Quarterly Financial Reporting Package

For the period

FINANCIAL

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net revenue from continuing operations	$ 34,547	$ 38,031
Operating expenses from continuing operations:		
Operating expenses	27,730	26,375
Corporate expenses	3,484	3,876
Depreciation and amortization	561	465
Loss on the disposal of assets	9	—
Other operating expenses	335	—
Total operating expenses from continuing operations	32,119	30,716
Operating income from continuing operations	2,428	7,315
Other expenses from continuing operations:		
Interest expense	(8,078)	(8,223)
Income tax benefit	(1,844)	(216)
Loss from continuing operations before discontinued operations	(3,806)	(692)
Income (loss) from discontinued operations, net of tax (Note 9)	1,212	(980)
Net loss	$ (2,594)	$ (1,672)
Class A weighted average common shares outstanding (Note 3)		
Basic and Diluted	5,730	5,042
Class B weighted average common shares outstanding (Note 3)		
Basic and Diluted	2,340	2,340
Series C (as converted) weighted average common shares outstanding (Note 3)		
Basic and Diluted	760	760
Class A, B and Series C (as converted) loss from continuing operations per common share (Note 3)		
Basic and Diluted	$ (0.43)	$ (0.09)
Class A, B and Series C (as converted) income (loss) from discontinued operations per common share (Note 3)		
Basic and Diluted	$ 0.14	$ (0.12)
Class A, B and Series C (as converted) net loss per common share (Note 3)		
Basic and Diluted	$ (0.29)	$ (0.21)

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)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities:		
Net loss	$ (2,594)	$ (1,672)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss (Gain) on the disposal of assets, net of disposal costs	9	(11)
Stock-based compensation	62	62
Depreciation and amortization	673	793
Net barter income	(91)	(287)
Provision for trade doubtful accounts	382	25
Amortization of deferred financing costs	477	477
Unearned revenue-barter	179	126
Changes in operating assets and liabilities:		
Trade receivables	10,475	14,826
Prepaid expenses and other current assets	322	411
Other assets	344	498
Accounts payable and accrued expenses	(2,169)	(2,116)
Accrued interest	(7,749)	(7,386)
Other liabilities	(113)	(804)
Net cash provided by operating activities	207	4,942
Cash flows from investing activities:		
Purchases of property and equipment	(805)	(710)
Deposit on sale of stations	3,800	—
Deposit towards the acquisition of radio stations	—	(1,250)
Insurance proceeds received for damage to equipment	—	72
Proceeds from the sale of property and equipment	—	11
Net cash provided by (used in) investing activities	$ 2,995	(1,877)
Cash flows from financing activities:		
Net cash provided by (used in) financing activities	$ —	$ —
Net increase in cash and cash equivalents	3,202	3,065
Cash and cash equivalents at beginning of period	7,517	16,243
Cash and cash equivalents at end of period	$ 10,719	$ 19,308
Supplemental cash flows information:		
Interest paid	$ 15,228	$ 15,132
Income tax paid with cash	$ —	$ 70

See accompanying notes to unaudited condensed consolidated financial statements.

The following table summarizes revenue from contracts with customers for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Local, national, digital and network	$ 31,738	$ 31,341
Special events	5,898	9,350
Barter	968	1,405
Other	198	242
Gross revenue	$ 38,802	$ 42,338
Less: Agency commissions	4,255	4,307
Net revenue	$ 34,547	$ 38,031

(a) Local, national, digital and network advertising

(c) Barter advertising

Barter sales agreements are primarily used to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services.

A contract for barter advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, each of which is distinct, to be the identified performance obligation. The price as specified on a counterparty's purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs as an advertisement airs or displays.

For the three months ended March 31, 2023 and 2022, barter revenue of $1.0 million and $1.4 million was offset by barter expense of $0.8 million and $0.9 million, respectively.

(d) Other revenue

Other revenue consists primarily of ancillary revenue such as rental income from renting available tower space or sub-channels and various other non-broadcast related revenues. Other revenues related to renting tower space are recognized in accordance with ASC 842 - Leases.

(e) Agency commissions

Agency commissions are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings less their commission to the Company when the advertisement is not placed directly by the advertiser.

As part of its consideration of the existence of contracts, the Company evaluates certain factors including the customer's ability to pay (or credit risk). Advertising contracts are for one year or less. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer.

During the three months ended March 31, 2023, there were $0.5 million of local, national, digital and network revenue recognized that were included in the unearned revenue balances at the beginning of the period.

During the three months ended March 31, 2023, there were $0.2 million of special events revenue recognized that were included in the unearned balances at the beginning of the period.

Barter and other revenue recognized during the three months ended March 31, 2023 that were included in unearned revenue balances at the beginning of the period were not significant.

On March 31, 2023, there were $1.9 million of variable consideration in the form of agency-based volume discounts accrued as contract liabilities within accrued expenses as compared to $1.5 million for the year-

4. Stockholders' Equity

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. At March 31, 2023, the Company had no events of default under the Indenture.

8. Fair Value of Financial Instruments 1786r

Cash and cash equivalents, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the unaudited condensed consolidated financial statements, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of our other long-term debt instruments approximate their carrying amounts as the interest rates approximate our current borrowing rate for si02 Tm0 g0 G -0.0112 Tc[(as)]TJ ET9.96 Tf0000912pl/F2 9.96 Tf1 0 0 1 255.89296.33 [si

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the FCC, which we expect will become available during late second quarter or early third quarter of 2023. Once the FCC's Final Orders are deemed rendered and all closing conditions are met, the Company expects to close the transaction within five (5) business days, unless otherwise agreed to by the parties. Although there can be no assurance that this sale will be completed, the Company expects to recognize a gain, net of closing costs and taxes, on the disposal of assets upon closing.

In accordance with FASB ASC Topic 360

We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of March 31, 2023 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 this to finance working capital needs and other general corporate purposes, as necessary.
- On February 9, 2023, the Company entered into various asset and real property purchase agreements to sell substantially all its television and certain real estate assets which comprise the Company's television operations known as MegaTV, serving the United States of America and Puerto Rico. The purchase agreements aggregate to $64.0 million of total cash consideration which includes a prepaid advertising buy of $7.0 million and will be paid to the Company as follows: $5.0 million at closing and $2.0 million by the first anniversary of the closing. The Company will receive the remaining balances, net of a $3.8 million non-refundable deposit, from the purchaser, at closing with immediately available funds that are not contingent on financing.
- 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, and at closing the Company will pay the remaining balance, net of the approximately $0.4 million of escrowed funds, with immediately available funds.

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 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 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 evaluated and will continue to evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution, programming, and affiliation agreements 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.

As of March 31, 2023, we had 380,000 shares of Series C preferred outstanding. Raúl Alarcón, our Chairman of the Board and Chief Executive Officer, is the beneficial owner of all the shares of Series C preferred stock which are convertible into 760,000 shares of Class A common stock, subject to certain adjustments.

As of March 31, 2023, we had 6,209,446 shares of Class A common stock outstanding.

As of March 31, 2023, we had 2,340,353 shares of Class B common stock outstanding, which have ten votes per share. Raúl Alarcón, our Chairman of the Board and Chief Executive Officer, has voting control over all but 350 shares of the Class B common stock.

As of March 31, 2023, there were approximately 98 record holders of our Class A common stock, three record holders of our

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-