



May 5, 2017

## MSG Networks Inc. Reports Fiscal 2017 Third Quarter Results

***Fiscal 2017 third quarter revenues of \$183.2 million***  
***Fiscal 2017 third quarter operating income of \$83.1 million***  
***Fiscal 2017 third quarter adjusted operating income of \$88.0 million***

NEW YORK, May 05, 2017 (GLOBE NEWSWIRE) -- MSG Networks Inc. (NYSE:MSGN) today reported financial results for the fiscal third quarter ended March 31, 2017.

For the fiscal 2017 third quarter, MSG Networks Inc. generated revenues of \$183.2 million, an increase of 2% as compared with the prior year period. In addition, the Company generated operating income of \$83.1 million, adjusted operating income of \$88.0 million and income from continuing operations of \$44.2 million.<sup>(1)</sup>

President and CEO Andrea Greenberg said, "For our fiscal third quarter, MSG Networks' exclusive live content and critically-acclaimed original programming continued to drive solid revenue and adjusted operating income results. In addition to our sustained financial performance, we believe the strength and popularity of our programming and our full complement of digital media rights will lead to new opportunities to distribute and monetize our content. We are on track for another strong year of AOI and free cash flow generation and, looking ahead, remain confident in our ability to continue creating long-term value for our shareholders."

### Fiscal Year 2017 Third Quarter Results

(In thousands, except per share data)

|  | Three Months Ended |         |
|--|--------------------|---------|
|  | March 31,          |         |
|  | 2017               |         |
| Revenues                               | \$                 | 183,247 |
| Operating income                       |                    | 83,054  |
| Adjusted operating income              |                    | 88,019  |
| Income from continuing operations      |                    | 44,155  |
| Diluted EPS from continuing operations | \$                 | 0.58    |

1. The Company formerly referred to adjusted operating income as adjusted operating cash flow. The components of adjusted operating income are identical to the components of adjusted operating cash flow. See page 3 of this earnings release for the definition of adjusted operating income included in the discussion of non-GAAP financial measures.

### Summary of Reported Results from Continuing Operations

Fiscal 2017 third quarter total revenues of \$183.2 million increased 2%, or \$3.7 million, as compared with the prior year period. Affiliation fee revenue increased \$3.8 million, primarily due to higher affiliation rates, partially offset by the impact of a low single-digit percentage decrease in subscribers versus the prior year period and the absence of the impact of a favorable affiliate adjustment recorded in the prior year period. Advertising revenue decreased \$0.3 million primarily due to a higher net increase in deferred revenue related to ratings guarantees, partially offset by increased sales from the telecast of live professional sports programming, as compared with the prior year period. Other revenues increased \$0.2 million as compared with the prior year period. Excluding the impact of the favorable affiliate adjustment recorded in the prior year quarter, fiscal 2017 third quarter affiliation fee revenue increased \$5.4 million and total company revenues increased \$5.2 million, or 3%, both as compared with the prior year period.

Direct operating expenses of \$75.7 million increased 3%, or \$2.4 million, as compared with the prior year period. The increase was primarily due to higher rights fees expense, partially offset by other programming-related cost decreases.

Selling, general and administrative expenses of \$21.9 million increased 12%, or \$2.4 million, as compared with the prior year period, primarily due to higher employee compensation and related benefits, partially offset by other net decreases.

Operating income of \$83.1 million decreased 1%, or \$1.0 million, as compared with the prior year period, primarily due to the increase in direct operating expenses and selling, general and administrative expenses (including share-based compensation expense), partially offset by the increase in revenues.

Adjusted operating income of \$88.0 million increased less than 1%, or \$0.3 million, as compared with the prior year period, primarily due to higher revenues, partially offset by the increase in direct operating expenses and selling, general and administrative expenses (excluding share-based compensation expense).

Excluding the impact of the favorable affiliate adjustment recorded in the prior year quarter, fiscal 2017 third quarter operating income of \$83.1 million increased 1%, or \$0.5 million, and adjusted operating income of \$88.0 million increased \$1.8 million, or 2%, both as compared with the prior year quarter.

### **About MSG Networks Inc.**

An industry leader in sports production, and content development and distribution, MSG Networks Inc. owns and operates two award-winning regional sports and entertainment networks, MSG Network (MSG) and MSG+, and a live streaming and video on demand platform, MSG GO. The networks are home to 10 professional sports teams, delivering live games of the New York Knicks; New York Rangers; New York Islanders; New Jersey Devils; Buffalo Sabres; New York Liberty; New York Red Bulls and the Westchester Knicks, as well as coverage of the New York Giants and Buffalo Bills. Each year, MSG and MSG+ collectively telecast approximately 500 live professional games, along with a comprehensive lineup of other sporting events, including college football and basketball, and critically-acclaimed original programming. The gold standard for regional broadcasting, MSG Networks has won 145 New York Emmy Awards over the past nine years.

### **Non-GAAP Financial Measures**

*We define adjusted operating income, which is a non-GAAP financial measure, as operating income before 1) depreciation, amortization and impairments of property and equipment and intangible assets, 2) share-based compensation expense or benefit, 3) restructuring charges or credits and 4) gains or losses on sales or dispositions of businesses. Because it is based upon operating income, adjusted operating income also excludes interest expense (including cash interest expense) and other non-operating income and expense items. We believe that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the Company without regard to the settlement of an obligation that is not expected to be made in cash.*

*The Company formerly referred to adjusted operating income as adjusted operating cash flow. The components of adjusted operating income are identical to the components of adjusted operating cash flow.*

*We believe adjusted operating income is an appropriate measure for evaluating the operating performance of our Company. Adjusted operating income and similar measures with similar titles are common performance measures used by investors and analysts to analyze our performance. Internally, we use revenues and adjusted operating income measures as the most important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. Adjusted operating income should be viewed as a supplement to and not a substitute for operating income, net income, cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with U.S. generally accepted accounting principles ("GAAP"). Since adjusted operating income is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies. For a reconciliation of operating income to adjusted operating income, please see page 6 of this release.*

*The Company defines Free Cash Flow ("Free Cash Flow"), which is a non-GAAP financial measure, as net cash provided by operating activities from continuing operations less capital expenditures, both of which are reported in our Consolidated Statement of Cash Flows. Net cash provided by operating activities from continuing operations excludes net cash provided by operating activities of discontinued operations. The Company believes the most comparable GAAP financial measure is net cash provided by operating activities. The Company believes that Free Cash Flow is useful as an indicator of its overall ability to generate liquidity, as the amount of Free Cash Flow generated in any period is representative of cash that is generated for debt repayment, investment, and other discretionary and non-discretionary cash uses. The Company also believes that Free Cash Flow is one of several benchmarks used by analysts and investors for comparison of the Company's generation of liquidity with other companies in the industry, although the Company's measure of Free Cash Flow may not be directly comparable to similar measures reported by other companies. For a reconciliation of Free Cash Flow to net cash provided by operating activities from continuing operations, please see page 8 of this release.*

### **Forward Looking Statements**

*This press release may contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties, and that actual results, developments and events may differ materially from those in the forward-looking statements as a result of various factors, including financial community perceptions of the Company and its business, operations, financial condition and the industry in which it operates and the factors described in the Company's filings with the Securities and Exchange Commission, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. The Company disclaims any obligation to update any forward-looking statements contained*

herein.

**Conference Call Information:**

The conference call will be Webcast live today at 10:00 a.m. ET at [www.msgnetworks.com](http://www.msgnetworks.com)

Conference call dial-in number is 877-883-0832 / Conference ID Number 5164511

Conference call replay number is 855-859-2056 / Conference ID Number 5164511 until May 12, 2017

**MSG NETWORKS INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

|   | Three Months Ended |            | Nine Months Ended |             |
|---|--------------------|------------|-------------------|-------------|
|   | March 31,          |            | March 31,         |             |
|   | 2017               | 2016       | 2017              | 2016        |
| Revenues  | \$ 183,247         | \$ 179,596 | \$ 512,471        | \$ 497,674  |
| Direct operating expenses                             | 75,687             | 73,329     | 206,697           | 204,978     |
| Selling, general and administrative expenses          | 21,930             | 19,578     | 60,680            | 83,066      |
| Depreciation and amortization                         | 2,576              | 2,602      | 7,734             | 10,372      |
| Operating income                                      | 83,054             | 84,087     | 237,360           | 199,258     |
| Other income (expense):                               |                    |            |                   |             |
| Interest income                                       | 741                | 687        | 2,017             | 1,771       |
| Interest expense                                      | (10,204)           | (10,491)   | (29,433)          | (22,060)    |
| Interest expense, net                                 | (9,463)            | (9,804)    | (27,416)          | (20,289)    |
| Income from continuing operations before income taxes | 73,591             | 74,283     | 209,944           | 178,969     |
| Income tax expense                                    | (29,436)           | (29,573)   | (82,173)          | (58,878)    |
| Income from continuing operations                     | 44,155             | 44,710     | 127,771           | 120,091     |
| Loss from discontinued operations, net of taxes       | —                  | (40)       | (120)             | (161,194)   |
| Net income (loss)                                     | \$ 44,155          | \$ 44,670  | \$ 127,651        | \$ (41,103) |
| <b>Earnings (loss) per share:</b>                     |                    |            |                   |             |
| Basic   |                    |            |                   |             |
| Income from continuing operations                     | \$ 0.59            | \$ 0.60    | \$ 1.70           | \$ 1.60     |
| Loss from discontinued operations                     | —                  | —          | —                 | (2.15)      |
| Net income (loss)                                     | \$ 0.59            | \$ 0.60    | \$ 1.70           | \$ (0.55)   |
| Diluted   |                    |            |                   |             |
| Income from continuing operations                     | \$ 0.58            | \$ 0.59    | \$ 1.69           | \$ 1.59     |
| Loss from discontinued operations                     | —                  | —          | —                 | (2.13)      |
| Net income (loss)                                     | \$ 0.58            | \$ 0.59    | \$ 1.69           | \$ (0.54)   |
| Weighted-average number of common shares outstanding: |                    |            |                   |             |
| Basic   | 75,264             | 75,037     | 75,194            | 75,173      |
| Diluted   | 75,643             | 75,353     | 75,505            | 75,544      |

Note: For the nine months ended March 31, 2016, the reported financial results of MSG Networks Inc. reflect the fiscal 2016 first quarter results of the sports and entertainment businesses of The Madison Square Garden Company as discontinued operations. In addition, results from continuing operations for the first quarter of fiscal year 2016 include certain corporate overhead expenses that MSG Networks Inc. did not incur during the nine months ending March 31, 2017 and does not expect to incur in future periods, but which did not meet the criteria for inclusion in discontinued operations.

**MSG NETWORKS INC.**

**ADJUSTMENTS TO RECONCILE OPERATING INCOME  
TO ADJUSTED OPERATING INCOME**  
(In thousands)

The following is a description of the adjustments to operating income in arriving at adjusted operating income as described in this earnings release:

- 1. Share-based compensation expense. This adjustment eliminates the compensation expense relating to restricted stock units and stock options granted under our employee stock plan and non-employee director stock plan in all

periods.

- 1 Depreciation and amortization. This adjustment eliminates depreciation, amortization and impairments of property and equipment and intangible assets in all periods.

|                               | Three Months Ended |                  | Nine Months Ended |                   |
|-------------------------------|--------------------|------------------|-------------------|-------------------|
|                               | March 31,          |                  | March 31,         |                   |
|                               | 2017               | 2016             | 2017              | 2016              |
| Operating income              | \$ 83,054          | \$ 84,087        | \$ 237,360        | \$ 199,258        |
| Share-based compensation      | 2,389              | 1,077            | 7,438             | 7,976             |
| Depreciation and amortization | 2,576              | 2,602            | 7,734             | 10,372            |
| Adjusted operating income     | <u>\$ 88,019</u>   | <u>\$ 87,766</u> | <u>\$ 252,532</u> | <u>\$ 217,606</u> |

**MSG NETWORKS INC.**

**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

|  | March 31,<br>2017 | June 30,<br>2016  |
|--|-------------------|-------------------|
|  | (unaudited)       |                   |
| <b>ASSETS</b>  |                   |                   |
| Current Assets:  |                   |                   |
| Cash and cash equivalents  | \$ 176,670        | \$ 119,568        |
| Accounts receivable, net   | 105,955           | 101,427           |
| Net related party receivable   | 31,488            | 15,492            |
| Prepaid income taxes   | 19,576            | 28,384            |
| Prepaid expenses   | 9,061             | 13,188            |
| Other current assets   | 2,345             | 3,053             |
| Total current assets   | <u>345,095</u>    | <u>281,112</u>    |
| Property and equipment, net  | 11,342            | 14,154            |
| Amortizable intangible assets, net   | 41,528            | 44,123            |
| Goodwill   | 424,508           | 424,508           |
| Other assets   | 41,960            | 42,645            |
| Total assets   | <u>\$ 864,433</u> | <u>\$ 806,542</u> |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>  |                   |                   |
| Current Liabilities:   |                   |                   |
| Accounts payable   | \$ 1,011          | \$ 2,043          |
| Net related party payable  | 5,702             | 4,302             |
| Current portion of long-term debt  | 72,414            | 64,914            |
| Income taxes payable   | 32,125            | 8,662             |
| Accrued liabilities:   |                   |                   |
| Employee related costs   | 11,906            | 10,340            |
| Other accrued liabilities  | 20,973            | 15,991            |
| Deferred revenue   | 5,578             | 6,143             |
| Total current liabilities  | <u>149,709</u>    | <u>112,395</u>    |
| Long-term debt, net of current portion   | 1,308,535         | 1,412,845         |
| Defined benefit and other postretirement obligations   | 31,121            | 31,827            |
| Other employee related costs   | 3,913             | 5,550             |
| Related party payable  | —                 | 1,710             |
| Other liabilities  | 5,490             | 5,612             |
| Deferred tax liability   | 352,710           | 356,561           |
| Total liabilities  | <u>1,851,478</u>  | <u>1,926,500</u>  |
| Commitments and contingencies  |                   |                   |
| Stockholders' Deficiency:  |                   |                   |
| Class A Common stock, par value \$0.01, 360,000 shares authorized; 61,490 and 61,354 shares outstanding as of March 31, 2017 and June 30, 2016, respectively | 643               | 643               |
| Class B Common stock, par value \$0.01, 90,000 shares authorized; 13,589 shares outstanding as of March 31, 2017 and June 30, 2016                           | 136               | 136               |
| Preferred stock, par value \$0.01, 45,000 shares authorized; none outstanding  | —                 | —                 |

|  |                   |                    |
|--|-------------------|--------------------|
| Additional paid-in capital   | 5,044             | —                  |
| Treasury stock, at cost, 2,769 and 2,905 shares as of March 31, 2017 and June 30, 2016, respectively | (199,300)         | (207,796)          |
| Accumulated deficit  | (786,230)         | (905,352)          |
| Accumulated other comprehensive loss   | (7,338)           | (7,589)            |
| Total stockholders' deficiency   | <u>(987,045)</u>  | <u>(1,119,958)</u> |
| Total liabilities and stockholders' deficiency   | <u>\$ 864,433</u> | <u>\$ 806,542</u>  |

**MSG NETWORKS INC.**

**SUPPLEMENTAL FINANCIAL INFORMATION**  
**(Dollars in thousands)**  
**(Unaudited)**

**Summary Data from the Statements of Cash Flows**

|  | Nine Months Ended<br>March 31, |                   |
|--|--------------------------------|-------------------|
|  | 2017                           | 2016              |
| Net cash provided by operating activities from continuing operations | \$ 161,673                     | \$ 161,280        |
| Net cash used in investing activities from continuing operations     | (2,576)                        | (2,458)           |
| Net cash used in financing activities from continuing operations     | <u>(101,019)</u>               | <u>(82,357)</u>   |
| Net cash provided by continuing operations                           | <u>58,078</u>                  | <u>76,465</u>     |
| Net cash used in discontinued operations                             | <u>(976)</u>                   | <u>(184,095)</u>  |
| Cash and cash equivalents at beginning of period                     | <u>119,568</u>                 | <u>218,685</u>    |
| Cash and cash equivalents at end of period                           | <u>\$ 176,670</u>              | <u>\$ 111,055</u> |

**Free Cash Flow**

|  | Nine Months Ended<br>March 31, |                   |
|--|--------------------------------|-------------------|
|  | 2017                           | 2016              |
| Net cash provided by operating activities from continuing operations | \$ 161,673                     | \$ 161,280        |
| Less: Capital expenditures   | <u>(2,576)</u>                 | <u>(2,458)</u>    |
| Free cash flow   | <u>\$ 159,097</u>              | <u>\$ 158,822</u> |

**Capitalization**

|   | March 31, 2017      |
|---|---------------------|
| Cash and cash equivalents                           | \$ 176,670          |
| Credit facility debt <sup>(a)</sup>                 | 1,390,000           |
| Net debt  | <u>\$ 1,213,330</u> |
| Annualized adjusted operating income <sup>(b)</sup> | \$ 332,361          |
| Leverage ratio <sup>(c)</sup>                       | 3.7x                |

<sup>(a)</sup>Represents aggregate principal amount of the debt outstanding.

<sup>(b)</sup>Represents reported adjusted operating income for the trailing twelve months.

<sup>(c)</sup>Represents net debt divided by annualized adjusted operating income, which differs from the covenant calculation contained in the Company's credit facility.

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