

Based on the then existing market conditions, we completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
June 13, 2022	5,000	4,947	98.95%	35	18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
October 25, 2021	2,000	2,020	101.00%	19	(39)
October 12, 2021	250	251	100.38%	2	(3)
October 5, 2021	763	766	100.38%	7	(10)
October 4, 2021	628	629	100.13%	6	(7)
September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27
December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113

December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 105,639	$ 102,902		$ 1,310	$ 1,427

Asset-Based Revolving Credit Facility

New Agreement with Siena Lending Group, Inc.

On December 26, 2023, we entered into an agreement with Siena Lending Group, Inc. (“Siena”) to provide us a $26.0 million asset based loan (“ABL Facility”) revolving facility. The proceeds from this ABL Facility were used to pay off the previous ABL Facility from Wells Fargo Bank, National Association and to provide additional working capital for the company. First priority perfected security interests and liens on all present and future accounts receivable, inventory, deposits and security accounts and certain owned real property and other equity interests of the company and each of our direct and indirect subsidiaries and second priority perfected security interests and liens on all other present and future assets of the company.

The ABL Facility is a $26.0 million credit facility due December 26, 2026, which includes a $3.0 million sub-facility for standby letters of credit.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) 90% of the eligible unbilled receivable not to exceed $5.0 million and (c) a calculated amount based on the value of certain real property. An Availability Block not to exceed $2 million will be required should certain trailing three-month EBITDA targets not be met. The targets will be mutually agreed between Siena and the company on an annual basis following the closing date. The Availability Block will remain in effect until such time as the company resumes meeting the EBITDA targets.

As of March 31, 2024, the amount available under the ABL Facility was $25.4 million of which $15.5 million was outstanding. All borrowings under the ABL Facility accrue interest at a rate equivalent to 30 Day Term SOFR Rate plus 4.3% per annum with a SOFR floor of 4.3%. There is an unused line fee of 0.35% per annum. A prepayment fee of 2% of the total ABL Facility amount is due if the ABL Facility is retired in the first 12 months following the closing date; 1% during the subsequent 13-30 month period following the closing date and 0% thereafter until maturity of the ABL Facility. Additionally, a letter of credit fee of 4.5% per annum would be charged on the face amount of all letter of credits issued, payable monthly in arrears calculated on the basis of actual days elapsed in a year of 360 days. Other standard fees with respect to letters of credit would also apply.

We recorded debt issue costs of $1.5 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three-month period ended March 31, 2024, $0.2 million, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At March 31, 2024, the blended interest rate on amounts outstanding under the ABL Facility was 9.84%.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months. As of March 31, 2024, accrued and unpaid interest on the ABL Facility was $1.0 million.

Previous Credit Agreement with Wells Fargo Bank, National Association.

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement (“Credit Agreement”) by and among us and our subsidiaries, parties thereto as borrowers, Wells Fargo Bank, National Association (“Prior ABL Facility’), as administrative agent and lead arranger, and the lenders that are parties thereto.

The Prior ABL Facility was a $30.0 million revolving credit facility due March 1, 2024, which included a $5.0 million sub-facility for standby letters of credit and a $7.5 million sub-facility for swingline loans. All borrowings under the ABL Facility accrued interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which was based on an availability-based measure, ranged from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurred, the interest rate would increase by 2.00% per annum. Amounts outstanding under the ABL Facility could be paid and then reborrowed at our discretion without penalty or premium. Additionally, we paid a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The April 7, 2020 amendment also allowed for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued.

Availability under the ABL Facility was subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. The ABL Facility had a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets, and by a second-priority lien on the notes priority collateral. There was no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

The Credit Agreement included a springing fixed charge coverage ratio of 1.0 to 1.0, which was tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also included other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict or limit our ability and the ability of our subsidiaries to (i) incur additional indebtedness; (ii) make investments; (iii) make distributions, loans or transfers of assets; (iv) enter into, create, incur, assume or suffer to exist any liens, (v) sell assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) prepay indebtedness (which does not include bond repurchases); and (ix) pay dividends.

The Credit Agreement provided for the following events of default: (i) non-payment of any principal or letter of credit reimbursement when due or any interest, fees, or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurred and was continuing, the administrative agent and the Lenders would accelerate the amounts outstanding under the ABL Facility and would exercise remedies in respect of the collateral.

Because the availability of our previous ABL Facility was less than $4.5 million starting in the second quarter of 2023, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level and therefore, we were not in compliance with that covenant. During the remainder of the year, we signed multiple forbearance agreements, whereby the bank agreed not to exercise remedies on the default. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $7.5 million. Finally, the interest rate on the ABL Facility was increased to SOFR plus 4% or base rate plus 3.0% effective July 1, 2023.

We recorded debt issue costs of $1.1 million as an asset being amortized to non-cash interest expense over the term of the Prior ABL Facility using the effective interest method. During the three-month period ended March 31, 2023, $23,000 of debt issuance costs associated with the Prior ABL Facility was amortized to interest expense.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at March 31, 2024 for each of the next five years and thereafter are as follows:

For the Year Ended March 31,	Amount *(Dollars in thousands)*
2024	$ —
2025	—
2026	—
2027	15,500
2028	159,416
Thereafter	—
	$ 174,916

NOTE 11. FAIR VALUE MEASUREMENTS AND DISCLOSURES

As of March 31 2024, the carrying value of cash and cash equivalents, accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes at March 31, 2024 was $159.4 million compared to the estimated fair value of $153.8 million, based on the prevailing interest rates and trading activity of our Notes.

We have certain assets that are measured at fair value on a non-recurring basis that are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered Level 3 due to the subjective nature of the unobservable inputs used when estimating the fair value.

The following table summarizes the fair value of our financial assets and liabilities that are measured at fair value:

	March 31, 2024			
		Fair Value Measurement Category		
	Carrying Value on Balance Sheet	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Liabilities:				
Estimated fair value of contingent earn-out consideration included in accrued expenses	**$ —**	—	—	$ —
Long-term debt less unamortized discount and debt issuance costs	**168,647**	—	163,240	—

NOTE 12. INCOME TAXES

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between our consolidated financial statement carrying amount of assets and liabilities and their respective tax bases. We measure these deferred tax assets and liabilities using enacted tax rates expected to apply in the years in which these temporary differences are expected to reverse. We recognize the effect on deferred tax assets and liabilities resulting from a change in tax rates in income in the period that includes the date of the change.

At December 31, 2023, we had net operating loss carryforwards for federal income tax purposes of approximately $93.8 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $571.7 million that expire in years 2024 through 2042. For financial reporting purposes at December 31, 2023, we had a valuation allowance of $39.5 million, net of federal benefit, to offset the pre-2018 federal net operating losses and state net operating losses.

During the interim period ended March 31, 2024, we computed the income tax provision using the estimated effective annual rate applicable for the full year. We updated our forecast to project taxable loss for the 2024 calendar year. In accordance with the guidance under FASB ASC Topic 740-270-25-4, we measured the estimated utilization of the operating loss carryforwards and the release of the valuation allowance for both federal and state jurisdictions.

The amortization of our indefinite-lived intangible assets for tax purposes, but not for book purposes, creates deferred tax liabilities. A reversal of deferred tax liabilities may occur when indefinite-lived intangibles: (1) become impaired; or (2) are sold, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire company in a taxable transaction. Due to the amortization for tax purposes and not for book purposes of our indefinite-lived intangible assets, we expect to continue to generate deferred tax liabilities in future periods exclusive of any impairment losses in future periods. These deferred tax liabilities and net operating loss carryforwards result in differences between our provision for income tax and cash paid for taxes.

We review and reevaluate uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision.

NOTE 13. COMMITMENTS AND CONTINGENCIES

We enter into various agreements in the normal course of business that contain minimum guarantees. Minimum guarantees are typically tied to future events, such as future revenue earned in excess of the contractual level. Accordingly, the fair value of these arrangements is zero.

We may record contingent earn-out consideration representing the estimated fair value of future liabilities associated with acquisitions that may have additional payments due upon the achievement of certain performance targets. The fair value of the contingent earn-out consideration is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the expected payment amounts. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in the results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We evaluate claims based on what we believe to be both probable and reasonably estimable. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon our condensed consolidated financial position, results of operations or cash flows.

In March 2024, we entered into a settlement agreement in connection with a lawsuit. While we denied the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount was accrued at September 30, 2023. During mediation held on March 20, 2024, the parties reached a settlement whereby we agreed to pay $0.9 million in exchange for a release by the plaintiff of all claims.

Our dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. On May 6, 2020, our Board of Directors voted to discontinue equity distributions until further notice due to our financial position, results of operations, and cash flows. The declaration of any future distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial and legal requirements, and other factors.

NOTE 14. STOCK INCENTIVE PLAN

The following table reflects the components of stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations for the three-month periods ended March 31, 2023, and 2024:

	Three Months Ended March 31,	
	2023	**2024**
	(Dollars in thousands)	
Stock option compensation expense included in unallocated corporate expenses	$ 35	$ **79**
Stock option compensation expense included in broadcast operating expenses	26	**29**
Stock option compensation expense included in digital media operating expenses	13	**15**
Stock option compensation expense included in publishing operating expenses	1	**1**
Total stock-based compensation expense, pre-tax	$ 75	$ **124**
Tax expense from stock-based compensation expense	(19)	**(32)**
Total stock-based compensation expense, net of tax	$ 56	$ **92**

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the three-month periods ended March 31, 2023, and 2024:

	Three Months Ended March 31, 2023	**Three Months Ended March 31, 2023**
Expected volatility	87.94%	**—%**
Expected dividends	0.00%	**—%**
Expected term (in years)	8.4	**—**
Risk-free interest rate	3.69%	**—%**

Activity with respect to our option awards during the three-month period ended March 31, 2024 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)				
Outstanding at January 1, 2024	2,777,843	$ 1.90	$ 1.07	5.3 years	$ —
Granted	—	—	—		—
Exercised	—	—	—		—
Forfeited or expired	(147,191)	4.47	1.54		—
Outstanding at March 31, 2024	**2,630,652**	**1.77**	**1.05**	**5.3 years**	**$** —
Exercisable at March 31, 2024	**1,322,777**	**2.19**	**1.02**	**3.2 years**	—
Expected to Vest	**1,241,827**	**1.78**	**1.05**	**5.2 years**	**$** —

Activity with respect to our restricted stock awards during the three-month period ended March 31, 2024 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)			
Outstanding at January 1, 2024	14,854	$ 3.66	0.20	$ 6
Granted	—	—	—	—

Lapsed	(14,854)	**3.66**	—	5
Forfeited	—	—	—	—
Outstanding at March 31, 2024	—	—	—	$ —

The aggregate intrinsic value represents the difference between the company's closing stock price on March 31, 2024 of $0.39 and the option exercise price of the shares for stock options that were in the money, multiplied by the number of shares underlying such options. The total fair value of options vested during the periods ended March 31, 2023, and 2024 was $0.1 million and $0.2 million, respectively.

As of March 31, 2024, there was $0.4 million of total unrecognized compensation cost related to non-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 2.7 years.

NOTE 15. SEGMENT DATA

FASB ASC Topic 280, *Segment Reporting*, requires companies to provide certain information about their operating segments. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our condensed consolidated statements of operations included in this quarterly report. We also exclude costs such as amortization, depreciation, taxes, and interest expense.

Segment performance, as we define it, is not necessarily comparable to other similarly titled captions of other companies.

Broadcast

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets. Our broadcasting segment includes our national networks and national sales firms. National companies often prefer to advertise across the United States as an efficient and cost-effective way to reach their target audiences. Our national platform under which we offer radio airtime, digital campaigns, and other advertisements can benefit national companies by reaching audiences throughout the United States.

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces, and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,000 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM") and Singing News® Radio.

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 15 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets.

Salem Surround, our national multimedia advertising agency with locations in 29 markets across the United States, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as providing a full-service multimedia marketing strategy for each of our clients.

Salem Podcast Network ("SPN"), is a highly specialized platform for conservative, political, news, and family-oriented podcasts. SPN reaches over 13 million downloads per month, and regularly ranks amount the top 100 most downloaded news and political podcasts according to the Apple Podcast Rankings.

SalemNOW is our online destination to a watch variety of on-demand. SalemNOW is dedicated exclusive conservative and faith-based films consisting of box office hits, acclaimed documentaries, music festivals, interviews with top Christian artists, events with our conservative talk show hosts and may other videos. SalemNOW can be found on mobile apps, and streaming services such as Roku, Apple TV, Amazon Fire Stick and select smart TVs.

Salem News Channel ("SNC") is a conservative news, opinion and commentary television network hosted by a number of engaging, compelling and respected conservative media personalities. SNC's mission is to serve the media needs of audiences interested in political news and opinion content with a Judeo, Christian world vision and seeks to become the leading provider of conservative news and option content for the rapidly growing over-the-top television and multi-screen digital audience.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, audio and video streaming, and other resources digitally through the web. Salem Web Network ("SWN") websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, Christianity.com, iBelieve.com, GodTube®.com, OnePlace®.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, and LightSource.com, and our conservative opinion websites; collectively known as Townhall Media, include Townhall.com®, HotAir™.com, Twitchy®.com, RedState®.com, BearingArms.com, ConservativeRadio.com and pjmedia.com. We also publish digital newsletters through Eagle Financial Publications, which provide market analysis and non-individualized investment strategies from financial commentators on a subscription basis.

Our church product websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, ShiftWorship.com, JourneyBoxMedia.com, Playbackmedia.com, and HyperPixelsMedia.com, offer a variety of digital resources including videos, song tracks, sermon archives and job listings to pastors and Church leaders.

Our web content is accessible through all of our radio station websites that feature content of interest to local audiences throughout the United States.

Publishing

Our publishing operating segment includes two businesses: (1) Regnery® Publishing and Salem Books, traditional book publishers that have published dozens of bestselling books by leading conservative and Christian authors and personalities and (2) Salem Author Services, a self-publishing service for authors through Xulon Press and Mill City Press. We sold Regnery® Publishing in December 2023.

The table below presents financial information for each operating segment as of March 31, 2023, and 2024 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended March 31, 2023					
Net revenue	$ 48,340	$ 10,510	$ 4,639	$ —	$ 63,489
Operating expenses	42,809	8,994	5,376	4,996	62,175
Net operating income (loss)	$ 5,531	$ 1,516	$ (737)	$ (4,996)	$ 1,314
Depreciation	1,555	1,026	63	206	2,850
Amortization	—	518	25	—	543
Change in the estimated fair value of contingent earn-out consideration	—	(2)	—	—	(2)
Impairment of indefinite-lived long-term assets other than goodwill	2,124	—	—	—	2,124
Net (gain) loss on the disposition of assets	(22)	—	—	1	(21)
Net operating income (loss)	$ 1,874	$ (26)	$ (825)	$ (5,203)	$ (4,180)

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended March 31, 2024					
Net revenue	**$ 46,099**	**$ 10,710**	**$ 1,800**	**$ —**	**$ 58,609**
Operating expenses	**42,098**	**9,035**	**1,720**	**4,731**	**57,584**
Net operating income (loss)	**$ 4,001**	**$ 1,675**	**$ 80**	**$ (4,731)**	**$ 1,025**
Depreciation	**1,609**	**932**	**55**	**170**	**2,766**
Amortization	—	**459**	**2**	**—**	**461**
Change in the estimated fair value of contingent earn-out consideration	—	**(27)**	—	—	**(27)**
Net (gain) loss on the disposition of assets	**(146)**	—	**2**	—	**(144)**
Operating income (loss)	**$ 2,538**	**$ 311**	**$ 21**	**$ (4,901)**	**$ (2,031)**

	Broadcast	Digital Media	Publishing	Corporate	Consolidated
			(Dollars in thousands)		
As of December 31, 2023					
Property and equipment, net	$ 64,881	$ 6,807	$ 364	$ 3,002	$ 75,054
Broadcast licenses	257,172	—	—	—	257,172
Goodwill	2,702	18,928	947	—	22,577
Amortizable intangible	—	3,591	—	—	3,591

	Broadcast	Digital Media	Publishing	Corporate	Consolidated
			(Dollars in thousands)		
As of March 31, 2024					
Property and equipment, net	**$ 62,684**	**$ 6,569**	**$ 330**	**$ 2,074**	**$ 71,657**
Broadcast licenses	**254,414**	**—**	**—**	**—**	**254,414**
Goodwill	**2,702**	**18,928**	**947**	**—**	**22,577**
Amortizable intangible	**—**	**3,130**	**17**	**—**	**3,147**

NOTE 16. SUBSEQUENT EVENTS

On May 3, 2024, we closed on the sale leaseback agreement for our corporate headquarters building for $5.5 million. The $4.7 million carrying value of the assets were reclassed as held for sale as of December 31, 2023. The related lease is for five years at $0.4 million in annual lease payments.

Subsequent events reflect all applicable transactions through the date of the filing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related notes under this quarterly report. Our Condensed Consolidated Financial Statements are not directly comparable from period to period due to acquisitions and dispositions. Refer to Note 3 of our Condensed Consolidated Financial Statements under this quarterly report for details of each of these transactions.

Historical operating results are not necessarily indicative of future operating results. Actual future results may differ from those contained in or implied by the forward-looking statements as a result of various factors. These factors include, but are not limited to:

- risks and uncertainties relating to the need for additional funds to service our debt,
- risks and uncertainties relating to the need for additional funds to execute our business strategy,
- our ability to access borrowings under our ABL Facility,
- reductions in revenue forecasts,
- our ability to renew our broadcast licenses,
- changes in interest rates,
- the timing of our ability to complete any acquisitions or dispositions,
- costs and synergies resulting from the integration of any completed acquisitions,
- our ability to drive and manage revenue growth,
- our ability to effectively manage costs,
- the popularity of radio as a broadcasting and advertising medium,
- changes in consumer tastes,
- the impact of general economic conditions in the United States or in specific markets in which we do business,
- the impact of inflation increasing operating costs and changing consumer habits,
- industry conditions, including existing competition and future competitive technologies,
- disruptions or postponements of advertising schedules and programming in response to national or world events,
- our ability to generate revenue from new sources, including local commerce and technology-based initiatives, and
- the impact of regulatory rules or proceedings that may affect our business from time to time, and the future write-off of any material portion of the fair value of our FCC broadcast licenses and goodwill.

Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise, except as required by law.

Overview

Salem is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com.

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that exclude costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury. We also exclude costs such as amortization, depreciation, taxes, and interest expense when evaluating the performance of our operating segments.

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;

- fees earned for the creation of custom digital media campaigns for our customers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- the sale of advertising time through podcasts and video-on-demand services;
- product sales and royalties for on-air host materials, podcasts, programs and media content including documentary motion pictures, films; and
- other revenue such as events, including ticket sales and sponsorships, listener purchase programs, where revenue is generated from special discounts and incentives offered to our listeners from our advertisers; talent fees for voice-overs or custom endorsements from our on-air personalities and production services, and rental income for studios, towers or office space.

Our principal sources of digital media revenue include:

- the sale of digital banner advertisements on our websites and mobile applications;
- the sale of digital streaming advertisements on websites and mobile applications;
- the support and promotion to stream third-party content on our websites;
- the sale of advertisements included in digital newsletters;
- the digital delivery of newsletters to subscribers; and
- the number of video and graphic downloads.

Our principal sources of publishing revenue include:

- the sale of books and e-books; and
- publishing fees from authors.

In each of our operating segments, the rates we can charge for airtime, advertising and other products and services are dependent upon several factors, including:

- audience share;
- how well our programs and advertisements perform for our clients;
- the size of the market and audience reached;
- the number of impressions delivered;
- the number of advertisements and programs streamed;
- the number of page views achieved;
- the number of downloads completed;
- the number of events held, the number of event sponsorships sold and the attendance at each event;
- demand for books and publications;
- general economic conditions; and
- supply and demand for airtime on a local and national level.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets, our national networks and our national sales firms, including Salem Surround.

Revenue generated from our radio stations, networks, and sales firms is reported as broadcast revenue in our Condensed Consolidated Financial Statements included in this quarterly report. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case revenue is reported net of the commission retained by the agency.

Broadcast revenue is impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered, or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations' and networks' ability to produce results for their advertisers. We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops monthly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses the Portable People Meter ™ ("PPM") technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time. We subscribe to Nielsen Audio for ratings services in seven of our broadcast markets.

Our results are subject to seasonal fluctuations. As is typical in the broadcasting industry, our second and fourth quarter advertising revenue typically exceeds our first and third quarter advertising revenue. Seasonal fluctuations in advertising revenue correspond with quarterly fluctuations in the retail industry. Additionally, we experience increased demand for political advertising during election even numbered years, over non-election odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues.

Our cash flows from broadcasting may be affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market, or other circumstances, we find it beneficial to change the station format. During this transitional period, when we develop a radio station's listener and customer base, the station may generate negative or insignificant cash flow.

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case revenue is reported net of the commission retained by the agency. During each of the three-month periods ended March 31, 2023, and 2024, 98% of our broadcast revenue was sold for cash.

Broadcast operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) production and programming expenses, and (v) music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities.

Digital Media

Our digital media segment provides Christian, conservative, investing, retirement, e-commerce, audio and video streaming, and other resources digitally through the web.

Revenue generated from this segment is reported as digital media revenue in our Condensed Consolidated Statements of Operations under this quarterly report. Digital media revenue is impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered, or the number of products sold, and the number of digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue from our digital media segment generally exceeds the segment's first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product websites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

The primary operating expenses incurred by our digital media businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) royalties, (v) streaming costs, and (vi) cost of goods sold associated with e-commerce sites.

Publishing

Our publishing operations include book publishing through Regnery® Publishing and self-publishing services through Salem Author Services. On December 31, 2023, we sold Regnery® Publishing.

Revenue generated from this segment is reported as publishing revenue in our Condensed Consolidated Statements of Operations included in this quarterly report. Publishing revenue is impacted by the retail price of books and e-books, the number of books sold, the number and retail price of e-books sold, and the number and rate at which self-published books are published. Regnery® Publishing revenue is impacted by elections as it generates higher levels of interest and demand for publications containing conservative and political based opinions.

The primary operating expenses incurred by our publishing businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses; and (iv) cost of goods sold that includes book printing and production costs, fulfillment costs, author royalties and inventory reserves.

Known Trends and Uncertainties

Ongoing global supply chain disruptions from the pandemic, military conflict in Ukraine and Israel, increases in consumer prices, persistent inflation, and the Federal Reserve's raising of the federal funds interest rate may have a material adverse impact on our business. To the extent that any of these factors interfere with our customers' advertising and promotional spending, we could experience reductions in revenue growth rates and increasing pressure to contain costs. Reductions in revenue could adversely affect our operating results, financial condition, and results of operations. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments, and right-of-use assets. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility.

We have experienced increases in lease expense associated with escalations tied to changes in the Consumer Price Index ("CPI") and higher variable costs associated with Common Area Maintenance ("CAM") charges. CPI increased 3.1% for the twelve months ending December 31, 2023. Higher energy costs and the impact of inflation resulted in higher CAM charges.

Revenue growth from the sale of broadcast airtime is negatively impacted by audiences spending less time commuting, certain automobile manufacturers removing AM radio signals, increases in other forms of content distribution, and decreases in the length of time spent listening to broadcast radio as compared to audio streaming services, podcasts, and satellite radio. These factors may lead advertisers to conclude that the effectiveness of radio has diminished. We continue to enhance our digital assets to complement our broadcast content. The increased use of smart speakers and other voice activated platforms that provide audiences with the ability to access AM and FM radio stations offers potential sources for radio broadcasters to reach audiences.

Our broadcast advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 15.3% and 18.4%, respectively, of our total net broadcast advertising revenue during the three-month period ended March 31, 2023 compared to 15.1% and 18.7%, respectively, of our total net broadcast advertising revenue during the three-month period ended March 31, 2024.

Digital revenue is impacted by the nature and delivery of page views and the number of advertisements appearing on each page view. While page views continue to show growth, the number of page views from desktop devices continue to decline in favor of page views from mobile devices. Page views from mobile devices carry a lower number of advertisements per page and are generally sold at lower rates. The shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. We also experience declines in page views from changes in algorithms, including algorithms that limit political content and from browsers that block third-party cookies limiting advertising delivery.

Key Financial Performance Indicators – Same-Station Definition

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same Station basis. "Same Station" is a Non-GAAP financial measure used both in presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Refer to "Non-GAAP Financial Measures" below for definitions and a reconciliation of these non-GAAP performance measures to the most comparable GAAP measures.

Non-GAAP Financial Measures

Management uses certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks, and others to assist such parties in understanding the impact of various items on our financial statements. We use these non-GAAP financial measures to evaluate financial results, develop budgets, manage expenditures and as a measure of performance under compensation programs.

Our presentation of these non-GAAP financial measures should not be considered as a substitute for or superior to the most directly comparable financial measures as reported in accordance with GAAP.

Item 10(e) of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this quarterly report. We closely monitor EBITDA, Adjusted EBITDA, Station Operating Income ("SOI"), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Income (Loss), all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information about our core operating results, and thus, are appropriate to enhance the overall understanding of our financial performance. These non-GAAP financial measures are intended to provide management and investors with a more complete understanding of our underlying operational results, trends, and performance.

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate SOI. We define SOI as net broadcast revenue less broadcast operating expenses. Accordingly, changes in net broadcast revenue and broadcast operating expenses, as explained above, have a direct impact on changes in SOI. SOI is not a measure of performance calculated in accordance with GAAP. SOI should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. We believe that SOI is a useful non-GAAP financial measure to investors when considered in conjunction with operating income (the most directly comparable GAAP financial measures to SOI), because it is generally recognized by the radio broadcasting industry as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment, and communications industries. SOI is commonly used by investors and analysts who report on the industry to provide comparisons between broadcasting groups. We use SOI as one of the key measures of operating efficiency and profitability, including our internal reviews for potential impairment of indefinite-lived intangible assets and our internal reviews to approve capital expenditures. SOI does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance prepared in accordance with GAAP. Our definition of SOI is not necessarily comparable to similarly titled measures reported by other companies.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station results for each of the four quarters of that year. We use Same Station Operating Income, a non-GAAP financial measure, both in presenting our results to stockholders and the investment community, and in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period-over-period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station net broadcast revenue, Same Station broadcast operating expenses and Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies.

We apply a similar methodology to our digital media and publishing group. Digital Media Operating Income is defined as net digital media revenue less digital media operating expenses. Publishing Operating Income (Loss) is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating Income (Loss) are not measures of performance in accordance with GAAP. Our presentations of these non-GAAP financial performance measures are not to be considered a substitute for, or superior to, our operating results reported in accordance with GAAP. We believe that Digital Media Operating Income and Publishing Operating Income (Loss) are useful non-GAAP financial measures to investors, when considered in conjunction with operating income (the most directly comparable GAAP financial measure), because they are comparable to those used to measure performance of our broadcasting entities. We use this analysis as one of the key measures of operating efficiency, profitability and in our internal reviews for impairment of indefinite-lived intangible assets and our internal reviews to approve capital expenditures. This measurement does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance in accordance with GAAP. Our definitions of Digital Media Operating Income and Publishing Operating Income (Loss) are not necessarily comparable to similarly titled measures reported by other companies.

We define EBITDA as net income (loss) before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the disposition of assets, before changes in the estimated fair value of contingent earn-out consideration, before gains on bargain purchases, before the change in fair value of interest rate swaps, before impairments, before debt modification costs, before net miscellaneous income and expenses, before loss on early retirement of debt, before (gain) loss from discontinued operations and before non-cash compensation expense. EBITDA and Adjusted EBITDA are commonly used by the broadcast and media industry as important measures of performance and are used by investors and analysts who report on the industry to provide meaningful comparisons between broadcasters. EBITDA and Adjusted EBITDA are not measures of liquidity or of performance in accordance with GAAP and should be viewed as a supplement to and not a substitute for or superior to our results of operations and financial condition presented in accordance with GAAP. Our definitions of EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

For all non-GAAP financial measures, investors should consider the limitations associated with these metrics, including the potential lack of comparability of these measures from one company to another.

Reconciliation of Non-GAAP Financial Measures:

In the tables below, we present a reconciliation of net broadcast revenue, the most comparable GAAP measure, to Same Station net broadcast revenue, and broadcast operating expenses, the most comparable GAAP measure to Same Station broadcast operating expense. We show our calculation of Station Operating Income and Same Station Operating Income, which is reconciled from net income (loss), the most comparable GAAP measure, in the table following our calculation of Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP measures are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended March 31,	
	2023	2024
	(Dollars in thousands)	
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue		
Net broadcast revenue	$ 48,340	**$ 46,099**
Net broadcast revenue – acquisitions	—	—
Net broadcast revenue – dispositions	(723)	**(26)**
Net broadcast revenue – format change	—	—
Same Station net broadcast revenue	$ 47,617	**$ 46,073**
Reconciliation of Broadcast Operating Expenses to Same Station Broadcast Operating Expenses		
Broadcast operating expenses	$ 42,809	$ **42,098**
Broadcast operating expenses – acquisitions	—	—
Broadcast operating expenses – dispositions	(824)	**(106)**
Broadcast operating expenses – format change	—	—
Same Station broadcast operating expenses	$ 41,985	$ **41,992**
Reconciliation of Operating Income (Loss) to Same Station Operating Income		
Station Operating Income	$ 5,531	$ **4,001**
Station operating loss –acquisitions	—	—
Station operating loss – dispositions	101	**80**
Station operating loss – format change	—	—
Same Station – Station Operating Income	$ 5,632	$ **4,081**

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income, and Publishing Operating Income (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the directly comparable measures reported in accordance with GAAP.

	Three Months Ended March 31,	
	2023	2024
	(Dollars in thousands)	
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)		
Net broadcast revenue	$ 48,340	**$ 46,099**
Less broadcast operating expenses	(42,809)	**(42,098)**
Station Operating Income	$ 5,531	**$ 4,001**
Net digital media revenue	$ 10,510	**$ 10,710**
Less digital media operating expenses	(8,994)	**(9,035)**
Digital Media Operating Income	$ 1,516	**$ 1,675**
Net publishing revenue	$ 4,639	**$ 1,800**
Less publishing operating expenses	(5,376)	**(1,720)**
Publishing Operating Income (Loss)	$ (737)	**$ 80**

In the table below, we present a reconciliation of net loss, the most directly comparable GAAP measure to Station Operating Income, Digital Media Operating Income, and Publishing Operating Income (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
	(Dollars in thousands)	
Reconciliation of Net Loss to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)		
Net loss	$ (5,154)	$ **(5,180)**
Plus benefit from income taxes	(2,276)	**(702)**
Plus net miscellaneous income and (expenses)	(220)	**16**
Plus (gain) loss on early retirement of long-term debt	60	—
Plus earnings from equity method investment	(8)	**(2)**
Plus interest expense, net of capitalized interest	3,431	**3,848**
Less interest income	(13)	**(11)**
Net operating loss	$ (4,180)	$ **(2,031)**
Plus net (gain) loss on the disposition of assets	(21)	**(144)**
Plus change in the estimated fair value of contingent earn-out consideration	(2)	**(27)**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,124	—
Plus depreciation and amortization	3,393	**3,227**
Plus unallocated corporate expenses	4,996	**4,731**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)	$ 6,310	$ **5,756**
Station Operating Income	$ 5,531	$ **4,001**
Digital Media Operating Income	1,516	**1,675**
Publishing Operating Income (Loss)	(737)	**80**
	$ 6,310	$ **5,756**

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net Loss, the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024
	(Dollars in thousands)	
Reconciliation of Adjusted EBITDA to EBITDA to Net Loss		
Net loss	$ (5,154)	$ **(5,180)**
Plus interest expense, net of capitalized interest	3,431	**3,848**
Plus benefit from income taxes	(2,276)	**(702)**
Plus depreciation and amortization	3,393	**3,227**
Less interest income	(13)	**(11)**
EBITDA	$ (619)	$ **1,182**
Plus net (gain) loss on the disposition of assets	(21)	**(144)**
Plus change in the estimated fair value of contingent earn-out consideration	(2)	**(27)**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,124	—
Plus net miscellaneous (income) and expenses	(220)	**16**
Plus (gain) loss on early retirement of long-term debt	60	—
Plus non-cash stock-based compensation	75	**124**
Adjusted EBITDA	$ 1,397	$ **1,151**

RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 compared to the three months ended March 31, 2024

Net Broadcast Revenue

	Three Months Ended March 31,					
	2023	**2024**	Change	Change	2023	**2024**
	(Dollars in thousands)				% of Total Net	
Net Broadcast Revenue	$ 48,340	$ **46,099**	$ (2,241)	(4.6) %	76.1 %	**78.7 %**
Same Station Net Broadcast Revenue	$ 47,617	$ **46,073**	$ (1,544)	(3.2) %		

Net broadcast revenue decreased 4.6%, or $2.2 million, principally due to a $1.1 million decline in local spot advertising revenue, excluding political revenue. Spot advertising revenue has been declining in the industry due to reduced time spent listening, particularly on AM radio stations. Network revenue from our nationally syndicated host programs decreased $0.8 million, excluding political revenue, and national and local block programming revenue decreased $0.6 million primarily in our News Talk format radio stations. This decrease was partially offset by a $0.4 million increase in political revenue, or 78.7% to $0.9 million from $0.5 million.

On a Same Station basis, net broadcast revenue decreased 3.2%, or $1.5 million, which reflects these items net of the impact of stations dispositions.

Net Digital Media Revenue

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$ 10,510	$ **10,710**	$ 200	1.9 %	16.6 %	**18.3 %**

Net digital media revenue increased 1.9%, or $0.2 million, due primarily to increased digital subscription revenue from Eagle Financial Publications, including new subscriptions generated from DayTradeSPY. This increase was partially offset by decreased digital advertising revenue due to Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand for advertising resulting in a lower number of advertisements and a reduction in rates. In addition, our representation agreement with Bible Gateway was not renewed effective June 30, 2023.

Net Publishing Revenue

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$ 4,639	$ **1,800**	$ (2,839)	(61.2) %	7.3 %	**3.1** %

Net publishing revenue decreased 61.2%, or $2.8 million, due to the sale of Regnery® Publishing in December 2023 and softness in the overall economy which has caused some declines in our self-publishing business, Salem Author Services.

Broadcast Operating Expenses

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$ 42,809	$ **42,098**	$ (711)	(0.7) %	67.4 %	**71.8** %
Same Station Broadcast Operating Expenses	$ 41,985	$ **41,992**	$ 7	— %		

Broadcast operating expenses decreased 0.7%, or $0.7 million, including an $0.6 million decrease from broadcast entities including Salem Surround, a $0.2 million decrease from Salem Podcast Network, and a $0.1 million decrease in SalemNOW that was partially offset by a $0.1 million increase from Salem News Channel. The overall decrease includes a $0.8 million decrease in employee-related expenses due to reductions in work force, including severance expense and the suspension of the employer 401(k) match in July 2023, a $0.4 million decrease in bad debt expense, a $0.3 million decrease in credit card processing fees, a $0.2 million decrease in travel and entertainment expense and a $0.1 million decrease in events and concerts expenses, that was partially offset by a $0.5 million increase in third-party marketing expenses, a $0.3 million increase in facility-related expenses, a $0.3 million increase in advertising and promotion expenses, and a $0.2 million increase in production and programming expenses.

On a same-station basis, broadcast operating expenses remained consistent compared to the same period of the prior year. The change in broadcast operating expenses on a same station basis reflects these items net of the impact of station dispositions.

Digital Media Operating Expenses

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$ 8,994	$ **9,035**	$ 41	0.5 %	14.2 %	**15.4** %

Digital media operating expenses slightly increased 0.5%, or $41,000, including a $0.7 million increase in advertising and promotional expenses due to increased e-mail marketing efforts to increase subscriptions, that was partially offset by a $0.7 million decrease in employee-related expenses due to reductions in work force, which includes severance expense, and a decrease in employee-related benefits as the 401(k) employer match was suspended in July 2023.

Publishing Operating Expenses

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change	2023	**2024**
	(Dollars in thousands)				% of Total Net	
Publishing Operating	$ 5,376	$ **1,720**	$ (3,656)	(68.0) %	8.5 %	**2.9** %

Publishing operating expenses decreased 68.0%, or $3.7 million, which includes the sale of Regnery® Publishing in December 2023. Salem Author services expenses decreased $0.5 million, which includes a $0.2 million reduction in cost of sales. The gross profit margin for Salem Author Services increased to 80% from 79% due to lower paper costs.

Unallocated Corporate Expenses

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$ 4,996	$ **4,731**	$ (265)	(5.3) %	7.9 %	**8.1** %

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, which are not directly attributable to any one of our operating segments. The decrease of 5.3%, or $0.3 million, includes a $0.3 million decrease in costs associated with station acquisitions and a $0.1 million decrease in employee-related expenses due to reductions in workforce, which includes severance expense, and a decrease in employee-related benefits as the 401(k) employer match was suspended in July 2023, that was partially offset by a $0.1 million increase in subscription expenses.

Depreciation Expense

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$ 2,850	$ **2,766**	$ (84)	(2.9) %	4.5 %	**4.7** %

Depreciation expense reflects the impact of prior year capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets and were fully depreciated during the current year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$ 543	$ **461**	$ (82)	(15.1) %	0.9 %	**0.8** %

Amortization expense reflects the impact of prior year acquisitions that were fully amortized as of the current year, partially offset by the acquisition of the George Gilder Report in February 2023 associated with subscriber base lists, domain names and non-compete agreements that have estimated useful lives of three to five years. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$ 2,124	$ —	$ (2,124)	(100.0) %	3.3 %	— %

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023. There were no indications of impairment during the three months ended March 31, 2024.

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of Assets	$ (21)	$ **(144)**	$ (123)	585.7 %	— %	**(0.2)** %

The net gain on the disposition of assets of $0.1 million for the three-month period ending March 31, 2024, reflects a $1.2 million pre-tax gain on the sale of our shares of Broadcast Music, Inc., partially offset by a $1.0 million pre-tax loss on the sale of the translator site in Greenville, South Carolina, and losses from various fixed asset disposals.

The net gain on the disposition of assets of $21,000 for the three-month period ending March 31, 2023, reflects the termination of a lease in Boston, Massachusetts offset with losses from various fixed asset disposals.

Other Income (Expense)

	Three Months Ended March 31,					
	2023	**2024**	Chang	Change	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 13	$ **11**	$ (2)	(15.4) %	— %	— %
Interest Expense	(3,431)	**(3,848)**	(417)	12.2 %	(5.4) %	**(6.6)** %
Gain (Loss) on Early Retirement of Long-Term Debt	(60)	—	60	(100.0) %	(0.1) %	— %
Earnings from equity method investment	8	**2**	(6)	(75.0) %	— %	— %
Net Miscellaneous Income and (Expenses)	220	**(16)**	(236)	(107.3) %	0.3 %	— %

Interest income represents earnings on excess cash and interest due under promissory notes.

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The increase reflects the timing of the $44.7 million issuance in the 2028 Notes while redeeming the remaining $36.5 million in 2024 Notes during the three-months ended March 31, 2023, higher interest rate under the ABL Facility, and finance lease obligations outstanding during the three-months ended March 31, 2024.

The loss on the early retirement of long-term debt for the three months ended March 31, 2023, reflects the repurchase of the 2024 Notes resulting in a pre-tax loss of $60,000.

Earnings from our equity investment in OnePartyAmerica LLC, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture, *2000 Mules*, was released in May 2022.

Net miscellaneous income and expenses includes non-operating receipts such as usage fees and other miscellaneous expenses.

Benefit from Income Taxes

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Benefit from Income Taxes	$ (2,276)	$ **(702)**	$ 1,574	(69.2) %	(3.6) %	**(1.2)** %

Tax benefit decreased by $1.6 million to $0.7 million for the three months ended March 31, 2024, compared to $2.3 million for the same period of the prior year. The benefit from income taxes as a percentage of income before income taxes, or the effective tax rate, was 11.9% for the three months ended March 31, 2024, compared to 30.6% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 11.9% is primarily driven by projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, impairment of intangibles and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

Net Loss

	Three Months Ended March 31,					
	2023	**2024**	Change $	Change %	2023	**2024**
	(Dollars in thousands)				% of Total Net Revenue	
Net Loss	$ (5,154)	$ **(5,180)**	$ (26)	0.5 %	(8.1) %	**(8.8)** %

Our net loss increased to $5.2 million from $5.1 million during the same period of the prior year due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are operating cash flows, borrowings under credit facilities and proceeds from the sale of selected assets or businesses. Historically, we have funded, and will continue to fund, expenditures for operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset and business sales. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets.

Operating Cash Flows

Our largest source of operating cash inflows are receipts from customers in exchange for advertising and programming. Other sources of operating cash inflows include receipts from customers for digital downloads and streaming, book sales, subscriptions, self-publishing fees, ticket sales, sponsorships, and vendor promotions. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, vendor payments under facility and tower leases, talent agreements, inventory purchases and recurring services such as utilities and music license fees. Our operating cash flows are subject to factors such as fluctuations in preferred advertising media and changes in demand caused by shifts in population, station listenership, demographics, and audience tastes. In addition, our operating cash flows may be affected if our customers are unable to pay, delay payment of amounts owed to us, or if we experience reductions in revenue or increases in costs and expenses.

Net cash used in operating activities increased by $0.4 million during the three-month period ended March 31, 2024, to $1.0 million compared to $0.6 million during the prior year. The increase in cash used in operating activities includes the impact of the following items:

- Total revenue decreased by $4.9 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingent earn-out consideration, impairments, and net gain (loss) on the disposition of assets, decreased by $4.6 million;
- Accounts receivables, net of allowances, decreased by $3.8 million compared to $2.3 million for the prior year;
- Unbilled revenue increased $0.8 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, increased to 57 days at March 31, 2024, from 53 days in the same period of the prior year; and
- Net accounts payable and accrued expenses decreased $3.8 million to $28.7 million from $32.5 million as of the prior year.

Investing Cash Flows

Our primary source of investing cash inflows is proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property, equipment, and intangible assets, and to make investments that we believe are beneficial to our business.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital and web-based offerings, improve our facilities, and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $6.0 million during the remainder of 2024.

We invested in a limited liability company that will own, distribute, and market a motion picture during the quarter ended March 31, 2023. The investment of $1.5 million at March 31, 2024 is reflected at cost in other assets.

While our focus continues to be on deleveraging, we remain committed to the exploration and pursuit of strategic acquisitions and investments. We plan to fund any future investing outflows from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings.

Net cash provided by investing activities was $0.6 million during the three-month period ended March 31, 2024, compared to $9.5 million net cash used in investing activities during the prior year. The $10.1 million increase in cash provided by investing activities was the result of:

- Cash paid for capital expenditures decreased $2.3 million to $0.3 million from $2.6 million during the prior year;
- Cash paid for acquisitions decreased $2.1 million to $3.5 million compared to $5.6 million during the prior year; and
- Cash received from the sale of assets was $4.2 million compared to zero during the prior year.

Financing Cash Flows

Financing cash inflows include borrowings under our credit facilities and any proceeds from the exercise of stock options issued under our stock incentive plan. Financing cash outflows include repayments of our credit facilities, the payment of equity distributions and payments of amounts due under deferred installments, and contingency earn-out consideration associated with acquisition activity.

During the three-months ended March 31, 2024, the principal balances outstanding under the Notes and ABL Facility ranged from $167.8 million to $175.2 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Net cash provided by financing activities during the three-month period ended March 31, 2024, decreased $9.7 million to $0.4 million compared to $10.1 million during the prior year. The decrease in cash provided by financing activities includes:

- A $3.8 million increase in the book overdraft; and
- Net payments on our ABL Facility were $1.3 million during the three-month period ended March 31, 2024, compared to $9.2 million net borrowings during the same period of the prior year.