

---

---

# Quarterly Financial Reporting Package

## For the period ended March 31, 2024



# 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 exchange/market on which traded  
OTC Market

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

---

## Table of Contents

	<u>Page</u>
<b>FINANCIAL INFORMATION:</b>	
Financial Statements - Unaudited	3
Unaudited Condensed Consolidated Balance Sheets	3
Unaudited Condensed Consolidated Statements of Operations	4
Unaudited Condensed Consolidated Statements of Cash Flows	5
Notes to the Unaudited Condensed Consolidated Financial Statements	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	14

---

## FINANCIAL INFORMATION

### Financial Statements - Unaudited

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,638	\$ 6,167
Receivables:		
Trade	32,378	40,560
Barter	233	233
	32,611	40,793
Less: allowance for expected credit losses	2,536	2,665
Net receivables	30,075	38,128
Prepaid expenses and other current assets	5,582	4,664
Assets held for sale	31,402	31,368
Total current assets	76,697	80,327
Property and equipment, net	8,887	9,283
FCC broadcasting licenses	248,805	248,805
Goodwill	32,806	32,806
Operating lease right-of-use assets	19,036	19,541
Other assets	1,410	774
Total assets	<b>\$ 387,641</b>	<b>\$ 391,536</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,518	\$ 24,639
Accrued interest	2,653	10,166
Unearned revenue	2,341	2,404
Operating lease liabilities	1,435	1,364
Liabilities held for sale	1,043	1,082
Revolving credit facility	4,900	—
Other short term liabilities	46	46
Total current liabilities	37,936	39,701
Operating lease liabilities, net of current portion	20,895	21,283
9.75% senior secured notes due 2026, net of deferred financing costs of \$3,577 at March 31, 2024 and \$4,054 at December 31, 2023 (Note 6)	306,423	305,946
Deferred tax liabilities	43,164	43,164
Other liabilities, less current portion	3,132	3,793
Total liabilities	<b>411,550</b>	<b>413,887</b>
Stockholders' equity:		
Series C convertible preferred stock, \$0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at March 31, 2024 and at December 31, 2023	4	4
Class A common stock, \$0.0001 par value. Authorized 100,000,000 shares; 6,209,446 shares issued and outstanding at March 31, 2024 and at December 31, 2023	1	1
Class B common stock, \$0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at March 31, 2024 and at December 31, 2023	—	—
Additional paid-in capital	653,113	653,050
Accumulated deficit	(677,027)	(675,406)
Total stockholders' deficit	<b>(23,909)</b>	<b>(22,351)</b>
Total liabilities and stockholders' deficit	<b>\$ 387,641</b>	<b>\$ 391,536</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net revenue from continuing operations	\$ 32,324	\$ 34,547
Operating expenses from continuing operations:		
Operating expenses	24,905	27,730
Corporate expenses	2,516	3,484
Depreciation and amortization	575	561
Loss on the disposal of assets	—	9
Other operating (income) expenses	(259)	335
Total operating expenses from continuing operations	<u>27,737</u>	<u>32,119</u>
Operating income from continuing operations	4,587	2,428
Other expenses from continuing operations:		
Interest expense, net	(8,095)	(8,078)
Loss from continuing operations before income taxes	(3,508)	(5,650)
Income tax benefit	(1,057)	(1,844)
Loss from continuing operations	(2,451)	(3,806)
Income from discontinued operations, net of tax (Note 9)	830	1,212
Net loss	<u><u>\$ (1,621)</u></u>	<u><u>\$ (2,594)</u></u>
Class A weighted average common shares outstanding (Note 3)		
Basic and Diluted	6,210	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) income (loss) from continuing operations per common share (Note 3)		
Basic and Diluted	<u><u>\$ (0.26)</u></u>	<u><u>\$ (0.47)</u></u>
Class A, B and Series C (as converted) income (loss) from discontinued operations per common share (Note 3)		
Basic and Diluted	<u><u>\$ 0.09</u></u>	<u><u>\$ 0.15</u></u>
Class A, B and Series C (as converted) net income (loss) per common share (Note 3)		
Basic and Diluted	<u><u>\$ (0.17)</u></u>	<u><u>\$ (0.32)</u></u>

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)

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,621)	\$ (2,594)
Adjustments to reconcile net loss to net cash provided by operating activities:		
(Gain) loss on the disposal of assets, net of disposal costs	—	9
Stock-based compensation	63	62
Depreciation and amortization	575	673
Net barter income	(147)	(91)
Provision for trade doubtful accounts	101	382
Amortization of deferred financing costs	477	477
Unearned revenue-barter	(149)	179
Changes in operating assets and liabilities:		
Trade receivables	7,952	10,475
Prepaid expenses and other current assets	1,082	322
Other assets	(140)	344
Accounts payable and accrued expenses	(1,065)	(2,169)
Accrued interest	(7,513)	(7,749)
Other liabilities	(807)	(113)
Net cash provided by (used in) operating activities	<u>(1,192)</u>	<u>207</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(237)	(805)
Proceeds from terminated asset purchase agreements	2,000	3,800
Deposit for acquisition of radio station and related assets	(2,000)	—
Net cash provided by (used in) investing activities	<u>(237)</u>	<u>\$ 2,995</u>
<b>Cash flows from financing activities:</b>		
Proceeds from revolving credit facility	4,900	—
Net cash provided by financing activities	<u>\$ 4,900</u>	<u>\$ —</u>
Net increase in cash	3,471	3,202
Cash and cash equivalents at beginning of period	6,167	7,517
Cash and cash equivalents at end of period	<u>\$ 9,638</u>	<u>\$ 10,719</u>
<b>Supplemental cash flows information:</b>		
Interest paid	\$ 15,131	\$ 15,228
Income tax paid with cash	\$ 329	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

**SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The unaudited condensed consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries (the Company, we, us, our or SBS). All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements as of March 31, 2024, and December 31, 2023 and for the three months ended March 31, 2024 and 2023 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. They do not include all information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our Year End Financial Reporting Package for the fiscal year ended December 31, 2023. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are all of a normal and recurring nature, necessary for a fair presentation of the results of the interim periods. Additionally, we evaluated subsequent events after the balance sheet date of March 31, 2024 through the financial statements' issuance date. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results for the entire year ending December 31, 2024 or for any future interim or annual periods.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowance for expected credit losses, the realization of deferred tax assets, the useful lives and future cash flows used for testing the recoverability of property and equipment, the recoverability of Federal Communications Commission (the "FCC") broadcasting licenses, and goodwill, the recoverability of right-of-use assets, the fair value of Level 2 financial instruments, the assessment as to whether it is reasonably certain that we will exercise our options to extend lease terms when available, the present value of lease payments used to calculate our lease liabilities and related right-of-use assets which includes the use of estimated incremental borrowing rate ("IBR"), contingencies and litigation. These estimates and assumptions are based on management's best judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions as facts and circumstances dictate. Illiquid credit markets, volatile equity markets and reductions in some advertising spending have combined to increase the uncertainty inherent in such estimates and assumptions.

The accompanying unaudited condensed consolidated financial statements as of March 31, 2024, and December 31, 2023 and for the three months ended March 31, 2024 and 2023 reflect data on the discontinued operations of our television segment, as applicable. See Note 9 for additional details on our television segment and its classification as discontinued operations.

**2. Revenue**

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized and reported reflects the consideration to which the Company expects to be entitled to receive in exchange for these services and entitled under the contract. Substantially all deferred revenue is recognized within twelve months of the payment date. To achieve this core principle, the Company applies the following five steps:

- 1) Identify the contract with a customer,
- 2) Identify the performance obligations in the contract,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to performance obligations in the contract, and
- 5) Recognize revenue when or as the Company satisfies a performance obligation.

## ***Disaggregation of Revenue***

The following table summarizes revenue from contracts with customers for the three months ended March 31, 2024 and 2023 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>2024</b>
	<b>2023</b>	
Local, national, digital and network	\$ 32,582	\$ 31,738
Special events	2,449	5,898
Barter	1,265	968
Other	363	198
<b>Gross revenue</b>	<b>\$ 36,659</b>	<b>\$ 38,802</b>
Less: Agency commissions	4,335	4,255
<b>Net revenue</b>	<b>\$ 32,324</b>	<b>\$ 34,547</b>

## ***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 La Musica 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 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 specified number of impressions over a period of time, each of which is distinct, to be the identified performance obligation. The price as specified on a customer 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, appears or is viewed.

### **b) Special events**

Special events revenue is generated from ticket sales and licensing agreements, as well as through profit-sharing arrangements for producing or co-producing live concerts and events promoted by radio stations and digital properties.

In addition to ticket sales and licensing agreements, the Company enters into profit-sharing arrangements to produce or co-produce live concerts and events with partners which may also purchase various production services from the Company. These contracts include multiple promises that the Company evaluates to determine if the promises are separate performance obligations. Once the Company determines the performance obligations and the transaction price, including estimating the amount of variable consideration, the Company then allocates the transaction price to each performance obligation in the contract based on a relative stand-alone selling price method or using the variable consideration allocation exception if the required criteria are met. The corresponding revenues are recognized as the related performance obligations are satisfied, which may occur over time (i.e., term of agreement) or at a point in time (i.e., event completion). To determine if revenue should be reported gross as principal or net as agent, the Company considers indicators such as if it is the party primarily responsible for fulfillment, has inventory risk, and has discretion in establishing price to determine control. When management determines it controls an event, it acts as the principal and records revenue gross. When management determines it does not control an event, it is acting as an agent and records revenue net.

**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, 2024 and 2023, barter revenue of \$1.3 million and \$1.0 million was offset by barter expense of \$1.1 million and \$0.8 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.

***Significant Judgments***

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.

***Contract Balances***

Unearned revenue balances which are included in unearned revenue and other liabilities, net of current portion, were \$2.3 million as of March 31, 2024 and \$2.6 million as of December 31, 2023. Additionally, there were \$2.2 million of unearned revenue balances which are included in unearned revenue and other liabilities, net of current portion, as of March 31, 2023 and \$1.6 million as of December 31, 2022.

Variable consideration in the form of agency-based volume discounts recognized and recorded as contract liabilities within accounts payable and accrued expenses were \$1.9 million as of March 31, 2024 and \$1.6 million as of December 31, 2023. Additionally, there were \$1.9 million of variable consideration in the form of agency-based volume discounts recognized and recorded as contract liabilities within accounts payable and accrued expenses as of March 31, 2023 and \$1.5 million as of December 31, 2022.

***Transaction Price Allocated to the Remaining Performance Obligation***

The Company has elected to use the optional exemption in ASC 606-10-50-14 with regard to 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 Loss Per Common Share

Basic net loss per common share was computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. Diluted net loss per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period. The following table summarizes the net loss applicable to common stockholders and the net loss per common share for the three months ended March 31, 2024 and 2023 (in thousands, except per share data):

The accompanying consolidated financial statements as of March 31, 2024 and 2023 reflect data on the discontinued operations of our television segment, as applicable. See Note 9 for additional details on our television segment and its classification as discontinued operations.

	Three Months Ended March 31,					
	2024			2023		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic net income (loss) per share:						
Numerator						
Allocation of undistributed loss from continuing operations	\$ (1,635)	\$ (616)	\$ (200)	\$ (2,470)	\$ (1,009)	\$ (327)
Allocation of undistributed income from discontinued operations	\$ 554	\$ 209	\$ 67	\$ 787	\$ 321	\$ 104
Allocation of undistributed net loss	\$ (1,081)	\$ (407)	\$ (133)	\$ (1,683)	\$ (688)	\$ (223)
Denominator						
Number of shares used in per share computation (as converted)	6,210	2,340	760	5,730	2,340	760
Basic loss per share from continuing operations	\$ (0.26)	\$ (0.26)	\$ (0.26)	\$ (0.43)	\$ (0.43)	\$ (0.43)
Basic income per share from discontinued operations	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.14	\$ 0.14	\$ 0.14
Basic net loss per share	\$ (0.17)	\$ (0.17)	\$ (0.17)	\$ (0.29)	\$ (0.29)	\$ (0.29)

In conjunction with the settlement of the Series B Preferred Stock, the Company reserved 1,939,365 (adjusted for fractional shares) shares of its Class A common stock. As of March 31, 2023, the Company had issued 1,939,365 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 (Note 6).

### 4. Stockholders' Equity

The changes in stockholder's equity for the three months ended March 31, 2024 and 2023 are as follows:

	Three Months Ended	
	March 31,	
	2024	2023
Beginning balance	\$ (22,351)	\$ 18,095
Net loss	(1,621)	(2,594)
Stock-based compensation	63	62
Ending balance	<u>\$ (23,909)</u>	<u>\$ 15,563</u>

### 5. Commitments and Contingencies

We are subject to certain legal proceedings and/or claims that have arisen in the ordinary course of business and have not been fully adjudicated or settled. In our opinion, we do not have potential liability related to any current legal proceedings and/or claims that would have a material adverse effect on our financial condition or operating results. However, the results of legal proceedings and/or claims cannot be predicted with certainty. Should we fail to prevail in any of these legal matters and/or claims or should all these legal matters and/or claims be resolved against us in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

## 6. \$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 due 2026 (the “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 redeemed or repurchased earlier. We may redeem the Notes with the proceeds of certain assets 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.

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, or in certain circumstances, the Notes automatically will become due and immediately payable. At March 31, 2024, the Company had no events of default under the Indenture. Subsequent to quarter end, the Company did not timely furnish, to the Trustee and the holders of the Notes, its March 31, 2024 quarterly financial statements, together with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as required by the Indenture; however, there was no event of default as the Company furnished such information during the cure period.

The Company incurred \$8.0 million in interest expense for the three months ended March 31, 2024 and 2023, related to the Notes.

### b) *Revolving Credit Facility*

Concurrently with the completion of the Notes offering, we entered a senior secured asset-based revolving credit facility (the “Revolver”), providing for borrowings of up to \$15.0 million subject to compliance with a “borrowing base” and we are limited to \$7.5 million based on our total leverage ratio calculation exceeding 9:00 to 1:00 and our fixed charge coverage ratio calculation being less than 1:05 to 1:00. The Company drew down \$4.9 million on February 28, 2024 which bears interest of SOFR plus 2.25%. As of March 31, 2024, the Company’s outstanding balance and its current amount outstanding on the Revolver is \$4.9 million.

In 2023, the Company amended its Revolver to replace LIBOR with the Secured Overnight Financing Rate (SOFR). At the Company’s election, the interest rate on borrowings under the Revolver will bear interest at: (a) so long as the Leverage Fall Away Trigger shall not then be continuing, either (i) SOFR plus a margin of 2.75% (stepping down to 2.50% upon Availability exceeding 33% and 2.25% upon Availability exceeding 66%) or (ii) the base rate plus a margin of 1.75% (stepping down to 1.50% upon Availability exceeding 33% and 1.25% upon Availability exceeding 66%) and (b) following the occurrence and during the continuation of a Leverage Fall Away Trigger, either (i) SOFR plus a margin of 4.00% (stepping down to 3.75% upon the net leverage ratio reaching 5.0x) or (ii) the base rate plus a margin of 3.00% (stepping down to 2.75% upon the net leverage ratio reaching 5.0x). The current interest rate on the Revolver is either (i) SOFR plus a margin of 2.25% or (ii) the base rate plus a margin of 1.25%.

All obligations under the Revolver are secured by (a) a first priority lien on all accounts receivable, cash, deposit accounts, and proceeds thereof held by the Company and the guarantors (the “ABL Priority Collateral”) and (b) a first lien, pari passu with the holders of the Notes, on all other assets held by the Company and the guarantors. Letters of credit issued under the agreement are required to be collateralized with cash in certain circumstances.

At March 31, 2024, the Company had no events of default under the Revolver. Subsequent to quarter end, the Company did not timely furnish, to the Administrative Agent and Guarantors, its consolidated balance sheet as of the end of the fiscal quarter ending March 31, 2024, the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows, and accompanied by a Narrative Report with respect thereto; however, there was no event of default as the Company furnished such information and opinion during the cure period.

The Company incurred less than \$0.1 million in interest expense for the three months ended March 31, 2024 and 2023, related to the Revolver.

## (7) Income Taxes

The Company follows the guidance in ASC 270, "Interim Reporting" and ASC 740 "Income Taxes", whereby the Company utilizes the expected annual effective tax rate in determining its income tax provisions for the interim periods. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or the entire deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Our income tax expense differs from the statutory federal tax rate of 21% and related statutory state tax rates primarily due to nondeductible expenses, Puerto Rico withholding taxes and a recording of a valuation allowance on certain tax attributes that are expected to be limited as a result of the Section 382 Limitation that occurred during 2021.

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, New York City, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions where we file income tax returns. The tax years that remain subject to assessment of additional liabilities by the federal, state and local tax authorities are 2020 through 2023. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2015 through 2023.

Based on our evaluation, we have concluded that there are no material uncertain tax positions requiring recognition in our unaudited condensed consolidated financial statements as of March 31, 2024.

## 8. Fair Value of Financial Instruments

Cash, 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 our other long-term debt instruments approximate their carrying amounts as the interest rates approximate our current borrowing rate for similar debt instruments of comparable maturity, or have variable interest rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of the outstanding Notes is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy.

The estimated fair value of our financial instruments is as follows (in millions):

Description	Fair Value Hierarchy	March 31, 2024		December 31, 2023	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
9.75% senior secured notes due 2026 (Note 6)	Level 2	\$ 310.0	\$ 149.7	\$ 310.0	\$ 180.5

## 9. Sale of Television Assets (Assets Held for Sale & Discontinued Operations)

On February 9, 2023, the Company entered into various asset and real property purchase agreements (together the "Purchase Agreements") to sell substantially all its television and certain real estate assets (together the "Purchased Assets") which comprise the Company's television operations known as MegaTV, serving the United States of America and Puerto Rico, to Voz Media, Inc. ("Voz Media") for \$64 million. Pursuant to the Purchase Agreements, the Purchased Assets include: licenses, permits and authorizations

issued by the FCC; programming content, equipment, leases and contracts used in or related to the operation of MegaTV; and certain real properties located in Miami, Florida and Puerto Rico as part of the transaction.

On September 20, 2023, the Company terminated the Purchase Agreements because Voz Media did not cure its material breach to timely close on the transaction when notified by the Company. The Company had recorded \$1.1 million of related legal fees and costs related to the transaction and once the Purchase Agreements were terminated, due to the buyer's material breach, the Company offset the buyer's \$3.8 million non-refundable deposit with these costs and recognized the difference of \$2.7 million as other operating income on its statements of operations which is within discontinued operations. 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, Inc. and recovered monetary damages against the plaintiffs during the three months ended March 31, 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.

In accordance with FASB ASC Topic 360-10-45-9, Long-Lived Assets Classified as Held for Sale, management determined that the ongoing plans to sell its television and certain real estate assets meet the held for sale criteria as of the balance sheet date of these financial statements.

The table below represents a summary of the assets and liabilities classified as held for sale as of March 31, 2024 and 2023 on the Company's Unaudited Condensed Consolidated Balance Sheet (in thousands).

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
<b>Assets</b>		
Property and equipment, net	\$ 14,241	\$ 14,113
FCC broadcasting licenses	16,149	16,149
Operating lease right-of-use-assets	910	921
Other assets	102	-
<b>Assets held for sale</b>	<b>\$ 31,402</b>	<b>\$ 31,183</b>
<b>Liabilities</b>		
Operating lease liabilities	\$ 210	\$ 69
Operating lease liabilities, net of current portion	833	1,018
<b>Liabilities held for sale</b>	<b>\$ 1,043</b>	<b>\$ 1,087</b>

During the three months ended March 31, 2024 and 2023, the Company made capital expenditures of less than \$0.1 million and \$0.1 million, respectively. Capital expenditures incurred during the three months ended March 31, 2024 and 2023 are included in assets held for sale for the three months ended March 31, 2024 and 2023, listed above.

Once assets are classified as held for sale, management is required to evaluate if under ASC Topic 205-20-45, Discontinued Operations, the disposal of a component of an entity shall be reported in discontinued operations. Management determined that the disposal represents a strategic shift that will have a major effect on operations and financial results, at the balance sheet date, and that the results of the television segment shall be reported as discontinued operations. The operational and financial results related to the held for sale assets of the television segment, which include the real estate assets and production facility located in Miami, Florida, are classified as discontinued operations in the current and prior year periods in the Unaudited Condensed Consolidated Statements of Operations.

The table below represents the amounts classified as discontinued operations during the three months ended March 31, 2024 and 2023 on the Company's Unaudited Condensed Consolidated Statements of Operations (in thousands).

	Three Months Ended March 31,	
	2024	2023
Net revenue from discontinued operations	\$ 1,410	\$ 1,792
Operating expenses from discontinued operations:		
Operating expenses	2,507	3,234
Depreciation and amortization	—	112
Other operating income	(1,731)	—
Operating income (loss) from discontinued operations	634	(1,554)
Other expenses from discontinued operations:		
Interest expense	—	(6)
Pre-tax income (loss) from discontinued operations	634	(1,560)
Income tax benefit	(196)	(2,772)
Income from discontinued operations	<u>\$ 830</u>	<u>\$ 1,212</u>

## 10. Acquisition of FM Radio Stations

On April 3, 2023, Spanish Broadcasting System SouthWest, Inc. and SBS Houston Licensing, Inc., subsidiaries of the Company (collectively, "SBS SouthWest"), entered into an asset purchase agreement (the "Purchase Agreement") to acquire KROI(FM), a FM radio broadcast station (the "Radio Station") serving the Houston, Texas radio market, from Radio One Licenses, LLC and Radio One of Texas II, LLC (collectively, "Radio One"). Pursuant to the Purchase Agreement, Radio One, has agreed to convey certain assets, including licenses, permits and authorizations issued by the FCC, tangible personal property and certain leases used in or related to the operation of the Radio Station to SBS SouthWest.

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. On November 15, 2023, SBS Southwest and Sugarland Station Trust, LLC, (the trustee charged with the management and sale of KROI on behalf of Radio One) entered into an amendment to the Purchase Agreement (the "2023 Amendment") 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) July 1, 2024. As part of the 2023 Amendment, the Company agreed to release its deposit in escrow of \$0.4 million and made a payment of \$1.5 million in 2023. Under the 2023 Amendment the Company also made \$1.0 million payments on January 16th, March 29th, and April 30th of 2024 to the seller. On May 30, 2024, the parties to the 2023 Amendment entered into an amendment to the Purchase Agreement and 2023 Amendment (the "2024 Amendment") 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. As part of the 2024 Amendment, the Company made a \$0.3 million payment on May 31, 2024 and agreed to make payments on June 28th, July 31st, September 30th and October 31<sup>st</sup> of 2024 amounting to \$1.2 million, and the remaining balance of \$1.1 million by the first to occur of the closing and November 27, 2024. Payments made to the seller are applicable to the purchase price and are classified as prepaid expenses and other current assets on the Company's March 31, 2024 on the Company's Unaudited Condensed Consolidated Balance Sheet.

The Purchase Agreement contains customary representations, warranties, covenants and closing conditions, including FCC regulatory approval, and the transaction is expected to close during the fourth quarter of 2024.

## 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 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, music, and live entertainment through our multi-media platforms.

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, San Francisco, Orlando, and Tampa. 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. 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 in order to accommodate and monetize such diversity. We customize the programming format of each of our radio stations to capture a substantial share of the Hispanic audience and to match the local preferences of our target demographic audience in our respective markets. 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 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 advertisers to efficiently reach their target audience. AIRE Radio Networks has over 290 affiliate radio stations serving 80 of the top 100 U.S. Hispanic markets, including 47 of the top 50 U.S. Hispanic markets.

As part of our operating business, we maintain multiple Spanish and bilingual websites, including [www.lamusica.com](http://www.lamusica.com), and various station websites that provide content related to Latin music, entertainment, news, and culture, as well as the LaMusica mobile application. The LaMusica mobile application is a music and entertainment video and audio application that programs an extensive series of short form videos, simultaneously live streams our radio stations, includes curated playlists and has tools that enable users to personalize their mobile radio streaming experience. The new video enhancements to our mobile application significantly enhance the audience's engagement level and increase the reach of our mobile offering. We also provide digital marketing solutions through our pure-play digital marketing department, Digidea, and access to the digital realm where brands can explore a diverse range of engaging content, unlock valuable insights, and connect with our thriving podcast community. In addition, we produce live concerts and events in the United States and Puerto Rico. Concerts generate revenue from ticket sales, sponsorship, and promotions, raise awareness of our brands in the surrounding communities and provide our advertising partners additional opportunities to reach their target audience.

As of March 31, 2024, our television segment and related buildings continues to meet the criteria to be classified as held for sale and its operations as discontinued operations in the current and prior year, as determined during the quarter ended March 31, 2023.

### 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 revenue generally consists of advertising airtime sold to local advertisers. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid programming (or infomercials). Digital revenue generally consists of advertisements placed on the Company's LaMusica application or its digitally streamed stations. For the three months ended March 31, 2024 and 2023, local and digital revenue comprised 67% and 59% of our gross revenues, respectively.
- National and network revenues generally consist of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our outside national representation firm, which serves as our agent in these transactions. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the three months ended March 31, 2024 and 2023, national and network revenue comprised 22% of our gross revenues, respectively.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listenership/viewership levels. Each station broadcasts a predetermined number of advertisements per hour with the actual number depending upon the format of a particular station and any programming strategy we are utilizing to attract an audience. The number of advertisements we decide to broadcast hourly is intended to maximize the station's revenue without negatively impacting its audience listener/viewer levels. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

Our advertising rates are primarily based on the following factors:

- a station's audience share in the demographic groups targeted by advertisers which are measured by ratings agencies, primarily Nielsen;
- the number of stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;
- the supply of, and demand for, advertising time; and
- the size of the market.

Our net revenue is also affected by general economic conditions, competition, and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our net revenue is typically the lowest in the first calendar quarter of the year.

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, and other revenue.

- *Special events revenue.* We generate special events revenue from ticket sales and licensing, as well as profit-sharing arrangements by producing or co-producing live concerts and events promoted by our radio stations. For the three months ended March 31, 2024 and 2023, special events revenue comprised 7% and 15% of our gross revenues, respectively.
- *Barter sales.* We use barter sales agreements primarily to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services. However, we endeavor to minimize barter revenue in order to maximize cash revenue from our available airtime. For the three months ended March 31, 2024 and 2023, barter revenue comprised 3% of our gross revenues, respectively.
- *Other revenue.* We receive other ancillary revenue such as rental income from renting available tower space or sub-channels and various other non-broadcast related revenues. For the three months ended March 31, 2024 and 2023, other revenue comprised 1% of our gross revenues, respectively.

### ***Operating Expenses Description and Factors***

Our operating expenses consist primarily of operating expenses and corporate expenses.

- Operating expenses include engineering, programming, selling, general and administrative expenses which are related to the creation, delivery, and cost of selling our programming content, as well as administrative costs associated with operating and managing our stations and divisions. These expenses include compensation and benefits for employees, transmitter-related expenses, originally produced content, on-air promotions, music license fees, commissions, rating services, advertising, barter expenses, facilities expenses, special events expenses, professional fees, insurance, allowance for expected credit losses, affiliate station compensation and other expenses.
- Corporate expenses are related to the operations of our corporate offices and matters. These expenses include compensation and benefits for our corporate employees, professional fees, insurance, corporate facilities expenses, and other expenses.

We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters. In our pursuit to control our operating expenses, we work closely with our local stations' management and vendors.

## Comparison Analysis of the Operating Results for the Three Months Ended March 31, 2024 and 2023

The following summary table presents a comparison of our operating results for the three months ended March 31, 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 prior year. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	Three Months Ended March 31,	
	2024	2023
Net revenue from continuing operations	\$ 32,324	\$ 34,547
Operating expenses	24,905	27,730
Corporate expenses	2,516	3,484
Depreciation and amortization	575	561
(Gain) loss on the disposal of assets	—	9
Impairment charges	—	—
Other operating (income) expenses	(259)	335
Operating income (loss) from continuing operations	4,587	2,428
Other expenses:		
Interest expense, net	(8,095)	(8,078)
Loss from continuing operations before income taxes	(3,508)	(5,650)
Income tax benefit	(1,057)	(1,844)
Loss from continuing operations	(2,451)	(3,806)
Income from discontinued operations, net of tax	830	1,212
Net loss	<u>\$ (1,621)</u>	<u>\$ (2,594)</u>

### Overview

For the three months ended March 31, 2024, our operating results were impacted by our special events which had lower ticket sales and event expenses. Our operating expenses were impacted by an overall decrease of expenses throughout our markets and expense categories.

### Net Revenue from Continuing Operations

Net revenue from continuing operations decreased \$2.2 million or 6%. The decrease was primarily the result of lower special events revenue and decreases in national and digital sales, partially offset by increases in local, network and barter sales.

### Operating Expenses

Operating expenses decreased \$2.8 million or 10% primarily due to decreases in special events expenses, compensation & benefits and allowance for expected credit losses, partially offset by increases in barter expenses and music license fees.

### Corporate Expenses

Corporate expenses decreased \$0.9 million or 28% due to decreases in compensation & benefits, travel & entertainment and outside services.

### ***Operating Income from Continuing Operations***

The increase in operating income from continuing operations of \$2.2 million or 89% was primarily due to a decrease in operating and corporate expenses partially offset by a decrease in net revenue from continuing operations.

### ***Income Tax Benefit***

The decrease in income tax benefit of \$0.8 million was due to the change in pre-tax book loss.

### ***Loss from Continuing Operations Before Discontinued Operations***

The decrease in loss from continuing operations before discontinued operations of \$1.4 million or 36% was due to the increase in operating income from continuing operations offset by a decrease in income tax benefit.

### ***Income from Discontinued Operations***

The decrease in income from discontinued operations of \$0.4 million was primarily due to a decrease in income tax benefit, partially offset by the settlement of the Voz Media, Inc. lawsuit and a decrease of net revenue and operating expenses related to the discontinued operations.

### ***Net loss***

The net loss of \$1.6 million was primarily due to the increase in income from continuing operations partially offset by the decrease in income tax benefit.

## **Liquidity and Capital Resources**

The most important aspects of our liquidity and capital resources as of March 31, 2024 and, as of the date of this Quarterly Financial Reporting Package, are as follows:

- Our undrawn senior secured asset-based revolving credit facility provides for borrowings of up to \$15.0 million and is currently limited to \$7.5 million as discussed in Note 6b. We intend to use this 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 three months ended March 31, 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. The Company and Sugarland Station Trust, LLC, (the trustee charged with the management and sale of KROI on behalf of Radio One) entered into an amendments to the Purchase Agreement (the “Amendments”) 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. As part of the Amendments, the Company has made payments towards the purchase price in the amount of \$5.2 million and has agreed to make scheduled payments for the remaining \$2.3 million by the first to occur of the closing and November 27, 2024.

Although we have access to our revolving credit facility, our primary source of liquidity is our current cash. 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, 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.

## ***Series C Preferred Stock***

As of March 31, 2024, 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.

## ***Class A Common Stock***

As of March 31, 2024, we had 6,209,446 shares of Class A common stock outstanding.

## **Class B Common Stock**

As of March 31, 2024, 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.

### **Record Holders**

As of March 31, 2024, there were approximately 97 record holders of our Class A common stock, three record holders of our Class B common stock and one record holder of our Series C preferred stock. These figures do not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. There is no established public trading market for our Class B common stock or our Series C preferred stock. Our Class B common stock is convertible into our Class A common stock on a share-for-share basis, and each share of the Series C preferred stock is convertible into two shares of Class A common stock.

### **Summary of Capital Resources**

The following summary table presents a comparison of our capital resources for the three months ended March 31, 2024 and 2023 (in thousands), 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.

	Three Months Ended			Change	
	March 31,		\$		
	2024	2023			
Capital expenditures	\$ 237	\$ 805		(568)	
Net cash flows provided by (used in) operating activities	\$ (1,192)	\$ 207		(1,399)	
Net cash flows provided by (used in) investing activities	(237)	2,995		(3,232)	
Net cash flows provided by financing activities	4,900	—		4,900	
Net increase in cash	\$ 3,471	\$ 3,202			

### **Capital Expenditures**

Changes in capital expenditures were mostly attributable to decreases related to the Orlando and Tampa radio stations, and transmitters and antennas in various markets as significant investments had been made in the prior year.

#### ***Net Cash Flows Provided by (Used In) Operating Activities***

Changes in our net cash flows from operating activities were primarily the result of a decrease in net loss and a decrease in working capital.

#### ***Net Cash Flows Provided by (Used In) Investing Activities***

Changes in our net cash flows from investing activities were primarily the result of the receipt of a \$3.8 million non-refundable deposit associated with the recently terminated television segment and related real estate assets purchase agreements in the prior year, and overall reductions in property and equipment purchases which were partially offset by deposit payments towards the acquisition of a FM radio station in Houston, TX.

***Net Cash Flows Provided by Financing Activities***

Changes in our net cash flows provided by financing activities were a result of having drawn \$4.9 million on our available revolving credit facility in the current year.

### 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 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 indebtedness or the inability to access our senior secured asset-based revolving credit facility could adversely affect our financial condition, prevent us from fulfilling our financial obligations; impact our ability to invest in the growth of our business or continue as a going concern, cause us to explore the sale of additional assets or adversely impact our ability to acquire additional assets; our substantial debt could make us more vulnerable to downturns in our business or in the general economy and increases in interest rates may limit our ability to withstand competitive pressures and may reduce our flexibility in responding to changing business and economic conditions; we have experienced net losses and may continue to experience net losses in the future, which may impact our cash flow, our ability to fulfill our financial obligations and our ability to raise capital may be adversely affected; we may be unable to successfully refinance our indebtedness on commercially acceptable terms, or at all; we face risks relating to our NOL carry-forwards since they became subject to limitations under Section 382 of the Internal Revenue Code of 1986 (IRC) due to the recapitalization of the Company in 2021; we face risks relating to our ability to realize the anticipated synergies and growth as a result of our recent start-up acquisitions in the Orlando and Tampa markets; our ability to sell our Television assets for the same purchase price and on as favorable terms under the terminated transaction with Voz Media, or at all, and our ability to consummate the purchase of the FM Radio Station in Houston within the contemplated extended timeline, or at all, and our ability to realize the anticipated benefits/synergies of those transactions; our industry is highly competitive, and we compete for advertising revenue with other broadcast stations, as well as other media, many operators of which have greater resources than we do, a large portion of our net revenue and operating income currently comes from our New York, Los Angeles and Miami markets, an economic downturn, increased competition or another significant negative event in any of these markets could reduce our revenues and results of operations more dramatically than other companies that do not depend as much on these markets; cancellations, reductions, delays and seasonality in advertising could adversely affect our net revenues; the success of our radio stations depends on the popularity and appeal of our content, which is difficult to predict; the loss of distribution agreements could materially adversely affect our results of operations; our business is affected by natural catastrophes that can disrupt our operations, by causing failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming; we may incur property and other losses that are not adequately covered by insurance; we must respond to rapid changes in technology, content creation, services and standards in order to remain competitive; cybersecurity risks could affect our operations and adversely affect our business; our business is dependent upon the performance of key employees, on-air talent and program hosts, cost increases in the retention of such employees and talent may adversely affect our profits; impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly; piracy of our programming and other content, including digital and Internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability; damage to our brands or reputation could adversely affect our Company; our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees; Raúl Alarcón, the Chairman of our Board of Directors and Chief Executive Officer, has majority voting control of our common stock and 100% voting control of our Series C preferred stock and this control may discourage or influence certain types of transactions or strategic initiatives; our deregistered stock's liquidity can be adversely affected because we are no longer required to report to the SEC and our stock continues to trade on the OTC Pink Market; there may not be sufficient liquidity in the market for our securities for investors to sell their securities; the market price of our common stock may be volatile; changes in U.S. communications laws or other regulations or the FCC's regulations and policies may have an adverse effect on our business or the cost with operating our business; proposed legislation would require radio broadcasters to pay increased royalties to record labels and recording artists; the FCC vigorously enforces its indecency and other program content rules against the broadcast industry, which could have a material adverse effect on our business; our businesses depend upon licenses issued by the FCC, and if any of those licenses were not renewed or we were to be out of compliance

with 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.