MEDIA GENERAL INC
Form 424B4
May 05, 2014
Table of Contents

Filed pursuant to Rule 424(b)(4)
Registration No. 333-193654

PROSPECTUS SUPPLEMENT
(to Prospectus dated January 29, 2014)

4,213,433 Shares

Voting Common Stock

The selling stockholders are selling 4,213,433 shares of our Voting Common Stock. Media General, Inc. will not receive any proceeds from the sale of Voting Common Stock to be offered by the selling stockholders. Our Voting Common Stock is traded on the New York Stock Exchange under the symbol MEG. The last reported sale price of our Voting Common Stock on May 1, 2014 was $16.65 per share.

Investing in our Voting Common Stock involves risks. See Risk Factors beginning on page S-22.

	Per Share	Total
Initial price to public	$15.5000	$65,308,211.50
Underwriting discount and commissions	$ 0.7169	$ 3,020,610.12
Proceeds, before expenses, to the selling stockholders	$14.7831	$62,287,601.38

The selling stockholders named herein have granted the underwriters a 30-day option to purchase up to an additional 632,014 shares of our Voting Common Stock at the initial public offering price less the underwriting discount.

None of the Securities and Exchange Commission, any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about May 7, 2014.

Wells Fargo Securities	**RBC Capital Markets**	**UBS Investment Bank**

Wedbush Securities	**The Benchmark Company**	**SunTrust Robinson Humphrey**

Prospectus Supplement dated May 1, 2014.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
About This Prospectus Supplement	S-ii
Industry and Market Data	S-ii
Summary	S-1
Risk Factors	S-22
Cautionary Note Regarding Forward-Looking Statements	S-44
Use of Proceeds	S-46
Dividend Policy	S-47
Unaudited Pro Forma Condensed Combined Financial Information	S-48
Management s Discussion and Analysis of Financial Condition and Results of Operations (Media General)	S-56
Management s Discussion and Analysis of Financial Condition and Results of Operations (LIN)	S-68
Business (Media General)	S-73
Business (LIN)	S-83
Management	S-92
Selling Stockholders	S-99
Description of the LIN Merger Agreement	S-101
Description of Indebtedness	S-115
Material U.S. Federal Income and Estate Tax Considerations for Non-U.S. Holders of Voting Common Stock	S-119
Underwriting	S-123
Legal Matters	S-128
Experts	S-128
Where You Can Find More Information	S-129
Incorporation by Reference	S-129

Prospectus

	Page
About This Prospectus	2
Prospectus Summary	3
Risk Factors	4
Cautionary Note Regarding Forward-Looking Statements	4
Use of Proceeds	5
Selling Stockholders	6
Description of our Capital Stock	13
Plan of Distribution	18
Legal Matters	21
Experts	21
Incorporation by Reference	21
Where You Can Find More Information	22

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus or any document incorporated by reference herein or therein, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the information described below under the headings Where You Can Find More Information and Incorporation by Reference. Please see Reconciliation of Non-GAAP Financial Measures included herein under Summary Historical and Pro Forma Consolidated Financial Information for an explanation of Adjusted EBITDA.

In this prospectus supplement, all references to Media General, the Company, we, us and our refer to Media General, Inc., a Virginia corporation, and its consolidated subsidiaries.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus concerning the television broadcast markets and our general expectations concerning these markets are based on information from independent analysts and publications, government reports and management estimates. We have derived management estimates from publicly available information released by third-party sources, as well as data from our internal research, and have based our estimates on such data and our knowledge of our industry and markets, which we believe to be reasonable. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein and cannot guarantee the accuracy or completeness of any such data or the related forecasts contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. None of the independent industry publications referred to in this prospectus supplement or the accompanying prospectus was prepared on our or our affiliates behalf. Estimates of historical growth rates are not necessarily indicative of future growth rates.

You may rely on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you. Neither we nor the selling stockholders or the underwriters have authorized anyone to provide information different from that contained in this prospectus supplement or the accompanying prospectus. When you make a decision about whether to invest in our Voting Common Stock, you should not rely upon any information other than the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you. Neither the delivery of this prospectus supplement nor the sale of Voting Common Stock means that information contained in this prospectus supplement or the accompanying prospectus is correct after the date of this prospectus supplement. This prospectus supplement is not an offer to sell or the solicitation of an offer to buy these shares of Voting Common Stock in any circumstances under which the offer of solicitation is unlawful.

Table of Contents

SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus and does not contain all of the information that may be important to you. This prospectus supplement and the accompanying prospectus include or incorporate by reference information about the shares being offered as well as information regarding our and LIN Media LLC s business and detailed financial data. You should carefully read this prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus in their entirety, including especially the Risk Factors section, before making an investment decision.

Overview

Media General is a leading local television broadcasting and digital media company, providing top-rated news, information and entertainment in strong markets across the U.S. We own and operate or provide services to 31 network-affiliated broadcast television stations, and their associated digital media and mobile platforms, in 28 markets. These stations reach approximately 16.5 million or approximately 14% of U.S. TV households. Our primary network affiliations include CBS (12), NBC (9), ABC (7), Fox (1), MyNetwork TV (1) and CW (1). Twenty-two of the 31 stations are located in the top 100 designated market areas as grouped by Nielsen (DMAs), while eight of the 31 stations are located in the top 50 markets. Media General first entered the local television business in 1955 when we launched WFLA in Tampa, Florida as an NBC affiliate. Subsequently, we expanded our station portfolio through several acquisitions, first by purchasing high-quality, privately owned stations in the Southeast and later by purchasing four NBC-owned affiliates in 2006.

Media General entered the year 2013 as a newly minted pure-play broadcaster, following a rapid and complete transformation of the company, which included the sale of its newspapers and the sale or exit of certain advertising services businesses and a broadcast equipment company. On November 12, 2013, Media General and New Young Broadcasting Holding Co., Inc. (Young) were combined in an all-stock, tax-free merger transaction (the Young Merger) uniting Media General s 18 stations and Young s 13 stations into the 31-member group that exists today. We rank #1 or #2 in audience size in 20 out of 28 markets and #1 or #2 in revenue share in 22 out of 28 markets. In three of our markets, we own or provide services to more than one station (duopoly markets), allowing us to reach larger audiences and achieve operating efficiencies.

On March 21, 2014, Media General announced a combination with LIN Media LLC (LIN) which, upon consummation of the transaction (the LIN Merger), will create the second largest pure-play television broadcasting company in the United States based on 2012/2013 average Adjusted EBITDA, the third largest based on number of stations and the fourth largest based on percentage of U.S. TV households reached. Media General and LIN today collectively own and operate or provide services to 74 stations across 46 markets, reaching approximately 26.5 million or approximately 23% of U.S. TV households. On a combined basis, 23 out of 46 of our markets, or 50%, are within DMAs ranked #20 through #75. The combined TV portfolio today includes 33 Big Four network affiliates owned or serviced in the Top 75 DMAs and 39 markets in which the combined company has stations which are ranked #1 or #2 based on revenue share. Media General expects certain of these stations to be swapped or otherwise divested in order to address regulatory considerations. In addition to the websites associated with each TV station, Media General s digital media portfolio will include LIN Digital, LIN Mobile, Dedicated Media, HYFN, Nami Media and Federated Media Publishing, Inc. (Federated Media). This portfolio is poised to grow rapidly. The LIN Merger is subject to customary closing conditions including regulatory and shareholder approvals and, subject to these conditions, is currently expected to close in early 2015.

Table of Contents

If the Young Merger, LIN Merger and several smaller acquisitions had occurred on January 1, 2012 and Media General had operated Young, LIN and the other acquired stations during all of 2012 and 2013, Media General s average annual 2012/2013 adjusted revenue, net income, Adjusted EBITDA (after giving effect to anticipated operating synergies from the acquisitions) and adjusted free cash flow (after giving effect to anticipated operating synergies from the acquisitions) over the two-year period would have been approximately $1.2 billion, $38 million, $500 million and $310 million, respectively. Including anticipated financing synergies, our average annual 2012/2013 adjusted free cash flow over the two-year period would have been approximately $335 million. For a reconciliation of these measures to the most comparable GAAP measure, please see Reconciliation of Non-GAAP Financial Measures included herein under Summary Historical and Pro Forma Consolidated Financial Information.

Our Business

We broadcast free over-the-air programming to television viewers and are focused on providing high-quality local content in attractive markets across the country. Our local programming strategy is to deliver compelling local content and to build strong franchises within each of the local communities in which we operate. We have added newscasts at new, non-traditional times in many markets, starting as early as 4:30 a.m. in some markets, and we have also added evening newscasts in several markets starting at non-traditional times such as 7:00 p.m. and 10:00 p.m. Additionally, we have launched local lifestyle and variety shows aimed at specific consumer interests in a number of our markets. This community focused local content attracts new viewers and advertisers, while reducing syndicated programming costs for the dayparts in which the program has been added.

Our primary sources of revenue are the sale of advertising time on our television stations and revenue derived from cable and satellite retransmission of our broadcast programming. Advertising rates are influenced by a variety of factors including demand, the size of a station s market, the station s overall rating and economic conditions. Increased consumer advertising in the spring and for the holiday season generates higher advertising revenue in the second and fourth quarters of each year. Broadcast advertising revenue represented approximately 77%, 84% and 88% of our gross operating revenues for the years ended December 31, 2013, 2012 and 2011, respectively.

Broadcast advertising revenue is generally higher in even-numbered years, due to political election spending and advertising revenue generated from the Olympic Games on the Company s nine NBC stations. The Winter Olympics in Sochi represented a significant revenue opportunity for our NBC stations, which generated a total of $11.6 million a nearly 50% increase from the prior Winter Olympics in 2010 when these same nine stations generated $7.8 million. The Summer Olympics generate even higher revenues than the Winter Olympics for the 2008 and 2012 Summer Games, our stations generated $11.5 million and $16.6 million, respectively, benefiting greatly from the historic following for the London Olympics in 2012.

Political advertising is another growing stream of revenue, especially with the formation of Super Political Action Committees (Super PACs). Political revenues cause a variance in operating performance when comparing even-numbered years performance to odd numbered years performance. We generated record political revenue in 2012, the first year of participation by the new Super PACs and a presidential election year. We believe we are well positioned to generate strong 2014 political revenue with several opportunities in our markets. We own and operate stations in seven battleground states and eight state capitals, including Albany, NY; Lansing, MI; Richmond, VA; Providence, RI; Columbus, OH; Raleigh, NC; Nashville, TN; and Jackson, MS. In 2014, there will be races for seven open U.S. Senate seats nationwide, and four of those races will be in states where we operate (Georgia, Iowa, Michigan and South Dakota). We expect hotly contested U.S. Senate races in our markets in Louisiana, North Carolina and Tennessee and two U.S. Senate races in South Carolina, where we have a strong presence. We also expect seven competitive gubernatorial races in states where we operate (Florida, Iowa, Michigan, Ohio, Rhode Island,

Table of Contents

South Dakota and Wisconsin). We expect that our presence in the battleground states of Wisconsin, Ohio and Virginia will be enhanced upon the completion of our merger with LIN, when we will create an even more attractive combination as we go forward into 2016.

We also receive revenue from our retransmission consent agreements with multichannel video programming distributors (MVPDs) in our markets. The MVPDs are cable companies, satellite television and telecommunications video providers. The retransmission revenue primarily represents payments received on a per subscriber basis from the MVPDs for retransmitting our television stations programming. Retransmission is a meaningful and growing source of revenue for us. Following the merger with Young, our pro forma retransmission revenues were approximately $93.7 million in 2013. In 2014, we expect retransmission revenues to increase compared with retransmission revenues in 2013. Pro forma retransmission consent revenue represented approximately 16%, 10% and 7% of our gross operating revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Further, if the LIN Merger had occurred on January 1, 2013, the combined company retransmission revenues during 2013 would have been approximately $227 million.

In an order released on March 31, 2014, the Federal Communications Commission (the FCC) amended its rules governing good faith retransmission consent negotiations to provide that it is a violation of the statutory duty to negotiate in good faith for a television broadcast station that is ranked among the top-four stations in a market (as measured by audience share) to negotiate retransmission consent jointly with another top-four station in the same market if the stations are not commonly owned. Under the new rules, top-four stations may not (1) delegate authority to negotiate or approve a retransmission consent agreement either (a) to another non-commonly owned top-four station located in the same DMA or (b) to a third party that negotiates on behalf of another top-four television station in the same DMA or (2) facilitate or agree to facilitate coordinated negotiation of retransmission consent terms between or among multiple top-four stations in the same DMA, including through the sharing of information. Retransmission consent agreements jointly negotiated prior to the effective date of the new rules will remain enforceable until the end of their terms, but contractual provisions for separately owned top-four stations to consult or jointly negotiate retransmission agreements are no longer enforceable. Absent a stay or similar action by the FCC, the courts, or Congress, the new rules will go into effect thirty days after publication in the *Federal Register*. The new rule may preclude us from being involved in retransmission consent negotiations on behalf of the third parties in the Lansing, MI, Albany-Schenectady-Troy, NY, and Augusta, GA television markets in which we have sharing arrangements with third-party licensees. We cannot predict what effect, if any, the new rules may have on future negotiations for retransmission consent agreements.

While presently a smaller part of our overall revenue, the sale of advertising on our websites and mobile platforms is a fast growing revenue stream. Technological advances and greater access to content are increasing opportunities to generate higher revenues from digital and mobile platforms. We offer a full suite of digital advertising solutions to reach targeted consumers in any U.S. market and across all digital and mobile platforms. Our digital and mobile platforms allow us to interact with our viewers and users. Technology enables us to provide advertisers with the opportunity to target desired customers and assess the effectiveness of the ad and the target strategy. We optimize all of our content for mobile devices, which now account for more than 50% of our digital audience. Moreover, the digital opportunity in the Media General LIN combination has significant growth potential. Upon consummation of the LIN Merger, the combined Digital Media business will be the largest and most diversified in the TV broadcasting sector, with approximately $159 million of pro forma digital revenues. The companies expect to benefit from a significant opportunity to expand an industry-leading digital business across a larger local footprint. LIN has created a broad product portfolio covering key digital growth sectors, including mobile, social, native and video, which can be leveraged in legacy Media General markets and beyond. The digital opportunity is expected to be a key benefit of the LIN Merger.

Table of Contents

All of our full-power stations are broadcasting a digital signal and are operating with full post-digital transmission facilities. As a result of the adoption of a digital mobile standard, television broadcast stations can provide mobile digital television, in addition to traditional free, over-the-air programming that is now delivered in standard or high definition. We believe mobile television can increase viewership and generate additional revenues. We are a founding member of a group of local and national broadcasters providing over-the-air television for mobile devices in several U.S. markets. The Company is currently providing mobile television service in Tampa, FL; Raleigh, NC; Columbus, OH; and Birmingham, AL.

Additionally, the Company has an opportunity to continue unlocking value from its spectrum through mobile television and other innovative technologies. Media General currently has 21 Ultra High Frequency (UHF) stations. LIN currently has 28 UHF primary stations and has identified numerous opportunistic strategies to realize spectrum value.

In all of our markets, we compete for broadcast viewers and digital users on the basis of content. Competition for audience is based mainly on program popularity. As most of our stations receive a substantial portion of their daily programming from the network, the stations depend on the performance of the network to attract viewers. The stations compete with other local broadcast stations for non-network programming, specifically exclusive access to first-run programming and off-network reruns. In all of our markets, we compete with other broadcast stations, cable television operators and networks and satellite systems for advertisers on the basis of ratings, quality of service and price. We also compete for advertisers with newspapers, both published nationally and in nearby cities and towns, magazines, local news websites and websites offering programming, mobile delivery devices, and with virtually all other promotional media.

Industry Trends

Strong industry trends Television reaches nearly 90% of adults (age 18 and older) during the average day, according to the Television Bureau of Advertising, Inc. (TVB). Despite the presence of a variety of entertainment alternatives in the home, local television remains the preferred choice for viewing video across all age groups and proves to be one of the most effective advertising channels. Broadcast stations continue to maintain strong viewership given that local news is the preferred and more trusted media for news and political information.

Television Reaches More Adults Each Day Than Other Mediums (Persons Age 18 and Older)

Source: TVB Media Comparison Study 2012

Continued Diversification of Broadcast Television Revenue Over the past several years, broadcasters have transformed the broadcast television revenue landscape from being primarily focused on local and national advertising to other fast-growing revenue streams, including retransmission consent fees and digital revenues. The growth in retransmission revenue and emphasis on digital media initiatives continues to decrease dependence on traditional spot ad revenue, which represented 93% of television revenue in 2008 and 85% of television revenue in 2012 and is projected by SNL Kagan to represent 74% of television revenue in 2016. Broadcasters continue to see upside in the retransmission and digital revenue streams. However, we cannot predict what effect, if any, the new FCC rules released on March 31, 2014 may have on future negotiations for retransmission consent agreements.

Table of Contents

Television Revenue Composition

Source: SNL Kagan

Continued growth in retransmission consent fees Retransmission consent fees, or fees paid to television station owners by MVPDs, have increased significantly over the past few years and are expected to continue to grow. According to SNL Kagan, in 2012, retransmission consent fees paid to TV station owners totaled $2.4 billion, compared to only $215 million in 2006. By 2018, retransmission consent fees are projected to reach $7.1 billion, representing a Compound Annual Growth Rate (CAGR) of 20% from 2012. Retransmission consent fees are based on contractual agreements with MVPDs and are a high-margin revenue stream, even as local broadcasters share these revenues with the networks as compensation for the programming they provide. However, we cannot predict what effect, if any, the new FCC rules released on March 31, 2014 may have on future negotiations for retransmission consent agreements.

Gross Retransmission Revenue ($ in billions)

Source: SNL Kagan

Record level of political advertising spending Local broadcast television stations provide a highly effective means for reaching potential voters. As such, TV station owners have experienced significant growth in political advertising revenue. This growth is primarily driven by growth in Presidential election advertising spend as well as expenditures on U.S. Senate and local elections and key ballot initiatives. Political advertising spending reached record levels in 2012, approximately $2.8 billion, according to Magna Global and SNL Kagan. Additionally, a 2010 U.S. Supreme Court ruling to reduce restrictions on corporate political spending spurred the growth of Super PACs, and approximately 1,300 Super PACs spent an estimated $609 million in the 2012 election cycle, according to the Center for Responsive Politics. The U.S. Supreme Court further curtailed restrictions on political spending with its April 2014 decision in *McCutcheon v. Federal Election Campaign Commission*, ruling that aggregate contribution limits to candidates seeking federal office were unconstitutional. Total political advertising spending is estimated to reach $3.3 billion in 2016, representing a CAGR of 4% over 2012, according to Magna Global and SNL Kagan.

Increased momentum in automotive advertising Television continues to be a critical medium for automotive advertising, which represents a key advertising category for TV station owners. Over the past several years, the industry has experienced a strong rebound in automotive advertising, compared to the recession years, with an estimated $3.1 billion spent in 2012, according to TVB. Industry analysts project this positive trend will continue, with automotive advertising spending projected to reach approximately $3.5 billion in 2014, a CAGR of 6% over 2012.

Rapidly growing online advertising revenue The television broadcasting industry views digital advertising as another attractive growth opportunity, given increased web and mobile traffic. Through websites, mobile applications and social media platforms, TV station owners continue to successfully leverage their powerful local media brands to tap the fast growing digital ad spend category. Spending on digital advertising is expected to reach $2.2 billion in 2018, an 8% CAGR since 2012, according to SNL Kagan.

Operating Strategy

We believe that our continued success is based on the following key operating strategies:

Leading and diversified marquee television station portfolio With 31 stations in 28 markets reaching approximately 14% of U.S. television households, our Company is one of the largest publicly traded pure-play TV broadcasting companies in the U.S. Our station portfolio is well-balanced with 12 CBS affiliates, nine NBC affiliates, seven ABC affiliates, one FOX affiliate, one CW affiliate and one MyNetwork affiliate. From a geographic standpoint, our Company s diverse footprint includes markets throughout the Southeast, Midwest, Northeast and West. With strong local news franchises, we command leading market positions for the majority of our stations. We rank #1 or #2 in audience size in 20 out of 28 markets and #1 or #2 in revenue share in 22 out of 28 markets.

Media General and LIN today collectively own and operate or provide services to 74 stations across 46 markets, reaching approximately 26.5 million or 23% of U.S. TV households. The combined TV portfolio today includes 33 Big Four network affiliates owned or serviced in the Top 75 DMAs and 39 markets in which the combined company has stations which are ranked #1 or #2 based on revenue share.

Strong local franchises Our business is serving the local communities in the markets in which we operate with excellent news, information and entertainment. We are focused on growing our strong local brands by targeting our local news and local lifestyle programming offerings to attract viewership, to meet the needs of the communities we serve and to meet the needs of our advertising customers. We consider our highly rated newscasts to be the cornerstones of our local content delivery.

Focus on industry leading local news The production and broadcasting of excellent local news that focuses on the issues and interests of the particular community being served is one of the most important ways a station can expand its viewership. Local news programming provides advertisers with access to target customers. Media General s investigative reporting differentiates its local news from its competition in many markets, and the company provides newscasts at non-traditional times in a number of its markets. Our stations provide an average of 25 to 30 hours per week of news, focusing on local unique content. In 2014, 10 of our stations won 19 regional Edward R. Murrow awards for Outstanding Achievement in Electronic Journalism, and five won the prestigious Best Newscast Award. Media General and LIN today include 50 stations ranked #1 or #2 in local news in their respective markets (21 for Media General and 29 for LIN) and currently generate approximately 1,686 hours of local news per week.

Original local programming We produce local lifestyle programs that offer viewers unique content about their communities, and they offer advertisers long-form messaging and product placement opportunities as well as traditional advertising spots. Currently, we produce 18 of these shows in 12 markets, and LIN produces an additional 12 local lifestyle programs. These local lifestyle programs increase the profitability of the daypart by replacing more expensive syndicated programming. Decisions

to run local programming versus syndicated programming also consider the profitability and popularity of a long-running syndicated program.

Well-positioned to grow share of political advertising spend Our platform is very well-positioned to capitalize on the growth in political advertising spending with leading stations in seven battleground states in the U.S. Our award-winning local newscasts attract both national and local political advertising dollars. In addition, we own or operate stations in eight state capitals Albany, NY, Lansing, MI, Richmond, VA, Providence, RI, Columbus, OH, Raleigh, NC, Nashville, TN and Jackson, MS. Media General s political revenue has grown from $59 million in 2008 to $69 million in 2010 and $115 million in 2012, in each case, giving effect to the Young Merger and other smaller acquisitions as if they had occurred at the beginning of the relevant periods. Similarly, on a pro forma basis, LIN s political revenue has grown from $63 million in 2008 to $68 million in 2010 and $104 million in 2012.

Continued growth of high margin contracted retransmission consent fees We continue to see growth in retransmission consent revenue and see significant upside from our top rated local stations, strong local news presence and Big Four TV network affiliations, which provide our viewers with additional popular programming. With our marquee station portfolio, we believe we can offer more value to achieve favorable agreements with MVPDs and other partners. Given that retransmission consent fees are a high margin revenue source, even when sharing a portion of these fees with the networks to compensate them for their programming, projected growth in net retransmission consent fees is expected to lay the groundwork for continued growth in our long-term operating margins. However, for those non-owned stations with which we have joint sales and sharing agreements in three markets, we cannot predict what effect, if any, the new FCC rules released on March 31, 2014 may have on future negotiations for retransmission consent agreements.

Strong and growing digital platform Our digital content management system efficiently delivers our local content as a single workflow from our newsrooms to websites and mobile devices. Expanded Internet and mobile offerings complement our on-air news franchises by providing richer content and with greater immediacy and interactivity to Internet and mobile audiences. Our entire sales force has been trained to sell digital inventory, and we also deploy account executives who are exclusively focused on the digital sales effort. The combined Media General and LIN Digital Media platform is expected to be an industry-leading digital business focused on local digital platforms as well as on the needs of advertisers across the entire online, mobile and social media space.

Attractive merger synergies and future value-creating opportunities We achieved significant financing and operating synergies from our merger with Young that have exceeded our initial expectations our initial estimate was $30 million and that number has grown to $61 million, including $10 million of additional operating synergies announced in April 2014. Financing synergies resulting from the Young Merger were initially estimated at $15 million, and they more than doubled to $36 million, as a result of refinancing the combined debt of both companies at a much lower cost of capital than originally anticipated. Operating synergies resulting from the Young Merger are estimated at approximately $25 million, the bulk of which are expected to be achieved within the first year following the closing of the Young Merger, and we continue to look for additional operating synergies. The operating synergies are principally the result of the elimination of corporate expenses, improved retransmission consent fee revenue and other cost savings opportunities. Moreover, the Media General-LIN combination is expected to generate approximately $70 million of annual run-rate synergies within three years after closing (with approximately 50% expected to be realized within the first year after closing) including, among others, corporate overhead savings, improved retransmission revenues, digital revenues and savings and other savings in programming and shared services.

We may also, from time to time, depending on our debt leverage levels and other factors, opportunistically seek to acquire additional stations in transactions which are accretive to our business. For instance, we would look to acquire a station in complementary markets and in existing markets, which would create an in-market duopoly compliant with FCC parameters. We believe additional acquisitions and

Table of Contents

duopolies are extremely valuable as they generally provide opportunities to rationalize costs that typically result in higher cash flow margins and increased free cash flow conversion. With our U.S. TV household reach of approximately 23%, including LIN, we have substantial capacity under the FCC cap to make additional acquisitions. In addition, we own or service multiple stations in three of our 28 markets through joint sales and shared services arrangements with third-party licensees. After giving effect to the LIN Merger, our average annual 2012/2013 net revenue from such arrangements is approximately 3%. The FCC s recent adoption of an order changing the regulatory treatment of joint sales agreements, however, will require that we reform or terminate our existing joint sales arrangements (JSAs) within two years and that we limit the percentage of the weekly advertising inventory of a third-party station that we can sell under future such arrangements in those local television markets in which we already own the maximum number of television stations. The change will effectively ban JSAs involving ad sales in excess of 15 percent of weekly advertising inventory between two stations in the same market unless the station selling the advertising time could own the other station under the FCC s duopoly limitations or can obtain a waiver of the rule. Stations with JSAs that would put them in violation of the new rules will have two years from the date on which the rules become effective to amend or terminate those arrangements or to obtain a waiver, but the FCC has not stated how it will treat newly attributable JSAs in pending transactions. The new limitations on JSAs are likely to make these arrangements less attractive going forward.

Merger with Young

On June 6, 2013, Media General and Young announced a definitive agreement to combine the two companies in an all-stock merger transaction. On November 12, 2013, the transaction was completed. At the time of the Young Merger, Young operated, or provided services to, 13 television stations in 11 geographically diverse markets across the United States, reaching approximately six percent of U.S. television households. Six of the 13 stations were affiliated with ABC, four were affiliated with CBS, one was affiliated with FOX, one was affiliated with NBC, one was affiliated with MyNetworkTV, and two of the stations also had either a CW Plus or MyNetworkTV affiliation for a multicast channel. Young s stations were located in markets ranging from DMA s 6 to 173, including San Francisco, California; Nashville and Knoxville, Tennessee; Richmond, Virginia; Albany, New York; Green Bay, Wisconsin; Davenport, Iowa; Sioux Falls and Rapid City, South Dakota; Lansing, Michigan; and Lafayette, Louisiana.

The merger with Young resulted in significant benefits for Media General, including:

- A strong balance sheet and enhanced credit profile;
- Accretion to earnings in the first year following the merger with significant free cash flow;
- Attractive combination financing and operating synergies of approximately $61 million;
- A strong TV station group with increased scale and attractive diversification across TV networks and geographic locations;
- More favorable relationships with vendors and other partners (TV broadcast networks, syndicated content distributors and MVPDs);
- Attractive positioning to grow the TV portfolio by executing accretive acquisitions, including those designed to create in-market duopolies; and
- The addition of two Young Broadcasting executives into the Media General management team, accelerating the capture of operating synergies as well as the sharing of best practices across the entire station portfolio.

Table of Contents

Merger with LIN

On March 21, 2014, Media General, Inc. and LIN announced a definitive merger agreement that will create the second largest pure-play television broadcasting company in the U.S. based on 2012/2013 average Adjusted EBITDA, the third largest based on number of stations and the fourth largest based on percentage of U.S. households reached. Under the terms of the agreement and plan of merger, LIN s enterprise value is approximately $2.6 billion. As contemplated by the transaction, Media General has formed a new holding company, which after closing will be named Media General, Inc. (New Media General). Media General shareholders will receive one share of New Media General for each share of Media General that they own upon closing. LIN shareholders will receive for each LIN share, at their election, $27.82 in cash or 1.5762 shares of New Media General, subject to proration. The aggregate cash amount available for LIN shareholders electing cash is $763 million and the maximum number of shares to be issued by Media General is 49.5 million. Upon the closing of the transaction, LIN shareholders will own approximately 36% of the fully diluted shares of New Media General and existing Media General shareholders will own the remaining 64%.

Media General expects that the transaction will deliver substantial value to shareholders, customers and employees by creating significant strategic and financial benefits, including:

- Ownership of marquee TV stations in attractive markets;
- Industry-leading news and digital operations;
- Strong asset diversification across broadcast networks and geographic footprint;
- Approximately $70 million of annual run-rate synergies expected within three years after closing (with approximately 50% expected to be realized within the first year after the closing);
- Incremental retransmission consent fees;
- Strong balance sheet, significant free cash flow, and an immediately accretive transaction;
- Expected pro forma net leverage at closing of less than 5.0x, based on 2013/2014 average pro forma adjusted EBITDA; and
- The opportunity, post-closing, to continue growing and expanding the company.

Our Relationship with the Shield Media Entities

We are able to provide local communities with enhanced content while realizing operational efficiencies through FCC-permitted owned duopolies, JSAs and/or shared services agreements (SSAs). One such example is with Shield Media LLC (and its subsidiary WXXA-TV LLC) and Shield Media Lansing LLC (and its subsidiary WLAJ-TV LLC) (collectively, Shield Media).

Shield Media has JSAs and SSAs in place with Media General. Under these agreements, we provide a variety of operational services for WXXA-TV and WLAJ-TV (the Shield Stations), including: the sale of advertising time, marketing and promotion, news production, assistance with monitoring, maintenance, repair and replacement of the licensee s technical equipment and facilities, providing traffic, accounting, bookkeeping and related administrative functions, access to the Company s local towers, equipment, and facilities and the maintenance and operation of websites for the Shield Stations. In both the Albany and Lansing markets, we own and operate another station. The agreements provide our local stations, along with WXXA and WLAJ, the ability to achieve operational efficiencies and economies of scale which improve cash flow. At the same time, these arrangements enable both stations to provide their local communities with more content and more community engagement than they otherwise could on a standalone basis.

We continue to evaluate additional opportunities with Shield Media in an effort to enhance our platform and achieve operational efficiencies. An order that the FCC adopted in March 2014, however, may require changes in our relationship with the Shield Stations going forward. In that order, the FCC concluded that JSAs like those we have with the Shield Stations should be attributable for purposes of the media ownership

Table of Contents

rules if they permit a television licensee to sell more than 15% of the commercial inventory of a television station owned by a third party in the same market. Stations with JSAs that would put them in violation of the new rules will have two years from the date on which the rules become effective to amend or terminate those arrangements or to obtain a waiver of the rule. Accordingly, absent further developments or the grant of a waiver, we may be required to modify or terminate our existing JSAs within such two-year period.

Recent Developments

First Quarter of 2014 Results   Media General

On April 28, 2014, we announced the following results for the quarter ended March 31, 2014 (unaudited, in thousands except per share amounts):

	For the three months ended March 31, 2014	For the three months ended March 31, 2013(1)
Income Statement Data:		
Net operating revenue	$ 143,918	$ 50,045
Operating costs:		
Operating expenses, excluding depreciation expense	50,615	19,212
Selling, general and administrative expenses	42,332	14,464
Amortization of program license rights	4,963	2,455
Corporate and other expenses	6,578	2,361
Depreciation and amortization	16,195	4,491
Gain related to property and equipment, net	(771)	
Merger-related expenses	4,752	
Total Operating Costs	124,664	42,983
Operating Income	19,254	7,062
Other income (expense):		
Interest expense	(9,990)	(2,140)
Debt modification and extinguishment costs	(98)	
Other, net	(85)	(101)
Total other income (expense)	(10,173)	(2,241)
Income before income taxes	9,081	4,821
Income tax (expense) benefit	(3,642)	(1,802)
Net income	5,439	3,019
Net income (loss) attributable to noncontrolling interests (included above)	54	(95)
Net income attributable to Media General(2)	$ 5,385	$ 3,114
Earnings per common share (basic and diluted):		
Net earnings per common share (basic)	$ 0.06	$ 0.07
Net earnings per common share (assuming dilution)	$ 0.06	$ 0.05
Weighted-average common shares outstanding:		

Basic(3)		88,324		47,803
Diluted(3)		88,731		60,193
Other Financial Data:				
Adjusted EBITDA(4)	$	39,345	$	11,452
Broadcast cash flow(4)	$	45,865	$	13,914

Table of Contents

(1) On November 12, 2013, Media General and Young were combined in an all-stock merger transaction. The Young Merger was accounted for as a reverse acquisition. For financial reporting purposes only, Young is the acquirer and the continuing reporting entity, but has been renamed Media General, Inc. Consequently, the consolidated financial statements of Media General, the legal acquirer and the continuing public corporation in the transaction, include the operating results for only Young for the three months ended March 31, 2013.

(2) In accordance with generally accepted accounting principles, the Company has presented the caption Net income attributable to Media General which excludes the net income (loss) attributable to noncontrolling interests. Net income (loss) attributable to noncontrolling interests includes the results of operations for WXXA-TV and WLAJ-TV. The Company does not own these stations but provides services to the stations under JSAs and SSAs and also guarantees the debt of both stations