Quarterly Financial Reporting Package

For the period ended June 30, 2024

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FINANCIAL INFORMATION

Financial Statements - Unaudited

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except share data)

June

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Local, national, digital and network	$ 37,380	$ 37,120	$ 69,962	$ 68,858
Special events	3,686	7	6,135	5,905
Barter	1,586	1,696	2,851	2,664
Other	624	1,538	987	1,736
Gross revenue	$ 43,276	$ 40,361	$ 79,935	$ 79,163
Less: Agency commissions	4,776	4,914	9,111	9,169
Net revenue	$ 38,500	$ 35,447	$ 70,824	$ 69,994

Nature of Products and Services

a) Local, national, digital and network advertising

Local and digital revenues generally consist of advertising airtime sold in a station's local market, or streamed on the Company's LaMusica application, its websites or third party sites either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid programming (or infomercials). National revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by an outside national representation firm, which serves as an agent in these transactions. Revenues from national advertisers are presented as net of agency commissions as this is the amount that the Company expects to be entitled to receive in exchange for these services and entitled to under the contract. Network revenue generally consists of advertising airtime sold on the AIRE Radio Networks platform by our network sales staff.

A contract for local, national, digital and network advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, or in the case of certain digital products to deliver a

c) Barter advertising

Barter sales agreements are

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.

The Notes rank equally with all our existing and future senior indebtedness and senior to all our existing and future subordinated indebtedness. The Notes and related guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables but excluding intercompany liabilities) of each of our non-guarantor subsidiaries. The Notes and the related guarantees will be secured on a first-priority basis (other than with respect to certain ABL Priority Collateral securing a Revolving Credit Facility) by a security interest in certain of our and the guarantors' existing and future tangible and intangible assets, subject to certain excluded assets. The Notes and related guarantees will be effectively senior to all of our and our guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional debt and issue certain preferred stock, (ii) pay certain dividends on, repurchase or make distributions in respect of their capital stock or make other restricted payments, (iii) make certain investments, (iv) sell or exchange certain assets, (v) enter into transactions with affiliates, (vi) create certain liens and (vii) consolidate, merge or transfer all or substantially all of their assets. These covenants are subject to several exceptions, limitations and qualifications as set forth in the Indenture. The Indenture does not contain any financial covenants.

The Indenture also contains customary events of default including, but not limited to, nonpayment, breach of covenants, and payment or acceleration defaults in certain other indebtedness of the Company or certain of its subsidiaries. Upon an event of default, the holders of not less than 25% in principal amount of the then-outstanding Notes may declare the Notes immediately due and payable,

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Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

We are a leading Spanish-language media and entertainment company with radio operations, together with live concerts and

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Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements

Operating Income from Continuing Operations

The increase in operating income from continuing operations of $3.6 million or 66% was primarily due to an increase in net revenue from continuing operations and a decrease in corporate expenses partially offset by an increase in operating expenses.

Income Tax (Benefit) Expense

The increase in income tax expense of $2.2 million was primarily due to an increase in the pre-tax book income compared to the prior year.

Income (loss) from Continuing Operations

Income from continuing operations of $0.5 million was primarily due to the increase in operating income from continuing operations partially offset by an increase in income tax expense.

Loss from Discontinued Operations

The decrease in loss from discontinued operations of $6.9 million was primarily due to a decrease in income tax expense.

Net loss

The decrease in net loss of $8.2 million or 96% was primarily due to the decrease in loss from discontinued operations and the generation of income from continuing operations.

Comparison Analysis of the Operating Results for the Six Months Ended June 30, 2024 and 2023

The following summary table presents a comparison of our operating results for the six months ended June 30, 2024 and 2023 (in thousands). Operational and financial results related to the held for sale assets of the television segment, have been reclassified from continuing operations to discontinued operations in the current and prior year. 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.

	Six Months Ended June 30,	
	2024	2023
Net revenue from continuing operations	$ 70,824	$ 69,994
Operating expenses	51,263	53,230
Corporate expenses	4,808	7,325
Depreciation and amortization	1,150	1,125
Loss on the disposal of assets	—	104
Other operating expenses	—	335
Operating income from continuing operations	13,603	7,875
Other expenses:		
Interest expense, net	(16,241)	(16,154)
Loss from continuing operations before income taxes	(2,638)	(8,279)
Income tax benefit	(676)	(3,673)
Loss from continuing operations	(1,962)	(4,606)
Loss from discontinued operations, net of tax	(5)	(6,537)
Net loss	$ (1,967)	$ (11,143)

Operating Income from Continuing Operations

The increase in operating income from continuing operations of $5.7 million or 73% was primarily due to a decrease in corporate and operating expenses and an increase in net revenue from continuing operations.

Income Tax Benefit

The decrease in income tax benefit of $3.0 million or 82% was primarily due to a decrease in the pre-tax book loss compared to the prior year.

Loss from Continuing Operations

The decrease in loss from continuing operations of $2.6 million or 57% was due to the increase in operating income from continuing operations offset by a decrease in income tax benefit.

Loss from Discontinued Operations

The decrease in loss from discontinued operations of $6.5 million was primarily due to a decrease in income tax expense and the settlement of the Voz Media, Inc. lawsuit.

Net Loss

The decrease in net loss of $9.2 million or 82% was primarily due to the decrease in loss from both discontinued and continuing operations.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of June 30, 2024 and, as of the date of this Quarterly Financial Reporting Package, are as follows:

Our senior secured asset-based revolving credit facility (the "Revolver") provides for borrowings of up to $15.0 million and is currently limited to $7.5 million as discussed in Note 6b. The Company drew down $4.9 million on February 28, 2024 which bears interest of SOFR plus 2.25%. As of June 30, 2024, the Company's outstanding balance and its current amount outstanding on the Revolver is $4.9 million. We use the borrowings on the Revolver to finance working capital needs and other general corporate purposes, as necessary. The revolving credit facility matures on February 17, 2025.

On September 20, 2023, the Company terminated the Purchase Agreements to sell substantially all its television and certain real estate assets to Voz Media, Inc. ("Voz Media") for $64.0 million because Voz Media did not cure its material breach to timely close on the transaction when notified by the Company. On October 10, 2023, the Company filed a lawsuit related to the contemplated sale of its Mega TV television network and other related assets to Voz Media, Inc. The Company settled with Voz Media and recovered monetary damages against the plaintiffs during the six months ended June 30, 2024.

The Company continues to pursue the sale of these television and real estate assets. The Company expects the assets to be sold within one year.

On April 3, 2023, the Company entered into an asset purchase agreement to acquire an FM radio broadcast station serving the Houston, Texas radio market. The purchase price is equal to $7.5 million plus or minus certain customary prorations and adjustments. On April 5, 2023, pursuant to the purchase agreement and the related escrow agreement, SBS SouthWest deposited approximately $0.4 million into an escrow account. SBS Southwest and Sugarland Station Trust, LLC, (the trustee charged with the management and sale of KROI(FM) on behalf of Radio One) have entered into amendments to the purchase agreement providing the Company the right to delay the closing until a date that is no later than the first to occur of: (a) the date that is five business days prior to the last day that the FCC Consent is in effect, and (b) November 27, 2024. In accordance with our subsequent amendments to the purchase agreement, we have released the initial deposit of $0.4 million from escrow and made additional payments of $5.2 million, as of July 31, 2024, which are all appliable towards the purchase price. The remaining $1.9 million of payments are scheduled as follows: $0.3 million before September 30, 2024, $0.5 million by October 31, 2024 and $1.1 million by the first to occur of the closing or November 27, 2024.

Although we have access to our revolving credit facility, our primary source of liquidity is our current cash and our cash flows from operations. Our cash flows from operations are subject to factors impacting our customers and target audience, such as overall advertising demand, shifts in population, listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media.

Our strategy is to primarily utilize our available cash to meet our ordinary operating obligations, as well as availability under the revolving credit facility (as needed). Assumptions which underlie management's beliefs with respect to operating activities include the following:

we will continue to successfully implement our business strategy,

we will sell our television and related real estate assets,

we will use our available cash to fund our operations and pay our expenses (including interest on the Notes), and

we will not incur any material unforeseen liabilities, including but not limited to taxes, en8 (e)-1 (w)-0.(n)0.9 (8 (e)-1 0.9 (t)2.7 (3.

Net Cash Flows Provided by (Used In) Investing Activities

Changes in our net cash flows from investing activities were primarily the result of

Special Note Regarding Forward-Looking Statements

This Financial Reporting Package contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Spanish Broadcasting System, Inc. and Subsidiaries intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions. These forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this Financial Reporting Package. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations.

"Forward-looking" statements represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments, and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forwardwith FCC regulations and policies, our business may be materially impaired; there is significant uncertainty regarding the FCC's media ownership rules, and any changes to such rules could restrict our ability to acquire broadcast stations; we may be adversely affected by comprehensive tax reform; and new or changing federal, state or international privacy legislation or regulation could hinder the growth of our internet business. We do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances, except as required by law.