

**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 December 31, 2020  
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: 1-36900



**MADISON SQUARE GARDEN  
SPORTS**

**MADISON SQUARE GARDEN SPORTS CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

**47-3373056**

(State or other jurisdiction of  
incorporation or organization)

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

**Two Penn Plaza , New York , NY**

**10121**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212) 465-1111

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 | MSGS              | New York Stock Exchange                   |

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, a 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

Number of shares of common stock outstanding as of January 29, 2021:

|                                                 |   |            |
|-------------------------------------------------|---|------------|
| Class A Common Stock par value \$0.01 per share | — | 19,587,113 |
| Class B Common Stock par value \$0.01 per share | — | 4,529,517  |

[Table of Contents](#)

**MADISON SQUARE GARDEN SPORTS CORP.  
INDEX TO FORM 10-Q**

|                                                                                                                                                                            | <b><u>Page</u></b>        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>                                                                                                                                |                           |
| <b><u>Item 1. Financial Statements</u></b>                                                                                                                                 |                           |
| <a href="#"><u>Consolidated Balance Sheets as of December 31, 2020 (unaudited) and June 30, 2020</u></a>                                                                   | <a href="#"><u>1</u></a>  |
| <a href="#"><u>Consolidated Statements of Operations for the three and six months ended December 31, 2020 and 2019 (unaudited)</u></a>                                     | <a href="#"><u>3</u></a>  |
| <a href="#"><u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2020 and 2019 (unaudited)</u></a>                    | <a href="#"><u>4</u></a>  |
| <a href="#"><u>Consolidated Statements of Cash Flows for the six months ended December 31, 2020 and 2019 (unaudited)</u></a>                                               | <a href="#"><u>5</u></a>  |
| <a href="#"><u>Consolidated Statements of Equity and Redeemable Noncontrolling Interests for the three and six months ended December 31, 2020 and 2019 (unaudited)</u></a> | <a href="#"><u>7</u></a>  |
| <a href="#"><u>Notes to Consolidated Financial Statements (unaudited)</u></a>                                                                                              | <a href="#"><u>11</u></a> |
| <a href="#"><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>                                                       | <a href="#"><u>32</u></a> |
| <a href="#"><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></a>                                                                                  | <a href="#"><u>46</u></a> |
| <a href="#"><u>Item 4. Controls and Procedures</u></a>                                                                                                                     | <a href="#"><u>46</u></a> |
| <b><u>PART II. OTHER INFORMATION</u></b>                                                                                                                                   |                           |
| <a href="#"><u>Item 1. Legal Proceedings</u></a>                                                                                                                           | <a href="#"><u>47</u></a> |
| <a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>                                                                                 | <a href="#"><u>47</u></a> |
| <a href="#"><u>Item 6. Exhibits</u></a>                                                                                                                                    | <a href="#"><u>48</u></a> |

---

**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements****MADISON SQUARE GARDEN SPORTS CORP.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share data)**

|                                                                                                                                                           | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------|
|                                                                                                                                                           | <b>(Unaudited)</b>           |                          |
| <b>ASSETS</b>                                                                                                                                             |                              |                          |
| Current Assets:                                                                                                                                           |                              |                          |
| Cash and cash equivalents                                                                                                                                 | \$ 70,762                    | \$ 77,852                |
| Restricted cash                                                                                                                                           | 9,500                        | 12,821                   |
| Accounts receivable, net                                                                                                                                  | 24,897                       | 7,403                    |
| Net related party receivables                                                                                                                             | 11,935                       | 135                      |
| Prepaid expenses                                                                                                                                          | 47,535                       | 20,634                   |
| Other current assets                                                                                                                                      | 10,851                       | 9,433                    |
| Total current assets                                                                                                                                      | 175,480                      | 128,278                  |
| Property and equipment, net of accumulated depreciation and amortization of \$41,098 and \$38,361 as of December 31, 2020 and June 30, 2020, respectively | 37,034                       | 39,597                   |
| Right-of-use lease assets                                                                                                                                 | 711,882                      | 718,051                  |
| Amortizable intangible assets, net                                                                                                                        | 2,224                        | 2,754                    |
| Indefinite-lived intangible assets                                                                                                                        | 112,144                      | 112,144                  |
| Goodwill                                                                                                                                                  | 226,955                      | 226,955                  |
| Other assets                                                                                                                                              | 26,398                       | 6,019                    |
| Total assets                                                                                                                                              | <u>\$ 1,292,117</u>          | <u>\$ 1,233,798</u>      |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
(in thousands, except per share data)

|                                                                                                                                                                 | December 31,<br>2020<br>(Unaudited) | June 30,<br>2020 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------|
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                   |                                     |                  |
| Current Liabilities:                                                                                                                                            |                                     |                  |
| Accounts payable                                                                                                                                                | \$ 1,174                            | \$ 2,301         |
| Net related party payables                                                                                                                                      | 25,468                              | 17,952           |
| Accrued liabilities:                                                                                                                                            |                                     |                  |
| Employee related costs                                                                                                                                          | 36,032                              | 71,451           |
| Other accrued liabilities                                                                                                                                       | 58,338                              | 33,071           |
| Operating lease liabilities, current                                                                                                                            | 26,807                              | 39,131           |
| Deferred revenue                                                                                                                                                | 200,329                             | 126,348          |
| Total current liabilities                                                                                                                                       | 348,148                             | 290,254          |
| Long-term debt                                                                                                                                                  | 380,000                             | 350,000          |
| Operating lease liabilities, noncurrent                                                                                                                         | 687,535                             | 679,053          |
| Defined benefit and other postretirement obligations                                                                                                            | 6,617                               | 7,014            |
| Other employee related costs                                                                                                                                    | 44,574                              | 50,027           |
| Deferred tax liabilities, net                                                                                                                                   | 57,393                              | 57,721           |
| Deferred revenue, noncurrent                                                                                                                                    | 31,978                              | 2,014            |
| Other liabilities                                                                                                                                               | 1,000                               | 1,150            |
| Total liabilities                                                                                                                                               | 1,557,245                           | 1,437,233        |
| Commitments and contingencies (see Note 11)                                                                                                                     |                                     |                  |
| Madison Square Garden Sports Corp. Stockholders' Equity:                                                                                                        |                                     |                  |
| Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,582 and 19,466 shares outstanding as of December 31, 2020 and June 30, 2020, respectively | 204                                 | 204              |
| Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of December 31, 2020 and June 30, 2020                            | 45                                  | 45               |
| Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of December 31, 2020 and June 30, 2020                                         | —                                   | —                |
| Additional paid-in capital                                                                                                                                      | 15,432                              | 5,940            |
| Treasury stock, at cost, 866 and 982 shares as of December 31, 2020 and June 30, 2020, respectively                                                             | (147,585)                           | (167,431)        |
| Accumulated deficit                                                                                                                                             | (133,986)                           | (43,605)         |
| Accumulated other comprehensive loss                                                                                                                            | (2,119)                             | (2,139)          |
| Total Madison Square Garden Sports Corp. stockholders' equity                                                                                                   | (268,009)                           | (206,986)        |
| Nonredeemable noncontrolling interests                                                                                                                          | 2,881                               | 3,551            |
| Total equity                                                                                                                                                    | (265,128)                           | (203,435)        |
| Total liabilities and equity                                                                                                                                    | \$ 1,292,117                        | \$ 1,233,798     |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in thousands, except per share data)

|                                                                                                          | Three Months Ended<br>December 31, |            | Six Months Ended<br>December 31, |            |
|----------------------------------------------------------------------------------------------------------|------------------------------------|------------|----------------------------------|------------|
|                                                                                                          | 2020                               | 2019       | 2020                             | 2019       |
| Revenues <sup>(a)</sup>                                                                                  | \$ 28,771                          | \$ 292,798 | \$ 85,809                        | \$ 342,648 |
| Operating expenses:                                                                                      |                                    |            |                                  |            |
| Direct operating expenses <sup>(b)</sup>                                                                 | 16,661                             | 197,783    | 56,447                           | 216,202    |
| Selling, general and administrative expenses <sup>(c)</sup>                                              | 48,909                             | 90,328     | 91,905                           | 176,238    |
| Depreciation and amortization                                                                            | 1,607                              | 4,920      | 3,267                            | 9,765      |
| Operating loss                                                                                           | (38,406)                           | (233)      | (65,810)                         | (59,557)   |
| Other income (expense):                                                                                  |                                    |            |                                  |            |
| Interest income                                                                                          | —                                  | 233        | —                                | 526        |
| Interest expense                                                                                         | (2,487)                            | (796)      | (4,476)                          | (1,373)    |
| Miscellaneous expense, net                                                                               | (70)                               | (88)       | (190)                            | (174)      |
|                                                                                                          | (2,557)                            | (651)      | (4,666)                          | (1,021)    |
| Loss from continuing operations before income taxes                                                      | (40,963)                           | (884)      | (70,476)                         | (60,578)   |
| Income tax benefit (expense)                                                                             | (170)                              | (2,773)    | 328                              | 16,730     |
| Loss from continuing operations                                                                          | (41,133)                           | (3,657)    | (70,148)                         | (43,848)   |
| Income from discontinued operations, net of taxes                                                        | —                                  | 96,006     | —                                | 55,531     |
| Net income (loss)                                                                                        | (41,133)                           | 92,349     | (70,148)                         | 11,683     |
| Less: Net loss attributable to nonredeemable noncontrolling interests from continuing operations         | (508)                              | (465)      | (1,106)                          | (915)      |
| Less: Net loss attributable to redeemable noncontrolling interests from discontinued operations          | —                                  | (1,241)    | —                                | (1,404)    |
| Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations       | —                                  | (86)       | —                                | (158)      |
| Net income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders                      | \$ (40,625)                        | \$ 94,141  | \$ (69,042)                      | \$ 14,160  |
| Basic                                                                                                    |                                    |            |                                  |            |
| Continuing operations                                                                                    | \$ (1.68)                          | \$ (0.13)  | \$ (2.86)                        | \$ (1.80)  |
| Discontinued operations                                                                                  | —                                  | 4.07       | —                                | 2.39       |
| Basic income (loss) per common share attributable to Madison Square Garden Sports Corp.'s stockholders   | \$ (1.68)                          | \$ 3.94    | \$ (2.86)                        | \$ 0.59    |
| Diluted                                                                                                  |                                    |            |                                  |            |
| Continuing operations                                                                                    | \$ (1.68)                          | \$ (0.13)  | \$ (2.86)                        | \$ (1.79)  |
| Discontinued operations                                                                                  | —                                  | 4.06       | —                                | 2.38       |
| Diluted income (loss) per common share attributable to Madison Square Garden Sports Corp.'s stockholders | \$ (1.68)                          | \$ 3.93    | \$ (2.86)                        | \$ 0.59    |
| Weighted-average number of common shares outstanding:                                                    |                                    |            |                                  |            |
| Basic                                                                                                    | 24,144                             | 23,913     | 24,103                           | 23,870     |
| Diluted                                                                                                  | 24,144                             | 23,979     | 24,103                           | 23,977     |

<sup>(a)</sup> Includes revenues from related parties of \$14,369 and \$61,119 for the three months ended December 31, 2020 and 2019, respectively, and \$23,430 and \$67,446 for the six months ended December 31, 2020 and 2019, respectively.

<sup>(b)</sup> Includes net charges from (to) related parties of \$2,650 and \$(137) for the three months ended December 31, 2020 and 2019, respectively, and \$3,264 and \$(137) for the six months ended December 31, 2020 and 2019, respectively.

<sup>(c)</sup> Includes net charges from (to) related parties of \$10,455 and \$(2,742) for the three months ended December 31, 2020 and 2019, respectively, and \$24,202 and \$(5,399) for the six months ended December 31, 2020 and 2019, respectively.

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)  
(in thousands)

|                                                                                                              | <b>Three Months Ended<br/>December 31,</b> |                   | <b>Six Months Ended<br/>December 31,</b> |                  |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------|------------------------------------------|------------------|
|                                                                                                              | <b>2020</b>                                | <b>2019</b>       | <b>2020</b>                              | <b>2019</b>      |
| Net income (loss)                                                                                            | \$ (41,133)                                | \$ 92,349         | \$ (70,148)                              | \$ 11,683        |
| Other comprehensive income (loss), before income taxes:                                                      |                                            |                   |                                          |                  |
| Pension plans and postretirement plan:                                                                       |                                            |                   |                                          |                  |
| Amounts reclassified from accumulated other comprehensive loss:                                              |                                            |                   |                                          |                  |
| Amortization of actuarial loss included in net periodic benefit cost                                         | 10                                         | 346               | 20                                       | 685              |
| Cumulative translation adjustments                                                                           | —                                          | 23,186            | —                                        | 13,168           |
| Other comprehensive income, before income taxes                                                              | 10                                         | 23,532            | 20                                       | 13,853           |
| Income tax benefit (expense) related to items of other comprehensive income (loss)                           | —                                          | —                 | —                                        | —                |
| Other comprehensive income, net of income taxes                                                              | 10                                         | 23,532            | 20                                       | 13,853           |
| Comprehensive income (loss)                                                                                  | (41,123)                                   | 115,881           | (70,128)                                 | 25,536           |
| Less: Comprehensive loss attributable to nonredeemable noncontrolling interests from continuing operations   | (508)                                      | (465)             | (1,106)                                  | (915)            |
| Less: Comprehensive loss attributable to redeemable noncontrolling interests from discontinued operations    | —                                          | (1,241)           | —                                        | (1,404)          |
| Less: Comprehensive loss attributable to nonredeemable noncontrolling interests from discontinued operations | —                                          | (86)              | —                                        | (158)            |
| Comprehensive income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders                | <u>\$ (40,615)</u>                         | <u>\$ 117,673</u> | <u>\$ (69,022)</u>                       | <u>\$ 28,013</u> |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

|                                                                                                    | Six Months Ended<br>December 31, |           |
|----------------------------------------------------------------------------------------------------|----------------------------------|-----------|
|                                                                                                    | 2020                             | 2019      |
| Cash flows from operating activities:                                                              |                                  |           |
| Net income (loss)                                                                                  | \$ (70,148)                      | \$ 11,683 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: |                                  |           |
| Depreciation and amortization                                                                      | 3,267                            | 57,202    |
| Provision (benefits) from deferred income taxes                                                    | (328)                            | 682       |
| Share-based compensation expense                                                                   | 22,326                           | 33,585    |
| Loss in equity method investments, net of income distributions                                     | —                                | 2,643     |
| Purchase accounting adjustments associated with leases                                             | —                                | 3,389     |
| Unrealized gains on equity investment with readily determinable fair value                         | —                                | (14,725)  |
| (Recovery of) provision for doubtful accounts                                                      | (175)                            | 2,083     |
| Other non-cash adjustments                                                                         | 371                              | 144       |
| Change in assets and liabilities:                                                                  |                                  |           |
| Accounts receivable, net                                                                           | (17,319)                         | (34,188)  |
| Net related party receivables                                                                      | (11,800)                         | (267)     |
| Prepaid expenses and other assets                                                                  | (44,670)                         | (40,748)  |
| Accounts payable                                                                                   | (1,127)                          | 16,593    |
| Net related party payables                                                                         | 7,516                            | 9,518     |
| Accrued and other liabilities                                                                      | (15,963)                         | 58,400    |
| Collections due to promoters                                                                       | —                                | (6,397)   |
| Deferred revenue                                                                                   | 104,090                          | 12,184    |
| Operating lease right-of-use assets and lease liabilities                                          | 2,327                            | (609)     |
| Net cash (used in) provided by operating activities                                                | (21,633)                         | 111,172   |
| Cash flows from investing activities:                                                              |                                  |           |
| Capital expenditures                                                                               | (141)                            | (221,335) |
| Proceeds from insurance recoveries                                                                 | —                                | 476       |
| Payments for acquisition of assets                                                                 | —                                | (1,000)   |
| Purchase of short-term investments                                                                 | —                                | (106,063) |
| Proceeds from maturity of short-term investments                                                   | —                                | 106,587   |
| Investments and loans to nonconsolidated affiliates                                                | —                                | (63)      |
| Proceeds from sale of nonconsolidated affiliates                                                   | —                                | 18,000    |
| Loan repayment received from subordinated note                                                     | —                                | 58,735    |
| Cash received for notes receivable                                                                 | —                                | 750       |
| Net cash used in investing activities                                                              | (141)                            | (143,913) |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(Unaudited)**  
**(in thousands)**

|                                                                                              | <b>Six Months Ended<br/>December 31,</b> |                     |
|----------------------------------------------------------------------------------------------|------------------------------------------|---------------------|
|                                                                                              | <b>2020</b>                              | <b>2019</b>         |
| <b>Cash flows from financing activities:</b>                                                 |                                          |                     |
| Taxes paid in lieu of shares issued for equity-based compensation                            | (13,891)                                 | (26,264)            |
| Noncontrolling interest holders' capital contribution                                        | —                                        | 2,000               |
| Distributions to noncontrolling interest holders                                             | —                                        | (535)               |
| Proceeds from revolving credit facilities                                                    | 30,000                                   | —                   |
| Repayment of revolving credit facility                                                       | —                                        | (15,000)            |
| Principal repayment on long-term debt                                                        | —                                        | (3,750)             |
| Payment of contingent consideration                                                          | (200)                                    | (200)               |
| Payments for financing costs                                                                 | (4,546)                                  | —                   |
| Net cash provided by (used in) financing activities                                          | 11,363                                   | (43,749)            |
| Effect of exchange rates on cash, cash equivalents and restricted cash                       | —                                        | 1,693               |
| <b>Net decrease in cash, cash equivalents and restricted cash</b>                            | <b>(10,411)</b>                          | <b>(74,797)</b>     |
| Cash, cash equivalents and restricted cash from continuing operations, beginning of period   | 90,673                                   | 25,836              |
| Cash, cash equivalents and restricted cash from discontinued operations, beginning of period | —                                        | 1,092,065           |
| <b>Cash, cash equivalents and restricted cash at beginning of period</b>                     | <b>90,673</b>                            | <b>1,117,901</b>    |
| Cash, cash equivalents and restricted cash from continuing operations, end of period         | 80,262                                   | 27,528              |
| Cash, cash equivalents and restricted cash from discontinued operations, end of period       | —                                        | 1,015,576           |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                           | <b>\$ 80,262</b>                         | <b>\$ 1,043,104</b> |
| <b>Non-cash investing and financing activities:</b>                                          |                                          |                     |
| Capital expenditures incurred but not yet paid                                               | \$ 30                                    | \$ 47,478           |
| Tenant improvement paid by landlord                                                          | \$ —                                     | \$ 195              |
| Share-based compensation capitalized in property and equipment                               | \$ —                                     | \$ 2,482            |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS**  
(Unaudited)  
(in thousands)

|                                                                                   | Three Months Ended December 31, 2020 |                                  |                     |                        |                                               |                                                                              |                                                    |                     |
|-----------------------------------------------------------------------------------|--------------------------------------|----------------------------------|---------------------|------------------------|-----------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------|---------------------|
|                                                                                   | Common<br>Stock<br>Issued            | Additional<br>Paid-In<br>Capital | Treasury<br>Stock   | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total Madison<br>Square<br>Garden Sports<br>Corp.<br>Stockholders'<br>Equity | Non -<br>redeemable<br>Noncontrolling<br>Interests | Total<br>Equity     |
| Balance as of September 30,<br>2020                                               | \$ 249                               | \$ —                             | \$ (147,605)        | \$ (93,361)            | \$ (2,129)                                    | \$ (242,846)                                                                 | \$ 2,953                                           | \$ (239,893)        |
| Net loss                                                                          | —                                    | —                                | —                   | (40,625)               | —                                             | (40,625)                                                                     | (508)                                              | (41,133)            |
| Other comprehensive income                                                        | —                                    | —                                | —                   | —                      | 10                                            | 10                                                                           | —                                                  | 10                  |
| Comprehensive loss                                                                | —                                    | —                                | —                   | —                      | —                                             | (40,615)                                                                     | (508)                                              | (41,123)            |
| Share-based compensation                                                          | —                                    | 15,981                           | —                   | —                      | —                                             | 15,981                                                                       | —                                                  | 15,981              |
| Tax withholding associated with<br>shares issued for equity-based<br>compensation | —                                    | (93)                             | —                   | —                      | —                                             | (93)                                                                         | —                                                  | (93)                |
| Common stock issued under<br>stock incentive plans                                | —                                    | (20)                             | 20                  | —                      | —                                             | —                                                                            | —                                                  | —                   |
| Adjustments to noncontrolling<br>interests                                        | —                                    | (436)                            | —                   | —                      | —                                             | (436)                                                                        | 436                                                | —                   |
| Balance as of December 31,<br>2020                                                | <u>\$ 249</u>                        | <u>\$ 15,432</u>                 | <u>\$ (147,585)</u> | <u>\$ (133,986)</u>    | <u>\$ (2,119)</u>                             | <u>\$ (268,009)</u>                                                          | <u>\$ 2,881</u>                                    | <u>\$ (265,128)</u> |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)**  
(Unaudited)  
(in thousands)

**Three Months Ended December 31, 2019**

|                                                                                         | <b>Common<br/>Stock<br/>Issued</b> | <b>Additional<br/>Paid-In<br/>Capital</b> | <b>Treasury<br/>Stock</b> | <b>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Total<br/>Madison<br/>Square<br/>Garden<br/>Sports Corp.<br/>Stockholders'<br/>Equity</b> | <b>Non -<br/>redeemable<br/>Noncontrolling<br/>Interests</b> | <b>Total<br/>Equity</b> | <b>Redeemable<br/>Noncontrolling<br/>Interests</b> |
|-----------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------|---------------------------|------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------------|----------------------------------------------------|
| Balance as of<br>September 30, 2019                                                     | \$ 249                             | \$2,819,449                               | \$(186,583)               | \$ (50,978)                                                | \$ (56,602)                                             | \$ 2,525,535                                                                                 | \$ 19,447                                                    | \$ 2,544,982            | \$ 67,464                                          |
| Net income (loss)                                                                       | —                                  | —                                         | —                         | 94,141                                                     | —                                                       | 94,141                                                                                       | (551)                                                        | 93,590                  | (1,241)                                            |
| Other comprehensive<br>income                                                           | —                                  | —                                         | —                         | —                                                          | 23,532                                                  | 23,532                                                                                       | —                                                            | 23,532                  | —                                                  |
| Comprehensive<br>income (loss)                                                          | —                                  | —                                         | —                         | —                                                          | —                                                       | 117,673                                                                                      | (551)                                                        | 117,122                 | (1,241)                                            |
| Share-based<br>compensation                                                             | —                                  | 17,926                                    | —                         | —                                                          | —                                                       | 17,926                                                                                       | —                                                            | 17,926                  | —                                                  |
| Tax withholding<br>associated with<br>shares issued for<br>equity-based<br>compensation | —                                  | (2,818)                                   | —                         | —                                                          | —                                                       | (2,818)                                                                                      | —                                                            | (2,818)                 | —                                                  |
| Common stock issued<br>under stock<br>incentive plans                                   | —                                  | (690)                                     | 690                       | —                                                          | —                                                       | —                                                                                            | —                                                            | —                       | —                                                  |
| Contribution from<br>noncontrolling<br>interest holders                                 | —                                  | —                                         | —                         | —                                                          | —                                                       | —                                                                                            | 2,000                                                        | 2,000                   | —                                                  |
| Distributions to<br>noncontrolling<br>interest holders                                  | —                                  | —                                         | —                         | —                                                          | —                                                       | —                                                                                            | (535)                                                        | (535)                   | —                                                  |
| Balance as of<br>December 31, 2019                                                      | <u>\$ 249</u>                      | <u>\$2,833,867</u>                        | <u>\$(185,893)</u>        | <u>\$ 43,163</u>                                           | <u>\$ (33,070)</u>                                      | <u>\$ 2,658,316</u>                                                                          | <u>\$ 20,361</u>                                             | <u>\$ 2,678,677</u>     | <u>\$ 66,223</u>                                   |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)**  
(Unaudited)  
(in thousands)

|                                                                                   | Six Months Ended December 31, 2020 |                                  |                     |                        |                                               |                                                                              |                                                    |                     |
|-----------------------------------------------------------------------------------|------------------------------------|----------------------------------|---------------------|------------------------|-----------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------|---------------------|
|                                                                                   | Common<br>Stock<br>Issued          | Additional<br>Paid-In<br>Capital | Treasury<br>Stock   | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total Madison<br>Square<br>Garden Sports<br>Corp.<br>Stockholders'<br>Equity | Non -<br>redeemable<br>Noncontrolling<br>Interests | Total<br>Equity     |
| Balance as of June 30, 2020                                                       | \$ 249                             | \$ 5,940                         | \$ (167,431)        | \$ (43,605)            | \$ (2,139)                                    | \$ (206,986)                                                                 | \$ 3,551                                           | \$ (203,435)        |
| Net loss                                                                          | —                                  | —                                | —                   | (69,042)               | —                                             | (69,042)                                                                     | (1,106)                                            | (70,148)            |
| Other comprehensive income                                                        | —                                  | —                                | —                   | —                      | 20                                            | 20                                                                           | —                                                  | 20                  |
| Comprehensive loss                                                                | —                                  | —                                | —                   | —                      | —                                             | (69,022)                                                                     | (1,106)                                            | (70,128)            |
| Share-based compensation                                                          | —                                  | 22,326                           | —                   | —                      | —                                             | 22,326                                                                       | —                                                  | 22,326              |
| Tax withholding associated with<br>shares issued for equity-based<br>compensation | —                                  | (11,023)                         | —                   | (2,868)                | —                                             | (13,891)                                                                     | —                                                  | (13,891)            |
| Common stock issued under<br>stock incentive plans                                | —                                  | (1,375)                          | 19,846              | (18,471)               | —                                             | —                                                                            | —                                                  | —                   |
| Adjustments to noncontrolling<br>interests                                        | —                                  | (436)                            | —                   | —                      | —                                             | (436)                                                                        | 436                                                | —                   |
| Balance as of December 31, 2020                                                   | <u>\$ 249</u>                      | <u>\$ 15,432</u>                 | <u>\$ (147,585)</u> | <u>\$ (133,986)</u>    | <u>\$ (2,119)</u>                             | <u>\$ (268,009)</u>                                                          | <u>\$ 2,881</u>                                    | <u>\$ (265,128)</u> |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (Continued)**  
(Unaudited)  
(in thousands)

| Six Months Ended December 31, 2019                                          |                           |                                  |                    |                      |                                               |                                                                                 |                                                    |                     |                                           |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------|--------------------|----------------------|-----------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------------------|
|                                                                             | Common<br>Stock<br>Issued | Additional<br>Paid-In<br>Capital | Treasury<br>Stock  | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Madison<br>Square<br>Garden<br>Sports Corp.<br>Stockholders'<br>Equity | Non -<br>redeemable<br>Noncontrolling<br>Interests | Total<br>Equity     | Redeemable<br>Noncontrolling<br>Interests |
| Balance as of June 30, 2019                                                 | \$ 249                    | \$2,845,961                      | \$(207,790)        | \$ 29,003            | \$ (46,923)                                   | \$ 2,620,500                                                                    | \$ 18,260                                          | \$ 2,638,760        | \$ 67,627                                 |
| Net income (loss)                                                           | —                         | —                                | —                  | 14,160               | —                                             | 14,160                                                                          | (1,073)                                            | 13,087              | (1,404)                                   |
| Other comprehensive income                                                  | —                         | —                                | —                  | —                    | 13,853                                        | 13,853                                                                          | —                                                  | 13,853              | —                                         |
| Comprehensive income (loss)                                                 | —                         | —                                | —                  | —                    | —                                             | 28,013                                                                          | (1,073)                                            | 26,940              | (1,404)                                   |
| Share-based compensation                                                    | —                         | 36,067                           | —                  | —                    | —                                             | 36,067                                                                          | —                                                  | 36,067              | —                                         |
| Tax withholding associated with shares issued for equity-based compensation | —                         | (26,264)                         | —                  | —                    | —                                             | (26,264)                                                                        | —                                                  | (26,264)            | —                                         |
| Common stock issued under stock incentive plans                             | —                         | (21,897)                         | 21,897             | —                    | —                                             | —                                                                               | —                                                  | —                   | —                                         |
| Contribution from noncontrolling interest holders                           | —                         | —                                | —                  | —                    | —                                             | —                                                                               | 3,709                                              | 3,709               | —                                         |
| Distributions to noncontrolling interest holders                            | —                         | —                                | —                  | —                    | —                                             | —                                                                               | (535)                                              | (535)               | —                                         |
| Balance as of December 31, 2019                                             | <u>\$ 249</u>             | <u>\$2,833,867</u>               | <u>\$(185,893)</u> | <u>\$ 43,163</u>     | <u>\$ (33,070)</u>                            | <u>\$ 2,658,316</u>                                                             | <u>\$ 20,361</u>                                   | <u>\$ 2,678,677</u> | <u>\$ 66,223</u>                          |

See accompanying notes to consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

All amounts included in the following Notes to Consolidated Financial Statements are presented in thousands, except per share data or as otherwise noted.

**Note 1. Description of Business and Basis of Presentation**

**Description of Business**

Madison Square Garden Sports Corp., formerly The Madison Square Garden Company (together with its subsidiaries, the “Company” or “MSG Sports”) owns and operates a portfolio assets featuring some of the most recognized teams in all of sports, including the New York Knickerbockers (“Knicks”) of the National Basketball Association (“NBA”) and the New York Rangers (“Rangers”) of the National Hockey League (“NHL”). Both the Knicks and the Rangers play their home games in Madison Square Garden Arena (“The Garden”). The Company’s other professional franchises include two development league teams — the Hartford Wolf Pack of the American Hockey League (“AHL”) and the Westchester Knicks of the NBA G League (“NBAGL”). These professional sports franchises are collectively referred to herein as the “sports teams.” In addition, the Company owns Knicks Gaming, an esports franchise that competes in the NBA 2K League, as well as a controlling interest in Counter Logic Gaming (“CLG”), a North American esports organization. The Company also operates two professional sports team performance centers — the Madison Square Garden Training Center in Greenburgh, NY and the CLG Performance Center in Los Angeles, CA. CLG and Knicks Gaming are collectively referred to herein as the “esports teams,” and together with the sports teams, the “teams.”

The Company operates and reports financial information in one segment. The Company’s decision to report in one segment is based upon its internal organizational structure; the manner in which its operations are managed; the criteria used by the Company’s Executive Chairman, its Chief Operating Decision Maker (“CODM”), to evaluate segment performance. The Company’s CODM reviews total company operating results to assess overall performance and allocate resources.

The Company was incorporated on March 4, 2015 as an indirect, wholly-owned subsidiary of MSG Networks Inc. (“MSG Networks”). All the outstanding common stock of the Company was distributed to MSG Networks shareholders (the “MSG Distribution”) on September 30, 2015.

On April 17, 2020 (the “MSG Distribution Date”), the Company distributed all of the outstanding common stock of Madison Square Garden Entertainment Corp. (formerly MSG Entertainment Spinco, Inc. and referred to herein as “MSG Entertainment”) to its stockholders (the “MSG Distribution”). MSG Entertainment owns, directly or indirectly, the entertainment business previously owned and operated by the Company through its MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment. In the MSG Distribution, (a) each holder of the Company’s Class A common stock received one share of MSG Entertainment Class A common stock, par value \$0.01 per share, for every share of the Company’s Class A common stock held of record as of the close of business, New York City time, on April 13, 2020 (the “Record Date”), and (b) each holder of the Company’s Class B common stock received one share of MSG Entertainment Class B common stock, par value \$0.01 per share, for every share of the Registrant’s Class B common stock held of record as of the close of business, New York City time, on the Record Date.

**Basis of Presentation**

The accompanying unaudited consolidated interim financial statements (referred to as the “Financial Statements” herein) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and Article 10 of Regulation S-X of the SEC for interim financial information, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2020 (“fiscal year 2020”). The Financial Statements presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management, the Financial Statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. The dependence of MSG Sports on revenues from its NBA and NHL sports teams generally means it earns a disproportionate share of its revenues in the second and third quarters of the Company’s fiscal year. However, on March 11 and 12, 2020, the NBA and NHL, respectively, suspended their 2019-20 seasons due to COVID-19. In July and August 2020, the NBA and NHL, respectively, restarted their seasons. As a result, the Company recognized certain revenues that otherwise would have been recognized during the third and fourth quarter of fiscal year 2020 during the first quarter of fiscal year 2021. In addition, on December 16, 2020 and January 14, 2021, respectively, the Knicks and Rangers resumed playing their home games at The Garden as part of the 2020-21 seasons. Due to the delayed start of the 2020-21 NBA and NHL seasons, the Company will recognize certain revenues during the third and fourth quarters of fiscal year 2021 that otherwise would have been recognized during the second and third quarters of fiscal year 2021, respectively.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Reclassifications**

The historical results of MSG Entertainment have been reflected in the accompanying consolidated statements of operations for the three and six months ended December 31, 2019 as discontinued operations. See Note 3 for more information. In addition, certain reclassifications have been made in order to conform to the current period's presentation and relate to the separation of Deferred revenue, noncurrent, which was previously reported in Other liabilities in the consolidated balance sheet as of June 30, 2020.

**Impact of COVID-19**

COVID-19 disruptions have materially impacted the Company's revenues and the Company is recognizing materially less revenues, or in some cases no revenues, across a number of areas. Those areas include: ticket sales; the Company's share of suite licenses; sponsorships; signage and in-venue advertising at The Garden; and food, beverage and merchandise sales. In addition, the Knicks and Rangers will play fewer games during the 2020-21 regular seasons, with the NBA scheduled to play a 72-game regular season schedule while the NHL is scheduled to play a 56-game regular season schedule. These compare to traditional 82-game regular season schedules for both the NBA and NHL.

While The Garden was closed due to the government mandated suspension of events as a result of COVID-19, the Knicks and Rangers were not required to pay license fees to MSG Entertainment under the Arena License Agreements. On December 16, 2020 and January 14, 2021, respectively, the Knicks and Rangers resumed playing their homes games at The Garden as part of the 2020-21 seasons. However, fans are currently prohibited from attending events due to ongoing government-mandated assembly restrictions. No assurances can be made that games at The Garden this season will be played with any in-arena audiences or, that if fans are permitted, that audience capacity would not be limited. When games are played at The Garden by the Knicks and Rangers either without fans in attendance or with limited fans in attendance due to government mandated capacity constraints, the applicable rent paid to MSG Entertainment is reduced by up to 80%.

During the six months ended December 31, 2020, as a result of COVID-19, the Company implemented cost-reduction measures that included workforce reductions and limits on discretionary spending. In addition, as a result of the disruptions caused by COVID-19, certain operating expenses are reduced including (i) rent payments to MSG Entertainment under the Arena License Agreements, (ii) NBA league assessments and day-of-game expenses for the Knicks and Rangers games, and (iii) league revenue sharing and team personnel expense. These expense reductions will not fully offset revenue losses. Additionally, as the Knicks and Rangers returned to play in December 2020 and January 2021, respectively, and in anticipation of fans returning to the building in the future, certain costs will increase including day-of-game expenses and certain selling, general and administrative costs.

The Company believes that it has sufficient liquidity, including approximately \$70,800 in Cash and cash equivalents as of December 31, 2020, along with available borrowing capacity under existing credit facilities, to fund its operations and satisfy any obligations with respect to the return or application of deferred revenue over the next 12 months.

At this time, the Company's management is unable to predict when the Company will be able to resume normal business operations and if there will be any longer-term effects due to these COVID-related disruptions. The Company's business is also particularly sensitive to discretionary business and consumer spending. COVID-19 could impede economic activity in impacted regions or globally over the long-term, causing a global recession and leading to a further decline in discretionary spending on sporting events and other leisure activities, including declines in domestic and international tourism, which could result in long-term effects on the Company's business.

**Note 2. Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of Madison Square Garden Sports Corp. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In addition, the consolidated financial statements of the Company include the accounts from CLG, in which the Company has a controlling voting interest. The Company's consolidation criteria are based on authoritative accounting guidance for voting interest, controlling interest or variable interest entities. CLG is consolidated with the equity owned by other shareholders shown as nonredeemable noncontrolling interests in the accompanying consolidated balance sheets, and the other shareholders' portion of net earnings (loss) and other comprehensive income (loss) shown as net income (loss) or comprehensive income (loss) attributable to nonredeemable noncontrolling interests in the accompanying consolidated statements of operations and consolidated statements of comprehensive income (loss), respectively.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Use of Estimates**

The preparation of the accompanying Financial Statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, other long-lived assets, deferred tax valuation allowance, tax accruals and other liabilities. In addition, estimates are used in revenue recognition, revenue sharing expense (net of escrow), luxury tax expense, income tax expense, performance and share-based compensation, depreciation and amortization, litigation matters and other matters, as well as in the valuation of contingent consideration and noncontrolling interests resulting from business combination transactions. Management believes its use of estimates in the Financial Statements to be reasonable.

Management evaluates its estimates on an ongoing basis using historical experience and other factors, including the general economic environment and actions it may take in the future. The Company adjusts such estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on management's best judgment at a point in time and, as such, these estimates may ultimately differ from actual results. Changes in estimates resulting from weakness in the economic environment or other factors beyond the Company's control could be material and would be reflected in the Company's financial statements in future periods.

**Recently Issued Accounting Pronouncements***Recently Adopted Accounting Pronouncements*

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments — Credit Losses*. ASU No. 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that will require the reflection of expected credit losses and will also require consideration of a broader range of reasonable and supportable information to determine credit loss estimates. In May 2019, the FASB issued ASU No. 2019-05, *Targeted Transition Relief*, which amends Accounting Standards Codification ("ASC") Topic 326 to provide an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. In November 2019, FASB issued ASU No. 2019-11 to provide clarification guidance in a number of areas, including: (i) expected recoveries for purchased financial assets with credit deterioration, (ii) transition relief for troubled debt restructuring, (iii) disclosures related to accrued interest receivables, and (iv) financial assets secured by collateral maintenance provisions. For most financial instruments, the standard will require the use of a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which will generally result in the earlier recognition of credit losses on financial instruments. In February 2020, the FASB issued ASU No. 2020-02, *Financial Instruments — Credit Losses and Leases*, which includes amendments pursuant to SEC Staff Accounting Bulletin No. 119. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements. The impact in future periods is not expected to be material.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* as part of the FASB's broader disclosure framework project. ASU No. 2018-13 removes, modifies and adds certain disclosures providing greater focus on requirements that clearly communicate the most important information to the users of the financial statements with respect to fair value measurements. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance also specifies that the balance sheet, statement of operations, and statement of cash flows presentation of capitalized implementation costs and the related amortization should align with the presentation of the hosting (service) element of the arrangement. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements. However, to the extent future costs incurred in a cloud computing arrangement are capitalizable, the corresponding amortization will be included in "Direct operating expenses" or "Selling, general and administrative expenses" in the consolidated statements of operations, rather than "Depreciation and amortization."

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. ASU No. 2018-17 amends the variable interest entities ("VIE") guidance to align the evaluation of a decision

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

maker's or service provider's fee in assessing a variable interest with the guidance in the primary beneficiary test. Specifically, indirect interests held by a related party that is under common control will now be considered on a proportionate basis, rather than in their entirety, when assessing whether the fee qualifies as a variable interest. The proportionate basis approach is consistent with the treatment of indirect interests held by a related party under common control when evaluating the primary beneficiary of a VIE. This effectively means that when a decision maker or service provider has an interest in a related party, regardless of whether they are under common control, it will consider that related party's interest in a VIE on a proportionate basis throughout the VIE model for both the assessment of a variable interest and the determination of a primary beneficiary. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 - Financial Instruments*. This ASU provides narrow-scope amendments to help apply these recent standards. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements.

In November 2019, the FASB issued ASU No. 2019-08, *Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements - Share-Based Consideration Payable to a Customer*. This ASU requires that share-based payment awards issued to a customer in connection with a revenue arrangement be recorded as a reduction of the transaction price in revenue. The amount recorded as a reduction of the transaction price is measured using the grant-date fair value of the award and is classified in accordance with ASC Topic 718. Changes in the measurement of the share-based payments after the grant date that are due to the form of the consideration are not included in the transaction price and are recorded elsewhere in the statement of operations. The award is measured and classified under ASC Topic 718 for its entire life, unless the award is modified after it vests and the grantee is no longer a customer. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments-Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The amendments in this ASU clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. In addition, the amendments clarify the accounting for certain forward contracts and purchased options accounted for under Topic 815. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have an impact on its consolidated financial statements.

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The standard will be effective for the Company in the fourth quarter of fiscal year 2021, with early adoption permitted. The amendments in ASU No. 2018-14 are required to be applied retrospectively. The adoption of this standard, which relates to disclosure, is not expected to have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU eliminates certain exceptions to the general approach in ASC Topic 740 and includes methods of simplification to the existing guidance. The new guidance is effective for the Company in the first quarter of fiscal year 2022, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of FASB's monitoring of global reference rate activities. The new guidance was effective upon issuance, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 3. Discontinued Operations**

As a result of the MSGE Distribution, the results of the entertainment business previously owned and operated by the Company through its MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment through the MSGE Distribution Date, as well as transaction costs related to the MSGE Distribution, have been classified in the accompanying consolidated statement of operations for the three and six months ended December 31, 2019 as discontinued operations. See Note 3 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2020 for more information.

The table below sets forth operating results of discontinued operations for the three and six months ended December 31, 2019. Amounts presented below differ from historically reported results for the MSG Entertainment business segment due to reclassifications and adjustments made for purposes of discontinued operations.

|                                                                                                           | <b>Three Months Ended<br/>December 31, 2019</b> | <b>Six Months Ended<br/>December 31, 2019</b> |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------|
| Revenues                                                                                                  | \$ 336,260                                      | \$ 501,375                                    |
| Direct operating expenses                                                                                 | 173,756                                         | 287,972                                       |
| Selling, general and administrative expenses                                                              | 58,138                                          | 114,885                                       |
| Depreciation and amortization                                                                             | 23,291                                          | 47,437                                        |
| Operating income                                                                                          | 81,075                                          | 51,081                                        |
| Other income (expense):                                                                                   |                                                 |                                               |
| Loss in equity method investments                                                                         | (1,170)                                         | (2,643)                                       |
| Interest income                                                                                           | 6,036                                           | 13,059                                        |
| Interest expense                                                                                          | (919)                                           | (2,183)                                       |
| Miscellaneous income, net                                                                                 | 9,387                                           | 14,551                                        |
| Income from discontinued operations before income taxes                                                   | 94,409                                          | 73,865                                        |
| Income tax benefit (expense)                                                                              | 1,597                                           | (18,334)                                      |
| Net income from discontinued operations                                                                   | 96,006                                          | 55,531                                        |
| Less: Net loss attributable to redeemable noncontrolling interests                                        | (1,241)                                         | (1,404)                                       |
| Less: Net loss attributable to nonredeemable noncontrolling interests                                     | (86)                                            | (158)                                         |
| Net income from discontinued operations attributable to Madison Square Garden Sports Corp.'s stockholders | \$ 97,333                                       | \$ 57,093                                     |

As permitted under ASU 2014-08, the Company has elected not to adjust the consolidated statement of cash flows for the six months ended December 31, 2019 to exclude cash flows attributable to discontinued operations. The table below sets forth, for the period presented, significant selected financial information related to the MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment through the MSGE Distribution Date, which is included in the accompanied consolidated statements of cash flows:

|                                                      | <b>Six Months Ended<br/>December 31, 2019</b> |
|------------------------------------------------------|-----------------------------------------------|
| <b>Non-cash items included in net income (loss):</b> |                                               |
| Depreciation and amortization                        | \$ 47,437                                     |
| Share-based compensation expense                     | 5,534                                         |
| <b>Cash flows from investing activities:</b>         |                                               |
| Capital expenditures                                 | \$ 208,122                                    |
| <b>Non-cash investing activities:</b>                |                                               |
| Capital expenditures incurred but not yet paid       | \$ 46,151                                     |

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 4. Revenue Recognition**

**Contracts with Customers**

All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers. For the three and six months ended December 31, 2020 and 2019, the Company did not have any material impairment losses on receivables or contract assets arising from contracts with customers.

**Disaggregation of Revenue**

The following table disaggregates the Company's revenues by type of goods or services in accordance with the required entity-wide disclosure requirements set forth in ASC Subtopic 280-10-50-38 to 40 and the disaggregation of revenue required disclosures in accordance with ASC Subtopic 606-10-50-5 for the three and six months ended December 31, 2020 and 2019:

|                                              | Three Months Ended<br>December 31, |                   | Six Months Ended<br>December 31, |                   |
|----------------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                                              | 2020                               | 2019              | 2020                             | 2019              |
| Event-related <sup>(a)</sup>                 | \$ —                               | \$ 124,046        | \$ —                             | \$ 131,466        |
| Media rights <sup>(b)</sup>                  | 22,306                             | 101,185           | 72,495                           | 107,396           |
| Sponsorship, signage and suite licenses      | 3,995                              | 60,235            | 6,945                            | 80,376            |
| League distributions and other               | 2,470                              | 7,332             | 6,369                            | 23,410            |
| Total revenues from contracts with customers | <u>\$ 28,771</u>                   | <u>\$ 292,798</u> | <u>\$ 85,809</u>                 | <u>\$ 342,648</u> |

<sup>(a)</sup> Consists of (i) ticket sales and other ticket-related revenues, and (ii) food, beverage and merchandise sales.

<sup>(b)</sup> Consists of (i) local media rights fees from MSG Networks, (ii) revenue from the distribution through league-wide national and international television contracts, and (iii) other local radio rights fees.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

The timing of revenue recognition, billings and cash collections results in billed receivables, contract assets and contract liabilities on the consolidated balance sheet. The following table provides information about contract balances from the Company's contracts with customers as of December 31, 2020 and June 30, 2020.

|                                                                     | December 31,<br>2020 | June 30,<br>2020 |
|---------------------------------------------------------------------|----------------------|------------------|
| Receivables from contracts with customers, net <sup>(a)</sup>       | \$ 25,887            | \$ 8,035         |
| Contract assets, current <sup>(b)</sup>                             | 4,276                | 4,112            |
| Deferred revenue, including non-current portion <sup>(c), (d)</sup> | 232,307              | 128,362          |

- <sup>(a)</sup> Receivables from contracts with customers, net, which are reported in Accounts receivable, net and Net related party receivables in the Company's accompanying consolidated balance sheets, represent the Company's unconditional rights to consideration under its contracts with customers. As of December 31, 2020 and June 30, 2020, the Company's receivables reported above included \$990 and \$632, respectively, related to various related parties associated with contracts with customers. See Note 16 for further details on related party arrangements.
- <sup>(b)</sup> Contract assets, current, which are reported as Other current assets in the Company's accompanying consolidated balance sheets, primarily relate to the Company's rights to consideration for goods or services transferred to the customer, for which the Company does not have an unconditional right to bill as of the reporting date. Contract assets are transferred to accounts receivable once the Company's right to consideration becomes unconditional.
- <sup>(c)</sup> Deferred revenue, including non-current portion primarily relates to the Company's receipt of consideration from customers or billing customers in advance of the Company's transfer of goods or services to those customers. Deferred revenue is reduced and the related revenue is recognized once the underlying goods or services are transferred to a customer. The non-current portion of deferred revenue primarily consists of a \$30,000 receipt from the NBA in December 2020 of league distributions in advance of the Company's recognition. The Company's deferred revenue related to local media rights with MSG Networks was \$56,341 and \$0 as of December 31, 2020 and June 30, 2020, respectively. See Note 16 for further details on these related party arrangements.
- <sup>(d)</sup> Revenue recognized for the six months ended December 31, 2020 relating to the deferred revenue balance as of June 30, 2020 was \$44,392.

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

The following table depicts the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2020 and is based on current projections. In developing the estimated revenue, the Company applies the allowable practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less. Additionally, the Company has elected to exclude variable consideration from its disclosure related to the remaining performance obligations under its local media rights arrangements with MSG Networks.

|                              |                   |
|------------------------------|-------------------|
| Fiscal Year 2021 (remainder) | \$ 18,833         |
| Fiscal Year 2022             | 74,791            |
| Fiscal Year 2023             | 47,966            |
| Fiscal Year 2024             | 34,515            |
| Fiscal Year 2025             | 23,896            |
| Thereafter                   | 29,809            |
|                              | <u>\$ 229,810</u> |

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 5. Computation of Earnings (Loss) per Common Share**

The following table presents a reconciliation of weighted-average shares used in the calculations of basic and diluted earnings (loss) per common share attributable to the Company's stockholders ("EPS") and the number of shares excluded from diluted earnings (loss) per common share, as they were anti-dilutive.

|                                                                         | Three Months Ended<br>December 31, |        | Six Months Ended<br>December 31, |        |
|-------------------------------------------------------------------------|------------------------------------|--------|----------------------------------|--------|
|                                                                         | 2020                               | 2019   | 2020                             | 2019   |
| <b>Weighted-average shares (denominator):</b>                           |                                    |        |                                  |        |
| Weighted-average shares for basic EPS                                   | 24,144                             | 23,913 | 24,103                           | 23,870 |
| Dilutive effect of shares issuable under share-based compensation plans | —                                  | 66     | —                                | 107    |
| Weighted-average shares for diluted EPS                                 | 24,144                             | 23,979 | 24,103                           | 23,977 |
| Weighted-average shares excluded from diluted earnings per share        | 152                                | 510    | 403                              | 507    |

**Note 6. Team Personnel Transactions**

Direct operating expenses in the accompanying consolidated statements of operations include a net expense for transactions relating to the Company's sports teams for waiver/contract termination costs and player trades ("Team personnel transactions"). Team personnel transactions expense was \$2,839 and \$17,644 for the three months ended December 31, 2020 and 2019, respectively, and \$13,712 and \$27,887 for the six months ended December 31, 2020 and 2019, respectively.

**Note 7. Cash, Cash Equivalents and Restricted Cash**

The following table provides a summary of the amounts recorded as cash, cash equivalents and restricted cash.

|                                                                                         | As of                |                  |                      |                  |
|-----------------------------------------------------------------------------------------|----------------------|------------------|----------------------|------------------|
|                                                                                         | December 31,<br>2020 | June 30,<br>2020 | December 31,<br>2019 | June 30,<br>2019 |
| Captions on the consolidated balance sheets:                                            |                      |                  |                      |                  |
| Cash and cash equivalents                                                               | \$ 70,762            | \$ 77,852        | \$ 2,425             | \$ 4,317         |
| Restricted cash <sup>(a)</sup>                                                          | 9,500                | 12,821           | 25,103               | 21,519           |
| Cash, cash equivalents and restricted cash on the consolidated statements of cash flows | <u>\$ 80,262</u>     | <u>\$ 90,673</u> | <u>\$ 27,528</u>     | <u>\$ 25,836</u> |

<sup>(a)</sup> Restricted cash as of December 31, 2020 relates to the Company's revolving credit facilities (see Note 12 for more information). For all prior periods, restricted cash primarily included cash deposited in escrow account (see Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2020 for more information).

**Note 8. Leases**

The Company's leases primarily consist of the lease of the Company's principal executive offices under the Sublease Agreement with MSG Entertainment (the "Sublease Agreement") and the lease of CLG Performance Center. In addition, the Company accounts for the rights of use of The Garden pursuant to the Arena License Agreements as leases under the ASC Topic 842, Leases. See Note 9 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2020 for more information regarding the Company's accounting policies associated with its leases.

On April 17, 2020, in connection with the MSGE Distribution, the Company entered into the Sublease Agreement. The sublease right of use ("ROU") assets and liabilities are recorded on the balance sheet at lease commencement based on the present value of minimum base rent and other fixed payments over the reasonably certain lease term, which ends April 30, 2024.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

In addition, in connection with the MSGE Distribution, the Company entered into the Arena License Agreements with MSG Entertainment that end on June 30, 2055 and allow the Knicks and the Rangers to continue to play their home games at The Garden. The Arena License Agreements provide for fixed payments to be made from inception through June 30, 2055 in 12 equal installments during each year of the contractual term. The Garden was not available for use between April 17, 2020 and the start of the NBA and NHL seasons in December 2020 and January 2021, respectively, due to the COVID-19 pandemic and local government restrictions on gatherings. The Company was not required to make license payments while The Garden was unavailable for use. During the three months ended December 31, 2020, the Company recognized operating lease costs associated with the Knicks Arena License Agreement with respect to Knicks games played at The Garden in December 2020. On December 31, 2020 the assets and liabilities associated with the Rangers Arena License Agreement were remeasured utilizing the same discount rate as of April 17, 2020, taking into account the unpaid monthly installments during the lease period as a resolution of a lease contingency, since the Rangers did not resume play at The Garden until January 2021.

As of December 31, 2020, the Company's existing operating leases, which are recorded in the accompanying financial statements, have remaining lease terms ranging from 20 months to 35 years. In certain instances, leases include options to renew, with varying option terms. The exercise of lease renewals, if available under the lease options, is generally at the Company's discretion and is considered in the Company's assessment of the respective lease term. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

The following table summarizes the ROU assets and lease liabilities recorded on the Company's accompanying consolidated balance sheets as of December 31, 2020 and June 30, 2020:

|                                             | <b>Line Item in the Company's Consolidated Balance Sheet</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|---------------------------------------------|--------------------------------------------------------------|------------------------------|--------------------------|
| <b>Right-of-use assets:</b>                 |                                                              |                              |                          |
| Operating leases                            | Right-of-use lease assets                                    | \$ 711,882                   | \$ 718,051               |
| <b>Lease liabilities:</b>                   |                                                              |                              |                          |
| Operating leases, current <sup>(a)</sup>    | Operating lease liabilities, current                         | \$ 26,807                    | \$ 39,131                |
| Operating leases, noncurrent <sup>(a)</sup> | Operating lease liabilities, noncurrent                      | 687,535                      | 679,053                  |
| Total lease liabilities                     |                                                              | <u>\$ 714,342</u>            | <u>\$ 718,184</u>        |

<sup>(a)</sup> As of December 31, 2020, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$26,403 and \$686,978, respectively, that are payable to MSG Entertainment. As of June 30, 2020, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$38,770 and \$678,366, respectively, that are payable to MSG Entertainment.

The following table summarizes the activity recorded within the Company's accompanying consolidated statements of operations for the three and six months ended December 31, 2020 and 2019:

| <b>Line Item in the Company's Consolidated Statement of<br/>Operations</b> |                                              | <b>Three Months Ended<br/>December 31,</b> |               | <b>Six Months Ended December<br/>31,</b> |               |
|----------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------|---------------|------------------------------------------|---------------|
|                                                                            |                                              | <b>2020</b>                                | <b>2019</b>   | <b>2020</b>                              | <b>2019</b>   |
| Operating lease cost                                                       | Direct operating expenses                    | \$ 2,308                                   | \$ 96         | \$ 2,398                                 | \$ 185        |
| Operating lease cost                                                       | Selling, general and administrative expenses | 611                                        | —             | 1,222                                    | —             |
| Short-term lease cost                                                      | Direct operating expenses                    | 27                                         | 42            | 51                                       | 84            |
| Short term lease costs                                                     | Selling, general and administrative expenses | —                                          | —             | —                                        | —             |
| Total lease cost                                                           |                                              | <u>\$ 2,946</u>                            | <u>\$ 138</u> | <u>\$ 3,671</u>                          | <u>\$ 269</u> |

**Supplemental Information**

For the six months ended December 31, 2020 and 2019, cash paid for amounts included in the measurement of lease liabilities was \$1,299 and \$200, respectively.

The weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet as of December 31, 2020 was 34.1 years. The weighted average discount rate was 7.13% as of December 31, 2020 and represented the Company's estimated incremental borrowing rate, assuming a secured borrowing, based on the remaining lease term at the time of either (i) adoption of the standard or (ii) the period in which the lease term expectation commenced or was modified.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

Maturities of operating lease liabilities as of December 31, 2020 are as follows:

|                              |    |             |
|------------------------------|----|-------------|
| Fiscal Year 2021 (remainder) | \$ | 6,390       |
| Fiscal Year 2022             |    | 43,563      |
| Fiscal Year 2023             |    | 45,029      |
| Fiscal Year 2024             |    | 44,937      |
| Fiscal Year 2025             |    | 44,052      |
| Thereafter                   |    | 2,158,686   |
| Total lease payments         |    | 2,342,657   |
| Less imputed interest        |    | (1,628,315) |
| Total lease liabilities      | \$ | 714,342     |

**Note 9. Goodwill and Intangible Assets**

During the first quarter of fiscal year 2021, the Company performed its annual impairment test of goodwill and determined that there were no impairments identified as of the impairment test date. The carrying amount of goodwill as of December 31, 2020 and June 30, 2020 is \$226,955.

The Company's indefinite-lived intangible assets as of December 31, 2020 and June 30, 2020 are as follows:

|                             |    |         |
|-----------------------------|----|---------|
| Sports franchises           | \$ | 111,064 |
| Photographic related rights |    | 1,080   |
|                             | \$ | 112,144 |

During the first quarter of fiscal year 2021, the Company performed its annual impairment test of identifiable indefinite-lived intangible assets and determined that there were no impairments identified as of the impairment test date.

The Company's intangible assets subject to amortization are as follows:

| December 31, 2020      | Gross    | Accumulated<br>Amortization | Net      |
|------------------------|----------|-----------------------------|----------|
| Trade names            | \$ 2,300 | \$ (1,572)                  | \$ 728   |
| Non-compete agreements | 2,400    | (1,640)                     | 760      |
| Other intangibles      | 1,200    | (464)                       | 736      |
|                        | \$ 5,900 | \$ (3,676)                  | \$ 2,224 |

  

| June 30, 2020          | Gross    | Accumulated<br>Amortization | Net      |
|------------------------|----------|-----------------------------|----------|
| Trade names            | \$ 2,300 | \$ (1,342)                  | \$ 958   |
| Non-compete agreements | 2,400    | (1,400)                     | 1,000    |
| Other intangibles      | 1,200    | (404)                       | 796      |
|                        | \$ 5,900 | \$ (3,146)                  | \$ 2,754 |

For the three months ended December 31, 2020 and 2019, amortization expense of intangible assets was \$265 and \$1,103, respectively. For the six months ended December 31, 2020 and 2019, amortization expense of intangible assets was \$530 and \$2,205, respectively.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 10. Fair Value Measurements**

The carrying value and fair value of the Company's financial instruments reported in the accompanying consolidated balance sheets are as follows:

|                               | December 31, 2020 |            | June 30, 2020  |            |
|-------------------------------|-------------------|------------|----------------|------------|
|                               | Carrying Value    | Fair Value | Carrying Value | Fair Value |
| <b>Liabilities</b>            |                   |            |                |            |
| Long-term debt <sup>(a)</sup> | \$ 380,000        | \$ 380,000 | \$ 350,000     | \$ 350,000 |

<sup>(a)</sup> The Company's long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted indices of similar securities for which the inputs are readily observable. The fair value of the Company's long-term debt is the same as its carrying amount as the facilities bear interest at a variable rate indexed to current market conditions. On November 6, 2020, the Company amended and extended these credit facilities and borrowed an additional \$20,000 under the 2020 Knicks Revolving Credit Facility (as defined in Note 12) and \$10,000 under the 2020 Rangers Revolving Credit Facility (as defined in Note 12). See Note 12 for further details.

**Contingent Consideration Liabilities**

In connection with the CLG acquisition (see Note 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2020 for further details), the Company recorded certain deferred and contingent consideration liabilities at fair value as part of the purchase price allocation.

The following table provides a reconciliation of the deferred and contingent consideration liabilities in connection with the CLG acquisition:

|                                                                 | Six Months Ended December 31, 2020 |
|-----------------------------------------------------------------|------------------------------------|
| Balance as of June 30, 2020                                     | \$ 336                             |
| Contingent consideration payment                                | (200)                              |
| Change in fair value of contingent consideration <sup>(a)</sup> | (136)                              |
| Balance as of December 31, 2020                                 | \$ —                               |

<sup>(a)</sup> The change in fair value of contingent consideration, including accretion, was recorded within Selling, general and administrative expenses in the accompanying consolidated statement of operations for the six months ended December 31, 2020.

**Note 11. Commitments and Contingencies**
**Commitments**

As more fully described in Note 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2020, the Company's commitments consist primarily of the Company's obligations under employment agreements that the Company has with its professional sports teams' personnel that are generally guaranteed regardless of employee injury or termination. In addition, see Note 8 for more information on the contractual obligations related to future lease payments. The Company did not have any material changes in its contractual obligations, including off-balance sheet commitments, since the end of fiscal year 2020 other than the amended and extended credit facilities described in Note 12 and activities in the ordinary course of business.

**Legal Matters**

The Company is a defendant in various lawsuits. Although the outcome of these lawsuits cannot be predicted with certainty (including the extent of available insurance), management does not believe that resolution of these lawsuits will have a material adverse effect on the Company.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 12. Credit Facilities***Knicks Revolving Credit Facility*

On September 30, 2016, New York Knicks, LLC (“Knicks LLC”), a wholly owned subsidiary of the Company, entered into a credit agreement (the “2016 Knicks Credit Agreement”) with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$200,000 with a term of five years (the “2016 Knicks Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The 2016 Knicks Revolving Credit Facility would have matured and any unused commitments thereunder would have expired on September 30, 2021.

On November 6, 2020, the Company amended and restated the 2016 Knicks Credit Agreement in its entirety (the “2020 Knicks Credit Agreement”). The 2020 Knicks Credit Agreement provides for a senior secured revolving credit facility of up to \$275,000 (the “2020 Knicks Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The maturity date of the 2020 Knicks Credit Agreement is November 6, 2023. Amounts borrowed may be distributed to the Company except during an event of default.

All borrowings under the 2020 Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2020 Knicks Credit Agreement bear interest at a floating rate, which at the option of Knicks LLC may be either (i) a base rate plus a margin ranging from 0.500% to 0.750% per annum or (ii) LIBOR plus a margin ranging from 1.500% to 1.750% per annum. Knicks LLC is required to pay a commitment fee ranging from 0.250% to 0.300% per annum in respect of the average daily unused commitments under the 2020 Knicks Revolving Credit Facility. The outstanding balance under the 2020 Knicks Revolving Credit Facility was \$220,000 as of December 31, 2020. The interest rate on the 2020 Knicks Revolving Credit Facility as of December 31, 2020 was 1.65%. During the six months ended December 31, 2020 the Company made interest payments of \$1,394.

All obligations under the 2020 Knicks Revolving Credit Facility are secured by a first lien security interest in certain of Knicks LLC’s assets, including, but not limited to, (i) the Knicks LLC’s membership rights in the NBA and (ii) revenues to be paid to the Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the 2020 Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the 2020 Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

In addition to the financial covenant described above, the 2020 Knicks Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Knicks Revolving Credit Facility contains certain restrictions on the ability of Knicks LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Knicks Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Knicks Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders’ liens on any Knicks LLC’s collateral.

The 2020 Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2020, Knicks LLC was in compliance with this financial covenant.

*Knicks Unsecured Credit Facility*

On September 30, 2016, Knicks LLC entered into an unsecured revolving credit facility with a lender for an initial maximum credit amount of \$15,000 and a 364-day term (the “Knicks Unsecured Credit Facility”). Knicks LLC renewed this facility with the lender on the same terms in successive years and the facility was renewed for a new term effective as of September 25, 2020. On November 6, 2020, the Company terminated the Knicks Unsecured Credit Facility in its entirety.

*Knicks Holdings Credit Facility*

On November 6, 2020, Knicks Holdings, LLC, an indirect, wholly-owned subsidiary of the Company and the direct parent of Knicks LLC (“Knicks Holdings”), entered into a new credit agreement with a syndicate of lenders (the “2020 Knicks Holdings Credit Agreement”). The 2020 Knicks Holdings Credit Agreement provides for a revolving credit facility of up to \$75,000 (the “2020 Knicks Holdings Revolving Credit Facility”) to fund working capital needs and for general corporate purposes.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

The 2020 Knicks Holdings Revolving Credit Facility requires Knicks Holdings to comply with a debt service ratio of 1.1:1.0 over a trailing four quarter period. As of December 31, 2020, Knicks Holdings was in compliance with this financial covenant.

The 2020 Knicks Holdings Revolving Credit Facility will mature and any unused commitments thereunder will expire on November 6, 2023. All borrowings under the 2020 Knicks Holdings Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2020 Knicks Holdings Revolving Credit Facility bear interest at a floating rate, which at the option of Knicks Holdings may be either (i) a base rate plus a margin ranging from 1.000% to 1.250% per annum or (ii) LIBOR plus a margin ranging from 2.000% to 2.250% per annum. Knicks Holdings is required to pay a commitment fee ranging from 0.375% to 0.500% per annum in respect of the average daily unused commitments under the 2020 Knicks Holdings Revolving Credit Facility. There was no borrowing under the 2020 Knicks Holdings Revolving Credit Facility as of December 31, 2020.

All obligations under the 2020 Knicks Holdings Revolving Credit Facility are secured by debt service and distribution accounts maintained by Knicks Holdings, and includes a guarantee from MSG NYK Holdings, LLC, an indirect wholly-owned subsidiary of the Company and the direct parent of Knicks Holdings.

Subject to customary notice and minimum amount conditions, Knicks Holdings may voluntarily prepay outstanding loans under the 2020 Knicks Holdings Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks Holdings is required to make mandatory prepayments in certain circumstances, including if the amount of commitments under the 2020 Knicks Holdings Revolving Credit Facility increase above \$350,000.

In addition to the financial covenant described above, the 2020 Knicks Holdings Revolving Credit Facility and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Knicks Holdings Revolving Credit Facility contains certain restrictions on the ability of Knicks Holdings to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Knicks Holdings Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Knicks Holdings Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any Knicks Holdings' collateral.

*Rangers Revolving Credit Facility*

On January 25, 2017, New York Rangers, LLC ("Rangers LLC"), a wholly owned subsidiary of the Company, entered into a credit agreement (the "2017 Rangers Credit Agreement") with a syndicate of lenders providing for a senior secured revolving credit facility of up to \$150,000 with a term of five years (the "2017 Rangers Revolving Credit Facility") to fund working capital needs and for general corporate purposes. The 2017 Rangers Revolving Credit Facility would have matured and any unused commitments thereunder would have expired on January 25, 2022.

On November 6, 2020, the Company amended and restated the 2017 Rangers Credit Agreement in its entirety (the "2020 Rangers Credit Agreement"). The 2020 Rangers Credit Agreement provides for a senior secured revolving credit facility of up to \$250,000 (the "2020 Rangers Revolving Credit Facility") to fund working capital needs and for general corporate purposes. The maturity date of the 2020 Rangers Credit Agreement is November 6, 2023. Amounts borrowed may have been distributed to the Company except during an event of default.

All borrowings under the 2020 Rangers Revolving Credit Facility were subject to the satisfaction of certain customary conditions. Borrowings under the 2020 Rangers Credit Agreement bear interest at a floating rate, which at the option of Rangers LLC may be either (i) a base rate plus a margin ranging from 0.750% to 1.250% per annum or (ii) LIBOR plus a margin ranging from 1.750% to 2.250% per annum. Rangers LLC is required to pay a commitment fee ranging from 0.375% to 0.625% per annum in respect of the average daily unused commitments under the 2020 Rangers Revolving Credit Facility. The outstanding balance under the 2020 Rangers Revolving Credit Facility was \$160,000 as of December 31, 2020. The interest rate on the 2020 Rangers Revolving Credit Facility as of December 31, 2020 was 2.15%. During the six months ended December 31, 2020 the Company made interest payments of \$1,361.

All obligations under the 2020 Rangers Revolving Credit Facility are secured by a first lien security interest in certain of Rangers LLC's assets, including, but not limited to, (i) Rangers LLC's membership rights in the NHL, (ii) revenues to be paid to Rangers LLC by the NHL pursuant to certain U.S. and Canadian national broadcast agreements, and (iii) revenues to be paid to Rangers LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Rangers LLC may voluntarily prepay outstanding loans under the 2020 Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

breakage costs with respect to Eurocurrency loans). Rangers LLC is required to make mandatory prepayments in certain circumstances, including without limitation if qualified revenues are less than 17% of the maximum available amount under the 2020 Rangers Revolving Credit Facility.

In addition to the financial covenant described above, the 2020 Rangers Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Rangers Revolving Credit Facility contains certain restrictions on the ability of Rangers LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Rangers Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Rangers Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any of Rangers LLC's assets securing the obligations under the 2020 Rangers Revolving Credit Facility.

The 2020 Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2020, Rangers LLC was in compliance with this financial covenant.

*Delayed Draw Term Loan Credit Facilities*

As an additional source of liquidity for the Company in response to the COVID-19 pandemic, on April 17, 2020, MSG NYR Holdings, LLC and MSG NYK Holdings, LLC, two indirect wholly-owned subsidiaries of the Company, each entered into a separate delayed draw term loan credit agreement with MSG Entertainment Group, LLC, a wholly-owned subsidiary of MSG Entertainment, as lender (the "DDTL Facilities"). The credit agreement for MSG NYK Holdings, LLC provided for a \$110,000 senior unsecured delayed draw term loan facility and the credit agreement for MSG NYR Holdings, LLC provided for a \$90,000 senior unsecured delayed draw term loan facility.

On November 6, 2020, the Company terminated the DDTL Facilities in their entirety.

*Deferred Financing Costs*

The following table summarizes deferred financing costs, net of amortization, related to the Company's credit facilities as reported on the accompanying consolidated balance sheet:

|                      | December 31, 2020 <sup>(a)</sup> | June 30,<br>2020 |
|----------------------|----------------------------------|------------------|
| Other current assets | \$ 1,756                         | \$ 675           |
| Other assets         | 3,219                            | 264              |

<sup>(a)</sup> In connection with the 2020 Knicks Revolving Credit Facility, 2020 Knicks Holdings Revolving Credit Facility and 2020 Rangers Revolving Credit Facility, the Company incurred \$4,553 in deferred financing costs during the six months ended December 31, 2020.

**Note 13. Benefit Plans**

**Defined Benefit Pension Plans and Postretirement Benefit Plan**

Prior to the MSGE Distribution, the Company sponsored a non-contributory, qualified cash balance retirement plan covering its non-union employees (the "Cash Balance Pension Plan") and an unfunded non-contributory, non-qualified excess cash balance plan (the "Excess Cash Balance Plan") covering certain employees who participate in the underlying qualified plan (collectively, the "Cash Balance Plans").

Also, the Company historically sponsored an unfunded non-contributory, non-qualified defined benefit pension plan for the benefit of certain employees who participate in the underlying qualified plan (the "Excess Plan").

Prior to the MSGE Distribution, the Company sponsored a non-contributory, qualified defined benefit pension plan covering certain of its union employees (the "Union Plan"). Benefits payable to retirees under the Union Plan are based upon years of Benefit Service (as defined in the Union Plan document).

The Cash Balance Plans, Union Plan and Excess Plan are collectively referred to as the "MSGE Pension Plans."

In addition, the Company also sponsored a contributory welfare plan which provided certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 who are eligible to commence receipt of early or normal benefits under the Cash Balance Pension Plan and their dependents, as well as certain union employees ("Postretirement Plan").

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

As of the MSGE Distribution Date, the Company and MSG Entertainment entered into an employee matters agreement (the “Employee Matters Agreement”) which determined each company’s obligations after the MSGE Distribution with regard to historical liabilities under the Company’s former pension and postretirement plans. See Note 14 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2020 for more information with regard to the liabilities retained by the Company from the Excess Cash Balance Plan and Excess Plan, which were transferred to the MSG Sports, LLC Excess Cash Balance Plan and MSG Sports, LLC Excess Retirement Plan, which the Company established in connection with the MSGE Distribution and are collectively referred to the “MSGS Pension Plans.”

The following table presents components of net periodic benefit cost for the MSGE Pension Plans, MSGS Pension Plans and Postretirement Plan included in the accompanying consolidated statements of operations for the three and six months ended December 31, 2020 and 2019. Service cost is recognized in direct operating expenses and selling, general and administrative expenses. All other components of net periodic benefit cost are reported in Miscellaneous expense, net.

|                                | <b>MSGE Pension Plans &amp; MSGS Pension Plans</b> |               | <b>Postretirement Plan</b>             |              |
|--------------------------------|----------------------------------------------------|---------------|----------------------------------------|--------------|
|                                | <b>Three Months Ended December 31,</b>             |               | <b>Three Months Ended December 31,</b> |              |
|                                | <b>2020</b>                                        | <b>2019</b>   | <b>2020</b>                            | <b>2019</b>  |
| Service cost                   | \$ —                                               | \$ 20         | \$ —                                   | \$ 17        |
| Interest cost                  | 60                                                 | 1,328         | —                                      | 27           |
| Expected return on plan assets | —                                                  | (1,328)       | —                                      | —            |
| Recognized actuarial loss      | 10                                                 | 344           | —                                      | 2            |
| Net periodic benefit cost      | <u>\$ 70</u>                                       | <u>\$ 364</u> | <u>\$ —</u>                            | <u>\$ 46</u> |

|                                | <b>MSGE Pension Plans &amp; MSGS Pension Plans</b> |               | <b>Postretirement Plan</b>           |              |
|--------------------------------|----------------------------------------------------|---------------|--------------------------------------|--------------|
|                                | <b>Six Months Ended December 31,</b>               |               | <b>Six Months Ended December 31,</b> |              |
|                                | <b>2020</b>                                        | <b>2019</b>   | <b>2020</b>                          | <b>2019</b>  |
| Service cost                   | \$ —                                               | \$ 48         | \$ —                                 | \$ 35        |
| Interest cost                  | 120                                                | 2,656         | —                                    | 55           |
| Expected return on plan assets | —                                                  | (2,659)       | —                                    | —            |
| Recognized actuarial loss      | 20                                                 | 680           | —                                    | 5            |
| Net periodic benefit cost      | <u>\$ 140</u>                                      | <u>\$ 725</u> | <u>\$ —</u>                          | <u>\$ 95</u> |

Amounts presented in the table above include net periodic benefit cost related to continuing operations and discontinued operations as noted in the following table:

|                                 | <b>MSGE Pension Plans &amp; MSGS Pension Plans</b> |               | <b>Postretirement Plan</b>             |              |
|---------------------------------|----------------------------------------------------|---------------|----------------------------------------|--------------|
|                                 | <b>Three Months Ended December 31,</b>             |               | <b>Three Months Ended December 31,</b> |              |
|                                 | <b>2020</b>                                        | <b>2019</b>   | <b>2020</b>                            | <b>2019</b>  |
| Continuing Operations           | \$ 70                                              | \$ 86         | \$ —                                   | \$ —         |
| Discontinued Operations         | —                                                  | 278           | —                                      | 46           |
| Total net periodic benefit cost | <u>\$ 70</u>                                       | <u>\$ 364</u> | <u>\$ —</u>                            | <u>\$ 46</u> |

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

|                                 | <b>MSGE Pension Plans &amp; MSGS Pension Plans</b> |             | <b>Postretirement Plan</b> |             |
|---------------------------------|----------------------------------------------------|-------------|----------------------------|-------------|
|                                 | <b>Six Months Ended</b>                            |             | <b>Six Months Ended</b>    |             |
|                                 | <b>December 31,</b>                                |             | <b>December 31,</b>        |             |
|                                 | <b>2020</b>                                        | <b>2019</b> | <b>2020</b>                | <b>2019</b> |
| Continuing Operations           | \$ 140                                             | \$ 172      | \$ —                       | \$ —        |
| Discontinued Operations         | —                                                  | 553         | —                          | 95          |
| Total net periodic benefit cost | \$ 140                                             | \$ 725      | \$ —                       | \$ 95       |

**Defined Contribution Plans**

Prior to the MSGE Distribution, the Company sponsored The Madison Square Garden 401(k) Savings Plan (the “401(k) Plan”), which is a multiple employer plan and the MSG S&E, LLC Excess Savings Plan (collectively referred to as the “Savings Plans”) and The Madison Square Garden 401(k) Union Plan (the “Union Savings Plan”), which is also a multiple employer plan. As a result of the MSGE Distribution, the Savings Plans and Union Savings Plan were transferred to MSG Entertainment. However, MSG Sports employees continue to participate in the 401(k) Plan. In addition, pursuant to the Employee Matters Agreement the Company established the MSG Sports LLC Excess Savings Plan to provide non-qualified retirement benefits to eligible MSG Sports employees. See Note 14 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2020 for more information with regard to the liabilities retained by the Company.

Expenses related MSG Sports LLC Excess Savings Plan and Savings Plans that are included in the accompanying consolidated statements of operations for the three and six months ended December 31, 2020 and 2019 are as follows:

|                             | <b>Three Months Ended</b> |             | <b>Six Months Ended</b> |             |
|-----------------------------|---------------------------|-------------|-------------------------|-------------|
|                             | <b>December 31,</b>       |             | <b>December 31,</b>     |             |
|                             | <b>2020</b>               | <b>2019</b> | <b>2020</b>             | <b>2019</b> |
| Continuing Operations       | \$ 506                    | \$ 2,096    | \$ 1,104                | \$ 4,006    |
| Discontinued Operations     | —                         | 787         | —                       | 1,504       |
| Total Savings Plan Expenses | \$ 506                    | \$ 2,883    | \$ 1,104                | \$ 5,510    |

For the three and six months ended December 31, 2019, expenses related to the Union Savings Plan of \$31 and \$53, respectively, have been classified in the accompanying consolidated statement of operations as discontinued operations.

**Note 14. Share-based Compensation**

See Note 15 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2020 for more information regarding the Company’s 2015 Employee Stock Plan (the “Employee Stock Plan”) and its 2015 Stock Plan for Non-Employee Directors.

Share-based compensation expense was \$15,981 and \$22,326 for the three and six months ended December 31, 2020, respectively. Share-based compensation expense was \$14,255 and \$28,051 for the three and six months ended December 31, 2019, respectively. There were no costs related to share-based compensation in continuing operations that were capitalized for the three and six months ended December 31, 2020 and 2019, respectively.

Share-based compensation expense for discontinued operations was \$2,439 and \$5,534 for the three and six months ended December 31, 2019, respectively.

As a result of an agreement to settle an action (the “Settlement”) filed by a purported stockholder of the Company derivatively on behalf of the Company against certain directors of the Company who are members of the Dolan family and against the directors of the Company who were members of the Compensation Committee, Mr. Dolan voluntarily relinquished a one-time equity award granted by the Company in October 2018 pursuant to his 2018 employment agreement, and the related award agreements were canceled. The one-time equity award included: 32 target performance stock units and three grants of stock options to purchase an aggregate of 449 shares of Class A Common Stock, which were to vest over a four-year period. The Settlement became effective October 8, 2020 and therefore, upon cancellation, the Company recorded previously unrecognized share-based compensation expense of approximately \$7,400 related to this award during the three and six months ended December 31, 2020.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

*Restricted Stock Units Award Activity*

The following table summarizes activity related to the Company's restricted stock units and performance restricted stock units, collectively referred to as "RSUs," held by the Company and MSG Entertainment employees, for the six months ended December 31, 2020:

|                                           | Number of                               |                                      | Weighted-Average<br>Fair Value<br>Per Share at<br>Date of Grant <sup>(a)</sup> |
|-------------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------------------------------------------------------|
|                                           | Nonperformance<br>Based Vesting<br>RSUs | Performance<br>Based Vesting<br>RSUs |                                                                                |
| Unvested award balance, June 30, 2020     | 275                                     | 327                                  | \$ 262.13                                                                      |
| Granted                                   | 123                                     | 48                                   | \$ 162.22                                                                      |
| Vested                                    | (110)                                   | (100)                                | \$ 239.33                                                                      |
| Forfeited / Cancelled                     | (12)                                    | (48)                                 | \$ 284.89                                                                      |
| Unvested award balance, December 31, 2020 | 276                                     | 227                                  | \$ 235.04                                                                      |

<sup>(a)</sup> Weighted-average fair value per share at date of grant does not reflect any adjustments to awards granted prior to the MSGE Distribution.

The fair value of RSUs that vested during the six months ended December 31, 2020 was \$34,668. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations. To fulfill the Company's and MSG Entertainment's employees' required statutory tax withholding obligations for the applicable income and other employment taxes, 84 of these RSUs, with an aggregate value of \$13,891, inclusive of \$7,106 related to MSG Entertainment employees (who vested in the Company's RSUs), were retained by the Company and the taxes paid are reflected as a financing activity in the accompanying consolidated statement of cash flows for the six months ended December 31, 2020.

The fair value of RSUs that vested during the six months ended December 31, 2019 was \$59,032. The weighted-average fair value per share at grant date of RSUs granted during the six months ended December 31, 2019 was \$247.18.

*Stock Options Award Activity*

The following table summarizes activity related to the Company's stock options for the six months ended December 31, 2020:

|                                     | Number of<br>Time Vesting Options | Weighted-Average<br>Exercise Price Per<br>Share | Weighted-Average<br>Remaining Contractual<br>Term (In Years) | Aggregate Intrinsic<br>Value |
|-------------------------------------|-----------------------------------|-------------------------------------------------|--------------------------------------------------------------|------------------------------|
| Balance as of June 30, 2020         | 543                               | \$ 225.79                                       |                                                              |                              |
| Granted                             | —                                 | \$ —                                            |                                                              |                              |
| Cancelled                           | (449)                             | \$ 242.51                                       |                                                              |                              |
| Balance as of December 31, 2020     | 94                                | \$ 145.78                                       | 6.96                                                         | \$ 3,595                     |
| Exercisable as of December 31, 2020 | 94                                | \$ 145.78                                       | 6.96                                                         | \$ 3,595                     |

**Note 15. Stock Repurchase Program**

On September 11, 2015, the Company's board of directors authorized the repurchase of up to \$525,000 of the Company's Class A Common Stock once the shares of the Company's Class A Common Stock began "regular way" trading on October 1, 2015. Under the authorization, shares of Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors.

During the three and six months ended December 31, 2020, the Company did not engage in any share repurchase activities under its share repurchase program. As of December 31, 2020, the Company had \$259,639 of availability remaining under its stock repurchase authorization.

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

**Note 16. Related Party Transactions**

As of December 31, 2020, members of the Dolan family including trusts for members of the Dolan family (collectively, the “Dolan Family Group”), for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, collectively beneficially own 100% of the Company’s outstanding Class B Common Stock and own approximately 3.0% of the Company’s outstanding Class A Common Stock. Such shares of the Company’s Class A Common Stock and Class B Common Stock, collectively, represent approximately 70.7% of the aggregate voting power of the Company’s outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG Entertainment, MSG Networks and AMC Networks Inc. (“AMC Networks”).

**Current Related Party Arrangements**

The Company is party to the following agreements and/or arrangements with MSG Entertainment and MSG Networks, as applicable:

- Arena License Agreements pursuant to which MSG Entertainment (i) provides the right to use The Garden for games of the Knicks and Rangers for a 35-year term in exchange for arena license fees, (ii) shares revenues collected for suite licenses, (iii) operates and manages the sale of the sports teams merchandise at The Garden for a commission, (iv) operates and manages the sale of food and beverage concessions and catering services during the Knicks and Rangers home games, (v) provides day of game services that were historically provided prior to the MSGE Distribution, and (vi) provides other general services within The Garden;
- Media rights agreements, that the Company and MSG Networks entered into in July 2015 with stated terms of 20 years, providing MSG Networks with local telecast rights for the Knicks and Rangers games in exchange for media rights fees;
- Sponsorship sales and service representation agreements pursuant to which MSG Entertainment has the exclusive right and obligation to sell the Company’s sponsorships for an initial stated term of 10 years for a commission;
- Team sponsorship allocation agreement with MSG Entertainment, pursuant to which teams continue receiving an allocation of sponsorship and signage revenues associated with the sponsorship agreements that existed at the MSGE Distribution Date;
- Transition Services Agreement (the “TSA”) pursuant to which the Company receives certain services from MSG Entertainment, such as information technology, accounts payable, payroll, human resources, and other corporate functions, as well as the executive support services, in exchange for service fees;
- A services agreement with MSG Networks, pursuant to which the Company provides certain legal services to MSG Networks (the “Current MSGN Services Agreement”);
- Sublease agreement, pursuant to which the Company leases office space from MSG Entertainment;
- Group ticket sales representation agreement, pursuant to which MSG Entertainment appointed the Company as its sales and service representative to sell group ticket packages related to MSG Entertainment events in exchange for a commission;
- Single night rental commission agreement, pursuant to which the Company may, from time to time, sell (or make referrals for sales of) licenses for the use of suites at The Garden for individual MSG Entertainment events in exchange for a commission;
- Aircraft sharing agreements pursuant to which MSG Entertainment has agreed from time to time to make its aircraft and an aircraft it leases from another related party available to the Company for lease on a “time sharing” basis;
- Other agreements with MSG Entertainment entered into in connection with the MSGE Distribution, including a distribution agreement, a tax disaffiliation agreement, an employee matters agreement, a trademark license agreement and certain other arrangements; and
- Other agreements with MSG Networks entered into in connection with the MSGS Distribution, including a distribution agreement, a tax disaffiliation agreement, an employee matters agreement and certain other arrangements.

In addition, the Company shares certain executive support costs, including office space, executive assistants, security and transportation costs for: (i) the Company’s Executive Chairman with MSG Entertainment and MSG Networks; (ii) the Company’s Vice Chairman with AMC Networks, MSG Entertainment and MSG Networks; and (iii) the Company’s President

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

and Chief Executive Officer with MSG Entertainment. Additionally, the Company, MSG Entertainment, MSG Networks and AMC Networks agreed on an allocation of the costs of certain personal aircraft and helicopter use by their shared executives.

From time to time the Company has entered into, and is expected to continue to enter into, arrangements with 605, LLC. Kristin A. Dolan, a director of the Company and spouse of James L. Dolan, the Company's Executive Chairman and a director, is the founder and Chief Executive Officer of 605, LLC. James L. Dolan and Kristin A. Dolan own 50% of 605, LLC. 605, LLC provides audience measurement and data analytics services to the Company and its subsidiaries in the ordinary course of business.

**Related Party Arrangements Prior to the MSGE Distribution**

Following the MSGE Distribution, except as otherwise noted, the Company is no longer party to the arrangements described below. However, the amounts associated with such arrangements are reflected in the Company's results of operations for the periods prior to the MSGE Distribution.

The Company had various agreements with MSG Networks, including an advertising sales representation agreement and a services agreement (the "Prior MSGN Services Agreement"). Pursuant to the Prior MSGN Services Agreement, which was effective July 1, 2019, the Company provided certain services to MSG Networks, such as information technology, accounts payable, payroll, human resources, and other corporate functions, as well as the executive support services described below, in exchange for service fees. MSG Networks also provided certain services to the Company, in exchange for service fees. Effective as of the MSGE Distribution, this agreement is now between MSG Entertainment and MSG Networks. The Company separately entered into the Current MSGN Services Agreement. See "— Current Related Party Arrangements."

The Company shared certain executive support costs, including office space, executive assistants, security and transportation costs, for (i) the Company's Executive Chairman with MSG Networks and (ii) the Company's Vice Chairman with MSG Networks and AMC Networks. Additionally, the Company, MSG Networks and AMC Networks agreed on an allocation of the costs of certain personal aircraft and helicopter use by their shared executives. Following the MSGE Distribution, the Company also shares these expenses with MSG Entertainment. See "— Current Related Party Arrangements."

Prior to September 2018, the Company had an arrangement with the Dolan Family Office, LLC ("DFO"), an entity owned and controlled by Charles F. Dolan, AMC Networks and MSG Networks providing for the sharing of certain expenses associated with executive office space which was available to James L. Dolan (the Executive Chairman and a director of the Company, the Executive Chairman, Chief Executive Officer and a director of MSG Entertainment, the Executive Chairman and a director of MSG Networks, and a director of AMC Networks), Charles F. Dolan (the father of James L. Dolan and the Executive Chairman and a director of AMC Networks and a director of the Company, MSG Entertainment and MSG Networks), and the DFO.

The Company was a party to various Aircraft Support Services Agreements (the "Support Agreements"), pursuant to which the Company provided certain aircraft support services to entities controlled by (i) James L. Dolan, (ii) Charles F. Dolan, and (iii) Patrick F. Dolan, the son of Charles F. Dolan and brother of James L. Dolan. On December 17, 2018, the Company terminated the agreement providing services to the entity controlled by Charles F. Dolan, and entered into a new agreement with Charles F. Dolan and certain of his children, who are siblings of James L. Dolan, specifically: Thomas C. Dolan (a director of the Company), Deborah Dolan-Sweeney, Patrick F. Dolan, Marianne Dolan Weber (a director of the Company), and Kathleen M. Dolan, which provided substantially the same services as the prior agreement for a new aircraft.

In addition, the Company was party to reciprocal time sharing/dry lease agreements with each of (i) Quart 2C, LLC ("Q2C"), a company controlled by James L. Dolan and Kristin A. Dolan, his spouse and a director of the Company, and (ii) Charles F. Dolan and Sterling Aviation, LLC, a company controlled by Charles F. Dolan (collectively, "CFD"), pursuant to which the Company has agreed from time to time to make its aircraft available to each of Q2C and CFD, and Q2C and CFD have agreed from time to time to make their aircraft available to the Company. Pursuant to the terms of the agreements, Q2C and/or CFD may lease on a non-exclusive, "time sharing" basis, the Company's Gulfstream Aerospace G550 aircraft (the "G550 Aircraft"). On December 17, 2018, in connection with the purchase of a new aircraft (as noted above), the Company replaced the dry lease agreement with CFD with a new dry lease agreement with Sterling2k LLC, an entity owned and controlled by Deborah Dolan-Sweeney, the daughter of CFD and the sister of James L. Dolan, which provides for the Company's usage of the new aircraft on the same terms as the prior agreement.

On May 6, 2019, the Company entered into a dry lease agreement with Brighid Air, LLC ("Brighid Air"), a company owned and controlled by Patrick F. Dolan, pursuant to which the Company was permitted to lease on a non-exclusive basis Brighid Air's Bombardier BD100-1A10 Challenger 350 aircraft (the "Challenger"). In connection with the dry lease agreement, on May 6, 2019, the Company also entered into a Flight Crew Services Agreement (the "Flight Crew Agreement") with DFO, an entity owned and controlled by Charles F. Dolan, pursuant to which the Company was permitted to utilize pilots employed by DFO

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

for purposes of flying the Challenger when the Company was leasing that aircraft under the Company's dry lease agreement with Brighid Air.

The Company and each of MSG Networks and AMC Networks were party to certain aircraft time sharing agreements, pursuant to which the Company agreed from time to time to make its aircraft available to MSG Networks and/or AMC Networks for lease on a "time sharing" basis.

In addition to the aircraft arrangements described above, certain executives of the Company were party to aircraft time sharing agreements, pursuant to which the Company agreed from time to time to make certain aircraft available for lease on a "time sharing" basis for personal use in exchange for payment of actual expenses of the flight (as listed in the agreement).

**Revenues and Operating Expenses (Credits)**

The following table summarizes the composition and amounts of the transactions with the Company's affiliates, primarily with MSG Networks. These amounts are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three and six months ended December 31, 2020 and 2019:

|                                                                                   | <b>Three Months Ended December 31,</b> |             | <b>Six Months Ended December 31,</b> |             |
|-----------------------------------------------------------------------------------|----------------------------------------|-------------|--------------------------------------|-------------|
|                                                                                   | <b>2020</b>                            | <b>2019</b> | <b>2020</b>                          | <b>2019</b> |
| Revenues                                                                          | \$ 14,369                              | \$ 61,119   | \$ 23,430                            | \$ 67,446   |
| Operating expenses (credits):                                                     |                                        |             |                                      |             |
| Corporate general and administrative credits, net — MSG Networks                  | \$ (219)                               | \$ (2,602)  | \$ (438)                             | \$ (5,204)  |
| Corporate general and administrative expenses, net — MSG Entertainment            | 8,456                                  | —           | 20,318                               | —           |
| Costs associated with the Sponsorship sales and service representation agreements | 2,322                                  | —           | 4,680                                | —           |
| Costs associated with the Arena License Agreements                                | 2,494                                  | —           | 2,854                                | —           |
| Other operating expenses (credits), net                                           | 52                                     | (277)       | 52                                   | (332)       |

***Revenues***

Revenues from related parties primarily consist of local media rights recognized from the licensing of team-related programming to MSG Networks under the media rights agreements covering the Knicks and Rangers, which provide MSG Networks with exclusive media rights to team games in their local markets.

***Corporate General and Administrative Expenses, net — MSG Networks***

The Company's corporate overhead expenses that were charged to MSG Networks prior to MSGE Distribution are primarily related to centralized functions, including executive compensation, finance, treasury, tax, internal audit, legal, information technology, human resources and risk management functions. These charges are reflected in the Company's results of operations for the periods prior to the MSGE Distribution as they do not meet the criteria for inclusion in discontinued operations. Except for certain legal services, following the MSGE Distribution, the Company no longer provides these services to MSG Networks.

Corporate general and administrative expenses, net — MSG Networks reflects charges from the Company to MSG Networks under the Current MSGN Services Agreement of \$219 and \$438 for the three and six months ended December 31, 2020, net of general and administrative costs charged to the Company by MSG Networks, respectively. In addition, it reflects charges from the Company to MSG Networks under the Prior MSGN Services Agreement of \$2,641 and \$5,282, for the three and six months ended December 31, 2019, net of general and administrative costs charged to the Company by MSG Networks, respectively.

***Corporate general and administrative expenses, net — MSG Entertainment***

Corporate general and administrative expense, net — MSG Entertainment reflects net charges of \$7,913 and \$18,949 from MSG Entertainment pursuant to the TSA for certain business functions that were previously performed by internal resources for the three and six months ended December 31, 2020, respectively. These services include information technology, accounting, accounts payable, payroll, tax, legal, human resources, insurance and risk management, investor relations, corporate communications, benefit plan administration and reporting, and internal audit. In addition, Corporate general and administrative expense, net — MSG Entertainment reflects rent expense of \$674 and \$1,369 associated with the lease of office space from

**MADISON SQUARE GARDEN SPORTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**(Continued)**

MSG Entertainment for the three and six months ended December 31, 2020, respectively. See Note 8 for more information regarding the lease of office space from MSG Entertainment.

*Costs associated with the Sponsorship sales and service representation agreements*

Pursuant to the Sponsorship sales and service representation agreements, MSG Entertainment charges the Company sales commission fees and sponsorship fulfillment costs, as well as costs of MSG Entertainment sales and service staff and overhead associated with the sales of sponsorship assets.

*Costs associated with the Arena License Agreements*

For the three and six months ended December 31, 2020, costs associated with the Arena License Agreements include \$2,210 recorded as operating lease cost. See Note 8 for more information regarding Arena License Agreements.

*Other Operating Expenses, net*

The Company and its related parties enter into transactions with each other in the ordinary course of business. Other operating expenses, net include net charges relating to (i) reciprocal aircraft arrangements between the Company and each of Q2C and CFD and (ii) time sharing agreements with MSG Networks and AMC Networks. Following the MSGE Distribution, the Company no longer provides these services to MSG Networks. However, these charges are reflected in the Company's results of operations for the periods prior to the MSGE Distribution as they do not meet the criteria for inclusion in discontinued operations.

*Discontinued operations*

Related party transactions included in Income from discontinued operations, net of taxes in the accompanying consolidated statements of operations for the three months ended December 31, 2019 include (i) revenues from related parties of \$6,381, (ii) operating expenses charged by related parties of \$275, and (iii) loss in equity-method investments of \$1,170. Related party transactions included in Income from discontinued operations, net of taxes in the accompanying consolidated statements of operations for the six months ended December 31, 2019 include (i) revenues from related parties of \$7,119, (ii) operating expenses charged by related parties of \$462, and (iii) loss in equity-method investments of \$2,643.

**Note 17. Income Taxes**

Income tax expense for the three months ended December 31, 2020 of \$170 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to tax expense of \$9,842 related to an increase in the valuation allowance, tax expense of \$1,558 resulting from the acceleration of share-based compensation expense in connection with the cancellation of certain awards and tax expense of \$533 resulting from nondeductible officers' compensation, partially offset by state income tax benefit of \$3,427.

Income tax benefit for the six months ended December 31, 2020 of \$328 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to tax expense of \$17,463 related to an increase in the valuation allowance, tax expense of \$1,558 resulting from the acceleration of share-based compensation expense in connection with the cancellation of certain awards and tax expense of \$1,393 resulting from nondeductible officers' compensation, partially offset by state income tax benefit of \$6,261.

Income tax expense for the three months ended December 31, 2019 of \$2,773 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to tax expense of \$1,547 resulting from nondeductible officers' compensation and state income tax expense of \$1,099.

Income tax benefit for the six months ended December 31, 2019 of \$16,730 differs from income tax benefit derived from applying the statutory federal rate of 21% to the pretax loss primarily due to state income tax benefit of \$4,380 and excess tax benefit of \$3,185 related to share-based compensation awards, partially offset by tax expense of \$3,008 resulting from nondeductible officers' compensation.

The Company was notified in April 2020 that the City of New York was commencing an audit of the state income tax returns for the fiscal years ended June 30, 2016 and 2017. The Company does not expect the examination, when finalized, to result in material changes.

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

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In this MD&A, there are statements concerning the future operating and future financial performance of Madison Square Garden Sports Corp. and its direct and indirect subsidiaries (collectively, “we,” “us,” “our,” “MSG Sports,” or the “Company”), including, with respect to the NBA and the NHL 2020-21 seasons, local media rights fees, and the impact of COVID-19 on our future operations. Words such as “expects,” “anticipates,” “believes,” “estimates,” “may,” “will,” “should,” “could,” “potential,” “continue,” “intends,” “plans,” and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:*

- the duration and severity of the coronavirus pandemic and our ability to effectively manage the impacts, including the availability of The Garden with no or limited fans and league decisions regarding play;
- the impact of a change in the duration of the 2020-21 NBA and NHL seasons on our ability to recognize revenue from national media rights fees;
- the level of our revenues, which depends in part on the popularity and competitiveness of our sports teams;
- costs associated with player injuries, waivers or contract terminations of players and other team personnel;
- changes in professional sports teams’ compensation, including the impact of signing free agents and trades, subject to league salary caps and the impact of luxury tax;
- the level of our capital expenditures and other investments;
- general economic conditions, especially in the New York City metropolitan area;
- the demand for sponsorship arrangements and for advertising;
- competition, for example, from other teams, and other sports and entertainment options;
- changes in laws, NBA or NHL rules, regulations, guidelines, bulletins, directives, policies and agreements, including the leagues’ respective collective bargaining agreements with their players’ associations, salary caps, escrow requirements, revenue sharing, NBA luxury tax thresholds and media rights, or other regulations under which we operate;
- any NBA, NHL or other work stoppage in addition to those related to COVID-19 impacts;
- any economic, political or other actions, such as boycotts, protests, work stoppages or campaigns by labor organizations;
- seasonal fluctuations and other variation in our operating results and cash flow from period to period;
- the level of our expenses, including our corporate expenses;
- business, reputational and litigation risk if there is a security incident resulting in loss, disclosure or misappropriation of stored personal information or other breaches of our information security;
- activities or other developments that discourage or may discourage congregation at prominent places of public assembly, including The Garden where the home games of the Knicks and Rangers are played;
- the evolution of the esports industry and its potential impact on our esports businesses;
- the acquisition or disposition of assets or businesses and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions;
- our ability to successfully integrate acquisitions or new businesses into our operations;
- the operating and financial performance of our strategic acquisitions and investments, including those we may not control;
- the impact of governmental regulations or laws, including changes in how those regulations and laws are interpreted and the continued benefit of certain tax exemptions (including for The Garden) and the ability for us and MSG Entertainment to maintain necessary permits or licenses;

## [Table of Contents](#)

- the impact of any government plans to redesign New York City’s Pennsylvania Station;
- a default by our subsidiaries under their respective credit facilities;
- business, economic, reputational and other risks associated with, and the outcome of, litigation and other proceedings;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate;
- our ownership of professional sports franchises in the NBA and NHL and certain related transfer restrictions on our common stock;
- the tax-free treatment of the MSGS Distribution and the MSGE Distribution;
- the performance by MSG Entertainment of its obligations under various agreements with the Company related to the MSGE Distribution and ongoing commercial arrangements; and
- the factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2020.

We disclaim any obligation to update or revise the forward-looking statements contained herein, except as otherwise required by applicable federal securities laws.

## [Table of Contents](#)

All dollar amounts included in the following MD&A are presented in thousands, except as otherwise noted.

### **Introduction**

This MD&A is provided as a supplement to, and should be read in conjunction with, the Company's unaudited financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the year ended June 30, 2020, to help provide an understanding of our financial condition, changes in financial condition and results of operations. Unless the context otherwise requires, all references to "we," "us," "our," "MSG Sports," or the "Company" refer collectively to Madison Square Garden Sports Corp., a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are conducted.

On April 17, 2020, the Company distributed all of the outstanding common stock of MSG Entertainment to its stockholders. MSG Entertainment owns, directly or indirectly, the entertainment business previously owned and operated by the Company through its MSG Entertainment business segment and the sports booking business previously owned and operated by the Company through its MSG Sports business segment. In the MSGE Distribution, (a) each holder of the Company's Class A common stock, received one share of MSG Entertainment Class A common stock, par value \$0.01 per share, for every share of the Company's Class A common stock held of record as of the close of business, New York City time, on April 13, 2020, and (b) each holder of the Company's Class B common stock, received one share of MSG Entertainment Class B common stock, par value \$0.01 per share, for every share of the Registrant's Class B common stock held of record as of the close of business, New York City time, on the Record Date. Subsequent to the MSGE Distribution, the Company no longer consolidates the financial results of MSG Entertainment for purposes of its own financial reporting and the historical financial results of MSG Entertainment have been reflected in the Company's consolidated financial statements as discontinued operations for all periods presented through the MSGE Distribution Date.

After giving effect to the MSGE Distribution, the Company operates and reports financial information in one segment.

### **Factors Affecting Results of Operations**

#### **MSGE Distribution**

In connection with the MSGE Distribution, the Company and MSG Entertainment entered into a number of related party agreements under which both companies will continue sharing certain revenues and expenses. See Note 16 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussions of the Company's related party transactions. The terms of certain related party agreements impact the comparability of the results of operations, primarily the following revenues and expenses.

#### **Suite License Fee Revenue**

Prior to the MSGE Distribution, suite license fee revenue was recognized based on the allocations between the Company's MSG Sports and MSG Entertainment segments and was dependent on the total number of events held at The Garden. After the MSGE Distribution, the Company recognizes suite license fee revenue based on the Arena License Agreements and as games are played by the Knicks and Rangers. In addition, pursuant to the Arena License Agreements, the Company's aggregate share of the suite license fee is 67.5%, as compared to a higher percentage allocated to the Knicks and Rangers prior to the MSGE Distribution.

#### **Venue Sponsorship and Signage**

Prior to the MSGE Distribution, revenues from the sale of venue interior and exterior signage and sponsorship rights at The Garden that were not specific to our teams or entertainment events were allocated between the Company's MSG Sports and MSG Entertainment segments and recognized over a fiscal year. Subsequent to the MSGE Distribution, pursuant to the Arena License Agreements, the Company no longer recognizes revenue related to exterior signage at The Garden, but rather only from the sale of venue interior signage space and sponsorship rights, which is now recognized over the Knicks and Rangers seasons. In addition, prior to the MSGE Distribution, costs associated with sponsorship and signage sales were allocated between the Company's MSG Sports and MSG Entertainment segments. Subsequent to the MSGE Distribution, the Company pays sales commission fees along with the fixed fee pursuant to the sponsorship sales and service and representation agreements.

#### **Food, Beverage and Merchandise Sales**

Prior to the MSGE Distribution, the Knicks and Rangers reported revenues earned from food and beverage sales as gross revenue. The costs of food and beverage sales were reported in direct operating expenses. Pursuant to the Arena License Agreements, the Knicks and Rangers receive 50% of net profits from the sales of food and beverages during their games at The Garden. As such, the Company no longer recognizes costs of sales during the periods after the MSGE Distribution, and reports revenues earned from food and beverage sales as net revenues. In addition, pursuant to the Arena License Agreements, the Knicks and Rangers recognize sales of their merchandise at The Garden net of 30% commission paid to MSG Entertainment.

## [Table of Contents](#)

### *Corporate Costs*

Results from continuing operations for the periods prior to the MSGE Distribution include certain corporate overhead expenses that the Company did not incur in the period after the completion of the MSGE Distribution and does not expect to incur in future periods, but which do not meet the criteria for inclusion in discontinued operations. See “— Results of Operations — Comparison of the three and six months ended December 31, 2020 versus the three and six months ended December 31, 2019” and Note 3 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for more information.

### *Impact of COVID-19 on Our Business*

COVID-19 disruptions have materially impacted the Company’s revenues and the Company is recognizing materially less revenues, or in some cases no revenues, across a number of areas. Those areas include: ticket sales; the Company’s share of suite licenses; sponsorships; signage and in-venue advertising at The Garden; and food, beverage and merchandise sales. In addition, the Knicks and Rangers will play fewer games during the 2020-21 regular seasons, with the NBA scheduled to play a 72-game regular season schedule while the NHL is scheduled to play a 56-game regular season. These both compare to traditional 82-game regular season schedules for the NBA and NHL.

Subsidiaries of the Company are parties to the Arena License Agreements with a subsidiary of MSG Entertainment that requires the Knicks and Rangers to play their home games at The Garden. Under the Arena License Agreements, the Knicks and Rangers will pay an annual license fee in connection with their respective use of The Garden. The stated license fee for the first full contract year ending June 30, 2021 would have been approximately \$22,500 for the Knicks and approximately \$16,700 for the Rangers, and then for each subsequent year, the license fees will be 103% of the license fees for the immediately preceding contract year. However, while The Garden was closed due to the government mandated suspension of events as a result of COVID-19, the Knicks and Rangers were not required to pay license fees to MSG Entertainment under the Arena License Agreements. On December 16, 2020 and January 14, 2021, respectively, the Knicks and Rangers resumed playing their home games at The Garden as part of the 2020-21 seasons. However, fans are currently prohibited from attending events due to ongoing government-mandated assembly restrictions. No assurances can be made that games at The Garden this season will be played with any in-arena audiences or without limited-capacity in-arena audiences. When games are played at The Garden by the Knicks and Rangers either without fans in attendance or with limited fans in attendance due to government mandated capacity constraints, the applicable rent paid to MSG Entertainment is reduced by up to 80%.

During the six months ended December 31, 2020, as a result of COVID-19, the Company implemented cost-reduction measures that included workforce reductions and limits on discretionary spending. In addition, as a result of the disruptions caused by COVID-19, certain operating expenses are reduced including (i) rent payments to MSG Entertainment under the Arena License Agreements, (ii) NBA league assessments and day-of-game expenses for the Knicks and Rangers games, and (iii) league revenue sharing and team personnel expense. These expense reductions will not fully offset revenue losses. Additionally, as the Knicks and Rangers returned to play in December 2020 and January 2021, respectively, and in anticipation of fans returning to the building in the future, certain costs will increase including day-of-game expenses and certain selling, general and administrative costs.

This MD&A is organized as follows:

*Results of Operations.* This section provides an analysis of our unaudited results of operations for the three and six months ended December 31, 2020 compared to the three and six months ended December 31, 2019.

*Liquidity and Capital Resources.* This section focuses primarily on (i) the liquidity and capital resources of the Company, (ii) an analysis of the Company’s cash flows for the six months ended December 31, 2020 compared to the six months ended December 31, 2019, and (iii) certain contractual obligations.

*Seasonality of Our Business.* This section discusses the seasonal performance of our business.

*Recently Issued Accounting Pronouncements and Critical Accounting Policies.* This section discusses accounting pronouncements that have been adopted by the Company, recently issued accounting pronouncements not yet adopted by the Company, as well as the results of the Company’s annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2021. This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the year ended June 30, 2020 under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Policies — Critical Accounting Policies” and in the notes to the consolidated financial statements of the Company included therein.

[Table of Contents](#)

**Results of Operations**

**Comparison of the three and six months ended December 31, 2020 versus the three and six months ended December 31, 2019**

The table below sets forth, for the periods presented, certain historical financial information.

|                                                                                                    | Three Months Ended<br>December 31, |                  | Change <sup>(a)</sup> |       | Six Months Ended<br>December 31, |                  | Change <sup>(a)</sup> |       |
|----------------------------------------------------------------------------------------------------|------------------------------------|------------------|-----------------------|-------|----------------------------------|------------------|-----------------------|-------|
|                                                                                                    | 2020                               | 2019             | \$                    | %     | 2020                             | 2019             | \$                    | %     |
| Revenues                                                                                           | \$ 28,771                          | \$ 292,798       | \$ (264,027)          | (90)% | \$ 85,809                        | \$ 342,648       | \$ (256,839)          | (75)% |
| Direct operating expenses                                                                          | 16,661                             | 197,783          | (181,122)             | (92)% | 56,447                           | 216,202          | (159,755)             | (74)% |
| Selling, general and administrative expenses                                                       | 48,909                             | 90,328           | (41,419)              | (46)% | 91,905                           | 176,238          | (84,333)              | (48)% |
| Depreciation and amortization                                                                      | 1,607                              | 4,920            | (3,313)               | (67)% | 3,267                            | 9,765            | (6,498)               | (67)% |
| Operating loss                                                                                     | (38,406)                           | (233)            | (38,173)              | NM    | (65,810)                         | (59,557)         | (6,253)               | (10)% |
| Other expense:                                                                                     |                                    |                  |                       |       |                                  |                  |                       |       |
| Interest expense, net                                                                              | (2,487)                            | (563)            | (1,924)               | NM    | (4,476)                          | (847)            | (3,629)               | NM    |
| Miscellaneous expense, net                                                                         | (70)                               | (88)             | 18                    | 20 %  | (190)                            | (174)            | (16)                  | (9)%  |
| Loss from continuing operations before income taxes                                                | (40,963)                           | (884)            | (40,079)              | NM    | (70,476)                         | (60,578)         | (9,898)               | (16)% |
| Income tax benefit (expense)                                                                       | (170)                              | (2,773)          | 2,603                 | 94 %  | 328                              | 16,730           | (16,402)              | (98)% |
| Loss from continuing operations                                                                    | (41,133)                           | (3,657)          | (37,476)              | NM    | (70,148)                         | (43,848)         | (26,300)              | (60)% |
| Income from discontinued operations, net of taxes                                                  | —                                  | 96,006           | (96,006)              | NM    | —                                | 55,531           | (55,531)              | NM    |
| Net income (loss)                                                                                  | (41,133)                           | 92,349           | (133,482)             | NM    | (70,148)                         | 11,683           | (81,831)              | NM    |
| Less: Net loss attributable to nonredeemable noncontrolling interests from continued operations    | (508)                              | (465)            | (43)                  | (9)%  | (1,106)                          | (915)            | (191)                 | (21)% |
| Less: Net loss attributable to redeemable noncontrolling interests from discontinued operations    | —                                  | (1,241)          | 1,241                 | NM    | —                                | (1,404)          | 1,404                 | NM    |
| Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations | —                                  | (86)             | 86                    | NM    | —                                | (158)            | 158                   | NM    |
| Net income (loss) attributable to Madison Square Garden Sports Corp.'s stockholders                | <u>\$ (40,625)</u>                 | <u>\$ 94,141</u> | <u>\$ (134,766)</u>   | NM    | <u>\$ (69,042)</u>               | <u>\$ 14,160</u> | <u>\$ (83,202)</u>    | NM    |

NM — Percentage is not meaningful

<sup>(a)</sup> Operating results were materially impacted by the coronavirus pandemic. Please see “— Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” for more information.

For the three and six months ended December 31, 2019, the reported financial results of the Company reflect the results of the MSG Entertainment business segment and the sports booking business, previously owned and operated by the Company through its MSG Sports business segment, as discontinued operations. In addition, results from continuing operations for the same period include certain corporate overhead expenses that the Company did not incur in the period after the completion of the MSGE Distribution and does not expect to incur in future periods, but which do not meet the criteria for inclusion in discontinued operations. The reported financial results of the Company for the three and six months ended December 31, 2020 reflect the Company's results on a standalone basis, including the Company's actual corporate overhead.

## [Table of Contents](#)

### Revenues

Revenues decreased \$264,027, or 90%, to \$28,771 for the three months ended December 31, 2020 as compared to the prior year period. Revenues decreased \$256,839, or 75%, to \$85,809 for the six months ended December 31, 2020 as compared to the prior year period. The net decrease was attributable to the following:

|                                                                     | <b>Three<br/>Months</b> | <b>Six<br/>Months</b> |
|---------------------------------------------------------------------|-------------------------|-----------------------|
| Decrease in pre/regular season ticket-related revenues              | \$ (108,689)            | \$ (114,991)          |
| Decrease in local media rights fees from MSG Networks               | (47,180)                | (45,041)              |
| Decrease in revenues from league distributions                      | (37,320)                | (6,979)               |
| Decrease in suite license fee revenues                              | (28,185)                | (42,187)              |
| Decrease in sponsorship and signage revenues                        | (23,841)                | (26,731)              |
| Decrease in pre/regular season food, beverage and merchandise sales | (18,635)                | (19,926)              |
| Other net decreases                                                 | (177)                   | (984)                 |
|                                                                     | <u>\$ (264,027)</u>     | <u>\$ (256,839)</u>   |

The decrease in pre/regular season ticket-related revenues for the three and six months ended December 31, 2020 was a result of fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions. We will not recognize pre/regular season ticket-related revenues until the Knicks and Rangers play home games at The Garden with fans in attendance.

The decrease in local media rights fees from MSG Networks for the three and six months ended December 31, 2020 was primarily due to the delayed start of the 2020-21 NBA and NHL regular seasons. The Knicks' regular season began on December 23, 2020, while the Rangers' regular season began on January 14, 2021. In addition, the decrease for the six months ended December 31, 2020 was slightly offset by the recognition of local media rights fees from MSG Networks associated with the Rangers' participation in the Stanley Cup Qualifiers during the first quarter of fiscal year 2021. The Company expects that local media rights fees from MSG Networks will be reduced for fiscal year 2021 as a result of the shortened NHL 2020-21 regular season schedule. However, for the second half of fiscal year 2021, the Company anticipates that local media rights fees from MSG Networks will be higher as compared with the prior year period due to the timing of the 2020-21 NBA and NHL regular seasons, as well as the impact of the suspended 2019-20 regular seasons in the prior year period. Furthermore, the Company expects local media rights fees from MSG Networks to be higher for fiscal year 2021 as compared with the prior year, which reflects contractual rate increases and the net impact of the shortened seasons in both periods.

The decrease in revenues from league distributions for the three and six months ended December 31, 2020 was primarily due to lower national media rights fees as a result of the delayed start of the 2020-21 NBA and NHL regular seasons as discussed above and, decreases in other league distributions. In addition, the decrease for the six months ended December 31, 2020 was largely offset by the remainder of national media rights fees related to the 2019-20 NBA and NHL seasons which were recognized during the first quarter of fiscal year 2021, that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020. After suspending the 2019-20 seasons in March 2020 due to the COVID-19 pandemic, the NHL and NBA subsequently resumed play and completed their seasons in September and October 2020, respectively.

The decrease in suite license fee revenue for the three and six months ended December 31, 2020 was a result of fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions. In addition, the six months ended December 31, 2020 includes the impact of the MSGE Distribution. See "— Factors Affecting Results of Operations — MSGE Distribution — Suite License Fee Revenue" for more information. We will not recognize suite license fee revenue until the Knicks and Rangers play home games at The Garden with fans in attendance.

The decrease in sponsorship and signage revenues for the three and six months ended December 31, 2020 was primarily due to (i) the delayed start of the 2020-21 NBA and NHL regular seasons, (ii) fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions, and (iii) the impact of the MSGE Distribution. See "— Factors Affecting Results of Operations — MSGE Distribution — Venue Sponsorship and Signage" for more information. We will continue recognizing lower sponsorship and signage revenues until the Knicks and Rangers play home games at The Garden with fans in attendance.

The decrease in pre/regular season food, beverage and merchandise sales for the three and six months ended December 31, 2020 was a result of fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions. We will recognize no revenues from pre/regular season food and beverage sales and minimal revenues from merchandise sales until the Knicks and Rangers play home games at The Garden with fans in attendance.

## [Table of Contents](#)

### Direct operating expenses

Direct operating expenses decreased \$181,122, or 92%, to \$16,661 for the three months ended December 31, 2020 as compared to the prior year period. Direct operating expenses decreased \$159,755, or 74%, to \$56,447 for the six months ended December 31, 2020 as compared to the prior year period. The net decrease was attributable to the following:

|                                                                                                                                          | <b>Three<br/>Months</b> | <b>Six<br/>Months</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|
| Decrease in team personnel compensation                                                                                                  | \$ (88,710)             | \$ (75,300)           |
| Decrease in other team operating expenses not discussed elsewhere in this table                                                          | (36,868)                | (35,593)              |
| Decrease in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax                  | (28,431)                | (16,798)              |
| Decrease in net provisions for certain team personnel transactions                                                                       | (14,805)                | (14,175)              |
| Decrease in pre/regular season expense associated with food, beverage and merchandise sales                                              | (10,093)                | (10,748)              |
| Inclusion of operating lease costs associated with the Knicks playing home games at The Garden                                           | 2,210                   | 2,210                 |
| Other net decreases, including expenses that did not meet the criteria for inclusion in discontinued operations in the prior year period | (4,425)                 | (9,351)               |
|                                                                                                                                          | <u>\$ (181,122)</u>     | <u>\$ (159,755)</u>   |

The decrease in team personnel compensation for the three and six months ended December 31, 2020 was primarily due to the delayed start of the 2020-21 NBA and NHL regular seasons. In addition, the decrease in the six months ended December 31, 2020 was slightly offset by the recognition of player compensation expense during the first quarter of fiscal year 2021 that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020 as a result of the NBA completing the 2019-20 season in October 2020. While the Company anticipates that the team personnel compensation expense will be higher during the second half of fiscal year 2021 as compared to the prior year period as a result of the timing of the 2020-21 NBA and NHL regular seasons, we expect the team personnel compensation expense to be lower during fiscal year 2021, as compared to prior fiscal year.

The decrease in other team operating expenses not discussed elsewhere in this table for the three and six months ended December 31, 2020 was primarily driven by fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions and the delayed start of the 2020-21 NBA and NHL regular seasons. We expect that certain of our team operating expenses will be lower due to the shortened 2020-21 NBA and NHL regular seasons and fans being prohibited from attending events at The Garden.

Net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax were as follows:

|                                                                                                             | <b>Three Months Ended<br/>December 31,</b> |             |                 | <b>Six Months Ended<br/>December 31,</b> |             |                 |
|-------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------|-----------------|------------------------------------------|-------------|-----------------|
|                                                                                                             | <b>2020</b>                                | <b>2019</b> | <b>Decrease</b> | <b>2020</b>                              | <b>2019</b> | <b>Decrease</b> |
| Net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax | \$ (1,027)                                 | \$ 27,404   | \$ (28,431)     | \$ 9,310                                 | \$ 26,108   | \$ (16,798)     |

The decrease in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax for the three and six months ended December 31, 2020 reflects lower provisions for league revenue sharing expense (net of escrow) of \$28,777 and \$17,146, respectively, primarily as a result of fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions. In addition, the six months ended December 31, 2020 includes adjustments to revenue sharing expense (net of escrow) for the 2019-20 NBA and NHL seasons. Based on the completion of the 2019-20 NBA and NHL seasons, during the first quarter of fiscal year 2021 the Company recognized a portion of revenue sharing expense (net of escrow) related to those seasons that otherwise would have been recognized during the third and fourth quarters of fiscal year 2020.

The Knicks were not a luxury tax payer for the 2019-20 season and, therefore, received an equal share of the portion of luxury tax receipts that were distributed to non-tax paying teams. The Knicks' roster as of December 31, 2020 would not result in the team being a luxury tax payer for the 2020-21 season.

The actual amounts for the 2020-21 season may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

## [Table of Contents](#)

Net provisions for certain team personnel transactions were as follows:

|                                                        | Three Months Ended<br>December 31, |                  |                    | Six Months Ended<br>December 31, |                  |                        |
|--------------------------------------------------------|------------------------------------|------------------|--------------------|----------------------------------|------------------|------------------------|
|                                                        | 2020                               | 2019             | Decrease           | 2020                             | 2019             | Increase<br>(Decrease) |
| Waivers/contract terminations                          | \$ 2,756                           | \$ 16,676        | \$ (13,920)        | \$ 11,129                        | \$ 26,919        | \$ (15,790)            |
| Player trades                                          | 83                                 | 968              | (885)              | 2,583                            | 968              | 1,615                  |
| Net provisions for certain team personnel transactions | <u>\$ 2,839</u>                    | <u>\$ 17,644</u> | <u>\$ (14,805)</u> | <u>\$ 13,712</u>                 | <u>\$ 27,887</u> | <u>\$ (14,175)</u>     |

The decrease in pre/regular season expense associated with food and beverage sales was due to the impact of the MSGE Distribution. See “— Factors Affecting Results of Operations — MSGE Distribution — Food, Beverage and Merchandise Sales” for more information. The decrease in pre/regular season expense associated with merchandise sales for the three and six months ended December 31, 2020 was a result of fans being prohibited from attending events at The Garden due to ongoing government-mandated assembly restrictions. We will recognize minimal expense associated with merchandise sales until the Knicks and Rangers play home games at The Garden with fans in attendance.

### Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2020 decreased \$41,419, or 46%, to \$48,909 as compared to the prior year period. Selling, general and administrative expenses for the six months ended December 31, 2020 decreased \$84,333, or 48%, to \$91,905 as compared to the prior year period. For the three and six months ended December 31, 2020, the decrease was primarily due to lower corporate overhead costs, which in the prior year period included certain corporate expenses that the Company did not incur during the current year period and does not expect to incur in future periods, but which did not meet the criteria for inclusion in discontinued operations. In addition, the decrease in selling, general and administrative expenses for the three months ended December 31, 2020 reflects lower marketing costs as compared to the prior year period. These decreases in selling, general and administrative expenses were slightly offset by fees related to the Company’s sponsorship sales and service representation agreements with MSG Entertainment during the three and six months ended December 31, 2020.

### Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2020 decreased \$3,313, or 67%, to \$1,607 as compared to the prior year period. For the six months ended December 31, 2020 depreciation and amortization decreased \$6,498, or 67%, to \$3,267 as compared to the prior year period. The decreases for the three and six months ended December 31, 2020 was primarily due to depreciation in the prior year period that do not meet the criteria for inclusion in discontinued operations and, to a lesser extent, certain asset being fully amortized. The decrease was partially offset by higher depreciation on assets placed into service during the third quarter of fiscal year 2020.

### Operating loss

Operating loss for the three months ended December 31, 2020 increased \$38,173 to \$38,406 as compared to the prior year period primarily due to a decrease in revenues, partially offset by lower direct operating expenses and, to a lesser extent, a decrease in selling, general and administrative expenses.

Operating loss for the six months ended December 31, 2020 increased \$6,253, or 10%, to \$65,810 as compared to the prior year period primarily due to a decrease in revenues, partially offset by lower direct operating expenses and, to a lesser extent, a decrease in selling, general and administrative expenses.

### Interest expense, net

Net interest expense for the three months ended December 31, 2020 increased \$1,924 to \$2,487 as compared to the prior year period. Net interest expense for the six months ended December 31, 2020 increased \$3,629 to \$4,476 as compared to the prior year period. For the three and six months ended December 31, 2020 the increases were primarily due to the Knicks and Rangers revolving credit facilities, which were initially drawn on in March 2020, with subsequent additional drawings in November 2020.

### Income taxes

See Note 17 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for discussions of the Company’s income taxes.

## [Table of Contents](#)

### Adjusted operating income (loss)

The Company evaluates performance based on several factors, of which the key financial measure is operating income (loss) excluding (i) deferred rent expense under the Arena License Agreements with MSG Entertainment, (ii) depreciation, amortization and impairments of property and equipment, goodwill and other intangible assets, (iii) share-based compensation expense or benefit, (iv) restructuring charges or credits, (v) gains or losses on sales or dispositions of businesses, and (vi) the impact of purchase accounting adjustments related to business acquisitions, which is referred to as adjusted operating income (loss), a non-GAAP measure.

Management believes that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash. In addition, management believes that given the length of the Arena License Agreements and resulting magnitude of the difference in deferred rent expense and the cash rent payments, the exclusion of deferred rent expense provides investors with a clearer picture of the Company's operating performance.

The Company believes adjusted operating income (loss) is an appropriate measure for evaluating the operating performance of the Company. Adjusted operating income (loss) and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenues and adjusted operating income (loss) measures as the most important indicators of its business performance and evaluates management's effectiveness with specific reference to these indicators.

Adjusted operating income (loss) should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with GAAP. Since adjusted operating income (loss) is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies. The Company has presented the components that reconcile operating income (loss), the most directly comparable GAAP financial measure, to adjusted operating income (loss).

The following are the reconciliations of operating loss to adjusted operating income (loss) for the three and six months ended December 31, 2020 as compared to the prior year period:

|                                              | Three Months Ended<br>December 31, |                  | Change             |           | Six Months Ended<br>December 31, |                    | Change             |              |
|----------------------------------------------|------------------------------------|------------------|--------------------|-----------|----------------------------------|--------------------|--------------------|--------------|
|                                              | 2020                               | 2019             | \$                 | %         | 2020                             | 2019               | \$                 | %            |
| Operating loss                               | \$ (38,406)                        | \$ (233)         | \$ (38,173)        | NM        | \$ (65,810)                      | \$ (59,557)        | \$ (6,253)         | (10)%        |
| Deferred rent                                | 1,802                              | —                |                    |           | 1,802                            | —                  |                    |              |
| Depreciation and amortization <sup>(a)</sup> | 1,607                              | 4,920            |                    |           | 3,267                            | 9,765              |                    |              |
| Share-based compensation                     | 15,981                             | 14,255           |                    |           | 22,326                           | 28,051             |                    |              |
| Restructuring charges                        | —                                  | —                |                    |           | 1,644                            | —                  |                    |              |
| Other purchase accounting adjustments        | —                                  | 50               |                    |           | —                                | 100                |                    |              |
| Adjusted operating income (loss)             | <u>\$ (19,016)</u>                 | <u>\$ 18,992</u> | <u>\$ (38,008)</u> | <u>NM</u> | <u>\$ (36,771)</u>               | <u>\$ (21,641)</u> | <u>\$ (15,130)</u> | <u>(70)%</u> |

<sup>(a)</sup> Depreciation and amortization includes purchase accounting adjustments of \$265 and \$269 for the three months ended December 31, 2020 and 2019, respectively and \$530 and \$538 for the six months ended December 31, 2020 and 2019, respectively.

Adjusted operating income for the three months ended December 31, 2020 decreased \$38,008 to an adjusted operating loss of \$19,016 as compared to the prior year period primarily due to a decrease in revenues, partially offset by lower direct operating expenses and, to a lesser extent, a decrease in selling, general and administrative expenses.

Adjusted operating loss for the six months ended December 31, 2020 increased \$15,130, or 70%, to \$36,771 as compared to the prior year period. The increase was higher than the increase in operating loss primarily due to lower depreciation and amortization and lower share-based compensation. This was partially offset by deferred rent expense and restructuring charges in the current year period.

## **Liquidity and Capital Resources**

### ***Overview***

Our operations and operating results have been, and continue to be, materially impacted by the COVID-19 pandemic and government and league actions taken in response. The Knicks and Rangers will play fewer games during the 2020-21 regular seasons, with the NBA scheduled to play a 72-game regular season while the NHL is scheduled to play a 56-game regular season. These both compare to traditional 82-game regular season schedules for the NBA and NHL. In addition, while games have resumed at The Garden, fans are currently prohibited from attending events due to ongoing government-mandated assembly restrictions. For more information about the impacts and risks to the Company as a result of COVID-19, see “— Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” and “Item 1A. Risk Factors — Our Operations and Operating Results Have Been, and Continue to be, Materially Impacted by the COVID-19 Pandemic and Government and League Actions Taken in Response” in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020. In addition, see also Note 1 to the consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for further information.

Our primary sources of liquidity are cash and cash equivalents and available borrowing capacity under our credit facilities as well as cash flow from our operations. There can be no assurance, however, that our expenses will not exceed our revenues, thereby presenting an ongoing use of liquidity. On November 6, 2020, the Company amended and extended the 2016 Knicks Credit Agreement and the 2017 Rangers Credit Agreement, and entered into the 2020 Knicks Holdings Credit Agreement (together with the 2020 Knicks Credit Agreement and the 2020 Rangers Credit Agreement, the “New Financing”), which provide for additional liquidity.

Our principal uses of cash include the operation of our businesses, working capital-related items, the repayment of outstanding debt, and potential repurchases of shares of the Company’s Class A Common Stock.

As of December 31, 2020, we had approximately \$70,800 in Cash and cash equivalents. In addition, as of December 31, 2020, the Company’s deferred revenue obligations were approximately \$206,200, net of billed, but not yet collected deferred revenue. This balance is primarily comprised of obligations in connection with local and national media rights, tickets, suites and sponsorships. In addition, the Company’s deferred revenue obligations included \$30,000 from the NBA, which the league provided to each team following the completion of the NBA’s \$900,000 private placement in December 2020. The prepaid media rights payments and certain sponsorships are expected to be earned throughout the 2020-21 NBA and NHL seasons. As a general matter, deferred revenue obligations relating to suites, tickets and certain sponsorships will be addressed, to the extent necessary, through credits, make-goods and/or refunds, as applicable.

We regularly monitor and assess our ability to meet our net funding and investing requirements. The decisions of the Company as to the use of its available liquidity will be based upon the ongoing review of the funding needs of the business, management’s view of a favorable allocation of cash resources, and the timing of cash flow generation. To the extent the Company desires to access alternative sources of funding through the capital and credit markets, restrictions imposed by the NBA and NHL and challenging U.S. and global economic and market conditions could adversely impact its ability to do so at that time.

We believe we have sufficient liquidity, including approximately \$70,800 in Cash and cash equivalents as of December 31, 2020, along with \$220,000 of additional available borrowing capacity under existing credit facilities, to fund our operations and satisfy any obligations with respect to the return or application of deferred revenue over the next 12 months.

### ***2020 Knicks Revolving Credit Facility***

On November 6, 2020, Knicks LLC, a wholly owned subsidiary of the Company, entered into the 2020 Knicks Credit Agreement with a syndicate of lenders providing for the 2020 Knicks Revolving Credit Facility to fund working capital needs and for general corporate purposes. The 2020 Knicks Revolving Credit Facility increased borrowing capacity from \$200,000 to \$275,000. Amounts borrowed may be distributed to the Company except during an event of default.

The 2020 Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2020, Knicks LLC was in compliance with this financial covenant.

The 2020 Knicks Revolving Credit Facility will mature and any unused commitments thereunder will expire on November 6, 2023. All borrowings under the 2020 Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings bear interest at a floating rate, which at the option of Knicks LLC may be either (i) a base rate plus a margin ranging from 0.50% to 0.75% per annum or (ii) LIBOR plus a margin ranging from 1.50% to 1.75% per annum. Knicks LLC is required to pay a commitment fee ranging from 0.25% to 0.30% per annum in respect of the average daily unused commitments under the 2020 Knicks Revolving Credit Facility. The outstanding balance under the 2020 Knicks Revolving Credit Facility was \$220,000 as of December 31, 2020.

## [Table of Contents](#)

All obligations under the 2020 Knicks Revolving Credit Facility are secured by a first lien security interest in certain of Knicks LLC's assets, including, but not limited to, (i) the Knicks LLC's membership rights in the NBA and (ii) revenues to be paid to the Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the 2020 Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the 2020 Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

In addition to the financial covenant described above, the 2020 Knicks Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Knicks Revolving Credit Facility contains certain restrictions on the ability of Knicks LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Knicks Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Knicks Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any Knicks LLC's collateral.

### *2020 Knicks Holdings Revolving Credit Facility*

On November 6, 2020, Knicks Holdings entered into the 2020 Knicks Holdings Credit Agreement with a syndicate of lenders providing for the 2020 Knicks Holdings Revolving Credit Facility to fund working capital needs and for general corporate purposes. The 2020 Knicks Holdings Revolving Credit Facility provides for \$75,000 of borrowing capacity.

The 2020 Knicks Holdings Revolving Credit Facility requires Knicks Holdings to comply with a debt service ratio of 1.1:1.0 over a trailing four quarter period. As of December 31, 2020, Knicks Holdings was in compliance with this financial covenant.

The 2020 Knicks Holdings Revolving Credit Facility will mature and any unused commitments thereunder will expire on November 6, 2023. All borrowings under the 2020 Knicks Holdings Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2020 Knicks Holdings Revolving Credit Facility bear interest at a floating rate, which at the option of Knicks Holdings may be either (i) a base rate plus a margin ranging from 1.00% to 1.25% per annum or (ii) LIBOR plus a margin ranging from 2.00% to 2.25% per annum. Knicks Holdings is required to pay a commitment fee ranging from 0.375% to 0.50% per annum in respect of the average daily unused commitments under the 2020 Knicks Holdings Revolving Credit Facility. The 2020 Knicks Holdings Revolving Credit Facility is currently undrawn as of December 31, 2020.

All obligations under the 2020 Knicks Holdings Revolving Credit Facility are secured by debt service and distribution accounts maintained by Knicks Holdings, and includes a guarantee from MSG NYK Holdings, LLC, an indirect wholly-owned subsidiary of the Company and the direct parent of Knicks Holdings.

Subject to customary notice and minimum amount conditions, Knicks Holdings may voluntarily prepay outstanding loans under the 2020 Knicks Holdings Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Knicks Holdings is required to make mandatory prepayments in certain circumstances, including if the amount of commitments under the 2020 Knicks Holdings Revolving Credit Facility increase above \$350,000.

In addition to the financial covenant described above, the 2020 Knicks Holdings Revolving Credit Facility and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Knicks Holdings Revolving Credit Facility contains certain restrictions on the ability of Knicks Holdings to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Knicks Holdings Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Knicks Holdings Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any Knicks Holdings' collateral.

### *2020 Rangers Revolving Credit Facility*

On November 6, 2020, Rangers LLC entered into the 2020 Rangers Credit Agreement with a syndicate of lenders providing for the 2020 Rangers Revolving Credit Facility to fund working capital needs and for general corporate purposes. The 2020 Rangers Revolving Credit Facility increased borrowing capacity from \$150,000 to \$250,000. Amounts borrowed may be distributed to the Company except during an event of default.

The 2020 Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of 1.5:1.0 over a trailing four quarter period. As of December 31, 2020, Rangers LLC was in compliance with this financial covenant.

## [Table of Contents](#)

The 2020 Rangers Revolving Credit Facility will mature and any unused commitments thereunder will expire on November 6, 2023. All borrowings under the 2020 Rangers Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings bear interest at a floating rate, which at the option of Rangers LLC may be either (i) a base rate plus a margin ranging from 0.75% to 1.25% per annum or (ii) LIBOR plus a margin ranging from 1.75% to 2.25% per annum. Rangers LLC is required to pay a commitment fee ranging from 0.375% to 0.625% per annum in respect of the average daily unused commitments under the 2020 Rangers Revolving Credit Facility. The outstanding balance under the 2020 Rangers Revolving Credit Facility was \$160,000 as of December 31, 2020.

All obligations under the 2020 Rangers Revolving Credit Facility are secured by a first lien security interest in certain of Rangers LLC's assets, including, but not limited to, (i) Rangers LLC's membership rights in the NHL, (ii) revenues to be paid to Rangers LLC by the NHL pursuant to certain U.S. and Canadian national broadcast agreements, and (iii) revenues to be paid to Rangers LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Rangers LLC may voluntarily prepay outstanding loans under the 2020 Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurocurrency loans). Rangers LLC is required to make mandatory prepayments in certain circumstances, including without limitation if qualified revenues are less than 17% of the maximum available amount under the 2020 Rangers Revolving Credit Facility.

In addition to the financial covenant described above, the 2020 Rangers Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2020 Rangers Revolving Credit Facility contains certain restrictions on the ability of Rangers LLC to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the 2020 Rangers Revolving Credit Facility, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making restricted payments during the continuance of an event of default under the 2020 Rangers Revolving Credit Facility; (iv) engaging in sale and leaseback transactions; (v) merging or consolidating; and (vi) taking certain actions that would invalidate the secured lenders' liens on any of Rangers LLC's assets securing the obligations under the 2020 Rangers Revolving Credit Facility.

### *Delayed Draw Term Loan Credit Facilities*

As an additional source of liquidity for the Company in response to the COVID-19 pandemic, on April 17, 2020, MSG NYR Holdings, LLC and MSG NYK Holdings, LLC, two indirect wholly-owned subsidiaries of the Company, each entered into a separate delayed draw term loan credit agreement with MSG Entertainment Group, LLC, a wholly-owned subsidiary of MSG Entertainment, as lender (the "DDTL Facilities"). The credit agreement for MSG NYK Holdings, LLC provided for a \$110,000 senior unsecured delayed draw term loan facility and the credit agreement for MSG NYR Holdings, LLC provided for a \$90,000 senior unsecured delayed draw term loan facility.

On November 6, 2020, prior to making any borrowings under the DDTL Facilities, the Company terminated the DDTL Facilities in their entirety in connection with the New Financing.

### *Financing Agreements and Stock Repurchases*

See Note 12 and Note 15 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussions of the Company's debt obligations and various financing agreements, and the Company's stock repurchases, respectively.

### **Contractual Obligations**

The Company did not have any material changes in its contractual obligations since the end of fiscal year 2020 other than activities in the ordinary course of business.

## [Table of Contents](#)

### **Cash Flow Discussion**

The following table summarizes the Company's cash flow activities for the six months ended December 31, 2020 and 2019:

|                                                                                                   | Six Months Ended December 31, |                    |
|---------------------------------------------------------------------------------------------------|-------------------------------|--------------------|
|                                                                                                   | 2020                          | 2019               |
| Net income (loss)                                                                                 | \$ (70,148)                   | \$ 11,683          |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities | 25,461                        | 85,003             |
| Subtotal                                                                                          | (44,687)                      | 96,686             |
| Changes in working capital assets and liabilities                                                 | 23,054                        | 14,486             |
| Net cash (used in) provided by operating activities                                               | (21,633)                      | 111,172            |
| Net cash used in investing activities                                                             | (141)                         | (143,913)          |
| Net cash provided by (used in) financing activities                                               | 11,363                        | (43,749)           |
| Effect of exchange rates on cash, cash equivalents and restricted cash                            | —                             | 1,693              |
| Net decrease in cash, cash equivalents and restricted cash                                        | <u>\$ (10,411)</u>            | <u>\$ (74,797)</u> |

#### *Operating Activities*

Net cash used in operating activities for the six months ended December 31, 2020 was \$21,633 as compared to net cash provided by operating activities in the prior year period of \$111,172. This change is primarily due to the decrease in net income to net loss in the current year period adjusted for non-cash items. Net cash provided by operating activities for the prior year period was not adjusted to exclude net cash provided by discontinued operations.

#### *Investing Activities*

Net cash used in investing activities for the six months ended December 31, 2020 decreased by \$143,772 to \$141 as compared to the prior year period primarily driven by investing activities in discontinued operations in the prior year period. Investing activities included in discontinued operations in the prior year period primarily consisted of capital expenditures related to MSG Entertainment's planned MSG Spheres in Las Vegas and London partially offset by a loan repayment received from subordinated note and proceeds received from the sale of interest in a nonconsolidated affiliate.

#### *Financing Activities*

Net cash provided by financing activities for the six months ended December 31, 2020 was \$11,363 as compared to net cash used in financing activities in the prior year period of \$43,749. This change was primarily due to (i) proceeds received from the borrowings under the amended and extended 2020 Knicks Credit Agreement and 2020 Rangers Credit Agreement, (ii) repayments of a credit facility included in discontinued operations in the prior year period as compared to none in the current year period, and (iii) lower taxes paid in lieu of shares issued for equity-based compensation in the current year period as compared to the prior year period. This was slightly offset by financing costs incurred in the current year period associated with the New Financing.

### **Seasonality of Our Business**

The Company's dependence on revenues from its NBA and NHL sports teams generally means that it earns a disproportionate share of its revenues in the second and third quarters of the Company's fiscal year. On March 11 and 12, 2020, respectively, the NBA and NHL suspended their 2019-20 seasons due to COVID-19. In July and August 2020, the NBA and NHL, respectively, restarted their seasons. As a result, the Company recognized certain revenues that otherwise would have been recognized during the third and fourth quarter of fiscal year 2020 during the first quarter of fiscal year 2021. In addition, due to the delayed start of the 2020-21 NBA and NHL seasons, the Company will recognize certain revenues during the third and fourth quarters of fiscal year 2021, that otherwise would have been recognized during the second and third quarters of fiscal year 2021, respectively.

### **Recently Issued Accounting Pronouncements and Critical Accounting Policies**

#### ***Recently Issued Accounting Pronouncements***

See Note 2 to the consolidated financial statements included in "Part I — Item 1. Financial Statements" of this Quarterly Report on Form 10-Q for discussion of recently issued accounting pronouncements.

#### ***Critical Accounting Policies***

The following discussion has been included to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 2021. There have been no material changes to the Company's critical accounting policies from those set forth in our Annual Report on Form 10-K for the year ended June 30, 2020.

## [Table of Contents](#)

### *Goodwill*

The carrying amount of goodwill as of December 31, 2020 is \$226,955. Goodwill is tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or changes in circumstances. The Company performs its goodwill impairment test at the reporting unit level, which is the same as or one level below the operating segment level. The Company has one operating and reportable segment, and one reporting unit for goodwill impairment testing purposes.

The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company would not need to perform a quantitative impairment test for that reporting unit. If the Company cannot support such a conclusion or the Company does not elect to perform the qualitative assessment, the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The estimates of the fair value of the Company's reporting units are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rates, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Significant judgments inherent in a discounted cash flow analysis include the selection of the appropriate discount rate, the estimate of the amount and timing of projected future cash flows and identification of appropriate continuing growth rate assumptions. The discount rates used in the analysis are intended to reflect the risk inherent in the projected future cash flows. The amount of an impairment loss is measured as the amount by which a reporting unit's carrying value exceeds its fair value determined in step one, not to exceed the carrying amount of goodwill.

The Company elected to perform the qualitative assessment of impairment for the Company's reporting unit for the fiscal year 2021 impairment test. These assessments considered factors such as:

- macroeconomic conditions;
- industry and market considerations;
- market capitalization;
- cost factors;
- overall financial performance of the reporting unit;
- other relevant company-specific factors such as changes in management, strategy or customers; and
- relevant reporting unit specific events such as changes in the carrying amount of net assets.

The Company performed its most recent annual impairment test of goodwill during the first quarter of fiscal year 2021, and there was no impairment of goodwill. Based on this impairment test, the Company concluded it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

### *Identifiable Indefinite-Lived Intangible Assets*

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or substantive changes in circumstances. The following table sets forth the amount of identifiable indefinite-lived intangible assets reported in the Company's consolidated balance sheet as of December 31, 2020:

|                             |    |         |
|-----------------------------|----|---------|
| Sports franchises           | \$ | 111,064 |
| Photographic related rights |    | 1,080   |
|                             | \$ | 112,144 |

The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. In the qualitative assessment, the Company must evaluate the totality of qualitative factors, including any recent fair value measurements, that impact whether an indefinite-lived intangible asset other than goodwill has a carrying amount that more likely than not exceeds its fair value. The Company must proceed to conducting a quantitative analysis, if the Company (i) determines that such an impairment is more likely than not to exist, or (ii) forgoes the qualitative assessment entirely. Under the quantitative assessment, the impairment test for identifiable indefinite-lived intangible assets consists of a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. For all periods presented, the Company elected to perform a qualitative assessment of impairment for the indefinite-lived intangible assets. These assessments considered the events and circumstances that could affect the significant inputs used to determine the fair value of the intangible asset. Examples of such events and circumstances include:

- cost factors;
- financial performance;

## [Table of Contents](#)

- legal, regulatory, contractual, business or other factors;
- other relevant company-specific factors such as changes in management, strategy or customers;
- industry and market considerations; and
- macroeconomic conditions.

The Company performed its most recent annual impairment test of identifiable indefinite-lived intangible assets during the first quarter of fiscal year 2021, and there were no impairments identified. Based on this impairment test, the Company concluded it was not more likely than not that the fair value of the indefinite-lived intangible assets was less than their carrying amount.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Except for the broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets, there were no material changes to the disclosures regarding market risks in connection with our interest rate risk exposure and commodity risk exposure. See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the year ended June 30, 2020. In addition, see Item 2, “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Impact of COVID-19 on Our Business” of this Quarterly Report on Form 10-Q for discussions of disruptions caused by COVID-19.

#### **Potential interest rate risk exposure:**

We have potential interest rate risk exposure related to outstanding borrowings incurred under our credit facilities. Changes in interest rates may increase interest expense payments with respect to any borrowings incurred under the credit facilities.

Borrowings under our credit facilities incur interest, depending on our election, at a floating rate based upon LIBOR, the U.S. Federal Funds Rate or the U.S. Prime Rate, plus, in each case, a fixed spread. If appropriate, we may seek to reduce such exposure through the use of interest rate swaps or similar instruments. As of December 31, 2020, we had a total of \$380 million borrowings outstanding under our credit facilities. The effect of a hypothetical 100 basis point increase in floating interest rates prevailing as of December 31, 2020 and continuing for a full year would increase interest expense by approximately \$3.8 million.

### **Item 4. Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020 the Company’s disclosure controls and procedures were effective.

There were no changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See “Part II — Item 1. Legal Proceedings” in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 for a discussion of a derivative action that was settled on June 18, 2020, which settlement became effective on October 8, 2020.

The Company is a defendant in various lawsuits. Although the outcome of these lawsuits cannot be predicted with certainty (including the extent of available insurance, if any), management does not believe that resolution of these lawsuits will have a material adverse effect on the Company.

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

As of December 31, 2020, the Company had approximately \$260 million remaining under the \$525 million Class A Common Stock share repurchase program authorized by the Company’s board of directors on September 11, 2015. Under the authorization, shares of Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations, with the timing and amount of purchases depending on market conditions and other factors. The Company has been funding and expects to continue to fund stock repurchases through a combination of cash on hand and cash generated by operations. During the three months ended December 31, 2020, the Company did not engage in any share repurchase activity under its share repurchase program.

## [Table of Contents](#)

### Item 6. Exhibits

#### (a) Index to Exhibits

| EXHIBIT NO.          | DESCRIPTION                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="#">10.1</a> | <a href="#">Amended and Restated Credit Agreement, dated as of November 6, 2020, by and among New York Knicks, LLC, JPMorgan Chase Bank, N.A. as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 9, 2020).</a>  |
| <a href="#">10.2</a> | <a href="#">Credit Agreement, dated as of November 6, 2020, by and among Knicks Holdings, LLC, JPMorgan Chase Bank, N.A. as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 9, 2020).</a>                       |
| <a href="#">10.3</a> | <a href="#">Security Agreement, dated as of November 6, 2020, between Knicks Holdings, LLC and JPMorgan Chase Bank, N.A., as collateral agent (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 9, 2020).</a>                                                                              |
| <a href="#">10.4</a> | <a href="#">Amended and Restated Credit Agreement, dated as of November 6, 2020, by and among New York Rangers, LLC, JPMorgan Chase Bank, N.A. as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 9, 2020).</a> |
| <a href="#">10.5</a> | <a href="#">Employment Agreement dated as of December 18, 2020 between Madison Square Garden Sports Corp. and Lawrence J. Burian (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 18, 2020).</a> †                                                                                                                                    |
| <a href="#">31.1</a> | <a href="#">Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                       |
| <a href="#">31.2</a> | <a href="#">Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                       |
| <a href="#">32.1</a> | <a href="#">Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                       |
| <a href="#">32.2</a> | <a href="#">Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>                                                                                                                                                                                                                                                                       |
| 101.INS              | 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              | XBRL Taxonomy Extension Schema.                                                                                                                                                                                                                                                                                                                                                               |
| 101.CAL              | XBRL Taxonomy Extension Calculation Linkbase.                                                                                                                                                                                                                                                                                                                                                 |
| 101.DEF              | XBRL Taxonomy Extension Definition Linkbase.                                                                                                                                                                                                                                                                                                                                                  |
| 101.LAB              | XBRL Taxonomy Extension Label Linkbase.                                                                                                                                                                                                                                                                                                                                                       |
| 101.PRE              | XBRL Taxonomy Extension Presentation Linkbase.                                                                                                                                                                                                                                                                                                                                                |
| 104                  | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 formatted in Inline XBRL and contained in Exhibit 101.                                                                                                                                                                                                                                |

† This exhibit is a management contract or a compensatory plan or arrangement.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 3<sup>rd</sup> day of February 2021.

Madison Square Garden Sports Corp.

By: /s/ VICTORIA M. MINK

Name: Victoria M. Mink

Title: Executive Vice President, Chief  
Financial Officer and Treasurer

**Certification**

I, Andrew Lustgarten, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden Sports Corp.;
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: February 3, 2021

/s/ Andrew Lustgarten

Andrew Lustgarten

President and Chief Executive Officer

**Certification**

I, Victoria M. Mink, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison Square Garden Sports Corp.;
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: February 3, 2021

/s/ Victoria M. Mink

Victoria M. Mink

Executive Vice President, Chief Financial Officer and Treasurer

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Madison Square Garden Sports Corp. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended December 31, 2020 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2021

/s/ Andrew Lustgarten

---

Andrew Lustgarten

President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Madison Square Garden Sports Corp. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the Quarter ended December 31, 2020 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 3, 2021

/s/ Victoria M. Mink

Victoria M. Mink

Executive Vice President, Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.