

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 30, 2003

SALEM COMMUNICATIONS CORPORATION

(Exact Name of Registrant as Specified in its Charter)



Delaware
(State or Other Jurisdiction
of Incorporation)

000-26497
(Commission
File Number)

77-0121400
(IRS Employer
Identification No.)

4880 Santa Rosa Road, Camarillo, California
(Address of Principal Executive Offices)

93012
(Zip Code)

Registrant's telephone number, including area code: (805) 987-0400

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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ITEM 9. REGULATION FD DISCLOSURE*

On October 30, 2003, Salem Communications Corporation issued a press release regarding the results of operations for third quarter 2003. A copy of the press release is attached hereto as Exhibit 99.1.

ITEM 12. RESULTS OF OPEARATIONS AND FINANCIAL CONDITION*

On October 30, 2003, Salem Communications Corporation issued a press release regarding the results of operations for third quarter 2003. A copy of the press release is attached hereto as Exhibit 99.1.

* The information furnished under Item 9 and Item 12 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALEM COMMUNICATIONS CORPORATION

By: /s/ EVAN D. MASYR

Evan D. Masyr
Vice President and Corporate Controller

Date: October 31, 2003

Salem Communications Announces Third Quarter 2003 Net Broadcasting Revenue and Station Operating Income Increases of 6.8% and 10.1%, Respectively

Salem Projects 12% Same Station Revenue Growth for October 2003

CAMARILLO, Calif., Oct 30, 2003 (BUSINESS WIRE) -- Salem Communications Corporation (Nasdaq:SALM), the leading radio broadcaster focused on religious and family themes programming, today announced results for the third quarter ended September 30, 2003.

Commenting on these results, Edward G. Atsinger III, President and CEO, said, "Salem outperformed the radio industry in the third quarter, achieving revenue growth of 6.8% and station operating income growth of 10.1%. These impressive results were fueled by high growth at our start-up and development stage stations, which is driven by the success of our Christian music format, combined with the consistent and stable performance of our block programming business. Salem's results to date and outlook for the future demonstrate Salem's ability to deliver both predictability and growth. Looking ahead to the fourth quarter, we are seeing an up-tick in our business as demonstrated by our projected 12% same station revenue growth for the month of October. In total, we expect our fourth quarter same station revenues to be up in the high single digits setting the stage for another year of growth in 2004."

Third Quarter 2003 Results

For the quarter ended September 30, 2003, net broadcasting revenue increased 6.8% to \$42.6 million from \$39.8 million in the same quarter a year ago. The company reported operating income of \$7.6 million for the quarter, compared with operating income of \$7.4 million for the same quarter last year. Operating income for the quarter was reduced by a one-time write-off of \$0.7 million due to the cancellation of a contemplated debt offering. The company reported net income of \$1.5 million for the quarter, or \$0.06 per diluted share, compared with net income of \$18.1 million, or \$0.77 per diluted share, for the same quarter last year. Included in net income for the prior year was a \$17.9 million gain from the sale of WYGY-FM.

Station operating income ("SOI") increased 10.1% to \$15.4 million for the third quarter of 2003 from \$14.0 million for the corresponding 2002 quarter. Station operating income margin increased to 36.2% for the third quarter of 2003 from 35.1% for the third quarter of 2002.

EBITDA decreased 61.3% to \$10.8 million in the third quarter of 2003 compared to \$27.9 million in the same quarter last year. EBITDA included a write-off of \$0.7 million from the cancellation of a contemplated debt offering for third quarter 2003, and included a gain of \$17.9 million from the sale of WYGY-FM for the prior year. Excluding the impact of the write-off in 2003 and the gain on sale in 2002, adjusted EBITDA for the third quarter of 2003 increased 14.1% to \$11.5 million from \$10.0 million for the third quarter of 2002.

On a same station basis, net broadcasting revenue increased 5.9% to \$42.2 million and station operating income increased 10.1% to \$15.5 million for the third quarter of 2003, as compared to the third quarter of 2002.

Per share numbers were calculated based on 23,583,244 weighted average diluted outstanding shares for the quarter ended September 30, 2003, and 23,564,626 weighted average diluted outstanding shares for the comparable 2002 period.

SOI Margin Composition Analysis

The following analysis of the company's radio station portfolio, which is for analytical purposes only, separates each station into one of four categories based upon third quarter 2003 performance. The company believes this analysis is helpful in assessing the portfolio's financial and operational performance.

Three Months Ended September 30,
(Revenue and SOI in millions)

| SOI Margin % | 2002 | | | | 2003 | | | |
|----------------|-----------|----------------|----------------|--------------|-----------|----------------|----------------|--------------|
| | Stations | Revenue | SOI | Average SOI% | Stations | Revenue | SOI | Average SOI% |
| 50% or greater | 14 | \$ 10.8 | \$ 6.7 | 61.5% | 16 | \$ 13.9 | \$ 8.4 | 60.5% |
| 30 to 49% | 27 | 14.6 | 5.8 | 39.5% | 29 | 14.5 | 6.1 | 41.7% |
| 0 to 29% | 32 | 9.3 | 2.1 | 22.7% | 32 | 10.0 | 1.9 | 18.7% |
| Less than 0% | 12 | 1.6 | (1.1) | (65.5%) | 12 | 1.0 | (0.4) | (34.6%) |
| Subtotal | 85 | 36.3 | 13.5 | 37.1% | 89 | 39.4 | 16.0 | 40.5% |
| Other | - | 3.5 | 0.5 | 14.0% | - | 3.2 | (0.6) | (18.5%) |
| Total | 85 | \$ 39.8 | \$ 14.0 | 35.1% | 89 | \$ 42.6 | \$ 15.4 | 36.2% |

Year to Date 2003 Results

For the nine months ended September 30, 2003, net broadcasting revenue increased 7.8% to \$124.7 million from \$115.6 million for the same period last year. The company reported operating income of \$19.7 million for the first nine months of 2003, compared with operating income of \$16.0 million for the same period last year. Operating income was reduced by a \$2.2 million cost related to the denial of a tower relocation and a coverage license upgrade, a \$0.7 million write-off from the cancellation of a contemplated debt offering in 2003, and \$2.3 million for legal settlement costs in 2002. The company reported a net loss of \$2.8 million, or \$0.12 loss per diluted share, compared with net income of \$14.7 million, or \$0.62 per diluted share, for the same period last year. The net loss for the first nine months of 2003 included a loss (net of an income tax benefit) of \$4.0 million, or \$0.17 loss per share, as a result of the early retirement of the company's 9.5% senior subordinated notes. Included in net income for the first nine months of 2002 was a \$17.9 million gain from the sale of WYGY-FM.

Station operating income increased 14.4% to \$43.7 million from \$38.2 million in the corresponding 2002 period. Station operating income margin increased to 35.0% for the first nine months of 2003, from 33.0% in the same period of 2002.

EBITDA decreased 46.0% to \$22.4 million in the first nine months of 2003 compared to \$41.5 million in the same period last year. For the first nine months of 2003, EBITDA included a one-time expense of \$6.4 million for an early retirement of bonds, a \$2.2 million cost due to a denied tower site and license upgrade, and a \$0.7 million write-off from the cancellation of a contemplated debt offering. For the first nine months of 2002, EBITDA included a one-time cost of \$2.3 million legal settlement costs and a \$17.9

million gain from the sale of WYGY-FM. Excluding the impact of these items, adjusted EBITDA for the first nine months of 2003 increased 22.3% to \$31.7 million from \$25.9 million in the same period of 2002.

For the nine months ended September 30, 2003, same station net broadcasting revenue and station operating income increased 7.2% and 14.0%, respectively, as compared to the comparable 2002 period.

Per share numbers were calculated based on 23,486,033 weighted average diluted outstanding shares for the nine months ended September 30, 2003, and 23,573,149 weighted average diluted outstanding shares for the comparable 2002 period.

Balance Sheet

As of September 30, 2003, the company had net debt of \$319.5 million and was in compliance with all of its covenants under the credit facility and bond indentures. Salem's bank leverage ratio was 6.7 as of September 30, 2003 versus a compliance covenant of 7.25. Salem's bond leverage ratio was 6.3 as of September 30, 2003 versus an incurrence covenant of 7.0.

Station Acquisitions

Since June 30, 2003, Salem has completed or entered into several radio stations acquisitions including:

°The completion of the acquisition of WJGR-AM, WZNY-AM, WZAZ-AM and WBGB-FM, in Jacksonville, Florida, from Concord Media Group Inc. for approximately \$8.7 million.

°The completion of the acquisition of KZNT-AM (formerly KKCS-AM) in Colorado Springs, Colorado, from Walton Stations - Colorado, Inc. for approximately \$1.5 million.

°The completion of the acquisition of a construction permit in Grass Valley, California (Sacramento market) for approximately \$1.0 million.

°The pending acquisition of WTTT-AM (formerly WAMG-AM) in Boston, Massachusetts, from Mega Communications for approximately \$8.6 million. Fourth Quarter and Full Year 2003 Outlook

For the fourth quarter of 2003, Salem is projecting net broadcasting revenue of between \$43.8 and \$44.3 million. Net income for the fourth quarter of 2003 is projected to be between \$0.08 and \$0.10 per share. Salem is projecting station operating income of between \$16.0 and \$16.5 million for the fourth quarter of 2003.

Fourth quarter 2003 guidance reflects the following:

°Salem expects to achieve same station revenue growth of 12% for October and based on its most recent pacsings, Salem is projecting fourth quarter same station revenue growth in the high single digits.

°Continued growth from Salem's underdeveloped radio stations.

°Continued softness in the radio industry advertising market.

°Start-up losses associated with newly acquired radio stations in the Jacksonville and Boston markets.

For the full year of 2003, Salem is projecting net broadcasting revenue of between \$168.5 and \$169.0 million. Net loss for 2003 is projected to be between \$0.04 and \$0.02 per share. Salem is projecting station operating income of between \$59.7 and \$60.2 million for the full year of 2003.

Additionally, for 2003 the company expects corporate expenses of approximately \$16.0 million, acquisition and improvement related capital expenditures of approximately \$6.0 million, and maintenance capital expenditures of approximately \$4.0 million.

Salem will host a teleconference to discuss its results today at 5:00 PM Eastern Time. To access the teleconference, please dial 973-582-2741 ten minutes prior to the start time. The teleconference will be available live and via archived webcast on the investor relations portion of the company's website, located at www.salem.cc. The webcast is also being distributed over PrecisionIR's Investor Distribution Network to both institutional and individual investors. Investors can listen to the call through PrecisionIR's webcast site at www.vcall.com or by visiting any of the investor sites in PrecisionIR's Investor Network.

If you are unable to listen to the live teleconference at its scheduled time, there will be a replay available through November 13, 2003, which can be accessed by dialing 973-341-3080, passcode 4272843, or on the company's website.

Salem Communications, headquartered in Camarillo, California, is the leading radio broadcaster focused on religious and family-themed programming. Upon the completion of all announced transactions, the company will own and operate 92 radio stations, in 36 radio markets, including 58 stations in the top 25 markets. In addition to its radio properties, Salem owns the Salem Radio Network, which syndicates talk, news and music programming to approximately 1,600 affiliated radio stations throughout the United States; Salem Radio Representatives, a national sales organization; Salem Web Network, a leading Internet provider of Christian focused content; and Salem Publishing, a leading publisher of Christian magazines.

Forward Looking Statements

Statements used in this press release that relate to future plans, events, financial results, prospects or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to the ability of Salem to close and integrate announced transactions, market acceptance of recently launched music formats, competition in the radio broadcast, Internet and publishing industries and from new technologies, adverse economic conditions, and other risks and uncertainties detailed from time to time in Salem's reports on Forms 10-K, 10-Q, 8-K and other filings filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Salem undertakes no obligation to update or revise any forward-looking statements to reflect new information, changed circumstances or unanticipated events.

Regulation G

The company's results include non-GAAP financial measures of station operating income, which is defined as net broadcasting revenue minus broadcasting operating expenses, and EBITDA, which is defined by the SEC as net income plus interest expense, tax, depreciation and amortization and minus interest income. Salem's definition of station operating income is not necessarily comparable to similarly titled measures reported by other companies. Salem has provided supplemental information, as an attachment to this press release, which reconciles non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with generally accepted accounting principles ("GAAP").

Station operating income and EBITDA are not measures of performance calculated in accordance with GAAP; they should be viewed as a supplement to and not a substitute for results of operations presented on the basis of GAAP. The company believes these non-GAAP financial measures, when considered in conjunction with the most directly

comparable GAAP financial measures, are useful to investors because they are generally recognized by the radio broadcasting industry as a tool to provide useful measures of the company's operating performance and to apply valuation methodologies for companies in the media, entertainment and communications industries. These measures are used by investors and by analysts who report on the industry to provide comparisons between broadcasting groups. Salem uses these non-GAAP financial measures as key measures of operating efficiency and profitability.

Salem Communications Corporation
Condensed Consolidated Balance Sheets
(in thousands)

| | December 31, 2002 | September 30, 2003 |
|---|----------------------|-----------------------|
| Assets | | |
| Cash | \$ 26,325 | \$ 5,476 |
| Restricted cash | 107,661 | - |
| Accounts receivable, net | 30,696 | 31,170 |
| Deferred income taxes | 2,281 | 4,083 |
| Other current assets | 3,860 | 4,044 |
| Property, plant and equipment, net | 99,194 | 97,272 |
| Intangible assets, net | 380,508 | 387,193 |
| Bond issue costs | 7,854 | 5,819 |
| Fair value in excess of book value of interest rate swap | 7,790 | 6,439 |
| Other assets | 6,040 | 7,875 |
| Total assets | \$ 672,209 | \$ 549,371 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | \$ 121,378 | \$ 17,897 |
| Long-term debt and capital lease obligations | 343,118 | 325,014 |
| Fair value in excess of book value of debt hedged with interest rate swap | 7,790 | 6,439 |
| Deferred income taxes | 26,447 | 36,693 |
| Other liabilities | 1,548 | 4,106 |
| Stockholders' equity | 171,928 | 169,222 |
| Total liabilities and stockholders' equity | \$ 672,209 | \$ 549,371 |

Salem Communications Corporation
Condensed Consolidated Statements of Operations
(in thousands, except share, per share and margin data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|----------------|
| | 2002 | 2003 | 2002 | 2003 |
| Gross broadcasting revenue | \$ 43,420 | \$ 46,542 | \$ 126,008 | \$ 135,977 |
| Less agency commissions | 3,574 | 3,967 | 10,376 | 11,268 |
| Net broadcasting revenue | 39,846 | 42,575 | 115,632 | 124,709 |
| Other media revenue | 2,035 | 1,887 | 5,586 | 6,042 |
| Total revenue | 41,881 | 44,462 | 121,218 | 130,751 |
| Operating expenses: | | | | |
| Broadcasting operating expenses | 25,864 | 27,183 | 77,437 | 81,026 |
| Costs of denied tower site and license upgrade | - | - | - | 2,202 |
| Other media operating expenses | 1,878 | 1,964 | 5,613 | 5,940 |
| Legal settlement | - | - | 2,300 | - |
| Corporate expenses | 3,882 | 3,992 | 11,300 | 12,063 |
| Cost of terminated offering | - | 651 | - | 651 |
| Depreciation and amortization | 2,843 | 3,084 | 8,600 | 9,179 |
| Total operating expenses | 34,467 | 36,874 | 105,250 | 111,061 |
| Operating income | 7,414 | 7,588 | 15,968 | 19,690 |
| Other income (expense): | | | | |
| Interest income | 52 | 24 | 114 | 195 |
| Loss on sale of assets | (97) | 263 | (548) | 263 |
| Interest expense | (6,868) | (5,470) | (20,293) | (17,706) |
| Loss on early redemption of long-term debt | - | - | - | (6,440) |
| Other expense, net | (122) | (129) | (398) | (290) |

| | | | | |
|---|------------|------------|------------|------------|
| Income (loss) before income taxes and discontinued operations | 379 | 2,276 | (5,157) | (4,288) |
| Provision (benefit) for income taxes | 131 | 820 | (1,965) | (1,498) |
| Income (loss) before discontinued operations | 248 | 1,456 | (3,192) | (2,790) |
| Discontinued operations, net of tax | 17,858 | – | 17,871 | – |
| Net income (loss) | \$ 18,106 | \$ 1,456 | \$ 14,679 | \$ (2,790) |
| Basic and diluted income (loss) per share before discontinued operations | \$ (0.01) | \$ 0.06 | \$ (0.14) | \$ (0.12) |
| Discontinued operations per share | 0.76 | – | 0.76 | – |
| Basic and diluted net income (loss) per share after discontinued operations | 0.77 | 0.06 | 0.63 | (0.12) |
| Diluted income (loss) per share before discontinued operations | \$ 0.01 | \$ 0.06 | \$ (0.14) | \$ (0.12) |
| Discontinued operations | 0.76 | – | 0.76 | – |
| Diluted income (loss) per share after discontinued operations | 0.77 | 0.06 | 0.62 | (0.12) |
| Basic weighted average shares outstanding | 23,483,663 | 23,488,463 | 23,470,477 | 23,486,033 |
| Diluted weighted average shares outstanding | 23,564,626 | 23,583,244 | 23,573,149 | 23,486,033 |
| Other Data: | | | | |
| Station operating income | \$ 13,982 | \$ 15,392 | \$ 38,195 | \$ 43,683 |
| Station operating margin | 35.1% | 36.2% | 33.0% | 35.0% |

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**Salem Communications Corporation
Supplemental Information**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Projected Three Months Ending December 30, 2003 | |
|---|-------------------------------------|-----------------|------------------------------------|-------------------|---|---------------|
| | 2002 | 2003 | 2002 | 2003 | Low | High |
| | <i>(in thousands)</i> | | | | <i>(in millions)</i> | |
| Capital expenditures | | | | | | |
| Acquisition related/income producing | \$ 2,855 | \$ 2,547 | \$ 7,578 | \$ 3,958 | | |
| Maintenance | 1,092 | 773 | 3,671 | 2,471 | | |
| Total capital expenditures | \$ 3,947 | \$ 3,320 | \$ 11,249 | \$ 6,429 | | |
| Tax information | | | | | | |
| Cash tax expense | \$ 74 | \$ 17 | \$ 200 | \$ 463 | | |
| Deferred tax expense | 57 | 803 | (2,165) | (1,961) | | |
| Provision (benefit) for income taxes | \$ 131 | \$ 820 | \$ (1,965) | \$ (1,498) | | |
| Tax benefit of non-book amortization | \$ 2,985 | \$ 2,764 | \$ 8,632 | \$ 8,290 | | |
| Reconciliation of Station Operating Income to Operating Income | | | | | | |
| Station operating income | \$ 13,982 | \$ 15,392 | \$ 38,195 | \$ 43,683 | \$ 16.0 | \$ 16.5 |
| Plus: | | | | | | |
| Other media revenue | 2,035 | 1,887 | 5,586 | 6,042 | 2.3 | 2.3 |
| Less: | | | | | | |
| Cost of denied tower site and license upgrade | – | – | – | (2,202) | – | – |
| Other media operating expenses | (1,878) | (1,964) | (5,613) | (5,940) | (2.2) | (2.2) |
| Less legal settlement | – | – | (2,300) | – | – | – |
| Corporate expenses | (3,882) | (3,992) | (11,300) | (12,063) | (4.0) | (4.0) |
| Cost of terminated offering | – | (651) | – | (651) | – | – |
| Depreciation and amortization | (2,843) | (3,084) | (8,600) | (9,179) | (3.2) | (3.2) |
| Operating income | \$ 7,414 | \$ 7,588 | \$ 15,968 | \$ 19,690 | \$ 8.9 | \$ 9.4 |
| Reconciliation of Adjusted EBITDA to EBITDA to Net Income | | | | | | |
| Adjusted EBITDA | \$ 10,038 | \$ 11,457 | \$ 25,922 | \$ 31,695 | | |
| Less: | | | | | | |
| Cost of denied tower site and license upgrade | – | – | – | (2,202) | | |
| Less legal settlement | – | – | (2,300) | – | | |
| Cost of terminated offering | – | (651) | – | (651) | | |

| | | | | |
|--|------------------|-----------------|------------------|-------------------|
| Loss on early redemption of long-term debt | – | – | – | (6,440) |
| Discontinued operations, net of tax | 17,858 | – | 17,871 | – |
| <hr/> | | | | |
| EBITDA | 27,896 | 10,806 | 41,493 | 22,402 |
| Plus: | | | | |
| Interest income | 52 | 24 | 114 | 195 |
| Less: | | | | |
| Depreciation and amortization | (2,843) | (3,084) | (8,600) | (9,179) |
| Interest expense | (6,868) | (5,470) | (20,293) | (17,706) |
| (Provision) benefit for income taxes | (131) | (802) | 1,965 | 1,498 |
| <hr/> | | | | |
| Net income | \$ 18,106 | \$ 1,456 | \$ 14,679 | \$ (2,790) |
| <hr/> | | | | |