

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 September 30, 2021

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, and Class B Common Stock, \$.01 par value, outstanding as of November 5, 2021 was 5,042,752 and 937,641, respectively.

INDEX

	<b>Page</b>
<a href="#">PART I. FINANCIAL INFORMATION</a>	3
<a href="#">Item 1. Financial Statements (Unaudited)</a>	3
<a href="#">Condensed consolidated balance sheets — September 30, 2021 and December 31, 2020</a>	3
<a href="#">Condensed consolidated statements of operations — Three and nine months ended September 30, 2021 and 2020</a>	4
<a href="#">Condensed consolidated statements of stockholders' equity – Three and nine months ended September 30, 2021 and 2020</a>	5
<a href="#">Condensed consolidated statements of cash flows — Nine months ended September 30, 2021 and 2020</a>	6
<a href="#">Notes to unaudited condensed consolidated financial statements</a>	7
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	18
<a href="#">Item 3. Quantitative and Qualitative Disclosures about Market Risk</a>	26
<a href="#">Item 4. Controls and Procedures</a>	26
<a href="#">PART II OTHER INFORMATION</a>	26
<a href="#">Item 1. Legal Proceedings</a>	26
<a href="#">Item 1A. Risk Factors</a>	27
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	27
<a href="#">Item 6. Exhibits</a>	28
<a href="#">Signatures</a>	29
EX-31.1	
EX-31.2	
EX-32	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

## PART I — FINANCIAL INFORMATION

**Item 1. Financial Statements**

**SAGA COMMUNICATIONS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2021	December 31, 2020
	(Unaudited)	(Note)
	(In thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 62,181	\$ 51,353
Accounts receivable, net	15,987	15,732
Prepaid expenses and other current assets	2,629	2,988
Barter transactions	1,273	895
Total current assets	<u>82,070</u>	<u>70,968</u>
Property and equipment	144,001	142,680
Less accumulated depreciation	90,550	87,795
Net property and equipment	<u>53,451</u>	<u>54,885</u>
Other assets:		
Broadcast licenses, net	90,277	90,208
Goodwill	19,209	19,106
Other intangibles, right of use assets, deferred costs and investments, net	10,107	11,321
	<u>\$ 255,114</u>	<u>\$ 246,488</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 2,359	\$ 2,212
Accrued payroll and payroll taxes	6,901	5,660
Dividend payable	956	—
Other accrued expenses	5,033	5,267
Barter transactions	1,114	795
Current portion of long-term debt	10,000	—
Total current liabilities	<u>26,363</u>	<u>13,934</u>
Deferred income taxes	25,017	24,607
Long-term debt	—	10,000
Other liabilities	6,370	7,405
Total liabilities	<u>57,750</u>	<u>55,946</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock	77	77
Additional paid-in capital	69,748	68,900
Retained earnings	164,543	158,990
Treasury stock	<u>(37,004)</u>	<u>(37,425)</u>
Total stockholders' equity	<u>197,364</u>	<u>190,542</u>
	<u>\$ 255,114</u>	<u>\$ 246,488</u>

Note: The balance sheet at December 31, 2020 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)			
	(In thousands, except per share data)			
Net operating revenue	\$ 28,845	\$ 24,143	\$ 79,192	\$ 67,060
Station operating expenses	21,690	19,616	61,630	60,467
Corporate general and administrative	2,538	2,838	7,470	8,923
Other operating (income) expense, net	(2)	50	(25)	(1,234)
Impairment of broadcast licenses	—	1,392	—	5,149
Operating income (loss)	4,619	247	10,117	(6,245)
Interest expense	73	75	218	265
Interest income	(4)	(8)	(14)	(141)
Other income	(279)	—	(582)	(213)
Income (loss) before income tax expense (benefit)	4,829	180	10,495	(6,156)
Income tax expense (benefit)	1,375	1,130	3,030	(1,975)
Net income (loss)	\$ 3,454	\$ (950)	\$ 7,465	\$ (4,181)
Earnings (loss) per share:				
Basic	\$ 0.58	\$ (0.16)	\$ 1.25	\$ (0.70)
Diluted	\$ 0.58	\$ (0.16)	\$ 1.25	\$ (0.70)
Weighted average common shares	5,917	5,869	5,916	5,867
Weighted average common and common equivalent shares	5,917	5,869	5,916	5,867
Dividends declared per share	\$ 0.16	\$ -	\$ 0.32	\$ 0.32

See accompanying notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	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)				
<b>Balance at December 31, 2019</b>	6,771	\$ 68	954	\$ 9	\$ 66,811	\$ 162,822	\$ (37,358)	\$ 192,352
Net income, three months ended March 31, 2020	—	—	—	—	—	1,680	—	1,680
Dividends declared per common share	—	—	—	—	—	(1,919)	—	(1,919)
Compensation expense related to restricted stock awards	—	—	—	—	569	—	—	569
Purchase of shares held in treasury	—	—	—	—	—	—	(20)	(20)
401(k) plan contribution	—	—	—	—	(131)	—	382	251
<b>Balance at March 31, 2020</b>	<u>6,771</u>	<u>\$ 68</u>	<u>954</u>	<u>\$ 9</u>	<u>\$ 67,249</u>	<u>\$ 162,583</u>	<u>\$ (36,996)</u>	<u>\$ 192,913</u>
Net loss, three months ended June 30, 2020	—	—	—	—	—	(4,911)	—	(4,911)
Forfeiture of restricted stock	(2)	—	—	—	—	—	—	—
Compensation expense related to restricted stock awards	—	—	—	—	612	—	—	612
Purchase of shares held in treasury	—	—	—	—	—	—	(21)	(21)
<b>Balance at June 30, 2020</b>	<u>6,769</u>	<u>\$ 68</u>	<u>954</u>	<u>\$ 9</u>	<u>\$ 67,861</u>	<u>\$ 157,672</u>	<u>\$ (37,017)</u>	<u>\$ 188,593</u>
Net loss, three months ended September 30, 2020	—	—	—	—	—	(950)	—	(950)
Compensation expense related to restricted stock awards	—	—	—	—	618	—	—	618
Purchase of shares held in treasury	—	—	—	—	—	—	(22)	(22)
<b>Balance at September 30, 2020</b>	<u>6,769</u>	<u>\$ 68</u>	<u>954</u>	<u>\$ 9</u>	<u>\$ 68,479</u>	<u>\$ 156,722</u>	<u>\$ (37,039)</u>	<u>\$ 188,239</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)				
<b>Balance at December 31, 2020</b>	6,785	\$ 68	938	\$ 9	\$ 68,900	\$ 158,990	\$ (37,425)	\$ 190,542
Net income, three months ended March 31, 2021	—	—	—	—	—	758	—	758
Compensation expense related to restricted stock awards	—	—	—	—	343	—	—	343
401(k) plan contribution	—	—	—	—	(200)	—	421	221
<b>Balance at March 31, 2021</b>	<u>6,785</u>	<u>\$ 68</u>	<u>938</u>	<u>\$ 9</u>	<u>\$ 69,043</u>	<u>\$ 159,748</u>	<u>\$ (37,004)</u>	<u>\$ 191,864</u>
Net income, three months ended June 30, 2021	—	—	—	—	—	3,253	—	3,253
Dividends declared per common share	—	—	—	—	—	(956)	—	(956)
Compensation expense related to restricted stock awards	—	—	—	—	357	—	—	357
<b>Balance at June 30, 2021</b>	<u>6,785</u>	<u>\$ 68</u>	<u>938</u>	<u>\$ 9</u>	<u>\$ 69,400</u>	<u>\$ 162,045</u>	<u>\$ (37,004)</u>	<u>\$ 194,518</u>
Net income, three months ended September 30, 2021	—	—	—	—	—	3,454	—	3,454
Dividends declared per common share	—	—	—	—	—	(956)	—	(956)
Compensation expense related to restricted stock awards	—	—	—	—	348	—	—	348
<b>Balance at September 30, 2021</b>	<u>6,785</u>	<u>\$ 68</u>	<u>938</u>	<u>\$ 9</u>	<u>\$ 69,748</u>	<u>\$ 164,543</u>	<u>\$ (37,004)</u>	<u>\$ 197,364</u>

See accompanying notes to unaudited condensed consolidated financial statements.

## SAGA COMMUNICATIONS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2021	2020
	(Unaudited)	
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net cash provided by operating activities	\$ 13,905	\$ 8,206
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(2,687)	(1,880)
Acquisition of broadcast properties	(150)	(190)
Proceeds from sale and disposal of assets	138	1,675
Proceeds from insurance claims	567	213
Other investing activities	11	—
Net cash used in investing activities	(2,121)	(182)
<b>Cash flows from financing activities:</b>		
Cash dividends paid	(956)	(3,716)
Purchase of treasury shares	—	(63)
Net cash used in financing activities	(956)	(3,779)
Net increase in cash and cash equivalents	10,828	4,245
Cash and cash equivalents, beginning of period	51,353	44,034
Cash and cash equivalents, end of period	<u>\$ 62,181</u>	<u>\$ 48,279</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 September 30, 2021 and the results of operations for the three and nine months ended September 30, 2021 and 2020. Results of operations for three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

We own or operate broadcast properties in 27 markets, including 79 FM and 34 AM radio stations and 79 metro signals.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. annual report on Form 10-K for the year ended December 31, 2020.

We have evaluated events and transactions occurring subsequent to the balance sheet date of September 30, 2021, 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 (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(In thousands, except per share data)				
Numerator:				
Net income (loss)	\$ 3,454	\$ (950)	\$ 7,465	\$ (4,181)
Less: Income (loss) allocated to unvested participating securities	37	(20)	80	(86)
Net income (loss) available to common stockholders	<u>\$ 3,417</u>	<u>\$ (930)</u>	<u>\$ 7,385</u>	<u>\$ (4,095)</u>
Denominator:				
Denominator for basic earnings per share — weighted average shares	5,917	5,869	5,916	5,867
Effect of dilutive securities:				
Common stock equivalents	—	—	—	—
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	<u>5,917</u>	<u>5,869</u>	<u>5,916</u>	<u>5,867</u>
Earnings (loss) per share:				
Basic	<u>\$ 0.58</u>	<u>\$ (0.16)</u>	<u>\$ 1.25</u>	<u>\$ (0.70)</u>
Diluted	<u>\$ 0.58</u>	<u>\$ (0.16)</u>	<u>\$ 1.25</u>	<u>\$ (0.70)</u>

There were no stock options outstanding that had an antidilutive effect on our earnings per share calculation for the three and nine months ended September 30, 2021 and 2020, 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**

Our financial instruments are comprised of cash and cash equivalents, 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 euro-dollar rate, prime rate or have been reset at the prevailing market rate at September 30, 2021.

**Allowance for Doubtful Accounts**

A provision for doubtful accounts 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 have included in our calculation of our allowance for doubtful accounts, the potential impact of the COVID-19 pandemic on our customers' businesses and their ability to pay their accounts receivable. 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 the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit loss. Our allowance for doubtful accounts was \$385,000 and \$648,000 at September 30, 2021 and December 31, 2020, respectively.



SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

***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. 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**

***Recently Adopted Accounting Pronouncements***

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes (Topic 740): Simplifying the Accounting for Incomes Taxes*” (“ASU 2019-12”) which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance regarding the tax treatment of certain franchise taxes, goodwill and nontaxable entities, among other items to improve consistent application. ASU 2019-12 is effective for fiscal years and interim periods beginning after December 15, 2020. The Company adopted this standard on January 1, 2021 and there was no material impact as a result of adoption.

## 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, 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 and nine months ended September 30, 2021 and 2020:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
<b>Types of Revenue</b>				
Broadcast Advertising Revenue, net	\$ 24,970	\$ 22,124	\$ 69,921	\$ 61,119
Digital Advertising Revenue	1,984	845	4,620	2,412
Other Revenue	1,891	1,174	4,651	3,529
Net Revenue	<u>\$ 28,845</u>	<u>\$ 24,143</u>	<u>\$ 79,192</u>	<u>\$ 67,060</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 surrounding COVID-19, and other potential indicators of impairment and determined a triggering event had not occurred which would necessitate any interim impairment tests during the three and nine months ended September 30, 2021. We will continue to monitor changes in economic and market conditions, including those related to COVID-19, 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**

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through September 30, 2021:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2020	6,771	954
Conversion of shares	16	(16)
Issuance of restricted stock	—	—
Forfeiture of restricted stock	(2)	—
Balance, December 31, 2020	6,785	938
Balance, September 30, 2021	6,785	938

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 September 30, 2021, we have remaining authorization of \$18.8 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. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan. During the three and nine months ended September 30, 2021 no shares were repurchased under the Stock Buy-Back Program. During the three and nine months ended September 30, 2020, approximately 1,000 and 2,600 shares, respectively, were repurchased for \$22,000 and \$63,000, respectively, related to 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 September 30, 2021, 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 \$5.5 million and \$6.6 million at September 30, 2021 and December 31, 2020 respectively. Lease liabilities were \$5.8 million and \$6.9 million at September 30, 2021 and December 31, 2020, respectively. During the three and nine months ended September 30, 2021, we recorded additional ROU assets under operating leases of \$15,000 and \$58,000. Payments on lease liabilities during the three and nine months ended September 30, 2021 and 2020 totaled \$451,000, \$1,335,000, \$401,000 and \$858,000, respectively.

## SAGA COMMUNICATIONS, INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Lease expense includes cost for leases with terms in excess of one year. For the three and nine months ended September 30, 2021 and 2020, our total lease expense was \$443,000, \$1,325,000, \$444,000 and \$1,310,000, respectively. Short-term lease costs are de minimus.

We have no financing leases and minimum annual rental commitments under non-cancellable operating leases consisted of the following at September 30, 2021 (in thousands):

Years Ending December 31,	
2021 (a)	\$ 440
2022	1,679
2023	1,358
2024	1,058
2025	661
Thereafter	1,579
Total lease payments (b)	6,775
Less: Interest (c)	934
Present value of lease liabilities (d)	\$ 5,841

- (a) Remaining payments are for the three-months ending December 31, 2021
- (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 September 30, 2021.
- (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 6.2 years and 4.3%, respectively, at September 30, 2021.

## 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.

### 2021 Acquisitions

On January 8, 2021, the Company closed on an agreement to purchase WBQL and W288DQ from Consolidated Media, LLC, for an aggregate purchase price of \$175,000, of which \$25,000 was paid in 2020 and the remaining \$150,000 paid in 2021. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Clarksville, Tennessee market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The translators are start-up stations and therefore, have no pro forma revenue and expenses.

## SAGA COMMUNICATIONS, INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**2020 Acquisitions**

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of \$200,000, of which \$10,000 was paid in 2019 and the remaining \$190,000 paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The translators are start-up stations and therefore, have no pro forma revenue and expenses.

**Condensed Consolidated Balance Sheet of 2021 and 2020 Acquisitions:**

The following unaudited condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2021 and 2020 acquisitions.

**Saga Communications, Inc.****Condensed Consolidated Balance Sheet of 2021 and 2020 Acquisitions**

	<b>Acquisitions in</b>	
	<b>2021</b>	<b>2020</b>
	<b>(In thousands)</b>	
<b>Assets Acquired:</b>		
Property and equipment	\$ 3	\$ 11
Other assets:		
Broadcast licenses	69	46
Goodwill	103	143
Total other assets	172	189
Total assets acquired	175	200
<b>Liabilities Assumed:</b>		
Current liabilities	—	—
Total liabilities assumed	—	—
Net assets acquired	\$ 175	\$ 200

**8. Income taxes**

On March 18, 2020, the Families First Coronavirus Response Act ("FFCR Act"), and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") were each enacted in response to the COVID-19 pandemic. The FFCR Act and the CARES Act contain numerous tax provisions, such as deferring payroll payments, establishing a credit for the retention of certain employees, relaxing limitations on the deductibility of interest, and updating the definition of qualified improvement property. This legislation currently has no material impact to the Company's financial statements.

An income tax expense of \$1,375,000 was recorded for the three months ended September 30, 2021 compared to \$1,130,000 for the three months ended September 30, 2020. The effective tax rate was approximately 28.5% for the three months ended September 30, 2021 compared to 627.8% for the three months ended September 30, 2020. An income tax expense of \$3,030,000 was recorded for the nine months ended September 30, 2021 compared to an income tax benefit of \$1,975,000 for the nine months ended September 30, 2020. The effective tax rate was approximately 28.9% for the nine months ended September 30, 2021 compared to 32.1% for the nine months ended September 30, 2020. 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. The prior year's tax rate was impacted by the broadcast license impairment charge which was a discrete item and contributed approximately \$400,000 and \$1,500,000 of tax benefit for the three and nine month periods ended September 30, 2020, respectively.

## SAGA COMMUNICATIONS, INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**9. Stock-Based Compensation***2005 Incentive Compensation Plan*

On October 16, 2013 our stockholders approved the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan, which was amended in 2018 after approval of the amendment by our stockholders at our 2018 annual meeting (as amended, the “Second Restated 2005 Plan”). The 2005 Incentive Compensation Plan, which replaced our 2003 Stock Option Plan, was first approved by stockholders in 2005 and subsequently this plan was re-approved by stockholders in 2010. The changes made in 2013 in the Second Restated 2005 Plan (i) increased the number of authorized shares by 233,334 shares of Common Stock, (ii) extended the date for making awards to September 6, 2018, (iii) included directors as participants, (iv) targeted awards according to groupings of participants based on ranges of base salary of employees and/or retainers of directors, (v) required participants to retain 50 % of their net annual restricted stock awards during their employment or service as a director, and (vi) included a clawback provision. The 2018 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 allows 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 may be issued under the Second Restated 2005 Plan may not 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 may be issued pursuant to incentive stock options and 370,000 shares of Class A Common Stock issuable upon conversion of Class B Common Stock. Awards denominated in Class A Common Stock may be granted to any employee or director under the Second Restated 2005 Plan. However, awards denominated in Class B Common Stock may only be granted to Edward K. Christian, President, Chief Executive Officer, Chairman of the Board of Directors, and the holder of 100% of the outstanding Class B Common Stock of the Company. Stock options granted under the Second Restated 2005 Plan may be for terms not exceeding ten years from the date of grant and may not be exercised at a price which is less than 100% of the fair market value of shares at the date of grant.

*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 and nine months ended September 30, 2021 and 2020, respectively.

There were no options granted during 2021 and 2020 and there were no stock options outstanding as of September 30, 2021. All outstanding stock options were exercised in 2017.

The following summarizes the restricted stock transactions for the three and nine months ended September 30, 2021:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	63,755	\$ 32.90
Vested	519	33.02
Forfeited	—	—
Non-vested and outstanding at September 30, 2021	<u>63,236</u>	<u>\$ 32.90</u>

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

For the three and nine months ended September 30, 2021 and 2020, we had \$348,000, \$1,048,000, \$618,000 and \$1,799,000, 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 and nine months ended September 30, 2021 and 2020 was \$30,000, \$94,000, \$71,000 and \$198,000, respectively.

**10. Long-Term Debt**

Long-term debt consisted of the following:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b>(In thousands)</b>	
Revolving credit facility	\$ 10,000	\$ 10,000
Amounts payable within one year	(10,000)	—
	<u>\$ —</u>	<u>\$ 10,000</u>

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC (collectively, the “Lenders”) pursuant to a credit agreement of even date (the “Credit Agreement”). The Credit Facility consists of a \$100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, (the “Second Amendment”), which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to \$70 million. On May 11, 2020, as part of our reincorporation as a Florida corporation, we entered into an assumption agreement and amendment of loan documents. The amendment also included an alternative benchmark rate as a replacement to LIBOR. On November 2, 2021, we elected to further reduce our Revolving Credit Facility to \$50 million.

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. 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 LIBOR (0.1250% at September 30, 2021), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative benchmark to LIBOR in the event LIBOR is no longer available. 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. We also pay 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 September 30, 2021) 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.



**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

On October 27, 2021, we used \$10 million from funds generated by operations to voluntarily pay down the remaining amount on our Revolving Credit Facility, which was presented in the current portion of long-term debt on our balance sheet at September 30, 2021.

We had approximately \$60 million of unused borrowing capacity under the Revolving Credit Facility at September 30, 2021. After we paid down the debt and reduced our Revolving Credit Facility as noted above, we have \$50 million of unused borrowing capacity at the date of filing this Form 10-Q.

**11. Litigation**

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which may arise out of or with respect to these matters, will not materially affect the Company's financial statements.

**12. Dividends**

On September 28, 2021, the Company's Board of Directors declared a quarterly cash dividend of \$0.16 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$960,000, was paid on October 22, 2021 to shareholders of record on October 8, 2021.

On June 18, 2021, the Company's Board of Directors declared a quarterly cash dividend of \$0.16 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$960,000, was paid on July 16, 2021 to shareholders of record on June 30, 2020.

On June 18, 2020, the Company's Board of Directors announced that it was temporarily suspending the quarterly cash dividend in response to the continued uncertainty of the ongoing impact of COVID-19.

On March 4, 2020, the Company's Board of Directors declared a quarterly cash dividend of \$0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020.

**13. Other Income**

During the first quarter of 2021, there was weather-related damage to an antenna in our Des Moines, Iowa market. The Company's insurance policy provided coverage for removal and replacement of the antenna and related equipment. As part of the initial insurance settlement during the first quarter of 2021, the Company received cash proceeds of \$250,000, resulting in a gain of \$250,000. We received additional cash proceeds of \$290,000 in the third quarter, resulting in a gain of \$290,000. The total gain of \$540,000 is recorded in other (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

During the first quarter of 2020, there was weather-related damage to an antenna in our Keene, New Hampshire market. The Company's insurance policy provided coverage for removal and replacement of the antenna and related equipment. The insurance settlement was finalized during the first quarter of 2020 and the Company received cash proceeds of \$208,000, resulting in a gain of \$208,000. The gain is recorded in other (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

During the first quarter of 2020, the Company sold land and a building on one of its tower sites in its Bellingham, Washington market for approximately \$1,700,000 to Talbot Real Estate, LLC, resulting in a \$1,400,000 gain on the sale of assets. The gain is recorded in the other operating (income) expense, net in the Company's Condensed Consolidated Statements of Income.

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

### **Forward-Looking Statements**

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the radio broadcasting industry, the economy, and the Company. Words such as "anticipates," "believes," "expects," "intends," "is likely," "plans," "projects," and variations of such words and similar expressions are intended to identify such forward-looking statements. 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; U.S. national and local economic conditions; 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; governmental and regulatory policy changes; changes in tax laws; the impact of technological advances; risks associated with cyber-attacks on our computer systems; 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 effects of the ongoing COVID-19 pandemic; and risk factors described in our annual report on Form 10-K for the year ended December 31, 2020 or in this 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, 2020. 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, 2020.

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.

## **COVID-19 Impact and Response**

During the nine months ended September 30, 2021, the effects of the COVID-19 pandemic and related actions by governments to attempt to contain the spread of the virus have continued to impact our business. Despite the development of vaccines and more effective treatments for the physical impacts of COVID-19, there are no reliable estimates of how long the COVID-19 pandemic, and its negative effect on our business, will last. Therefore, the unpredictability of the current economic and public health conditions continues. However, all of our markets are functioning at effectively full capacity, subject to ongoing health and safety protocols, which vary from state-to-state and we have continued to increase the number of our non-spot events again. As we exited the third quarter of 2021, we remain optimistic about future advertising revenue. Additional information regarding all actions taken by the Company since the onset of the pandemic can be found in our audited financial statements and Management Discussion and Analysis contained in our annual report on Form 10-K for the year ended December 31, 2020.

## **Financial Condition and Results of Operations**

### ***General***

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties. 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 34 AM radio stations and 79 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 nine months ended September 30, 2021 and 2020, approximately 89% and 87%, 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 course of 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 a decrease in political advertising for 2021 due to the decreased number of national, state and local elections in most of our markets as compared to the prior year.

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, 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 opportunities through targeted digital advertising and an array of digital services that include online promotions, mobile messaging, and email marketing.

During the nine months ended September 30, 2021 and 2020 and the years ended December 31, 2020 and 2019, our Charleston, South Carolina; Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 39%, 38%, 39% 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 Nine Months Ended September 30,		Percentage of Consolidated Net Operating Revenue for the Years Ended December 31,	
	2021	2020	2020	2019
	Charleston, South Carolina	5 %	5 %	5 %
Columbus, Ohio	10 %	10 %	10 %	11 %
Des Moines, Iowa	6 %	6 %	7 %	6 %
Milwaukee, Wisconsin	11 %	11 %	11 %	11 %
Norfolk, Virginia	7 %	6 %	6 %	6 %

During the nine months ended September 30, 2021 and 2020 and the years ended December 31, 2020 and 2019, the radio stations in our five largest markets, when combined, represented approximately 39%, 52%, 49% and 43%, respectively, of our consolidated station operating income. We note that the percentage of consolidated station operating income at September 30, 2020 and December 31, 2020 is higher than what would normally be expected due to the impact of the COVID-19 pandemic on our markets. If the pandemic is resolved, we would anticipate results for each market to be back to normalized amounts in future years. The following table describes the percentage of our consolidated station operating income represented by each of these markets:

	Percentage of Consolidated Station Operating Income (*) for the Nine Months Ended September 30,		Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31,	
	2021	2020	2020	2019
<b>Market:</b>				
Charleston, South Carolina	3 %	4 %	5 %	4 %
Columbus, Ohio	13 %	19 %	16 %	15 %
Des Moines, Iowa	4 %	6 %	7 %	6 %
Milwaukee, Wisconsin	12 %	16 %	15 %	12 %
Norfolk, Virginia	7 %	7 %	6 %	6 %

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

### Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

#### Results of Operations

The following table summarizes our results of operations for the three months ended September 30, 2021 and 2020.

#### Consolidated Results of Operations

	Three Months Ended		\$ Increase (Decrease)	% Increase (Decrease)
	September 30, 2021	September 30, 2020		
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 28,845	\$ 24,143	\$ 4,702	19.5 %
Station operating expenses	21,690	19,616	2,074	10.6 %
Corporate general and administrative	2,538	2,838	(300)	(10.6)%
Other operating (income) expense, net	(2)	50	(52)	N/M
Impairment of broadcast licenses	—	1,392	(1,392)	N/M
Operating income (loss)	4,619	247	4,372	N/M
Interest expense	73	75	(2)	(2.7)%
Interest income	(4)	(8)	4	(50.0)%
Other income	(279)	—	(279)	N/M
Income (loss) before income tax expense (benefit)	4,829	180	4,649	N/M
Income tax expense (benefit)	1,375	1,130	245	21.7 %
Net income (loss)	\$ 3,454	\$ (950)	\$ 4,404	(463.6)%
Earnings (loss) per share (diluted)	\$ 0.58	\$ (0.16)	\$ 0.74	(462.5)%

N/M = Not Meaningful

For the three months ended September 30, 2021, consolidated net operating revenue was \$28,845,000 compared with \$24,143,000 for the three months ended September 30, 2020, an increase of \$4,702,000 or 19.5%. The increase in revenue in the third quarter of 2021 was attributable to lower-than-normal revenue in 2020 due to the COVID-19 pandemic. We had increases in gross local revenue of \$3,945,000, gross interactive revenue of \$1,139,000, non-spot gross revenue of \$709,000, gross barter revenue of \$205,000 and gross national revenue of \$178,000, partially offset by a decrease in gross political revenue of \$1,532,000, from the third quarter of 2020. The increases in gross local revenue and agency commissions occurred in the majority of our markets as a result of the impact of the COVID-19 pandemic and the disruption to our advertisers' businesses in 2020, in contrast with the economic recovery that has begun to take place in 2021. The increase in gross interactive revenue is primarily due to an increase in our streaming and website content revenue. The increase in non-spot gross revenue is primarily due to us starting to host events again in 2021, whereas the number of events that were being held in 2020 due to the COVID-19 pandemic was relatively very few. The decrease in gross political revenue was attributable to fewer national, local and state elections in 2021 versus 2020 in the majority of our markets.

Station operating expense was \$21,690,000 for the three months ended September 30, 2021, compared with \$19,616,000 for the three months ended September 30, 2020, an increase of \$2,074,000 or 10.6%. The increase in operating expense was primarily a result of increases in sales rating survey expenses, commission expense, interactive services expenses, barter expenses, healthcare costs, bad debt expenses, and music licensing fees, of \$511,000, \$470,000, \$328,000, \$304,000, \$232,000, \$186,000 and \$145,000, respectively, from the third quarter of 2020.

We had operating income for the three months ended September 30, 2021 of \$4,619,000 compared to \$247,000 for the three months ended September 30, 2020, an increase of \$4,372,000. The increase was a result of the increase in net operating revenue partially offset by the increase in station operating expense, noted above, a non-cash impairment charge related to our broadcast licenses in the third quarter of 2020 of \$1,392,000, a decrease in corporate general and administrative expenses of \$300,000 and an increase in other operating income of \$52,000. The decrease in corporate general and administrative expenses was primarily attributable to a decrease in non-cash compensation expenses of \$270,000, from third quarter of 2020. In the third quarter of 2021 we recorded a gain on the sale of fixed assets of \$2,000 compared to a loss on the sale of fixed assets of \$50,000 in the third quarter of 2020 in other operating (income) expense.

We generated net income of \$3,454,000 (\$0.58 per share on a fully diluted basis) during the three months ended September 30, 2021, compared to a net loss of \$950,000 (\$0.16 per share on a fully diluted basis) for the three months ended September 30, 2020, an increase of \$4,404,000. The increase in net income is primarily due to the increase in operating income, described above and an increase in other income of \$279,000 and an increase in income tax expense of \$245,000. The increase in other income is related to a gain on insurance proceeds as described in footnote 13 other income. The increase in our income tax expense is due to the increase in income before income tax.

**Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020**

**Results of Operations**

The following table summarizes our results of operations for the nine months ended September 30, 2021 and 2020.

**Consolidated Results of Operations**

	Nine Months Ended September 30,		<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	2021	2020		
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 79,192	\$ 67,060	\$ 12,132	18.1 %
Station operating expenses	61,630	60,467	1,163	1.9 %
Corporate general and administrative	7,470	8,923	(1,453)	(16.3)%
Other operating (income) expense, net	(25)	(1,234)	1,209	N/M
Impairment of broadcast licenses	—	5,149	(5,149)	N/M
Operating income (loss)	10,117	(6,245)	16,362	(262.0)%
Interest expense	218	265	(47)	(17.7)%
Interest income	(14)	(141)	127	(90.1)%
Other income	(582)	(213)	(369)	N/M
Income (loss) before income tax expense (benefit)	10,495	(6,156)	16,651	(270.5)%
Income tax expense (benefit)	3,030	(1,975)	5,005	(253.4)%
Net income (loss)	<u>\$ 7,465</u>	<u>\$ (4,181)</u>	<u>\$ 11,646</u>	<u>(278.5)%</u>
Earnings (loss) per share (diluted)	<u>\$ 1.25</u>	<u>\$ (.70)</u>	<u>\$ 1.95</u>	<u>(278.6)%</u>

N/M = Not Meaningful

For the nine months ended September 30, 2021, consolidated net operating revenue was \$79,192,000 compared with \$67,060,000 for the nine months ended September 30, 2020, an increase of \$12,132,000 or 18.1%. The increase in revenue was attributable to lower-than-normal revenue in 2020 due to the COVID-19 pandemic. We had increases in gross local revenue of \$9,774,000, gross interactive revenue of \$2,206,000, gross national revenue of \$1,391,000, and non-spot gross revenue of \$1,088,000 partially offset by a decrease in gross political revenue of \$2,206,000, for the comparable period of 2020. The increase in gross local and national revenue occurred in the majority of our markets. The increase in gross interactive revenue is primarily due to an increase in our streaming and website content revenue. The increase in non-spot gross revenue is primarily due to us starting to host events again in 2021, whereas the number of events that were being held in 2020 due to the COVID-19 pandemic was relatively very few. The decrease in gross political revenue was attributable to less national, local and state elections in 2021 versus 2020.

Station operating expense was \$61,630,000 for the nine months ended September 30, 2021, compared with \$60,467,000 for the nine months ended September 30, 2020, an increase of \$1,163,000 or 1.9%. The increase in operating expense was primarily the result of increases in sales survey expenses, and commission expenses, of \$1,279,000, and \$1,179,000, respectively, partially offset by a decrease in compensation related expense of \$1,398,000 for the comparable period of 2020.

We had operating income for the nine months ended September 30, 2021 of \$10,117,000 compared to an operating loss of \$6,245,000 for the nine months ended September 30, 2020, an increase of \$16,362,000. The increase was a result of the increase in net operating revenue and partially offset by an increase in station operating expense, noted above, and a non-cash impairment charge related to our broadcast licenses of \$5,149,000 in 2020, a decrease in corporate general and administrative expenses of \$1,453,000 offset by a decrease in other operating income of \$1,209,000. The decrease in corporate general and administrative expenses was primarily attributable to decreases in non-cash compensation expenses of \$751,000, legal expenses of \$240,000, contribution expenses of \$158,000, compensation-related expenses of \$77,000 and overall expense reductions of \$230,000, respectively, from the comparable period of 2020. In the first quarter of 2020, we recorded the gain on the sale of a tower and a building on one of our tower sites in our Bellingham, Washington market of \$1,400,000 in other operating (income) expenses.

We generated net income of \$7,465,000 (\$1.25 per share on a fully diluted basis) during the nine months ended September 30, 2021, compared to a net loss of \$4,181,000 (\$0.70 per share on a fully diluted basis) for the nine months ended September 30, 2020, an increase of \$11,646,000. The increase in net income is primarily due to the increase in operating income, described above, an increase in other income of \$369,000 partially offset by an increase in income tax expense of \$5,005,000. The increase in other income is related to a gain on insurance proceeds as described in footnote 13 other income. The increase in our income tax expense is due to the increase in income before income tax.

## **Liquidity and Capital Resources**

### ***Debt Arrangements and Debt Service Requirements***

On August 18, 2015, we entered into a new credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC (collectively, the "Lenders") pursuant to a credit agreement of even date (the "Credit Agreement"). The Credit Facility consists of a \$100 million five-year revolving facility (the "Revolving Credit Facility") and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, (the "Second Amendment"), which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to \$70 million. On May 11, 2020, as part of our reincorporation as a Florida corporation, we entered into an assumption agreement and amendment of loan documents. On November 2, 2021, we elected to further reduce our Revolving Credit Facility to \$50 million.

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. 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 LIBOR (0.1250% at September 30, 2021), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative to LIBOR in the event LIBOR is no longer available. 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. We also pay 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 September 30, 2021) 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.



On October 27, 2021, we used \$10 million from funds generated by operations to voluntarily pay down the remaining amount on our Revolving Credit Facility, which was presented in the current portion of long-term debt on our balance sheet at September 30, 2021.

We had approximately \$60 million of unused borrowing capacity under the Revolving Credit Facility at September 30, 2021.

### ***Sources and Uses of Cash***

During the nine months ended September 30, 2021 and 2020, we had net cash flows from operating activities of \$13,905,000 and \$8,206,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for payments of interest and principal under our Credit Facility. 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 September 30, 2021, we have repurchased 2.2 million shares of our Class A Common Stock for \$57 million. During the three and six months ended September 30, 2021, we did not repurchase any shares related to the Buy-Back Program. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan.

Our capital expenditures, exclusive of acquisitions, for the nine months ended September 30, 2021 were \$2,687,000 (\$1,880,000 in 2020). We anticipate capital expenditures in 2021 to be approximately \$4.0 million to \$4.5 million, which we expect to finance through funds generated from operations.

On January 8, 2021, the Company closed on an agreement to purchase WBQL and W288DQ from Consolidated Media, LLC, for an aggregate purchase price of \$175,000, of which \$25,000 was paid in 2020 and the remaining \$150,000 paid in 2021. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Clarksville, Tennessee market as well as synergies and growth opportunities expected through the combination with the Company’s existing stations.

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of \$200,000, of which \$10,000 was paid in 2019 and the remaining \$190,000 paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company’s existing stations.

On September 28, 2021, the Company’s Board of Directors declared a quarterly cash dividend of \$0.16 per shares on its Classes A and B Common Stock. This dividend, totaling approximately \$960,000, was paid on October 22, 2021 to shareholders of record on October 8, 2021 and was recorded in dividends payable on the Company’s Condensed Consolidated Balance sheet at September 30, 2021.

On June 18, 2021, the Company’s Board of Directors declared a quarterly cash dividend of \$0.16 per shares on its Classes A and B Common Stock. This dividend, totaling approximately \$960,000, was paid on July 16, 2021 to shareholders of record on June 30, 2021 and was recorded in dividends payable on the Company’s Condensed Consolidated Balance sheet at June 30, 2021. The Company had previously temporarily suspended the quarterly cash dividend in response to the uncertainty of the ongoing impact of COVID-19 as of June 18, 2020.

On March 4, 2020, the Company’s Board of Directors declared a quarterly cash dividend of \$0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020 and was recorded in dividends payable on the Company’s Condensed Consolidated Balance sheet at March 31, 2020.

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 and television 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, 2020.

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. 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, 2020 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2020 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 its 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 September 30, 2021, 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**

Except as set forth below, as of the date of this report, there have been no material changes in the Company's risk factors from those previously disclosed in our annual report on Form 10-K for the year ended December 31, 2020.

**Risks Related to the Economy*****Local and National Economic Conditions May Affect our Advertising Revenue***

The ongoing supply chain and labor shortage issues could result in an adverse impact on our business due to our customer's reduction in advertising spending as their businesses are negatively impacted by low inventories, product delays, and labor shortages resulting in reduced revenue.

**Risk Related to Technology and Cybersecurity*****Information Technology and Cybersecurity Failures or Data Security Breaches Could Harm our Business***

To meet business objectives, the Company relies on both internal information technology (IT) systems and networks, and those of third parties and their vendors, to process and store sensitive data, including confidential research, business plans, financial information, intellectual property, and personal data that may be subject to legal protection. The extensive information security and cybersecurity threats, which affect companies globally, pose a risk to the security and availability of these IT systems and networks, and the confidentiality, integrity, and availability of the Company's sensitive data. The Company continually assesses these threats and makes investments to increase internal protection, detection, and response capabilities, as well as ensure the Company's third-party providers have required capabilities and controls, to address this risk.

In September 2021, one of our third-party service providers of a critical application used in our business, was the victim of a ransomware cyberattack. However, the Company's data was not breached in connection with this incident and the incident did not have a material impact on the Company's business or operations.

To date, the Company has not experienced any material impact to the business or operations resulting from information or cybersecurity attacks; however, because of the frequently changing attack techniques, along with the increased volume and sophistication of the attacks, there is the potential for the Company to be adversely impacted. This impact could result in reputational, competitive, operational or other business harm as well as financial costs and regulatory action. The Company currently maintains cybersecurity insurance in the event of an information security or cyber incident, however, the coverage may not be sufficient to cover all financial losses nor may it be available in the future.

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

The following table summarizes our repurchases of our Class A Common Stock during the three months ended September 30, 2021.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Approximate Dollar Value of Shares that May Yet be Purchased Under the Program(a)</b>
July 1 - July 31, 2021	—	\$ —	—	\$ 18,785,315
August 1 - August 31, 2021	—	\$ —	—	\$ 18,785,315
September 1 - September 30, 2021	—	\$ —	—	\$ 18,785,315
Total	—	\$ —	—	\$ 18,785,315

[Table of Contents](#)

- (a) 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 6. Exhibits**

31.1	<a href="#">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.</a>
31.2	<a href="#">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.</a>
32	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
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: November 9, 2021

/s/ SAMUEL D. BUSH

Samuel D. Bush  
*Senior Vice President and Chief Financial Officer (Principal Financial Officer)*

Date: November 9, 2021

/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, Edward K. Christian, 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: November 9, 2021

/s/ Edward K. Christian

Edward K. Christian  
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: November 9, 2021

/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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Edward K. Christian, 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: November 9, 2021

/s/ Edward K. Christian  
\_\_\_\_\_  
Edward K. Christian  
Chief Executive Officer

Dated: November 9, 2021

/s/ Samuel D. Bush  
\_\_\_\_\_  
Samuel D. Bush  
Chief Financial Officer

---