

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-11588

Saga Communications, Inc.

(Exact name of registrant as specified in its charter)

Florida

*(State or other jurisdiction of
incorporation or organization)*

73 Kercheval Avenue

Grosse Pointe Farms, Michigan

(Address of principal executive offices)

38-3042953

*(I.R.S. Employer
Identification No.)*

48236

(Zip Code)

(313) 886-7070

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$.01 per share	SGA	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Class A Common Stock, \$.01 par value, outstanding as of May 6, 2024 was 6,263,236.

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PART I — FINANCIAL INFORMATION

Item 1. Financial StatementsSAGA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024	December 31, 2023
	(Unaudited)	(Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,177	\$ 29,582
Short-term investments	8,598	10,595
Accounts receivable, net	14,640	17,173
Prepaid expenses and other current assets	3,145	2,451
Barter transactions	1,013	843
Total current assets	47,573	60,644
Property and equipment	148,343	148,265
Less accumulated depreciation	97,113	96,860
Net property and equipment	51,230	51,405
Other assets:		
Broadcast licenses, net	89,367	90,240
Goodwill	19,153	19,236
Other intangibles, right of use assets, deferred costs and investments, net	10,723	10,688
Total assets	\$ 218,046	\$ 232,213
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 3,356	\$ 2,802
Accrued expenses:		
Accrued payroll and payroll taxes	5,275	5,318
Dividend payable	3,758	12,505
Other accrued expenses	6,862	6,480
Barter transactions	1,106	924
Total current liabilities	20,357	28,029
Deferred income taxes	26,057	26,122
Other liabilities	7,260	7,513
Total liabilities	53,674	61,664
Commitments and contingencies		
Shareholders' equity:		
Common stock	80	80
Additional paid-in capital	72,839	72,593
Retained earnings	127,873	134,771
Treasury stock	(36,420)	(36,895)
Total shareholders' equity	164,372	170,549
Total liabilities and shareholders' equity	\$ 218,046	\$ 232,213

Note: The balance sheet at December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31,	
	2024	2023
	(Unaudited)	
	(In thousands, except per share data)	
Net operating revenue	\$ 24,664	\$ 25,304
Station operating expenses	22,981	21,703
Corporate general and administrative	3,129	2,616
Other operating expense, net	971	80
Operating (loss) income	(2,417)	905
Interest expense	43	43
Interest income	(303)	(289)
Other income	—	(119)
Income (loss) before income tax expense	(2,157)	1,270
Income tax provision (benefit)		
Current	(515)	280
Deferred	(65)	70
	(580)	350
Net (loss) income	\$ (1,577)	\$ 920
Earnings (loss) per share:		
Basic	\$ (0.25)	\$ 0.15
Diluted	\$ (0.25)	\$ 0.15
Weighted average common shares	6,063	6,028
Weighted average common and common equivalent shares	6,063	6,028
Dividends declared per share	\$ 0.85	\$ 0.25

See accompanying notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 2024 and 2023

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital (In thousands)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount (Unaudited)				
Balance at December 31, 2022	7,867	\$ 78	—	\$ —	\$ 71,664	\$ 143,896	\$ (37,109)	\$ 178,529
Net income, three months ended March 31, 2023	—	—	—	—	—	920	—	920
Dividends declared per common share	—	—	—	—	—	(1,531)	—	(1,531)
Compensation expense related to restricted stock awards	—	—	—	—	245	—	—	245
401(k) plan contribution	—	—	—	—	(185)	—	441	256
Balance at March 31, 2023	<u>7,867</u>	<u>\$ 78</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 71,724</u>	<u>\$ 143,285</u>	<u>\$ (36,668)</u>	<u>\$ 178,419</u>

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital (In thousands)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount (Unaudited)				
Balance at December 31, 2023	8,007	\$ 80	—	\$ —	\$ 72,593	\$ 134,771	\$ (36,895)	\$ 170,549
Net income (loss), three months ended March 31, 2024	—	—	—	—	—	(1,577)	—	(1,577)
Dividends declared per common share	—	—	—	—	—	(5,321)	—	(5,321)
Compensation expense related to restricted stock awards	—	—	—	—	453	—	—	453
401(k) plan contribution	—	—	—	—	(207)	—	475	268
Balance at March 31, 2024	<u>8,007</u>	<u>\$ 80</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 72,839</u>	<u>\$ 127,873</u>	<u>\$ (36,420)</u>	<u>\$ 164,372</u>

See accompanying notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31,	
	2024	2023
	(Unaudited)	
	(In thousands)	
Statement of Cash Flows		
Cash flows from operating activities:		
Net (loss) income	\$ (1,577)	\$ 920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,198	1,237
Deferred income tax expense (benefit)	(65)	70
Amortization of deferred costs	9	9
Compensation expense related to restricted stock awards	453	245
Loss on sale of assets, net	971	80
Other (gain), net	-	(119)
Barter (revenue) expense, net	13	(48)
Deferred and other compensation	(24)	(245)
Changes in assets and liabilities:		
Decrease in receivables and prepaid expenses	2,135	2,367
Increase in accounts payable, accrued expenses, and other liabilities	690	319
Total adjustments	<u>5,380</u>	<u>3,915</u>
Net cash provided by operating activities	3,803	4,835
Cash flows from investing activities:		
Purchase of short-term investments	(4,297)	(2,067)
Redemption of short-term investments	6,432	2,067
Acquisition of property and equipment (Capital Expenditures)	(1,050)	(1,362)
Proceeds from sale and disposal of assets	21	616
Other investing activities	(246)	117
Net cash provided by (used in) investing activities	<u>860</u>	<u>(629)</u>
Cash flows from financing activities:		
Cash dividends paid	(14,068)	(13,754)
Net cash used in financing activities	<u>(14,068)</u>	<u>(13,754)</u>
Net decrease in cash and cash equivalents	(9,405)	(9,548)
Cash and cash equivalents, beginning of period	29,582	36,802
Cash and cash equivalents, end of period	<u>\$ 20,177</u>	<u>\$ 27,254</u>

See accompanying notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of March 31, 2024 and the results of operations for the three months ended March 31, 2024 and 2023. Results of operations for three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

We own or operate broadcast properties in 27 markets, including 79 FM and 31 AM radio stations and 78 metro signals.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. (the “Company”) annual report on Form 10-K for the year ended December 31, 2023.

We have evaluated events and transactions occurring subsequent to the balance sheet date of March 31, 2024, for items that should potentially be recognized in these financial statements or discussed within the notes to these financial statements.

Earnings Per Share Information

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company’s Second Amended and Restated 2005 Incentive Compensation Plan, that earn dividends on an equal basis with common shares. In applying the two-class method, earnings are allocated to both common shares and participating securities.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2024	2023
(In thousands, except per share data)		
Numerator:		
Net (loss) income	\$ (1,577)	\$ 920
Less: Income (loss) allocated to unvested participating securities	(50)	14
Net (loss) income available to common shareholders	<u>\$ (1,527)</u>	<u>\$ 906</u>
Denominator:		
Denominator for basic earnings per share — weighted average shares	6,063	6,028
Effect of dilutive securities:		
Common stock equivalents	—	—
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	<u>6,063</u>	<u>6,028</u>
Earnings (loss) per share:		
Basic	<u>\$ (0.25)</u>	<u>\$ 0.15</u>
Diluted	<u>\$ (0.25)</u>	<u>\$ 0.15</u>

There were no stock options outstanding that had an antidilutive effect on our earnings per share calculation for the three months ended March 31, 2024 and 2023, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.

Financial Instruments

We account for marketable securities in accordance with ASC 320, “Investments – Debt Securities,” which require that certain debt securities be classified into one of three categories: held-to-maturity, available-for-sale, or trading securities, and depending upon the classification, value the security at amortized cost or fair market value. At March 31, 2024 and December 31, 2023, we have recorded \$8.6 million and \$10.6 million, respectively, of held-to-maturity U.S. Treasury Bills at amortized cost basis that have a fair market value of \$8.6 million and \$10.6 million, respectively. Our held-to-maturity U.S. Treasury Bills currently all have original maturity dates ranging from April 2024 to July 2024.

Our financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and long-term debt. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The carrying value of long-term debt approximates fair value as it carries interest rates that either fluctuate with the secured overnight finance rate (“SOFR”), prime rate or have been reset at the prevailing market rate at March 31, 2024.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Allowance for Credit Losses

A provision for credit losses is recorded based on our judgment of collectability of receivables. Amounts are written off when determined to be fully uncollectible. Delinquent accounts are based on contractual terms. We maintain a specific allowance for estimated losses resulting from the inability of certain customers to make required payments. We also consider factors external to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of uncertain economic conditions. In the event we recover amounts previously written off, we will reduce the specific allowance for credit loss. Our allowance for credit losses was \$913,000 and \$618,000 at March 31, 2024 and December 31, 2023, respectively.

Income Taxes

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount and permanent differences related to executive compensation. We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period.

Segments

We serve twenty-seven radio markets (reporting units) that aggregate into one operating segment (Radio), which also qualifies as a reportable segment. We operate under one reportable business segment for which segment disclosure is consistent with the management decision-making process that determines the allocation of resources and the measuring of performance. The Chief Operating Decision Maker (“CODM”) evaluates the results of the radio operating segment and makes operating and capital investment decisions based at the Company level. Furthermore, technological enhancements and system integration decisions are reached at the Company level and applied to all markets rather than to specific or individual markets to ensure that each market has the same tools and opportunities as every other market. Managers at the market level do not report to the CODM and instead report to other senior management, who are responsible for the operational oversight of radio markets and for communication of results to the CODM. We continually review our operating segment classification to align with operational changes in our business and may make changes as necessary.

Time Brokerage Agreements/Local Marketing Agreements

We have entered into Time Brokerage Agreements (“TBAs”) or Local Marketing Agreements (“LMAs”) in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Statements of Income. Assets and liabilities related to the TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Balance Sheets.

2. Recent Accounting Pronouncements

New Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which requires expanded disclosure of significant segment expenses and other segment items on an annual and interim basis. ASU 2023-07 is effective for us for annual periods beginning after January 1, 2024 and interim periods beginning after January 1, 2025. We are currently evaluating the impact ASU 2023-07 will have on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which requires expanded disclosure of our income rate reconciliation and income taxes paid. ASU 2023-09 is effective for us for annual periods beginning after January 1, 2025. We are currently evaluating the impact ASU 2023-09 will have on our financial statement disclosures.

SAGA COMMUNICATIONS, INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****3. Revenue***Nature of goods and services*

The following is a description of principal activities from which we generate our revenue:

Broadcast Advertising Revenue

Our primary source of revenue is from the sale of advertising for broadcast on our stations. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory placed by an agency and are reported as a reduction of advertising revenue.

Digital Advertising Revenue

We recognize revenue from our digital initiatives across multiple platforms such as targeted digital advertising, online promotions, advertising on our websites and digital audio streams, mobile messaging, email marketing and other e-commerce. Revenue is recorded when each specific performance obligation in the digital advertising campaign takes place, typically within a one month period.

Other Revenue

Other revenue includes revenue from concerts, promotional events, tower rent and other miscellaneous items. Revenue is generally recognized when the event is completed, as the promotional events are completed or as each performance obligation is satisfied.

Disaggregation of Revenue

Revenues from contracts with customers comprised the following for three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Types of Revenue		
Broadcast Advertising Revenue, net	\$ 20,482	\$ 21,468
Digital Advertising Revenue	2,449	1,910
Other Revenue	1,733	1,926
Net Revenue	<u>\$ 24,664</u>	<u>\$ 25,304</u>

Contract Liabilities

Payments from our advertisers are generally due within 30 days although certain advertisers are required to pay in advance. When an advertiser pays for the services in advance of the performance obligations these prepayments are recorded as contract liabilities. Typical contract liabilities relate to prepayments for advertising spots not yet run; prepayments from sponsors for events that have not yet been held; and gift cards sold on our websites used to finance a broadcast advertising campaign. Generally all contract liabilities are expected to be recognized within one year and are included in accounts payable in the Company's Condensed Consolidated Financial Statements and are immaterial.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Transaction Price Allocated to the Remaining Performance Obligations

As the majority of our sales contracts are one year or less, we have utilized the optional exemption under ASC 606-10-50-14 and will not disclose information about the remaining performance obligations for sales contracts which have original expected durations of one year or less.

4. Broadcast Licenses, Goodwill and Other Intangible Assets

We evaluate our FCC licenses for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. We operate our broadcast licenses in each market as a single asset and determine the fair value by relying on a discounted cash flow approach assuming a start-up scenario in which the only assets held by an investor are broadcast licenses. The fair value calculation contains assumptions incorporating variables that are based on past experiences and judgments about future operating performance using industry normalized information for an average station within a market. These variables include, but are not limited to: (1) the forecasted growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) the estimated available advertising revenue within the market and the related market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. If the carrying amount of FCC licenses is greater than their estimated fair value in a given market, the carrying amount of FCC licenses in that market is reduced to its estimated fair value.

We also evaluate goodwill for impairment annually, or more frequently if certain circumstances are present. If the carrying amount of goodwill in a reporting unit is greater than the implied value of goodwill determined by completing a hypothetical purchase price allocation using estimated fair value of the reporting unit, the carrying amount of goodwill in that reporting unit is reduced to its implied value.

We evaluate amortizable intangible assets for recoverability when circumstances indicate impairment may have occurred, using an undiscounted cash flow methodology. If the future undiscounted cash flows for the intangible asset are less than net book value, then the net book value is reduced to the estimated fair value. Amortizable intangible assets are included in other intangibles, deferred costs and investments in the consolidated balance sheets.

The Company considered the current and expected future economic and market conditions, and other potential indicators of impairment and determined a triggering event had not occurred which would necessitate any interim impairment tests during the three months ended March 31, 2024. We will continue to monitor changes in economic and market conditions, and if any event or circumstances indicate a triggering event has occurred, we will perform an interim impairment test of our intangible assets at the appropriate time.

If actual market conditions are less favorable than those estimated by us or if events occur or circumstances change that would reduce the fair value of our broadcast licenses below the carrying value, we may be required to recognize impairment charges in future periods. Such a charge could have a material effect on our consolidated financial statements.

Intangible assets that have finite lives are amortized over their useful lives using the straight-line method. Favorable lease agreements are amortized over the lives of the leases ranging from five to twenty-six years. Other intangibles are amortized over one to fifteen years. Customer relationships are amortized over three years.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

5. Common Stock and Treasury Stock

Our founder, Chairman, President and CEO, Edward K. Christian, passed away on August 19, 2022. As of the date of his passing, Mr. Christian, who was also our principal shareholder, held approximately 65% of the combined voting power of the Company's Common Stock based on Class B Common Stock (together with the Class A Common Stock, collectively, the "Common Stock") generally being entitled to ten votes per share. As a result, Mr. Christian was generally able to control the vote on most matters submitted to the vote of stockholders and, therefore, was able to direct our management and policies, except with respect to (i) the election of two Class A directors, (ii) those matters where the shares of our Class B Common Stock are only entitled to one vote per share, and (iii) other matters requiring a class vote under the provisions of our certificate of incorporation, bylaws or applicable law. Mr. Christian's passing resulted in the conversion of his Class B shares into Class A shares that were transferred to an estate planning trust that now owns approximately 16% of the common stock outstanding. As a result, we no longer have any shares of Class B Common Stock issued or outstanding.

Dividends. Shareholders are entitled to receive such dividends as may be declared by our Board of Directors out of funds legally available for such purpose. However, no dividend may be declared or paid in cash or property on any share of any class of Common Stock unless simultaneously the same dividend is declared or paid on each share of the other class of common stock. In the case of any stock dividend, holders of Class A Common Stock are entitled to receive the same percentage dividend (payable in shares of Class A Common Stock) as the holders of Class B Common Stock receive (payable in shares of Class B Common Stock).

Voting Rights. Holders of shares of Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote. Prior to Mr. Christian's passing, each share of Class B Common Stock was entitled to ten votes, except (i) in the election for directors, (ii) with respect to any "going private" transaction between the Company and the principal stockholder, and (iii) as otherwise provided by law.

Prior to Mr. Christian's passing, in the election of directors, the holders of Class A Common Stock, voting as a separate class, were entitled to elect twenty-five percent, or two, of our directors. The holders of the Common Stock, voting as a single class with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, were entitled to elect the remaining directors. The Board of Directors consisted of eight members at December 31, 2023. Currently, our Board of Directors consists of eight members. Holders of Common Stock are not entitled to cumulative voting in the election of directors.

The holders of the Common Stock vote as a single class with respect to any proposed "going private" transaction with the principal stockholder or an affiliate of the principal stockholder, with each share of each class of Common Stock entitled to one vote per share.

Under Florida law, the affirmative vote of the holders of a majority of the outstanding shares of any class of common stock is required to approve, among other things, a change in the designations, preferences and limitations of the shares of such class of common stock.

Liquidation Rights. Upon our liquidation, dissolution, or winding-up, the holders of Class A Common Stock are entitled to share ratably in accordance with the number of shares held in all assets available for distribution after payment in full of creditors.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through March 31, 2024:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2023	7,867	—
Issuance of restricted stock	140	—
Balance, December 31, 2023	8,007	—
Balance, March 31, 2024	8,007	—

We have a Stock Buy-Back Program to allow us to purchase up to \$75.8 million of our Class A Common Stock. As of March 31, 2024, we have remaining authorization of \$18.0 million for future repurchases of our Class A Common Stock. On September 14, 2017, the Board of Directors authorized the repurchase of our Class A Common Stock under our trading plan adopted pursuant to Securities and Exchange Commission Rule 10b5-1. The Rule 10b5-1 repurchase plan allows us to repurchase our shares during periods when we would normally not be active in the market due to our internal trading blackout periods. Under the plan, we may repurchase our Class A Common Stock in any combination of open market, block transactions and privately negotiated transactions subject to market conditions, legal requirements including applicable SEC regulations (which include certain price, market, volume and timing constraints), specific repurchase instructions and other corporate considerations. Purchases under the plan are funded by cash on our balance sheet. The plan does not obligate us to acquire any particular amount of Class A Common Stock. Our original purchase authorization was effective until September 1, 2018 and has been extended several times, with the most recent authorization instructions extension being through May 28, 2020. We halted the directions for any additional buybacks under our plan in 2020. We continue to monitor economic conditions to determine if and when it makes sense to make additional buybacks under our plan. During the three months ended March 31, 2024 and 2023, no shares were repurchased under the Stock Buy-Back Program.

6. Leases

We lease certain land, buildings and equipment for use in our operations. We recognize lease expense for these leases on a straight-line basis over the lease term and combine lease and non-lease components for all leases. Right-of-use (“ROU”) assets and lease liabilities are recorded on the balance sheet for all leases with an expected term of at least one year. Some leases include one or more options to renew. The exercise of lease renewal options is generally at our discretion. The depreciable lives of ROU assets are limited to the expected lease term. Our lease agreements do not contain any residual value guarantees or material restrictive covenants. As of March 31, 2024, we do not have any non-cancellable operating lease commitments that have not yet commenced.

ROU assets are classified within other intangibles, deferred costs and investments, net on the condensed consolidated balance sheet while current lease liabilities are classified within other accrued expenses and long-term lease liabilities are classified within other liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. ROU assets were \$6.6 million and \$7.0 million at March 31, 2024 and December 31, 2023 respectively. Lease liabilities were \$6.8 million and \$7.3 million at March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024, we did not record any additional ROU assets under operating leases. Payments on lease liabilities during the three months ended March 31, 2024 and 2023 totaled \$528,000, and \$526,000, respectively.

Lease expense includes cost for leases with terms in excess of one year. For the three months ended March 31, 2024 and 2023, our total lease expense was \$475,000, and \$460,000, respectively. Short-term lease costs are *de minimis* in nature.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We have no financing leases and minimum annual rental commitments under non-cancellable operating leases consisted of the following at March 31, 2024 (in thousands):

Years Ending December 31,	
2024 (a)	\$ 1,321
2025	1,689
2026	1,468
2027	1,277
2028	863
Thereafter	1,582
Total lease payments (b)	8,200
Less: Interest (c)	1,353
Present value of lease liabilities (d)	<u>\$ 6,847</u>

- (a) Remaining payments are for the nine-months ending December 31, 2024.
- (b) Lease payments include options to extend lease terms that are reasonably certain of being exercised. There were no legally binding minimum lease payments for leases signed but not yet commenced at March 31, 2024.
- (c) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.
- (d) The weighted average remaining lease term and weighted average discount rate used in calculating our lease liabilities were 6.3 years and 5.5%, respectively, at March 31, 2024.

7. Acquisitions and Dispositions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. The consolidated statements of income include the operating results of the acquired stations from their respective dates of acquisition. All acquisitions were accounted for as purchases and, accordingly, the total purchase consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition dates. The excess of the consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill. The Company accounts for acquisitions under the provisions of FASB ASC Topic 805, *Business Combinations*.

Management assigned fair values to the acquired property and equipment through a combination of cost and market approaches based upon each specific asset's replacement cost, with a provision for depreciation, and to the acquired intangibles, primarily an FCC license, based on the Greenfield valuation methodology, a discounted cash flow approach.

Pending Acquisitions

On February 13, 2024, we entered into an agreement to purchase the assets of WKOA (FM), WKHY (FM), WASK (FM), WXXB (FM), WASK (AM) and W269DJ from Neuhoff Communications, Inc. serving the Greater Lafayette, Indiana radio market for \$5.3 million which we expect to finance through funds generated from operations or borrowings under our credit agreement. During the first quarter of 2024, we have placed an escrow deposit of \$250,000 for this acquisition. We expect to close on this acquisition in the second quarter of 2024.

2024 Dispositions

On March 29, 2024, we closed on an agreement to sell WYSE-AM, W275CP translator and W248CM translator located in our Asheville, North Carolina market to EZ Radio LLC for \$10,000. We recorded a \$147,000 loss on the sale in our other operating (income) expense, net line item on our Condensed Consolidated Statement of Operations.

On March 22, 2024, we submitted a request to the FCC to cancel our FCC license for KBAI-AM located in our Bellingham, Washington market. We recorded a \$800,000 loss on the disposal in our other operating (income) expense, net line item on our Condensed Consolidated Statement of Operations.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2023 Dispositions

On February 28, 2023, we closed on an agreement to sell WPVQ-AM located in our Greenfield, Massachusetts market to Hampden Communications Corp for \$2,000. We recorded a \$43,000 loss on the sale in our other operating (income) expense, net line item on our Condensed Consolidated Statement of Operations.

On March 20, 2023, we submitted a request to the FCC to cancel our FCC license for WHMQ-AM located in our Greenfield, Massachusetts market. We recorded a \$22,000 loss on the disposal in our other operating (income) expense, net line item on our Condensed Consolidated Statement of Operations.

8. Income taxes

An income tax benefit of \$580,000 was recorded for the three months ended March 31, 2024 compared to income tax expense of \$350,000 for the three months ended March 31, 2023. The effective tax rate was approximately 26.9% for the three months ended March 31, 2024 compared to 27.6% for the three months ended March 31, 2023. Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates and are adjusted for the effects of significant, infrequent or unusual items (i.e. discrete items) occurring during the interim period.

9. Stock-Based Compensation

2005 Incentive Compensation Plan

On May 13, 2019, our shareholders approved an amendment to the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan (as amended, the “Second Restated 2005 Plan”). This plan was first approved in 2005, and subsequently re-approved in 2010 and 2013. The amendment to the Second Restated 2005 Plan (i) extended the date for making awards to September 6, 2023 and (ii) increased the number of authorized shares under the Plan by 90,000 shares of Class B Common Stock. The Second Restated 2005 Plan allowed for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to eligible employees and non-employee directors.

The number of shares of Common Stock that was allowed to be issued under the Second Restated 2005 Plan was not to exceed 370,000 shares of Class B Common Stock, or 990,000 shares of Class A Common Stock of which up to 620,000 shares of Class A Common Stock were to be issued pursuant to incentive stock options and 370,000 shares of Class A Common Stock were to be issued upon conversion of Class B Common Stock. Awards denominated in Class A Common Stock were to be granted to any employee or director under the Second Restated 2005 Plan. Upon the passing of Mr. Christian, we no longer have any holders of Class B Common Stock, as those awards denominated in Class B Common Stock were only able to be granted to Mr. Christian. Stock options granted under the Second Restated 2005 Plan were to be for terms not exceeding ten (10) years from the date of grant and could not be exercised at a price which was less than 100% of the fair market value of shares at the date of grant.

2023 Incentive Compensation Plan

On May 8, 2023, our shareholders approved the 2023 Incentive Compensation Plan (the “2023 Plan”). The 2023 Plan replaces the Second Restated 2005 Plan. The Board of Directors does not intend to make any further awards under the Second Restated 2005 Plan. However, each outstanding award under the Second Restated 2005 Plan will remain outstanding under the Second Restated 2005 Plan and will continue to be governed under its terms and any applicable award agreement. The 2023 Plan allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards, including cash to eligible employees and non-employee directors of the Company and its subsidiaries. The number of shares of Common Stock that may be issued under the 2023 Plan may not exceed 600,000 shares of Class A Common Stock. The Form of Restricted Stock Option Agreements for Employees and Directors under the 2023 Plan have been filed as exhibits to this Form 10-Q are incorporated by reference.

SAGA COMMUNICATIONS, INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)*****Stock-Based Compensation***

All stock options granted were fully vested and expensed at December 31, 2012; therefore, there was no compensation expense related to stock options for the three months ended March 31, 2024 and 2023, respectively.

There were no stock options granted during 2024 or 2023 and there were no stock options outstanding as of March 31, 2024. All outstanding stock options were exercised in 2017.

The following summarizes the restricted stock transactions for the three months ended March 31, 2024:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2024	193,529	\$ 22.36
Vested	—	—
Forfeited	—	—
Non-vested and outstanding at March 31, 2024	<u>193,529</u>	<u>\$ 22.36</u>

For the three months ended March 31, 2024 and 2023, we had \$453,000 and \$245,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements. This expense is included in corporate general and administrative expenses in our results of operations. The associated tax benefit recognized for the three months ended March 31, 2024 and 2023 was \$119,000 and \$64,000, respectively.

10. Long-Term Debt

The Company has no debt outstanding at December 31, 2023 or March 31, 2024.

On December 19, 2022, we entered into a Third Amendment to our Credit Facility, (the “Third Amendment”), which extended the maturity date to December 19, 2027, reduced the lenders to JPMorgan Chase Bank, N.A., and the Huntington National Bank (the “Lenders”), established an interest rate equal to the secured overnight financing rate (“SOFR”) as administered by the SOFR Administrator (currently established as the Federal Reserve Bank of New York) as the interest base and increased the basis points.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets. As a result of the Second Amendment to our Credit Facility (the “Second Amendment”), the Company incurred an additional \$120,000 of transaction fees related to the Credit Facility that were capitalized. As a result of the Third Amendment, the Company incurred an additional \$161,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to SOFR (5.34% at March 31, 2024), plus 1% to 2% or the base rate plus 0% to 1%. The spread over SOFR and the base rate vary from time to time, depending upon our financial leverage. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. Under the Third Amendment, we now pay quarterly commitment fees of 0.25% per annum on the unused portion of the

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Credit Facility. We previously paid quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at March 31, 2024) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We have approximately \$50 million of unused borrowing capacity under the Revolving Credit Facility at both March 31, 2024 and December 31, 2023.

11. Litigation

From time to time, the Company may be involved in various legal proceedings that are incidental to the Company's business. In management's opinion, the Company is not a party to any current legal proceedings that are material to its financial condition, either individually or in the aggregate.

12. Dividends

During 2024, the Company's Board of Directors declared a quarterly cash dividend and a variable cash dividend on its Class A Common Stock. These dividends totaling approximately \$5.3 million were accrued or paid during the first quarter of 2024.

During 2023, our Board of Directors declared four quarterly cash dividends and one special dividend totaling \$3.00 per share on our Class A shares. These dividends totaling approximately \$18.6 million were accrued or paid during 2023.

The Company currently intends to declare regular quarterly cash dividends as well as variable dividends in accordance with the terms of its variable dividend policy. As previously reported, our Board adopted a variable dividend policy for the allocation of available cash aligned with the goals of maintaining a strong balance sheet, increasing cash returns to shareholders, and continuing to grow the Company through strategic acquisitions. The Company may also declare special dividends and implementation of stock buybacks in future periods. The declaration and payment of any future dividend, whether fixed, special, or based on the variable policy, or the implementation of any stock buyback program will remain at the full discretion of the Board and will depend on the Company's financial results, cash requirements, future expectations, and other pertinent factors.

13. Other Income

In 2012, Congress mandated that the FCC conduct an incentive auction of broadcast television spectrum as set forth in the Middle Class Tax Relief and Job Creation Act of 2012 ("Spectrum Act"). The Spectrum Act authorized the FCC to conduct incentive auctions in which licensees could voluntarily relinquish their spectrum usage rights in order to permit the assignment by auction of new initial licenses subject to flexible use service rules, in exchange for a portion of the resulting auction proceeds. The Spectrum Act appropriated \$1.75 billion to the TV Broadcaster Relocation Fund ("Reimbursement Fund") for costs reasonably incurred by Full Power and Class A broadcast television licensees reassigned to new channels ("repack"), as well as Multichannel Video Programming Distributors ("MVPDs") that incurred costs related to continuing to carry the signals of reassigned broadcast stations. The 2018 Reimbursement Expansion Act, appropriated \$1 billion in additional funds for the Reimbursement Fund and expanded eligible entities for reimbursement to include FM stations affected by the repack. During the first quarter of 2023, we received approximately \$115,000 in reimbursement for our FM stations. This reimbursement was recorded in other (income), expense, net, in the Company's Condensed Consolidated Statement of Operations. We do not anticipate receiving any additional reimbursements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

14. Commitments and Contingencies

As previously disclosed Mr. Christian passed away on August 19, 2022. As a result of his passing the Company was required to make several payments to his estate as outlined in his employment agreement, as described in our annual report on Form 10-K for the year ended December 31, 2022. In accordance with ASC 712-10-25, *Nonretirement Postemployment Benefits*, we accrued all necessary expenses as of September 30, 2022. However, under the agreement, the Company will be responsible to pay the estate's income tax obligation relating to the payout of the life insurance policy. The estimate of the possible loss related to that tax obligation cannot be made at this time due to uncertainties related to the timing of the transfer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as “will,” “may,” “believes,” “intends,” “expects,” “anticipates,” “plans,” “estimates,” “guidance,” and similar expressions are intended to identify forward-looking statements that are not historical facts. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (“Future Factors”) that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. We undertake no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events (whether anticipated or unanticipated), or otherwise

Future Factors include, among others, adverse changes in interest rates and interest rate relationships; our financial leverage and debt service requirements; dependence on key personnel; dependence on key stations and the advertising revenue they generate; U.S. national and local economic conditions or an economic recession; market volatility; demand for our services; the degree of competition by traditional and non-traditional competitors; our ability to successfully integrate acquired stations; regulatory requirements including royalties we pay; governmental and regulatory policy changes; changes in tax laws; the impact of technological advances; risks associated with cyber-attacks on our computer systems and those of our vendors; the outcomes of contingencies; trends in audience behavior; damage to our reputation resulting from adverse publicity, regulatory actions, litigation, operational failures, the failure to meet client or listener expectations and other facts; changes in local real estate values; natural disasters; terrorist attacks; the wars in Ukraine and Middle East, the effects of widespread outbreak of illness or disease, inflation; increased energy costs; and risk factors described in our annual report on Form 10-K for the year ended December 31, 2023 or in this quarterly report. These are representative of the Future Factors that could cause a difference between an ultimate actual outcome and a forward-looking statement.

Introduction

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management's Discussion and Analysis contained in our annual report on Form 10-K for the year ended December 31, 2023. The following discussion is presented on a consolidated basis.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP), which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” in our annual report on Form 10-K for the year ended December 31, 2023.

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on “station operating income” (operating income plus corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

Financial Condition and Results of Operations

General

We are a media company primarily engaged in acquiring, developing and operating broadcast properties including opportunities complimentary to our core radio business including digital, e-commerce and non-traditional revenue initiatives. We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. We review acquisition opportunities on an ongoing basis. For additional information with respect to acquisitions, see “Liquidity and Capital Resources” below. We own or operate broadcast properties in 27 markets, including 79 FM and 31 AM radio stations and 78 metro signals.

Radio Stations

Our radio stations’ primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio market’s sales staff. For the three months ended March 31, 2024 and 2023, approximately 90% and 90%, respectively, of our radio stations’ gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. Furthermore, we expect political revenue in 2024 to increase from 2023 levels as a result of more elections at the national, state and local levels.

Our net operating revenue, station operating expense and operating income varies from market to market based upon each market’s rank or size which is based upon population and the available radio advertising revenue in that particular market.

The broadcasting industry and advertising in general is influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. Our stations primarily broadcast in small to midsize markets. Historically, such markets have been more stable than major metropolitan markets during downturns in advertising spending, but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station’s ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets, this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media, and signal strength.

When we acquire and/or begin to operate a station or group of stations we generally increase programming and advertising and promotion expenses to increase our share of our target demographic audience. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations is increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired station or group of stations.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell-out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

The primary operating expenses involved in owning and operating radio stations are employee salaries and related benefit costs, sales commissions, programming expenses, depreciation, and advertising and promotion expenses.

The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies and services. These new technologies and media are gaining advertising share against radio and other traditional media.

We are continuing to expand our digital initiative to provide a seamless experience across multiple platforms. Our goal is to allow our listeners to connect with our brands on demand, wherever, however and whenever they choose. We continue to create and expand opportunities through targeted digital advertising, online community news, entertainment and events and an array of digital services that include online promotions, mobile messaging, and email marketing.

During the three months ended March 31, 2024 and 2023 and the years ended December 31, 2023 and 2022, our Charleston, South Carolina; Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin; and Norfolk, Virginia markets, when combined, represented approximately 35%, 37%, 37% and 39%, respectively, of our consolidated net operating revenue. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

The following table describes the percentage of our consolidated net operating revenue represented by each of these markets:

Market:	Percentage of Consolidated Net Operating Revenue for the Three Months Ended March 31,		Percentage of Consolidated Net Operating Revenue for the Years Ended December 31,	
	2024	2023	2023	2022
	Charleston, South Carolina	6 %	5 %	6 %
Columbus, Ohio	8 %	9 %	9 %	10 %
Des Moines, Iowa	5 %	6 %	5 %	5 %
Milwaukee, Wisconsin	11 %	11 %	11 %	12 %
Norfolk, Virginia	5 %	6 %	6 %	6 %

During the three months ended March 31, 2024 and 2023 and the years ended December 31, 2023 and 2022, the radio stations in our five largest markets, when combined, represented approximately 38%, 40%, 40% and 43%, respectively, of our consolidated station operating income. The following table describes the percentage of our consolidated station operating income represented by each of these markets:

Market:	Percentage of Consolidated Station Operating Income (*) for the Three Months Ended March 31,		Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31,	
	2024	2023	2023	2022
	Charleston, South Carolina	10 %	4 %	5 %
Columbus, Ohio	6 %	11 %	10 %	13 %
Des Moines, Iowa	2 %	6 %	4 %	4 %
Milwaukee, Wisconsin	15 %	11 %	12 %	14 %
Norfolk, Virginia	5 %	8 %	9 %	7 %

* Operating income adjusted for corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Results of Operations

The following table summarizes our results of operations for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,		\$ Increase	% Increase
	2024	2023	(Decrease)	(Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 24,664	\$ 25,304	\$ (640)	(2.5)%
Station operating expenses	22,981	21,703	1,278	5.9 %
Corporate general and administrative	3,129	2,616	513	19.6 %
Other operating expense, net	971	80	891	N/M
Operating (loss) income	(2,417)	905	(3,322)	(367.1)%
Interest expense	43	43	—	— %
Interest income	(303)	(289)	(14)	N/M
Other income	—	(119)	119	N/M
Income (loss) before income tax expense	(2,157)	1,270	(3,427)	(269.8)%
Income tax provision (benefit)				
Current	(515)	280	(795)	(283.9)%
Deferred (benefit)	(65)	70	(135)	(192.9)%
	(580)	350	(930)	(265.7)%
Net (loss) income	\$ (1,577)	\$ 920	\$ (2,497)	(271.4)%
Earnings (loss) per share (diluted)	\$ (0.25)	\$ 0.15	\$ (0.40)	(266.7)%

N/M = Not Meaningful

For the three months ended March 31, 2024, consolidated net operating revenue was \$24,664,000 compared with \$25,304,000 for the three months ended March 31, 2023, a decrease of \$640,000 or 2.5%. We had decreases in gross local revenue and non-spot gross revenue of \$1,184,000 and \$165,000 respectively partially offset by increases in gross interactive revenue and gross political revenue of \$573,000 and \$118,000, respectively for the comparable period of 2023. The most significant decreases in gross local revenue were at our Clarksville, Tennessee; Columbus, Ohio; Des Moines, Iowa; Manchester, New Hampshire; Milwaukee, Wisconsin; Norfolk, Virginia; Portland, Maine and Yankton, South Dakota markets. The markets with the most significant decreases in 2024 in non-spot events were Des Moines, Iowa; Manchester, New Hampshire and Yankton, South Dakota. The increase in gross interactive revenue is primarily due to an increase in our streaming revenue and our website advertising revenue. The gross political revenue increased due to an increase in the number of national, state and local elections compared to 2023.

Station operating expense was \$22,981,000 for the three months ended March 31, 2024, compared with \$21,703,000 for the three months ended March 31, 2023, an increase of \$1,278,000 or 5.9%. The increase in operating expense was primarily the result of increases in compensation-related expenses, bad debt expenses, healthcare expenses, streaming and content expenses, sales survey expenses, insurance-related expenses, repairs and maintenance expenses, and music licensing expenses, of \$471,000, \$287,000, \$135,000, \$109,000, \$103,000, \$42,000, \$35,000 and \$35,000, respectively, for the comparable period of 2023.

We had an operating loss for the three months ended March 31, 2024 of \$2,417,000 compared to operating income \$905,000 for the three months ended March 31, 2023, a decrease of \$3,322,000. The decrease was a result of the decrease in net operating revenue and increase in station operating expense, as noted above, along with an increase in corporate general and administrative expenses of \$513,000 and an increase in other operating expense of \$891,000. The increase in corporate general and administrative expenses was primarily comprised of an increase of \$208,000 in stock based compensation, an increase of \$146,000 in compensation-related expense, an increase of \$117,000 in travel-related expenses, and an increase of \$76,000 in legal fees, partially offset by a decrease in other consulting fees of \$40,000. In 2024, we recorded a loss on the sale of fixed assets and intangibles of \$971,000 compared to a loss on the sale of fixed assets of \$80,000 in 2023. The loss on sale of fixed assets and intangibles recorded in other operating expense in 2024 primarily relates to the sale of WYSE-AM, W275CP translator and W248CM translator located in our Asheville, North Carolina market and the relinquishment of our FCC license for KBAI-AM located in our Bellingham, Washington market, described in footnote 7 (Acquisitions and Dispositions).

We generated a net loss of \$1,577,000 (\$0.25 per share on a fully diluted basis) during the three months ended March 31, 2024, compared to net income of \$920,000 (\$0.15 per share on a fully diluted basis) for the three months ended March 31, 2023, a decrease of \$2,497,000. The decrease in net income is primarily due to the decrease in operating income, described above, a decrease in other income of \$119,000 partially offset by an increase in interest income of \$14,000, and a decrease in income tax expense of \$930,000. The increase in interest income is related to higher rates of return on money market accounts reflected as cash equivalents and from our short-term investment accounts. The decrease in other income is due to reimbursements from the FCC related to their spectrum auction of \$115,000 described in footnote 13 (Other Income) that we received in 2023 as opposed to 2024 where we did not have other income earned in the first quarter. The decrease in our income tax expense is due to a loss before income tax benefit in 2024 compared to income before income tax expense in 2023.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

On December 19, 2022, we entered into a Third Amendment to our Credit Facility, (the “Third Amendment”), which extended the maturity date to December 19, 2027, reduced the lenders to JPMorgan Chase Bank, N.A., and the Huntington National Bank (the “Lenders”), established an interest rate equal to the secured overnight financing rate (“SOFR”) as administered by the SOFR Administrator (currently established as the Federal Reserve Bank of New York) as the interest base and increased the basis points.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional \$120,000 of transaction fees related to the Credit Facility that were capitalized. As a result of the Third Amendment, the Company incurred an additional \$161,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to SOFR (5.34% at March 31, 2024), plus 1% to 2% or the base rate plus 0% to 1%. The spread over SOFR and the base rate vary from time to time, depending upon our financial leverage. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. Under the Third Amendment, we now pay quarterly commitment fees of 0.25% per annum on the used portion of the

Credit Facility. We previously paid quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at March 31, 2024) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We have no debt outstanding at December 31, 2023 or March 31, 2024.

We have approximately \$50 million of unused borrowing capacity under the Revolving Credit Facility at both March 31, 2024 and December 31, 2023.

Sources and Uses of Cash

During the three months ended March 31, 2024 and 2023, we had net cash flows from operating activities of \$3,803,000 and \$4,835,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for payments of interest and scheduled payments of principal under our Credit Facility if we borrow in the future. However, if such cash flow is not sufficient, we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

In March 2013, our Board of Directors authorized an increase to our Stock Buy-Back Program (the “Buy-Back Program”) to allow us to purchase up to \$75.8 million of our Class A Common Stock. From its inception in 1998 through March 31, 2024, we have repurchased 2.2 million shares of our Class A Common Stock for \$57.8 million. During the three months ended March 31, 2024, we did not repurchase any shares related to the Buy-Back Program. We halted the directions issued for any additional buybacks under our plan in 2020. We continue to monitor economic conditions to determine if and when it makes sense to make additional buybacks under our plan.

Our capital expenditures, exclusive of acquisitions, for the three months ended March 31, 2024 were \$1,050,000 (\$1,362,000 in 2023). We anticipate capital expenditures in 2024 to be approximately \$5.0 million to \$5.5 million, which we expect to finance through funds generated from operations.

On February 13, 2024, we entered into an agreement to purchase the assets of WKOA (FM), WKHY (FM), WASK (FM), WXXB (FM), WASK (AM) and W269DJ from Neuhoff Communications, Inc. serving the Greater Lafayette, Indiana radio market for \$5.3 million which we expect to finance through funds generated from operations or borrowings under our credit agreement. We expect to close on this acquisition in the second quarter of 2024.

During 2024, the Company’s Board of Directors declared a quarterly cash dividend and a variable cash dividend on its Class A Common Stock. These dividends totaling approximately \$5.3 million were accrued or paid during the first quarter of 2024.

During 2023, our Board of Directors declared four quarterly cash dividends and one special dividend totaling \$3.00 per share on our Class A shares. These dividends totaling approximately \$18.6 million were accrued or paid during 2023.

We continue to actively seek and explore opportunities for expansion through the acquisitions of additional broadcast properties.

We anticipate that any future acquisitions of radio stations and dividend payments will be financed through funds generated from operations, borrowings under the Credit Agreement, additional debt or equity financing, cash on hand, or a combination thereof. However, there can be no assurances that any such financing will be available on acceptable terms, if at all.

Summary Disclosures About Contractual Obligations and Commercial Commitments

We have future cash obligations under various types of contracts, including the terms of our Credit Facility, operating leases, programming contracts, employment agreements, and other operating contracts. For additional

information concerning our future cash obligations see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation — Summary Disclosures About Contractual Obligations” in our annual report on Form 10-K for the year ended December 31, 2023.

We anticipate that our contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Facility, or a combination thereof.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

Inflation

The impact of inflation on our operations has not been significant to date. We are, however, starting to see the effects of higher inflation starting to impact costs of most goods and services. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk and Risk Management Policies” in our annual report on Form 10-K for the year ended December 31, 2023 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2023 annual report on Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. There have been no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may be involved in various legal proceedings that are incidental to the Company's business. In management's opinion, the Company is not a party to any current legal proceedings that are material to its financial condition, either individually or in the aggregate.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in response to Part 1, "Item 1A. Risk Factors," of our annual report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We made no unregistered sales of equity securities during the fiscal quarter ended March 31, 2024.

The following table summarizes our repurchases of our Class A Common Stock during the three months ended March 31, 2024.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program ⁽²⁾
January 1 - January 31, 2024	—	\$ —	—	\$ 17,976,728
February 1 - February 29, 2024	—	\$ —	—	\$ 17,976,728
March 1 - March 31, 2024	—	\$ —	—	\$ 17,976,728
Total	—	\$ —	—	\$ 17,976,728

- (1) All shares were purchased other than through a publicly announced plan or program. The shares were forfeited to the Company for payment of tax withholding obligations related to the vesting of restricted stock.
- (2) We have a Stock Buy-Back Program which allows us to purchase our Class A Common Stock. In February 2013, our Board of Directors authorized an increase in the amount committed to the Buy-Back Program from \$60 million to approximately \$75.8 million.

Item 5. Other Information

None of the Company's directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as defined in Item 408 of Regulation S-K, during the Company's fiscal quarter ended March 31, 2024.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
(104)	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAGA COMMUNICATIONS, INC.

Date: May 10, 2024

/s/ SAMUEL D. BUSH

Samuel D. Bush

Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Date: May 10, 2024

/s/ CATHERINE A. BOBINSKI

Catherine A. Bobinski

Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Christopher S. Forgy, Chief Executive Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Christopher S. Forgy

Christopher S. Forgy
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Samuel D. Bush, Chief Financial Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Samuel D. Bush

Samuel D. Bush
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Saga Communications, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Christopher S. Forgy, Chief Executive Officer of the Company, and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2024

/s/ Christopher S. Forgy

Christopher S. Forgy
Interim Chief Executive Officer

Dated: May 10, 2024

/s/ Samuel D. Bush

Samuel D. Bush
Chief Financial Officer
