Sinclair Reports First Quarter After Tax Cash Flow Per Share Of $0.11

BALTIMORE, May 2 /PRNewswire-FirstCall/ -- Sinclair Broadcast Group, Inc. (Nasdaq: SBGI), the "Company" or "Sinclair," today reported financial results for the three months ended March 31, 2002.

Highlights:

- -- Net broadcast revenues of $150.6 million
- -- Broadcast cash flow of $54.8 million
- -- After tax cash flow per share of $0.11
- -- Announces sale of WTTV-TV for $125.0 million
- -- Wins remand of television duopoly rules
- -- Completes $300 million notes offering
- -- Closes on license transfer in Rochester
- -- Enters into Outsourcing Agreement in Nashville

Financial Results:

On a reported basis, net broadcast revenues from continuing operations were $150.6 million for the three months ended March 31, 2002, an increase of 0.6% versus the prior year period, and within public guidance of flat to up 1.0%. Broadcast cash flow from continuing operations was $54.8 million in the three-month period, an increase of 1.5% versus the prior year period, and exceeding public guidance of flat to down 3.0%. After tax cash flow per share of $0.11 decreased 21.4% from the prior year period result of $0.14, and was within public guidance of $0.10 to $0.12.

"We are seeing signs that the advertising recession that began in September 2000 is finally abating," commented David Smith, President and CEO. "Our local markets, which were up 3.2% in the first quarter, are leading us out of the downturn. Although revenues generated from national advertisers remain weak, we expect the strength of the local markets, the inflow of political advertising dollars, and the expectation for a moderately stronger economy to return the industry to positive growth this year."

"On the regulatory front and in connection with our appeal of the television duopoly rules, also known as the 8-voices test, the court remanded the rules to the FCC stating that the rule is arbitrary. The ability to duopolize a market and enter into structures that allow combinations of similar and dissimilar businesses is necessary to permit scale, efficiency and survivability," commented Smith. "We believe that it is only a matter of time before the many rules governing television ownership are eased or vacated to reflect today's economic reality."

Smith continued, "In April, we also announced the sale of WTTV-TV in the Indianapolis market to Tribune Company for $125.0 million, or an estimated 21.0x multiple on the broadcast cash flow we anticipated in 2002. The transaction, which gave Tribune a duopoly in that market, reflects the economic value a duopoly can bring to a broadcaster, as well as the benefits it can bring to the marketplace. We are continuing to evaluate other opportunities to further unlock value, whether through the sale or swap of our non-strategic stations or through other structures that allow us to partner with businesses in our local markets."

Operating, Transactional and Financial Highlights:

- -- Local advertising revenues in the quarter increased 3.2%, or 2.6% excluding political advertising revenues, while national advertising revenues were down 4.3%, or down 7.0% excluding political, versus the first quarter 2001. The quarter was positively impacted by higher advertising revenues generated from the auto and services sectors, offset by weakness in the fast food sector. Local revenues, excluding political revenues, represented 60.9% of time sales, as compared to 58.5% for the first quarter 2001.

- Political advertising revenues were $2.3 million in the quarter as compared to $0.2 million for the first quarter 2001.

- Our FOX, NBC and CBS station groups were up in the quarter, with our FOX affiliates posting revenue gains of 8.5%, our NBC stations up 28.4% primarily due to the Olympics and the CBS stations up 9.9%. Our ABC stations were up 0.2%, while our WB stations were down 9.6% and our UPN stations were down 12.3%.

- As expected, fourth quarter 2001 market share survey results reflected that our share of the local television advertising market, excluding political, declined to 17.7% versus 18.6% in the fourth quarter 2000. As expected, the decline was primarily due to loss of share on the WB and UPN stations, as a result of advertisers spending with the top ranked stations in those markets, which is typical in times of economic downturns, as was the case in the fourth quarter 2001. With 22 markets reporting, early results for first quarter 2002 local market share, excluding political, reflect that our market share is slightly up versus first quarter 2001.

The following notes reflect transactional highlights and non-recurring financial items:

- On April 30, 2002, the Company closed on the license transfer of WUHF-TV (FOX 31) in Rochester, New York. The Company had been programming the station pursuant to a Time Brokerage Agreement.

- On May 1, 2002, the Company entered into an Outsourcing Agreement in Nashville, Tennessee, whereby Sinclair will provide certain sales, administrative and technical services to WNAB-TV (WB 58).

- In March 2002, the Company issued a $300 million, 8% senior subordinated note due 2012, the proceeds of which were used to pay down senior term loan debt.

- As a result of the pay down of the senior bank debt from the note issuance described above, the Company booked a $728 thousand extraordinary expense item primarily related to the write-down of deferred financing fees, net of taxes.

- The Company received a $43.6 million federal tax refund in March, the proceeds of which were used to pay down senior revolving bank debt.

- The Company received a $30.4 million payment in March related to a note receivable, the proceeds of which were used to pay down senior revolving bank debt.

- The Company incurred a $1.5 million write-off associated with an investment made by Allegiance Capital, a small business investment company that Sinclair has an equity investment in.

SFAS No. 142 Effect:

On January 1, 2002, the Company adopted SFAS No. 142 "Accounting for Goodwill and Other Intangible Assets." Had we adopted SFAS No. 142 on January 1, 2001, our amortization of intangibles in the first quarter 2001 would have been $5.1 million, a decrease of $23.3 million, or $23.8 million net of taxes. Our previously reported basic loss per share of $0.46 for the first quarter 2001 would have been a basic loss per share of $0.18. Because the accounting change impacts the deferred tax provision only, there would have been no change to after tax cash flow per share in the first quarter 2001.

Also in accordance with SFAS No. 142 and a change in accounting principle related to intangible asset impairment, first quarter 2002 results reflect a write-down on FCC licenses of $41.6 million, net of taxes of $22.4 million. The write-down, which is due to the book value of the licenses in certain markets exceeding their current fair value, is reflected on a separate line item, titled "cumulative change in accounting principle," and resulted in a $0.49 basic loss per share. The Company is in the process of evaluating impairment of its goodwill on a market basis, also in accordance with SFAS No. 142, which may result in an additional impairment charge.

Pro Forma Results for Continuing Operations:
(Dollars in millions)

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	FY2001
Net broadcast revenues	$143.5	$170.2	$148.6	$163.1	$625.4
Operating expenses, net of barter	69.0	71.9	68.3	69.4	278.6
Program contract payments	20.9	23.7	22.9	23.8	91.3
Broadcast cash flow	$53.6	$74.6	$57.4	$69.9	$255.6

	Q1 2002
Net broadcast revenues	$145.5
Operating expenses, net of barter	66.7
Program contract payments	25.7
Broadcast cash flow	$53.1

References to "pro forma" or "pro forma basis" means that the financial results being discussed include the financial results of all stations owned or operated as of March 31, 2002 and announced pending acquisitions and divestitures expected to close in 2002 as if they were owned, acquired or divested for the entire period covered by the discussion. For 2001 and 2002, the pro forma results above exclude WTTV, the sale of which is expected to close in the second half of 2002.

Balance Sheet Analysis:

The Company's net debt of $1,607.3 million at March 31, 2002, which is net of $7.4 million in cash, decreased by $46.3 million from the net debt of $1,653.6 million at December 31, 2001, primarily due to a tax refund and note receivable repayment, offset by capital expenditures and approximately $15 million in net cash outlays to acquire 14 previously announced television licenses. Capital expenditures totaled $9.7 million in the quarter.

Financial leverage, as defined by total indebtedness, before the HYTOPS, divided by the 12-month trailing pro forma EBITDA, was 6.67x at March 31, 2002 on a covenant of 8.5x. As of March 31, 2002, 42.6 million Class A common shares and 42.7 million Class B common shares were outstanding, for a total of 85.3 million common shares outstanding.

Outlook:

In accordance with Regulation FD, Sinclair is providing public dissemination through this press release of its expectations for its second quarter 2002 and full year 2002 financial performance. The Company assumes no obligation to update its expectations. All matters discussed in the "Outlook" section are forward-looking and, as such, persons relying on this information should refer to the "Forward-Looking Statements" section below.

"As we head into the second quarter, we are very encouraged by the pace of the business and believe that we saw the bottom of the revenue cycle in the first quarter," commented David Amy, EVP and CFO. "Early signs reflect advertising demand strengthening, particularly in the local markets. Although it appears that the ad market will ease into a recovery, second half 2002 results should benefit from expected improvements in the economy and from political advertising revenues flowing back into the markets."

The outlook for the second quarter and full year 2002 is as follows. Full year expectations assume the sale of WTTV at the end of the third quarter and therefore exclude the station's fourth quarter operating performance.

-- The Company expects net broadcast revenues for the quarter to be up approximately 1% to 2% from second quarter 2001 reported net broadcast revenues of $175.6 million. This expectation includes approximately $0.9 million in political advertising revenues. On a full year basis, net broadcast revenues are expected to be up in the low to mid-single digit percents on $646.4 million reported in 2001.

-- The Company expects broadcast cash flow for the quarter to be approximately flat to up 2.5% from second quarter 2001 broadcast cash flow of $75.0 million. This assumes the revenue assumptions above, a decline in operating expenses, and an increase in program contract payments, as described below. On a full year basis, broadcast cash flow is expected to be up in the mid-single digit percents on $258.9 million reported in 2001.

-- The Company expects ATCF per share for the quarter of approximately $0.37 to $0.39, slightly lower than the second quarter 2001 ATCF per share of $0.49. This assumes achievement of the operating results discussed in this section and weighted average shares outstanding of 85.1 million. On a full year basis, ATCF per share is expected to be up in the high single digits to low teen percents versus ATCF per share of $1.08 in 2001.

-- The Company expects second quarter program contract payments of approximately $28 million, assuming no changes in existing contract terms, but including the addition of Everyone Loves Raymond, Just Shoot Me, and King of the Hill, which were added in the fourth quarter 2001 and additional seasons for Friends, Frazier and Simpsons. On a full year basis, program contract payments are expected to be approximately $107 million.

-- The Company expects second quarter program contract amortization to be approximately $33 million, assuming no changes in existing contract terms and including the additional programming described above. On a full year basis, program contract amortization is expected to be approximately $129 million.

-- The Company expects corporate overhead of approximately $5 million in the quarter and approximately $21 million for the year.

-- The Company expects net interest expense, before the subsidiary trust minority interest expense, to be approximately $33 million in the quarter, assuming no changes in the current interest rate yield curve, bank borrowing rates per the Company's amended credit facility terms, and debt reduction based on free cash flow generated per this section's outlook. On a full year basis, net interest expense is expected to be approximately $132 million.

-- The Company expects depreciation on property and equipment in the quarter of approximately $10 million and approximately $40 million for the year, assuming the capital expenditures assumption below.

-- The Company expects amortization of acquired intangibles in the quarter of approximately $5 million and approximately $19 million for the year. This excludes any write down associated with the goodwill impairment test.

-- The Company expects a current tax benefit from continuing operations of approximately $8 million in the quarter and a current tax benefit of approximately $29 million for the year.

-- The Company expects to spend approximately $15 million in capital expenditures in the quarter and $60 million for the year, the majority of which will be for the digital television conversion.

Broadcast cash flow is a measurement utilized by lenders to measure our ability to service our debt and is utilized by industry analysts to determine a private market value of our television stations and to determine our operating performance. See "Notes" below for a full definition of broadcast cash flow.

After tax cash flow is a measurement utilized by industry analysts to determine a public market value of our television stations and to determine our operating performance. See "Notes" below for a full definition of after tax cash flow.

Sinclair Conference Call:

The senior management of Sinclair will hold a conference call to discuss its first quarter results on Thursday, May 2, 2002, at 5:00 p.m. EDT. After the call, an audio replay will be available at www.sbgi.net under "Conference Call" until 11:59 p.m. EDT on May 9, 2002. The press and the public will be welcome on the call in a listen-only mode. The dial-in number is (800) 289-0468.

About Sinclair:

Sinclair Broadcast Group, Inc., one of the largest and most diversified television broadcasting companies, will own and operate, program or provide sales services to 62 television stations in 39 markets, after completion of pending transactions. Sinclair's television group will reach approximately 23.9% of U.S. television households and includes ABC, CBS, FOX, NBC, WB, and UPN affiliates. Sinclair, through its wholly owned subsidiary, Sinclair Ventures, Inc., owns equity interests in Internet companies including G1440, Inc., an Internet consulting and development company, and Synergy Brands, Inc. Sinclair has a strategic alliance with Acrodyne Communications, Inc., a manufacturer of transmitters and other television broadcast equipment.

Historical Financial Highlights and Other Data:
(Dollars in thousands except for per share data)

	Three Months Ended March 31, 2002	2001	Incr.(Dec.) %
Net broadcast revenues	$150,582	$ 149,709	0.6
Broadcast cash flow	54,821	54,023	1.5
Adjusted EBITDA	49,884	49,168	1.5
After tax cash flow	9,407	12,161	(22.6)
After tax cash flow per share	0.11	0.14	(21.4)
Corporate expense	4,937	4,855	1.7
SG&A expenses related to G1440	1,628	2,563	(36.5)
Program contract payments	27,611	24,846	11.1
Cash and cash equivalents	7,372	3,696	N.M.
Capital expenditures	9,743	6,774	N.M.
Current tax provision (benefit) from operations	(6,000)	(5,087)	N.M.
Deferred tax provision (benefit) related to operations	5,509	(56)	N.M.

N.M. - Not meaningful

Notes:

The definitions used for the terms "Broadcast Cash Flow" and "Adjusted EBITDA" conform to those used in the Company's most recent report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002, plus restructuring charges, contract termination costs, impairment and write down of long-lived assets.

"After tax cash flow" (ATCF) is defined as net income (loss) available to common shareholders, plus depreciation and amortization (excluding film amortization), stock-based compensation, restructuring charges, amortization of deferred financing costs, the loss from equity investments (or minus the gain), the loss on derivative instruments (or minus the gain), extraordinary loss, the deferred tax provision related to operations (or minus the deferred tax benefit), the cumulative effect of change in accounting principle minus the gain on sale of assets and deferred NOL carrybacks. After tax cash flow should not be considered in isolation or as a substitute for measures of performance or to represent cash provided by operating activities prepared in accordance with generally accepted accounting principles. ATCF is a measurement utilized by industry analysts to determine a public market value of our television stations and to determine our operating performance.

"After tax cash flow per share" is defined as after tax cash flow divided by diluted weighted average common and common equivalent shares outstanding. Fiscal year 2001 weighted average shares outstanding, assuming dilution, have been revised to reflect the dilutive effect of equity put options.

After tax cash flow calculation:

Three Months Ended

	March 31, 2002	2001
Net loss available to common shareholders	$(45,554)	$(39,201)
Depreciation of property and equipment	9,964	9,530
Amortization of acquired intangible broadcast assets and other assets	4,915	28,442
Restructuring charge	---	2,423
Stock based compensation	449	618
Amortization of deferred financing costs	1,138	989
Loss on sale of asset	48	---
Loss (gain) on derivative instruments	(10,925)	9,348
Loss from equity investments	1,527	68
Extraordinary loss, net of taxes	728	---
Cumulative adjustment for change in accounting principle, net of taxes	41,608	---
Deferred tax provision (benefit) related to operations	5,509	(56)
After tax cash flow	$9,407	$12,161

Forward-Looking Statements:

The matters discussed in this press release, particularly those in the section labeled "Outlook," include forward-looking statements regarding, among other things, future operating results. When used in this press release, the words "outlook," "intends to," "believes," "anticipates," "expects," "achieves," and similar expressions are intended to identify forward-looking statements. Such statements are subject to a number of risks and uncertainties. Actual results in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including and in addition to the assumptions identified above, the impact of changes in national and regional economies, successful integration of acquired television stations (including achievement of synergies and cost reductions), outsourcing agreements, pricing and demand fluctuations in local and national advertising, volatility in programming costs, the market acceptance of new programming, and the other risk factors set forth in the Company's most recent report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002. There can be no assurances that the assumptions and other factors referred to in this release will occur. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements.

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended March 31, 2002	2001
REVENUES:		
Station broadcast revenues, net of agency commissions	$150,582	$149,709
Revenues realized from barter arrangements	15,785	13,672
Other revenues	1,113	2,183
Total revenues	167,480	165,564
OPERATING EXPENSES:		
Program and production	34,449	38,218

Selling, general and administrative	42,183	41,586
Expenses realized from barter arrangements	13,868	12,126
Amortization of program contract costs and net realizable value adjustments	33,781	25,117
Depreciation of property and equipment	9,964	9,530
Amortization of acquired intangible broadcast assets and other assets	4,915	28,442
Stock based compensation	449	618
Restructuring charge	---	2,423
Total operating expenses	139,609	158,060
Operating income	27,871	7,504
OTHER INCOME (EXPENSE):		
Interest expense	(33,589)	(34,741)
Subsidiary trust minority interest expense	(5,973)	(5,973)
Interest income	470	675
Loss from equity investments	(1,527)	(68)
Loss on asset sale	(48)	---
Gain (loss) on derivative instrument	10,925	(9,348)
Other income	750	195
Total other expense	(28,992)	(49,260)
Loss before income taxes	(1,121)	(41,756)
Benefit for income taxes	491	5,143
Net loss from continuing operations	(630)	(36,613)
Cumulative effect of change in accounting principle	(41,608)	---
Extraordinary loss, net of taxes	(728)	---
Net loss	$(42,966)	$(36,613)
Preferred stock dividends payable	2,588	2,588
Net loss available to common shareholders	$(45,554)	$(39,201)
Basic loss per share from continuing operations	$(0.04)	$(0.46)
Basic loss per share from extraordinary item	$(0.01)	$---
Basic loss per share from cumulative effect of change in accounting principle	$(0.49)	$---
Basic loss per share	$(0.54)	$(0.46)
Diluted loss per share from continuing operations	$(0.04)	$(0.46)
Diluted loss per share from extraordinary item	$(0.01)	$---
Diluted loss per share from cumulative effect of change in accounting principle	$(0.49)	$---
Diluted loss per share	$(0.54)	$(0.46)
Weighted average shares outstanding- no dilution	84,876	84,560
Weighted average shares outstanding- assuming dilution	85,037	84,790

SOURCE Sinclair Broadcast Group, Inc.

Web site: http: //www.sbgi.net

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Company News On-Call: http://www.prnewswire.com/gh/cnoc/comp/110203.html