

UONEK Earnings Call Transcript

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Quarter: 3

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Urban One 2025 Third Quarter Earnings Call. As a reminder, this conference is being recorded. We will begin this call with the following safe harbor statement. During this conference call, Urban One will be sharing with you certain projections or other forward-looking statements regarding future events or its future performance. Urban One cautions you that certain factors, including risks and uncertainties referred to in the 10-Ks, 10-Qs and other reports it periodically files with the Securities and Exchange Commission could cause the company's actual results to differ materially from those indicated by its projections or forward-looking statements. This call will present information as of November 4, 2025. Please note that Urban One disclaims any duty to update any forward-looking statements made in the presentation. In this call, Urban One may also discuss some non-GAAP financial measures in talking about its performance. These measures will be reconciled to GAAP either during the course of this call or in this company's press release, which can be found on its website at www.urban1.com. A replay of the conference call will be available from 2:00 p.m. Eastern Standard Time, November 4, 2025, until 11:59 p.m. Eastern Standard Time, November 14, 2025. Callers may access the replay by calling 1 (800) 770-2030. International callers may dial direct +1 609-800-9909. The replay access code is 7822067. Access to live audio and a replay of the conference will also be available on Urban One's corporate website at www.urban1.com. The replay will be made available on the website for 7 days after the call. No other recordings or copies of this call are authorized or may be relied upon. I will now turn the call over to Alfred C. Liggins, Chief Executive Officer of Urban One, who is joined by Peter Thompson, Chief Financial Officer. Mr. Liggins, please go ahead.

Alfred Liggins: Thank you very much, operator, and welcome, everybody. And as usual, we're joined by other team members here, Jody Drewer, our Chief Financial Officer for TV One and CLEO, in case we've got any questions on the cable business, Karen Wishart, our Chief Administrative Officer; Chris Simpson, our Chief Legal Officer; and also Veronika Takacs, who is our Chief Accounting Officer. And so thank you very much again for joining us this quarter. You've seen the press release, hopefully, that we put out. Business came in a bit softer for the quarter than we had projected across the board. Our core radio pacings going forward are facing big political headwinds. So looking at about minus 30% right now. However, ex political, we're down to almost mid-single digits, 6.4%, which is better. It's an improvement. But because the revenues have come in lighter with Q3, we are adjusting our guide for the year. Last quarter, we guided to a \$60 million EBITDA number. We generally usually give a range. We gave a hard number last quarter. We're adjusting that guide down to \$56 million to \$58 million of EBITDA for the full year as we come to the close. Within our third quarter and last quarter, I said that we were going to look to do another round of cost saves, and we actually did that in Q3, which resulted in about \$3 million of annualized expense savings. This is in addition to the \$5 million that we had done earlier in the year. Peter is going to talk about the impact on the numbers in Q3 of that in terms of severance. And so with that, I'm going to turn it over to Peter, so he can go into the details of the numbers, and then we'll come back for Q&A.;

Peter Thompson: Thank you, Alfred. So consolidated net revenue was approximately \$92.7 million, which is down 16% year-over-year. Revenue for the Radio Broadcasting segment was \$34.7 million, a decrease of 12.6% year-over-year. Excluding political, net radio revenues were down 8.1%

year-over-year. And according to Miller Kaplan, our local ad sales were down 6.5% against the market that was down 10.1%. So we outperformed on local. And on national ad sales, we were down 29.1% against the market was down 21.5%. So we underperformed on national. Our largest ad category was services, which was up 22.9%, driven by legal services. Financial was up 17.9%, but all of the other major categories were down, including government, health, retail, entertainment, auto, telecoms, food and beverage. Net revenue for the Reach Media segment was \$6.1 million in the third quarter, down 40% from the prior year. And adjusted EBITDA at Reach was a loss of approximately \$200,000 for the quarter. And that was really a lower overall network audio market, lower national sales renewals and probably a drying up of DEI that drove the decline at Reach. Net revenues for the Digital segment were down 30.6% in Q3 at \$12.7 million. Direct and indirect digital sales were down by approximately \$4.4 million. The decline was the result of decreases in DEI money, back-to-school, political and overall softer client demand. Audio streaming was down by \$1.3 million year-over-year. Adjusted EBITDA was approximately \$0.8 million compared to \$5.3 million last year. We recognized approximately \$39.8 million of revenue from our cable television segment during the quarter, a decrease of 7%. Cable TV advertising revenue was down by 5.4%. Total day delivery declined by 29.4%, P25-54, which was partially offset by an increase in CTV and third-party platform revenue share. Cable TV affiliate revenue was down by 9.1% driven by subscriber churn. Cable subscribers for TV One, as measured by Nielsen, finished Q3 at 34.1 million compared to 34.3 million at the end of Q2. CLEO TV had 33.5 million Nielsen subs. Operating expenses, excluding depreciation and amortization, stock-based compensation and impairment of goodwill and intangible assets decreased to approximately \$83.7 million for the quarter, a decrease of 4.2% from the prior year. There was some noise in the expenses. We had a notable expense decrease in corporate and professional fees and overall payroll expenses, also cable television content amortization was down, but we had the August RMLC settlement with ASCAP and BMI that resulted in an average royalty rate increase of 20% retroactive to January of 2022. And so we recorded approximately \$3.1 million of retroactive royalties in Q3, and you see that in the programming and technical expense in the radio segment. We did add that back to adjusted EBITDA. The company, as Alfred said, completed a second reduction in force in October as part of the ongoing cost reduction efforts. And as a result, we had \$1.6 million of employee severance costs, which we recorded in third quarter, but we also added that back to the adjusted EBITDA for the quarter. Radio operating expenses were down 5% or \$1.7 million, driven by lower employee compensation, sales commissions and a favorable change in the bad debt reserve compared to prior year. Reach operating expenses were up by 8%, and that was due to a favorable change in the bad debt reserve that we took in the prior year. Operating expenses in the digital segment were down 2.6%, and that was driven by lower employee compensation. Operating expenses in the Cable TV segment were down 2.4% year-over-year, driven by lower programming content amortization due to fewer premier hours compared to last year. Operating expenses in corporate were down by approximately \$1.5 million. The third-party finance and accounting professional fees were down significantly year-over-year. Consolidated adjusted EBITDA was \$14.2 million for the third quarter, down 44.1% and consolidated broadcast and digital operating income was approximately \$20 million, a decrease of 43.6%. Interest and investment income was approximately \$0.5 million in the third quarter compared to \$1.1 million last year. Decrease was due to lower cash balance -- lower cash balances in interest-bearing investment accounts. Interest expense decreased to approximately \$9.4 million in Q3, down from \$11.6 million last year due to lower overall debt balances as a result of the company's debt repurchase efforts. The company made cash interest payments of approximately \$18.2 million in the quarter. And during the quarter, the company repurchased \$4.5 million of its 2028 notes at an average price of 52% bringing down the gross balance on the debt to \$487.8 million as of September 30, 2025. Our depreciation and amortization expense increased \$4.9 million as a result of the company's change to the useful life of TV One trade names and our FCC licenses, which we moved from indefinite lives to finite lives. Benefit from income taxes was approximately \$1.1 million for the third quarter, and the company paid cash income taxes net of refunds in the amount of \$0.1 million. Capital expenditures were approximately \$3.1 million. Our net loss was approximately \$2.8 million or \$0.06 per share compared to net loss of \$31.8 million or \$0.68 per share for the third quarter of 2024. During the 3 months ended September 30, 2025, the company repurchased 176,591 shares of Class A common stock in the amount of approximately \$0.3 million at

an average price of \$1.75 per share. And the company also repurchased 592,822 shares of Class D common stock in the amount of approximately \$0.4 million at an average price of \$0.73 a share. As of September 30, 2025, total gross debt was approximately \$487.8 million. Our ending unrestricted cash balance was \$79.3 million, resulting in net debt of approximately \$408.5 million. which we compared to \$67.9 million of LTM reported adjusted EBITDA, given a total net leverage ratio of 6.02x. And with that, I'll hand back to Alfred.

Alfred Liggins: Thank you very much, Peter. Operator, can we go to the lines for questions, please?

Operator: [Operator Instructions] Our first question comes from the line of Ben Briggs with StoneX Financial.

Ben Briggs: I have a couple of questions here. So first of all, and I know we're looking forward a little ways, but -- and we're only part of the way through the fourth quarter. How are you guys thinking about 2026 and what demand looks like there and what listenership may be and kind of how the pieces of the puzzle are going to fit together then?

Alfred Liggins: Yes. We feel good about 2026 for a number of reasons. One, obviously, we're going into a political year. But two, a number of the places that we've had challenges this year, we have changed our operating strategy to address that. I would say most notably, where Reach Media has had a very tough year because we got caught flat-footed with a big, big decline in our largest advertiser in the company, unexpected cancellations, and these were cancellations across the board. When I say across the board, across the whole audio sector. And quite frankly, we weren't able to replace those ad dollars once we had committed that inventory. So we're able to get ahead of that. We saw Reach Media and iOne had contributed probably -- excuse me, had benefited the most from the rise in DEI advertising, and we just got way too concentrated at Reach Media with 2 particular advertisers, one of those actually stood out more than the other. So we'll be more prepared for that going forward. This is also our first year navigating Reach without our former President of the Audio division, David Kantor, who actually founded and created Reach. So trying to make that transition was also -- was difficult even though we knew it was coming and we prepared for it. And so I think we're better positioned there. Also, there have been a number of things that we're doing in our radio markets, where we think that we will perform better in particular in Washington, D.C., we just rearranged some of our formats there, and we launched a new format targeting the Hispanic community, which has become a very, very large segment in the D.C. area. It's almost close to 20% of the marketplace. I mean it's like 18.5% of the marketplace. And we positioned ourselves recently as a major player there, which is going to broaden our offering in the D.C. market in addition to some changes that we've made in terms of management and beefing up our sales staff, et cetera. And so we've got a few other changes that we in some of the markets where we think it's going to improve performance in a meaningful way as well. And TV One has been holding in there this year. And so we think that given those things I just outlined, we're feeling good about a rebound in 2026.

Ben Briggs: Okay. Okay. That's good to hear, and that's great color. Next thing for me, I guess this is kind of focused on post fourth quarter plans as well. But are you thinking of any kind of M&A; activity or larger than usual kind of -- I know you guys swap radio stations here and there on a pretty regular basis. But are you thinking about anything more transformative in the future? I know every now and then things get kicked around. I'm just curious if there's anything else.

Alfred Liggins: I think everybody in the industry is focused on dereg and what's going to happen. You've seen a number of deals that have been filed already in the radio space looking for waivers to exceed the current ownership caps. The FCC has signaled that they think the ownership rules are antiquated and people in TV and in radio have submitted deals to be approved for waivers. There is also a notice for proposed rule-making out that I know that the industry is going to comment on if they haven't already about dereg. And I think everybody in the industry is going to be pro-dereg when I say everybody, I'm sure it's not necessarily going to be 100%. But that's going to create some opportunities for people to align assets in markets in a much more efficient manner. And yes, we're looking at that. There's nothing that is large and transformative that we're working on now because this is all very new. But we tend to try to think ahead and be intellectually creative in what the next move is. And so all along, we've had conversations and thoughts and conversations with people about the art of the possible because historically, we haven't been up against the ownership cap. So we've probably had

the ability to grow or do M&A; that others haven't, even though in a dereg environment, that will be enhanced. But what is a governor is leverage. And is any transaction going to be delevering, right? And even when you look at these transactions, you've got to think about it against a backdrop just because you have dereg, doesn't solve necessarily your top line secular trajectory, right? So you just got to be careful about how you underwrite and M&A; transaction. But with that said, I do think it's going to create some significant opportunities to build stability in these businesses. At the end of the day, these are -- the radio business is largely a local business. So you've got the opportunity to provide more different demographic targets to advertisers, local advertisers, I think that makes you a stronger player. We've seen that in our Indianapolis market, our Houston market. our Charlotte market where we've spread out in different format demographics. And that's one of the things that we just did, like I articulated earlier in D.C. that I think is going to [indiscernible] significantly. So there's no M&A; deal that we are currently working on that's transformative as we speak, but I'm sure that we will explore opportunities to be able to rearrange the debt shares in order to make us a stronger entity.

Ben Briggs: Okay. Okay. That's all very, very helpful. And then next thing I want to ask about is, I think, at the top of a lot of investors' minds, is your debt buyback activity. Obviously, you stated in the press release this morning that you did a little bit of buybacks in the third quarter. Are you expecting to continue to execute on those buybacks?

Alfred Liggins: Yes. Look, I thought I figured we would get that question because -- yes, yes, because we've been more acquisitive in the past. But because of this heat up in potential dereg and stuff moving around, we decided to sit pat and build a little liquidity as we get to the end of the year, see how that all shapes up and figure out also how that is going to play out. We are always and have been focused on delevering and the best way to delever. So we -- one way to delever is buy back debt at a discount. Another way to delever, and we've done it a number of times, including in Houston is through delevering M&A; activity. So we've decided to keep our powder dry a little bit here to see what opportunities are going to present themselves in the near term.

Operator: And there are no further questions at this time. I'd like to hand the call back over to Alfred Liggins.

Alfred Liggins: Thank you very much, operator. And again, as always, Peter and I are available for calls afterwards e-mails or calls directed to us. Thank you for your support, and we'll talk to you next quarter.

Operator: This concludes today's call. You may now disconnect.