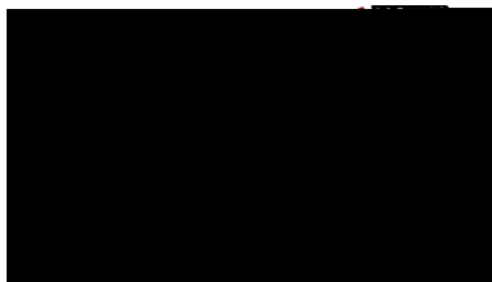

Quarterly Financial Reporting Package

For the period ended June 30, 2022



Spanish Broadcasting System, Inc. and Subsidiaries

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3827791
(I.R.S. Employer
Identification No.)

7007 NW 77th Ave.
Miami, Florida 33166
(Address of principal executive offices) (Zip Code)

(305) 441-6901
(Company's telephone number, including area code)

Title of each class
Common Stock, par value \$0.0001 per share

Trading Symbol(s)
SBSAA

Name of each exchange on which registered
OTC Pink Market

Transfer Agent
Broadridge Corporate Solutions, Inc.
51 Mercedes Way
Edgewood, New York 11717

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FINANCIAL

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	2022	2021	2022	2021
Net revenue	\$ 37,515	\$ 36,174	\$ 77,911	\$ 60,817
Operating expenses:				
Engineering and programming	9,353	7,634	17,759	15,260
Selling, general and administrative	18,068	13,429	39,564	26,545
Corporate expenses	4,632	2,894	8,508	5,368
Depreciation and amortization	809	769	1,602	1,562
Total operating expenses	32,862	24,726	67,433	48,735
Gain on the disposal of assets	(2)		(13)	(198)
Recapitalization costs				420
Other operating income		(1,190)		(9)
Operating income	4,655	12,638	10,491	11,869
Other expenses:				
Interest expense	(8,063)	(8,162)	(16,286)	(16,027)
Dividends on Series B preferred stock classified as interest expense				(1,323)
Income (Loss) before income tax	(3,408)	4,476	(5,795)	(5,481)
Income tax expense (benefit)	(829)	106	(1,544)	(573)
Net income (loss)	\$ (2,579)	\$ 4,370	\$ (4,251)	\$ (4,908)

Class A and B net income (loss) per common s4(t)281(e)-4(1 0 0 1 2 48()TJE.5 378)-20(op)

See accompanying notes to the unaudited condensed consolidated financial statements.

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Six Months Ended	
	June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (4,251)	\$ (4,908)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Dividends on Series B preferred stock classified as interest expense		1,323
Gain on the disposal of assets, net of disposal costs	(13)	
Gain on insurance proceeds received for damage to equipment		(198)
Stock-based compensation	125	1
Depreciation and amortization	1,602	1,562
Net barter income	(104)	(19)
Provision for trade doubtful accounts	102	554
Amortization of deferred financing costs	954	713
Deferred income taxes		(1,366)
Unearned revenue-barter	422	135
Changes in operating assets and liabilities:		
Trade receivables	12,598	3,561
Prepaid expenses and other current assets	937	(2,361)
Other assets	272	954
Accounts payable and accrued expenses	(5,743)	(829)
Accrued interest	180	9,732
Other liabilities	(655)	(390)
Net cash provided by operating activities	<u>6,426</u>	<u>8,464</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,872)	(1,408)
Acquisition of radio stations and related assets	(12,663)	
Insurance proceeds received for damage to equipment	386	198
Proceeds from the sale of property and equipment	10	
Net proceeds towards FCC repack assets		69
Net cash used in investing activities	<u>(14,139)</u>	<u>(1,141)</u>
Cash flows from financing activities:		
Proceeds from 9.75% senior secured notes due 2026		310,000
Payment of financing fees		(9,510)
Payment of 12.5% senior secured notes		(249,864)
Repurchase and redemption Series B preferred stock		(69,715)
Net cash used in financing activities		<u>(19,089)</u>
Net decrease in cash and cash equivalents	<u>(7,713)</u>	<u>(11,766)</u>
Cash and cash equivalents at beginning of period	16,243	28,178
Cash and cash equivalents at end of period	<u>\$ 8,530</u>	<u>\$ 16,412</u>
Supplemental cash flows information:		
Interest paid	\$ 15,153	\$ 5,418
Income tax paid with cash	\$ 3,980	\$ 1,204
Noncash investing and financing activities:		
Gain on repurchase of Series B preferred stock	\$	\$ 118,732
Common stock issuance in settlement of Series B preferred stock	\$	\$ 7,660

See accompanying notes to unaudited condensed consolidated financial statements.

Other revenues recognized during the three and six months ended June 30, 2022 that were included in unearned revenue balances at the beginning of the period were not significant.

At June 30, 2022 there was \$0.8 million of variable consideration in the form of agency based volume discounts accrued as contract liabilities within accrued expenses as compared to \$1.7 million and \$1.4 million for the quarter ended March 31, 2022 and the year ended December 31, 2021, respectively. Variable consideration in the form of agency-based volume discounts of \$0.3 million and \$0.6 million were recognized and recorded as contract liabilities within accrued expenses during the three and six months ended June 30, 2022, respectively.

	Class A	Class B	Series C	Class A	Class B	Series C
Basic net loss per share:						
Numerator						
Allocation of undistributed earnings	\$ (2,632)	\$ (1,222)	\$ (397)	\$ (2,857)	\$ (1,548)	\$ (503)
Denominator						
Number of shares used in per share computation (as converted)	5,042	2,340	760	4,318	2,340	760
Basic net loss per share	\$ (0.52)	\$ (0.52)	\$ (0.52)	\$ (0.66)	\$ (0.66)	\$ (0.66)

Diluted net loss per share:

Numerator						
Allocation of undistributed earnings	\$ (2,632)	\$ (1,222)	\$ (397)	\$ (2,857)	\$ (1,548)	\$ (503)
Denominator						
Number of shares used in basic computation	5,042	2,340	760	4,318	2,340	760

In conjunction with the settlement of the 10 ¾% Series B Cumulative Exchangeable Redeemable Preferred Stock Series B Preferred Stock

6. Operating Segments

We have two reportable segments: radio and television. The following summary table presents separate financial data for each of our operating segments (in thousands):

	2022	2021	2022	2021
Net revenue:				
Radio	\$ 35,047	\$ 33,052	\$ 73,078	\$ 54,807
Television	2,468	3,122	4,833	6,010
Consolidated	\$ 37,515	\$ 36,174	\$ 77,911	\$ 60,817
Engineering and programming expenses:				
Radio	\$ 7,187	\$ 5,558	\$ 13,416	\$ 11,097
Television	2,166	2,076	4,343	4,163
Consolidated	\$ 9,353	\$ 7,634	\$ 17,759	\$ 15,260
Selling, general and administrative expenses:				
Radio	\$ 16,439	\$ 11,890	\$ 36,585	\$ 23,469
Television	1,629	1,539	2,979	

	June 30, 2022	December 31, 2021
Total Assets:		
Radio	\$ 394,088	\$ 401,235
Television	33,510	34,903
Corporate	7,586	8,446
Consolidated	<u>\$ 435,184</u>	<u>\$ 444,584</u>

7. \$310 Million Senior Secured Notes Due 2026 and Revolving Credit Facility

a) \$ 310 million Senior Secured Notes Due 2026

On February 17, 2021, the Company completed its private offering of \$310.0 million aggregate principal amount of its 9.75% Senior Secured Notes. Interest on the Notes accrues at the rate of 9.75% per annum and is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021. The Notes will mature on March 1, 2026, unless earlier redeemed or repurchased. Prior to September 1, 2023, the Company will be subject to certain premiums, as defined in the Indenture, for certain optional redemption of some or all of the Notes. Further, at any time on or prior to September 1, 2023, we may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings. In addition, we may redeem the Notes with the proceeds of certain asset sales. If we experience certain change of control events, noteholders may require us to repurchase all or part of their Notes at 101% of the sum of the principal amount of the Notes, plus any other interest that is accrued and unpaid to, but not including, the repurchase date.

We used the net proceeds of this offering along with cash on hand to (i) repay the outstanding principal amount of the 12.5% Senior Secured Notes due 2017, (ii) repurchase 85,265 shares of our Series B Preferred Stock pursuant to certain agreements entered with holders of 94.16% of our Series B Preferred Stock, (iii) redeem the remaining outstanding 5,283 shares, or 5.84% of our Series B

Business Drivers and Financial Statement Presentation

The following discussion provides a brief description of certain key items that appear in our consolidated financial statements and general business factors that impact these items.

Operating Expenses Description and Factors

Our operating expenses consist primarily of (1) engineering and programming expenses, (2) selling, general and administrative

Comparison Analysis of the Operating Results for the Three Months Ended June 30, 2022 and 2021

The following summary table presents separate financial data for each of our operating segments (in thousands).

	Three Months Ended	
	June 30,	
	2022	2021
Net revenue:		
Radio	\$ 35,047	\$ 33,052
Television	2,468	3,122
Consolidated	<u>\$ 37,515</u>	<u>\$ 36,174</u>
Engineering and programming expenses:		
Radio	\$ 7,187	\$ 5,558
Television	2,166	2,076
Consolidated	<u>\$ 9,353</u>	<u>\$ 7,634</u>
Selling, general and administrative expenses:		
Radio	\$ 16,439	\$ 11,890
Television	1,629	1,539
Consolidated	<u>\$ 18,068</u>	<u>\$ 13,429</u>
Corporate expenses:	<u>\$ 4,632</u>	<u>\$ 2,894</u>
Depreciation and amortization:		
Radio	\$ 383	\$ 351
Television	331	319
Corporate	95	99
Consolidated	<u>\$ 809</u>	<u>\$ 769</u>
Gain on the disposal of assets, net:		
Radio	\$ (2)	\$
Television		
Corporate		
Consolidated	<u>\$ (2)</u>	<u>\$</u>
Other operating income:		
Radio	\$	\$ (1,164)
Television		
Corporate		(26)
Consolidated	<u>\$</u>	<u>\$ (1,190)</u>
Operating income (loss):		
Radio	\$ 11,040	\$ 16,417
Television	(1,658)	(812)
Corporate	(4,727)	(2,967)
Consolidated	<u>\$ 4,655</u>	<u>\$ 12,638</u>

The following summary table presents a comparison of our operating results of operations for the three months ended June 30, 2022 and 2021. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

	Three Months Ended	
	June 30,	
	2022	2021
Net revenue	\$ 37,515	\$ 36,174
Engineering and programming expenses	9,353	7,634
Selling, general and administrative expenses	18,068	13,429
Corporate expenses	4,632	2,894
Depreciation and amortization	809	769
Gain on the disposal of assets	(2)	
Other operating income		(1,190)
Operating income	4,655	12,638
Interest expense	(8,063)	(8,162)
Income tax expense (benefit)	(829)	106
Net income (loss)	<u>\$ (2,579)</u>	<u>\$ 4,370</u>

Overview

Other Operating Income

The change in other operating income of \$1.2 million was the result of the recognition of a one-time payment of \$1.2 million related to the transition to a new national sales representative agreement in the prior period.

Operating Income

The decrease in operating income of 63% was primarily due to the increase in operating and corporate expenses and the decrease in other

Comparison Analysis of the Operating Results for the Six Months Ended June 30, 2022 and 2021

The following summary table presents separate financial data for each of our operating segments (in thousands).

	2022	2021
Net revenue:		
Radio	\$ 73,078	\$ 54,807
Television	4,833	6,010
Consolidated	\$ 77,911	\$ 60,817
Engineering and programming expenses:		
Radio	\$ 13,416	\$ 11,097
Television	4,343	4,163
Consolidated	\$ 17,759	\$ 15,260
Selling, general and administrative expenses:		
Radio	\$ 36,585	\$ 23,469
Television	2,979	3,076
Consolidated	\$ 39,564	\$ 26,545
Corporate expenses:		
	\$ 8,508	\$ 5,368
Depreciation and amortization:		
Radio	\$ 753	\$ 699
Television	659	662
Corporate	190	201
Consolidated	\$ 1,602	\$ 1,562
Gain on the disposal of assets, net:		
Radio	\$ (2)	\$
Television	(11)	(198)
Corporate		
Consolidated	\$ (13)	\$ (198)
Recapitalization costs:		
Radio	\$	\$
Television		
Corporate		420
Consolidated	\$	\$ 420
Other operating (income) expense:		
Radio	\$	\$ 17
Television		
Corporate		(26)
Consolidated	\$	\$ (9)
Operating income (loss):		

Recapitalization Costs

Recapitalization costs decreased \$0.4 million due to our successful refinancing efforts which concluded in February 2021.

Operating Income

The decrease in operating income of 12% was primarily due to the increase in operating and corporate expenses partially offset by the increase in net revenue and the decrease in recapitalization costs.

Interest expense

Interest expense increased \$0.3 million or 2% primarily due to increased amortization of deferred financing costs related to our 2021 refinancing.

Income Tax Benefit

The increase in income tax benefit of \$1.0 million was primarily the result of the lack of the release of a valuation allowance on certain US and Puerto Rico deferred tax assets during the second quarter of 2021.

Net Loss

The decrease in net loss of \$0.7 million or 13% was primarily due to the increase in operating and corporate expenses, partially offset by the increase in net revenue, the lack of recapitalization costs and the increase in income tax benefit recognized during the period.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of June 30, 2022 and, as of the date of this Quarterly Financial Reporting Package, are as follows:

- Our senior secured asset-based revolving credit facility provides for borrowings of up to \$15.0 million which is currently undrawn. We intend to use these funds to finance working capital needs and other general corporate purposes, as necessary.
- During the year ended December 31, 2021, the Company determined that it was eligible under the American Rescue Plan Act and filed amendments to its payroll tax returns for \$4.7 million of ERC assistance benefit as a direct offset and

Record Holders

As of June 30

