Quarterly Financial Reporting Package
For the period ended September 30, 2021

Spanish Broadcasting System, Inc.

Table of Contents

FINANCIAL INFORMATION

Financial Statements - Unaudited

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

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 8,467	$ 28,178
Receivables:		
Trade	42,059	45,145
Barter	175	189
	42,234	45,334
Less allowance for doubtful accounts	2,930	3,411
Net receivables	39,304	41,923
Prepaid expenses and other current assets	8,587	6,529
Total current assets	56,358	76,630
Property and equipment, net of accumulated depreciation of $64,704 in 2021 and $62,579 in 2020	21,387	21,651
FCC broadcasting licenses	297,179	297,179
Goodwill	32,806	32,806
Operating lease right-of-use assets	19,481	20,509
Other assets	1,416	2,444
Total assets	$ 428,627	$ 451,219
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 20,054	$ 19,677
Accrued interest	2,815	1,784
Unearned revenue	1,203	943
Operating lease liabilities	941	824
Current portion of 10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: no shares issued and outstanding at September 30, 2021 and 90,549 shares issued and outstanding at December 31, 2020 and no dividends payable as of September 30, 2021 and $104,234 of dividends payable as of December 31, 2020. (Note 8)	—	137,435
Total current liabilities	25,013	160,663
Operating lease liabilities - net of current portion	20,332	21,023
9.75% Senior Secured Notes due 2026, net of deferred financing costs of $8,340 in 2021	301,660	—
12.5% senior secured notes (Note 7)	—	249,864
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding, $0.01 par value, liquidation value $1,000 p9.5(r)23.66e(		

Transaction Price Allocated to the Remaining Performance Obligation

The Company has elected to use the optional exemption in ASC 606-10-50-14 regarding disclosing balances associated with remaining performance obligations. Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less, contracts where revenue is recognized as invoiced and contracts with variable consideration related to undelivered performance obligations, is not material.

Assets Recognized from the Costs to Obtain a Contract with a Customer

ASC 606 requires that the Company capitalize incremental costs of obtaining a contract such as sales commissions. The guidance provides certain practical expedients that limit this requirement. The Company has elected to use the practical expedient in ASC 340-40-25-4 which allows us to recognize the incremental cost of obtaining a contract, such as sales commissions paid to our employees, as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

3. Basic and Diluted Net Income (Loss) Per Common Share

In calculating net income (loss) per share, the Company follows the two-class method, which distinguishes between classes of securities based on the proportionate participation rights of each security type in the Company's undistributed net income (loss). The Company's Class A common stock, Class B common stock and Series C convertible preferred stock share equally on an as-converted basis with respect to net income (loss).

Basic net income (loss) per common share was computed by dividing net income (loss) availas Bincome (laQ4 cost

	Nine Months Ended September 30,					
	2021			2020		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic net loss per share:						
Numerator						
Allocation of undistributed earnings	$ (2,393)	$ (1,260)	$ (409)	$ (16,729)	$ (9,230)	$ (2,997)
Denominator						
Number of shares used in per share computation (as converted)	4,446	2,340	760	4,242	2,340	760
Basic net loss per share	$ (0.54)	$ (0.54)	$ (0.54)	$ (3.94)	$ (3.94)	$ (3.94)
Diluted net loss per share:						
Numerator						
Allocation of undistributed earnings	$ (2,393)	$ (1,260)	$ (409)	$ (16,729)	$ (9,230)	$ (2,997)
Denominator						
Number of shares used in basic computation	4,446	2,340	760	4,242	2,340	760
Weighted-average impact of dilutive equity instruments	—	—	—	—	—	—
Number of shares used in per share computation (as converted)	4,446	2,340	760	4,242	2,340	760
Diluted net loss per share	$ (0.54)	$ (0.54)	$ (0.54)	$ (3.94)	$ (3.94)	$ (3.94)
Common stock equivalents excluded from calculation of diluted net loss per share as the effect would have been anti-dilutive:	405	—	—	370	—	—

In conjunction with the settlement of the Series B Preferred Stock, the Company has reserved 1,939,365 (adjusted for fractional shares) shares of its Class A common stock. As of the quarter ended September 30, 2021, the Company issued 455,458 shares of Class A common stock to the Settling Series B Preferred Holders in accordance with the terms and conditions of the Series B Purchase Agreement. The remaining 1,483,907 reserved shares were not included in calculating basic or diluted net income (loss) per share as of September 30, 2021.

4. Stockholders' Equity (Deficit)

The changes in stockholder's equity (deficit) for the three- and nine-months period ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning balance	$ 16,072	$ (104,792)	$ (105,412)	$ (80,297)
Net income (loss)	846	(4,458)	(4,062)	(28,956)
Stock-based compensation	—	1	1	4
Derecognition of Series B preferred stock	(16)	—	126,375	—
Ending balance	$ 16,902	$ (109,249)	$ 16,902	$ (109,249)

5. Commitments and Contingencies

We are subject to certain legal proceedings and claims that have arisen in the ordinary course of business and have not been

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Capital expenditures:				
Radio	$ 354	$ 332	$ 926	$ 1,415
Television	424	96	881	334
Corporate	28	38	407	227
Consolidated	$ 806	$ 466	$ 2,214	$ 1,976

	September 30, 2021	December 31, 2020
Total Assets:		
Radio	$ 385,857	$ 406,320
Television	38,521	41,283
Corporate	4,249	3,616
Consolidated	$ 428,627	$ 451,219

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, or in certain circumstances, the Notes automatically will become due and immediately payable.

b) New Revolving Credit Facility

Concurrently with the completion of the Notes offering, we entered a new senior secured asset-based revolving credit facility, providing for borrowings of up to $15.0 million subject to compliance with a "borrowing base." We in04 Tc -0.48 570

10. Fair Value Measurement Disclosures

(a) Fair Value of Financial Instruments

Cash and cash equivalents, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the consolidated financial statements, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of [illegible] current [illegible] in:

expenses for which the loan was used are operational in nature. On April 6, 2021, the SBA informed the Company that its Paycheck Protection Program Loan of $6.5 million had been forgiven in its entirety.

The Company applied for and during the quarter ended June 30, 2021 was granted a Second Draw PPP Loan in the amount of $2.0 million, which was utilized to pay for and maintain employment and compensation levels as required by the CARES Act for the loan to be forgiven. As in the prior year, the Company has accounted for the PPP Loan under International Accounting Standard 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") as the Company believes it has met the eligibility criteria and that the PPP loan represents, in substance, a grant that is expected to be forgiven as it has used the proceeds to maintain employment and compensation levels and pay benefits and in accordance with the IAS 20 guidance.

The Company's Second Draw PPP Loan may be subject to a review by the Small Business Administration for compliance with the PPP program requirements. If all or a portion of the PPP Loan is not forgiven, all or the remaining portion will be for a term of five years but can be prepaid at any time prior to maturity without any prepayment penalties. The annual interest rate on the PPP Loan is 1.0% and no payments of principal or interest are due until the date that the Small Business Administration remits the loan forgiveness amount to our lender. The Company has applied for forgiveness of the loan and is awaiting the SBA's decision.

The Company incurred eligible technical and programming, selling and administrative, and corporate payroll related expenr Bdj EMC

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 and television operations, together with live concerts and events, mobile, digital, and interactive media platforms, which reach the growing U.S. Hispanic population, including Puerto Rico. We produce and distribute original Spanish-language content, including radio programs, television shows, music, and live entertainment through our multi-media platforms. We operate in two reportable segments: radio and television.

We own and operate radio stations located in some of the top Hispanic markets in the United States: Los Angeles, New York, Puerto Rico, Chicago, Miami, and San Francisco. The Los Angeles and New York markets have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. We format the programming of each of our radio stations to capture a substantial share of the Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable ethnic groups from many different countries of origin, and each ethnic group has its own musical and cultural heritage. Since the music, culture, customs, and Spanish dialects vary from one radio market to another, we strive to maintain familiarity with the musical tastes and preferences of each of the various Hispanic ethnic groups. To accommodate and monetize such diversity, we customize our programming to match the local preferences of our target demographic audience in each market we serve. In addition to our owned and operated radio stations, we operate AIRE Radio Networks, which covers 95% of the coveted U.S. Hispanic market and reaches over 15 million listeners in an average week. AIRE Radio Networks is comprised of top-rated stations and shows attracting a broad range of quality listeners allowing a particularly Raúl Alarcón, Chairman of our Board of Directors and Chief Executive Officer, could have a material adverse effect on our business.

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.

Net Revenue Description and Factors

Our net revenue is primarily derived from the sale of advertising airtime to local, national and network advertisers. Net revenue is gross revenue less agency commissions, which are generally 15% of gross revenue.

- Local and digital revenue generally consists of advertising airtime sold in a station's local market, as well as the sale of advertising airtime during the streaming of our radio stations, the LaMusica application and our websites 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). For the nine months ended September 30, 2021 and 2020, local and digital revenue comprised 70%

and various other non-broadcast related revenues. For the nine months ended September 30, 2021 and 2020, other revenue comprised 2% and 3% of our gross revenues, respectively.

Operating Expenses Description and Factors

Our operating expenses consist primarily of (1) engineering and programming expenses, (2) selling, general and administrative and (3) corporate expenses.

- *Engineering and programming expenses*. Engineering and programming expenses are related to the delivery and creation of our programming content on the air. These expenses include compensation and benefits for employees involved in engineering and programming, transmitter-related expenses, originally produced content, on-air promotions, acquired programming, music license fees, and other expenses.
- *Selling, general and administrative expenses*. Selling, general and administrative expenses are related related)¢žÑY$í %0ß#)í ’NÐ™

Comparison Analysis of the Operating Results for the Three Months Ended September 30, 2021 and 2020

The following summary table

	Three Months Ended September 30,	
	2021	2020
Net revenue	$ 38,959	$ 29,954
Engineering and programming expenses	9,111	7,278
Selling, general and administrative expenses	16,305	12,114
Corporate expenses	3,538	2,128
Depreciation and amortization	797	782
Loss on the disposal of assets	—	(133)
Recapitalization costs	—	1,206
Other operating expense	1	—
Operating income	9,207	6,579
Interest expense	(7,627)	(7,867)
Dividends on Series B preferred stock classified as interest expense	—	(2,434)
Amortization of deferred financing costs	(479)	—
Income tax expense	255	736
Net income (loss)	$ 846	$ (4,458)

Net Revenue

The increase in our consolidated net revenues of $9.0 million or 30% was due to an increase in our radio segment offset by a decrease in our television segment. Our radio net revenue increased $10.9 million or 43% due to increases in all cash advertising revenue streams which continue to improve sequentially quarter-over-quarter. Our television net revenue decreased approximately $1.9 million, due to lower local and national revenues ps rimarily related to a dedcreaste (esp206iTa w 0.337 0 Td [3n8(le)-2.80.001 Tc 71asr206 esr

Interest Expense

The decrease in interest expense of $0.2 million or 3% was primarily due to the decrease in the interest associated with the new 9.75% senior secured notes due 2026 as compared to the interest expense associated with the 12.5% senior secured notes that were previously outstanding.

Dividends on Series B Preferred Stock Classified as Interest Expense

The decrease of dividends on Series B preferred stock classified as interest expense of $2.4 million was due to the repurchase and redemption of the Series B preferred stock during the first quarter of 2021.

Amortization of Deferred Financing Costs

The increase in amortization of deferred financing costs of $0.5 million was due to the amortization of deferred financing costs, which is recognized as interest, associated with the new 9.75% senior secured notes due 2026.

Income Tax Expense

The decrease of $0.5 million of income tax expense as compared to the same quarter in the prior year was due to an increase in current taxes resulting from the interest disallowance partially offset by certain defer

The following summary table presents a comparison of our results of operations for the nine months ended

Corporate Expenses

Corporate expenses increased $2.3 million or 35% primarily due to increases in compensation and outside services, partially offset by a decrease in directors and officers insurance. For the nine months ended September 30, 2021 and 2020, PPP proceeds of $0.1 million and $0.6 million, respectively, were used to offset and reduce corporate expenses.

Gain on the Disposal of Assets

The decrease of $3.1 million in gain on disposal of assets was primarily related to the sale of our Houston television assets in the prior year.

Recapitalization Costs

The decrease of $3.5 million in recapitalization costs was due to our successful refinancing efforts which concluded in February 2021.

Impairment Charges

The decrease in impairment charges of $14.4 million was due to having recognized impairment charges related to various of our radio FCC broadcasting licenses in the prior year.

Operating Income

The increase in operating income of $20.9 million was primarily due to the increase in net revenues, the lack of impairment charges during the period and the decrease in recapitalization costs, which were partially offset by increases in engineering, programming, selling, general and administrative, corporate expenses, and the decrease in gains on the disposal of assets.

Interest Expense

The decrease in interest expense of $0.8 million or 3% was primarily due to the decrease in the interest associated with the new 9.75% senior secured notes due 2026 as compared to the interest expense associated with the 12.5% senior secured notes that were previously outstanding.

Dividends on Series B Preferred Stock Classified as Interest Expense

The decrease of dividends on Series B preferred stock classified as interest expense of $6.0 million was due to the repurchase and redemption of the Series B preferred stock during the first quarter of 2021.

Amortization of Deferred Financing Costs

The increase in amortization of deferred financing costs of $1.2 million was due to the amortization of deferred financing costs, which is recognized as interest, associated with the new 9.75% senior secured notes due 2026.

Income Tax Benefit

The decrease of income tax benefit of $1.5 million from the prior year was primarily a result of recording a valuation allowance on certain tax attributes that are expected to be limited as a result of an ownership change that occurred during the first quarter of 2021, partially offset by a release of a valuation allowance on certain US and Puerto Rico deferred tax assets that are now expected to be realized.

Net Loss

The decrease in net loss of $24.9 million was primarily due to the increase in operating income and the reduction of the dividends on Series B preferred stock which were previously classified as interest expense.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of September 30, 2021 and, as of the date of this Quarterly Financial Reporting Package, are as follows:

- The Company fully repaid the outstanding Notes balance of $249.9 million on February 17, 2021, when it completed its offering of $310 million, in aggregate principal amount of 9.75% Senior Secured Notes due 2026 (the "2026 Notes").
- On February 5, 2021, the Company entered into the Series B Settlement Agreement and Series B Purchase Agreement with holders owning 85,265 shares, or 94.16%, of our Series B Preferred Stock (the "Selling Series B Preferred Holders"). Pursuant to the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to fully resolve and settle all claims and causes of action arising out of, or related to, the Preferred Holder Complaint or the Series B Preferred Stock. We entered into the Series B Purchase Agreement with the Selling Series B Preferred Holders whereby we purchased from the Selling Series B Preferred Holders 85,265 shares of Series B Preferred Stock for: (i) their pro rata share of an aggregate cash purchase price of $60 million (pro rata share calculated based upon 90,548 shares of Series B Preferred Stock) and (ii) their pro rata share of 1,939,365 (adjusted for fractional shares) shares, or 19.99%, of our Class A Common Stock (pro rata share calculated based upon 85,265 shares of Series B Preferred Stock). We originally reserved the 1,939,365 (adjusted for fractional shares) shares of Class A Common Stock and will issue to each Selling Series B Preferred Stockholder their pro rata shares subject to receipt of appropriate certifications and/or requisite regulatory approval; to date 455,458 shares of the reserved Class A common stock have been issued. With respect to the remaining 5.84%, or 5,283 shares, of Series B Preferred Stock, on March 18, 2021, we redeemed such shares of Series B Preferred Stock at a price equal to 100% of the liquidation preference plus all accumulated and unpaid dividends per share to, but excluding, the date of redemption in accordance with the Certificate of Designations.
- Concurrently with the completion of the Notes offering, we entered a new senior secured asset-based revolving credit facility, providing for borrowings of up to $15.0 million which we intend to use to finance working capital needs and other general corporate purposes. The New Revolving Credit Facility is currently undrawn.
- During the nine months ended September 30, 2021, the SBA informed the Company that the previously granted Paycheck Protection Program Loan of $6.5 million had been forgiven in its entirety and the Company was also granted a Second Draw PPP Loan in the amount of $2.0 million, which were both utilized to pay for and maintain employment and compensation levels as required by the CARES Act for the loans to be forgiven. These funds helped support the Company's ongoing operations which provide vital information and entertainment to Latino communities.

Although we have access to a $15 million 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 cash flows from operations to meet our ordinary course 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:

- the significant deterioration in economic conditions and demand for advertising within the broadcasting industry due to the COVID-19 pandemic has continued to steadily improve. The Company has experienced sequential month-to-month improvements during the current year.
- we will continue to successfully implement our business strategy
- we will use cash flows from operating activities 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, environmental liabilities, regulatory matters, or legal judgments.

We cannot assure you that these assumptions will be realized.

We have and will continue to evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution, programming, and affiliation agreements in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. We have engaged and will continue to discuss potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business.

The Company applied for and on May 27, 2021 received an unsecured Second Draw PPP Loan in the amount of $2.0 million to avoid near term layoffs and to support the Company's ongoing operations which is providing vital information and entertainment to Latino communities. The Company believes its application was completed in good faith, the proceeds were used to support the Company’s ongoing operations as intended and it met all the criteria for forgiveness. The Company’s Second Draw PPP Loan may be subject to a review by the Small Business Administration for compliance with the PPP program requirements. If all or a portion of the PPP Loan is not forgiven, all or the remaining portion will be for a term of five years but can be prepaid at any time prior to maturity without any prepayment penalties. The annual interest rate on the PPP Loan is 1.0% and no payments of principal or interest are due until the date that the Small Business Administration remits the loan forgiveness amount to our lender. The Company has applied for forgiveness of the loan and is awaiting the SBA’s decision. Refer to Note 12. Coronavirus Aid, Relief, and Economic Security Act (CARES Act), of the Notes to the unaudited condensed consolidated financial statements.

Series C Preferred Stock

We are required to pay holders of Series C convertible preferred stock, $0.01 par value per share (the “Series C preferred stock”) dividends on parity with our Class A common stock and Class B common stock, and each other class or series of our capital stock created after December 23, 2004. Each share of Series C preferred stock is convertible at the option of the holder into two fully paid and non-assessable shares of the Class A common stock. The Series C preferred stockholders have the same voting rights and powers as our Class A common stock on an as-converted basis, subject to certain adjustments. The Certificate of Designations for the Series C preferred stock does not contain a voting right triggering event provision like the one found in the Certificate of Designations for the Series B preferred stock. Each holder of Series C preferred stock (i) has preemptive rights to purchase

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the nine months ended September 30, 2021 and 2020, with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed below. This section should be read in conjunction with the consolidated financial statements and accompanying notes.

	Nine Months Ended September 30,		Change
	2021	2020	$
Capital expenditures:			
Radio	$ 926	$ 1,415	(489)
Television	881	334	547
Corporate	407	227	180
Consolidated	$ 2,214	$ 1,976	238
Net cash flows provided by operating activities	$ 1,362	$ 65	1,297
Net cash flows (used in) provided by investing activities	(1,946)	14,672	(16,618)
Net cash flows used in financing activities	(19,127)	—	(19,127)
Net (decrease) increase in cash and cash equivalents	$ (19,711)	$ 14,737	

Capital Expenditures

Changes in capital expenditures are mostly attributable to the Company investing in transmitter, cybersecurity, communications, studio and technical equipment.

Net Cash Flows Provided by Operating Activities

Changes in our net cash flows provided by operating activities were primarily a result of the Company commencing to make interest payments on its new 9.75% senior secured notes on a semi-annual basis rather than monthly payments on its prior notes and

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. 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.

“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 forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control. Additional risks and uncertainties that we are not aware of or that we currently deem immaterial also may impair our business. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected, and actual results may differ materially depending on a variety of important factors, including, but not limited to the following: we are highly leveraged and our substantial level of indebtedness6.9(a)4.2(lo)12(o