

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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

(State or other jurisdiction of
incorporation or organization)

47-3373056

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

Two Penn Plaza , New York , NY

(Address of principal executive offices)

10121

(Zip Code)

Registrant's telephone number, including area code: (212) 465-4111

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	MSG	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 October 21, 2022:

Class A Common Stock par value \$0.01 per share	—	19,802,683
Class B Common Stock par value \$0.01 per share	—	4,529,517

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

	September 30, 2022	June 30, 2022
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 81,036	\$ 91,018
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0 as of September 30, 2022 and June 30, 2022, respectively	37,267	47,240
Net related party receivables	21,107	28,333
Prepaid expenses	64,822	18,810
Other current assets	15,770	19,868
Total current assets	220,002	205,269
Property and equipment, net of accumulated depreciation and amortization of \$47,710 and \$46,794 as of September 30, 2022 and June 30, 2022, respectively	32,165	32,892
Right-of-use lease assets	685,844	686,782
Amortizable intangible assets, net	528	636
Indefinite-lived intangible assets	112,144	112,144
Goodwill	226,955	226,955
Deferred income tax assets, net	11,607	—
Other assets	56,611	37,288
Total assets	<u>\$ 1,345,856</u>	<u>\$ 1,301,966</u>

See accompanying notes to consolidated financial statements.

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

	September 30, 2022 (Unaudited)	June 30, 2022
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,378	\$ 11,263
Net related party payables	28,235	19,624
Debt	30,000	30,000
Accrued liabilities:		
Employee related costs	69,593	119,279
League-related accruals	71,868	75,269
Other accrued liabilities	5,191	6,796
Operating lease liabilities, current	43,796	43,699
Deferred revenue	267,087	132,369
Total current liabilities	522,148	438,299
Long-term debt	220,000	220,000
Operating lease liabilities, noncurrent	689,302	699,587
Defined benefit obligations	5,003	5,005
Other employee related costs	49,190	43,411
Deferred tax liabilities, net	—	8,917
Deferred revenue, noncurrent	31,122	31,122
Other liabilities	1,001	1,002
Total liabilities	1,517,766	1,447,343
Commitments and contingencies (see Note 10)		
Madison Square Garden Sports Corp. Stockholders' Equity:		
Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,803 and 19,697 shares outstanding as of September 30, 2022 and June 30, 2022, respectively	204	204
Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of September 30, 2022 and June 30, 2022	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of September 30, 2022 and June 30, 2022	—	—
Additional paid-in capital	—	17,573
Treasury stock, at cost, 645 and 751 shares as of September 30, 2022 and June 30, 2022, respectively	(109,981)	(128,026)
Accumulated deficit	(62,447)	(35,699)
Accumulated other comprehensive loss	(1,183)	(1,186)
Total Madison Square Garden Sports Corp. stockholders' equity	(173,362)	(147,089)
Nonredeemable noncontrolling interests	1,452	1,712
Total equity	(171,910)	(145,377)
Total liabilities and equity	\$ 1,345,856	\$ 1,301,966

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 September 30,	
	2022	2021
Revenues ^(a)	\$ 24,089	\$ 18,794
Operating expenses:		
Direct operating expenses ^(b)	3,681	8,578
Selling, general and administrative expenses ^(c)	55,281	43,728
Depreciation and amortization	1,025	1,426
Operating loss	(35,898)	(34,938)
Other income (expense):		
Interest income	356	50
Interest expense	(3,312)	(3,103)
Miscellaneous expense, net	(166)	(63)
	(3,122)	(3,116)
Loss from operations before income taxes	(39,020)	(38,054)
Income tax benefit	20,493	21,169
Net loss	(18,527)	(16,885)
Less: Net loss attributable to nonredeemable noncontrolling interests	(707)	(480)
Net loss attributable to Madison Square Garden Sports Corp.'s stockholders	\$ (17,820)	\$ (16,405)
Basic loss per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ (0.73)	\$ (0.68)
Diluted loss per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ (0.73)	\$ (0.68)
Weighted-average number of common shares outstanding:		
Basic	24,295	24,172
Diluted	24,295	24,172

^(a) Includes revenues from related parties of \$8,174 and \$7,247 for the three months ended September 30, 2022 and 2021, respectively.

^(b) Includes net charges from related parties of \$2,184 and \$2,158 for the three months ended September 30, 2022 and 2021, respectively.

^(c) Includes net charges from related parties of \$13,308 and \$12,247 for the three months ended September 30, 2022 and 2021, respectively.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2022	2021
Net loss	\$ (18,527)	\$ (16,885)
Other comprehensive income, before income taxes:		
Pension plans:		
Amounts reclassified from accumulated other comprehensive loss:		
Amortization of actuarial loss included in net periodic benefit cost	4	33
Other comprehensive income, before income taxes	4	33
Income tax expense related to items of other comprehensive income	(1)	(11)
Other comprehensive income, net of income taxes	3	22
Comprehensive loss	(18,524)	(16,863)
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(707)	(480)
Comprehensive loss attributable to Madison Square Garden Sports Corp.'s stockholders	\$ (17,817)	\$ (16,383)

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (18,527)	\$ (16,885)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,025	1,426
Benefits from deferred income taxes	(20,525)	(21,169)
Share-based compensation expense	7,220	4,851
Other non-cash adjustments	286	437
Change in assets and liabilities:		
Accounts receivable, net	9,973	19,325
Net related party receivables	2,993	(3,125)
Prepaid expenses and other assets	(61,521)	(47,275)
Accounts payable	(4,797)	(534)
Net related party payables	8,614	9,623
Accrued and other liabilities	(48,915)	(45,826)
Deferred revenue	134,709	88,597
Operating lease right-of-use assets and lease liabilities	(9,250)	(8,755)
Net cash provided by (used in) operating activities	1,285	(19,310)
Cash flows from investing activities:		
Capital expenditures	(271)	(181)
Other investing activities	—	(125)
Net cash used in investing activities	(271)	(306)
Cash flows from financing activities:		
Taxes paid in lieu of shares issued for equity-based compensation	(10,996)	(12,142)
Net cash used in financing activities	(10,996)	(12,142)
Net decrease in cash, cash equivalents and restricted cash	(9,982)	(31,758)
Cash, cash equivalents and restricted cash at beginning of period	91,018	72,036
Cash, cash equivalents and restricted cash at end of period	\$ 81,036	\$ 40,278
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 39	\$ 41

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(in thousands)

Three Months Ended September 30, 2022

	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of June 30, 2022	\$ 249	\$ 17,573	\$ (128,026)	\$ (35,699)	\$ (1,186)	\$ (147,089)	\$ 1,712	\$ (145,377)
Net loss	—	—	—	(17,820)	—	(17,820)	(707)	(18,527)
Other comprehensive income	—	—	—	—	3	3	—	3
Comprehensive loss	—	—	—	—	—	(17,817)	(707)	(18,524)
Share-based compensation	—	7,220	—	—	—	7,220	—	7,220
Tax withholding associated with shares issued for equity-based compensation	—	(15,229)	—	—	—	(15,229)	—	(15,229)
Common stock issued under stock incentive plans	—	(9,117)	18,045	(8,928)	—	—	—	—
Adjustments to noncontrolling interests	—	(447)	—	—	—	(447)	447	—
Balance as of September 30, 2022	<u>\$ 249</u>	<u>\$ —</u>	<u>\$ (109,981)</u>	<u>\$ (62,447)</u>	<u>\$ (1,183)</u>	<u>\$ (173,362)</u>	<u>\$ 1,452</u>	<u>\$ (171,910)</u>

See accompanying notes to consolidated financial statements.

MADISON SQUARE GARDEN SPORTS CORP.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(Unaudited)
(in thousands)

Three Months Ended September 30, 2021								
	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Madison Square Garden Sports Corp. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity
Balance as of June 30, 2021	\$ 249	\$ 23,102	\$ (146,734)	\$ (78,898)	\$ (2,027)	\$ (204,308)	\$ 2,442	\$ (201,866)
Net loss	—	—	—	(16,405)	—	(16,405)	(480)	(16,885)
Other comprehensive income	—	—	—	—	22	22	—	22
Comprehensive loss	—	—	—	—	—	(16,383)	(480)	(16,863)
Share-based compensation	—	4,851	—	—	—	4,851	—	4,851
Tax withholding associated with shares issued for equity-based compensation	—	(18,306)	—	—	—	(18,306)	—	(18,306)
Common stock issued under stock incentive plans	—	(9,376)	17,308	(7,932)	—	—	—	—
Adjustments to noncontrolling interests	—	(271)	—	—	—	(271)	271	—
Balance as of September 30, 2021	<u>\$ 249</u>	<u>\$ —</u>	<u>\$ (129,426)</u>	<u>\$ (103,235)</u>	<u>\$ (2,005)</u>	<u>\$ (234,417)</u>	<u>\$ 2,233</u>	<u>\$ (232,184)</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. (together with its subsidiaries (collectively, “we,” “us,” “our,” “MSG Sports,” or the “Company”) owns and operates a portfolio of 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 sports franchises include two development league teams — the Hartford Wolf Pack of the American Hockey League and the Westchester Knicks of the NBA G League. 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 organize as one operating segment and 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 “MSGS Distribution”) on September 30, 2015.

On April 17, 2020 (the “MSGE 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 “MSGE Distribution”).

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, 2022 (“fiscal year 2022”). 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.

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

Impact of COVID-19 on our Business

During fiscal years 2020 and 2021, COVID-19 disruptions and actions taken in response by governmental authorities and the leagues materially impacted the Company's revenues and the Company recognized materially less revenues, or in some cases, no revenues, across a number of areas. In fiscal year 2022, the Company's operations and operating results were also impacted by temporary declines in attendance due to ongoing reduced tourism levels as well as an increase in COVID-19 cases during certain months of the fiscal year. See Note 1, Description of Business and Basis of Presentation, to the Company's audited consolidated financial statements and notes thereto for the year ended June 30, 2022 included in the Company's Annual Report on Form 10-K for more information regarding the impact of the COVID-19 pandemic on our business during fiscal years 2020, 2021 and 2022.

It is unclear to what extent COVID-19, including new variants, could result in renewed governmental and league restrictions on attendance or otherwise impact the Company's operations and operating results.

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.

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, 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.

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

Note 3. 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 months ended September 30, 2022 and 2021, 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 months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	
	2022	2021
Event-related ^(a)	\$ 5,346	\$ 3,870
Media rights ^(b)	6,986	6,586
Sponsorship, signage and suite licenses	4,814	3,170
League distributions and other	6,943	5,168
Total revenues from contracts with customers	<u>\$ 24,089</u>	<u>\$ 18,794</u>

^(a) Consists of (i) ticket sales and other ticket-related revenues, and (ii) food, beverage and merchandise sales at The Garden.

^(b) Consists of (i) local media rights fees, (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 September 30, 2022 and June 30, 2022.

	September 30, 2022	June 30, 2022
Receivables from contracts with customers, net ^(a)	\$ 26,362	\$ 24,729
Contract assets, current ^(b)	8,554	13,839
Deferred revenue, including non-current portion ^{(c), (d)}	298,209	163,491

- ^(a) 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 September 30, 2022 and June 30, 2022, the Company's receivables reported above included \$922 and \$1,258, respectively, related to various related parties associated with contracts with customers. See Note 15 for further details on related party arrangements. Receivables from contracts with customers, net, excludes amounts recorded in Accounts receivable, net, associated with amounts due from the NBA and NHL related to escrow and player compensation recoveries and luxury tax payments. As of September 30, 2022, the Company had receivable balances related to escrow and player compensation recoveries of \$11,694 and \$6,782, recorded in Accounts receivable, net and Other assets, respectively. As of June 30, 2022, the Company had receivable balances related to escrow and player compensation recoveries of \$12,464 and \$6,782, recorded in Accounts receivable, net and Other assets, respectively.
- ^(b) 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.
- ^(c) 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 was \$36,169 and \$0 as of September 30, 2022 and June 30, 2022, respectively. See Note 15 for further details on these related party arrangements.
- ^(d) Revenue recognized for the three months ended September 30, 2022 relating to the deferred revenue balance as of June 30, 2022 was \$5,356.

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

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 September 30, 2022 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, league-wide national and international television contracts, and certain other arrangements with variable consideration.

Fiscal Year 2023 (remainder)	\$	147,175
Fiscal Year 2024		116,909
Fiscal Year 2025		78,739
Fiscal Year 2026		51,866
Fiscal Year 2027		28,354
Thereafter		24,672
	<u>\$</u>	<u>447,715</u>

Note 4. 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 September 30,	
	2022	2021
Weighted-average shares (denominator):		
Weighted-average shares for basic EPS	24,295	24,172
Dilutive effect of shares issuable under share-based compensation plans	—	—
Weighted-average shares for diluted EPS	<u>24,295</u>	<u>24,172</u>
Weighted-average shares excluded from diluted earnings (loss) per share	<u>128</u>	<u>196</u>

Note 5. Team Personnel Transactions

Direct operating expenses in the accompanying consolidated statements of operations include a net expense for transactions relating to the Company's teams for waiver/contract termination costs and player trades ("Team personnel transactions"). Team personnel transactions were a net credit of \$329 and a net provision of \$727 for the three months ended September 30, 2022 and 2021, respectively.

Note 6. 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			
	September 30, 2022	June 30, 2022	September 30, 2021	June 30, 2021
Captions on the consolidated balance sheets:				
Cash and cash equivalents	\$ 81,036	\$ 91,018	\$ 33,610	\$ 64,902
Restricted cash ^(a)	<u>—</u>	<u>—</u>	<u>6,668</u>	<u>7,134</u>
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 81,036</u>	<u>\$ 91,018</u>	<u>\$ 40,278</u>	<u>\$ 72,036</u>

^(a) Restricted cash as of September 30, 2021 and June 30, 2021 relates to the Company's revolving credit facilities (see Note 11 for more information).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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Note 7. 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 8 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2022 for more information regarding the Company's accounting policies associated with its leases.

As of September 30, 2022, the Company's existing operating leases, which are recorded in the accompanying financial statements, have remaining lease terms ranging from 8 months to 33 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 September 30, 2022 and June 30, 2022:

	Line Item in the Company's Consolidated Balance Sheet	September 30, 2022	June 30, 2022
Right-of-use assets:			
Operating leases	Right-of-use lease assets	\$ 685,844	\$ 686,782
Lease liabilities:			
Operating leases, current ^(a)	Operating lease liabilities, current	\$ 43,796	\$ 43,699
Operating leases, noncurrent ^(a)	Operating lease liabilities, noncurrent	689,302	699,587
Total lease liabilities		<u>\$ 733,098</u>	<u>\$ 743,286</u>

^(a) As of September 30, 2022, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$43,225 and \$689,302, respectively, that are payable to MSG Entertainment. As of June 30, 2022, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$43,028 and \$699,587, 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 months ended September 30, 2022 and 2021:

	Line Item in the Company's Consolidated Statement of Operations	Three Months Ended September 30, 2022	2021
Operating lease cost	Direct operating expenses	\$ 1,403	\$ 1,407
Operating lease cost	Selling, general and administrative expenses	613	611
Short-term lease cost	Direct operating expenses	45	36
Total lease cost		<u>\$ 2,061</u>	<u>\$ 2,054</u>

Supplemental Information

For the three months ended September 30, 2022 and 2021, cash paid for amounts included in the measurement of lease liabilities was \$11,263 and \$10,768, respectively.

The weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet as of September 30, 2022 was 32.5 years. The weighted average discount rate was 7.13% as of September 30, 2022 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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Maturities of operating lease liabilities as of September 30, 2022 are as follows:

Fiscal Year 2023 (remainder)	\$	34,072
Fiscal Year 2024		45,361
Fiscal Year 2025		44,900
Fiscal Year 2026		45,374
Fiscal Year 2027		46,735
Thereafter		2,066,577
Total lease payments		2,283,019
Less imputed interest		(1,549,921)
Total lease liabilities	\$	733,098

Note 8. Goodwill and Intangible Assets

During the first quarter of fiscal year 2023, 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 September 30, 2022 and June 30, 2022 is \$226,955.

The Company's indefinite-lived intangible assets as of September 30, 2022 and June 30, 2022 are as follows:

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

During the first quarter of fiscal year 2023, 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:

September 30, 2022	Gross	Accumulated Amortization	Net
Trade names	\$ 2,300	\$ (2,300)	\$ —
Non-compete agreements	2,400	(2,400)	—
Other intangibles	1,200	(672)	528
	\$ 5,900	\$ (5,372)	\$ 528
June 30, 2022	Gross	Accumulated Amortization	Net
Trade names	\$ 2,300	\$ (2,262)	\$ 38
Non-compete agreements	2,400	(2,360)	40
Other intangibles	1,200	(642)	558
	\$ 5,900	\$ (5,264)	\$ 636

For the three months ended September 30, 2022 and 2021, amortization expense of intangible assets was \$108 and \$265, respectively.

MADISON SQUARE GARDEN SPORTS CORP.
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Note 9. Fair Value Measurements

The following table presents the Company's assets that are measured at fair value on a recurring basis, which include cash equivalents:

	Fair Value Hierarchy	September 30, 2022	June 30, 2022
Assets:			
Money market accounts	I	\$ 23,022	\$ 26,018
Time deposit	I	54,316	56,082
Equity investments	I	10,269	2,736
Total assets measured at fair value		<u>\$ 87,607</u>	<u>\$ 84,836</u>

Assets listed above are classified within Level I of the fair value hierarchy as they are valued using observable inputs that reflect quoted prices for identical assets in active markets. The carrying amount of the Company's money market accounts and time deposit approximates fair value due to their short-term maturities.

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

	September 30, 2022		June 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Debt, current ^(a)	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Long-term debt ^(b)	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000

^(a) The Company's debt, current 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 debt, current is the same as its carrying amount as the debt bears interest at current market conditions. See Note 11 for further details.

^(b) 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 debt bears interest at a variable rate indexed to current market conditions. See Note 11 for further details.

Note 10. 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, 2022, 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 7 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 2022 other than 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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Note 11. Debt*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”). On December 14, 2021, Knicks LLC entered into Amendment No. 2 to the 2020 Knicks Credit Agreement, which amended and restated the 2020 Knicks Credit Agreement (the “2021 Knicks Credit Agreement”).

The 2021 Knicks Credit Agreement provides for a senior secured revolving credit facility of up to \$275,000 (the “2021 Knicks Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The maturity date of the 2021 Knicks Credit Agreement is December 14, 2026. Amounts borrowed may be distributed to the Company except during an event of default.

All borrowings under the 2021 Knicks Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2021 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 0.250% to 0.500% per annum or (ii) term Secured Overnight Financing Rate (“SOFR”) plus a credit spread adjustment of 0.100% per annum plus a margin ranging from 1.250% to 1.500% per annum depending on the credit rating applicable to the NBA’s league-wide credit facility. 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 2021 Knicks Revolving Credit Facility. The outstanding balance under the 2021 Knicks Revolving Credit Facility was \$220,000 as of September 30, 2022, which was recorded as Long-term debt in the accompanying consolidated balance sheet. The interest rate on the 2021 Knicks Revolving Credit Facility as of September 30, 2022 was 4.37%. During the three months ended September 30, 2022 the Company made interest payments of \$1,892 in respect of the 2021 Knicks Revolving Credit Facility.

All obligations under the 2021 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, (ii) revenues to be paid to Knicks LLC by the NBA pursuant to certain U.S. national broadcast agreements, and (iii) revenues to be paid to Knicks LLC pursuant to local media contracts.

Subject to customary notice and minimum amount conditions, Knicks LLC may voluntarily prepay outstanding loans under the 2021 Knicks Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to SOFR-based loans). Knicks LLC is required to make mandatory prepayments in certain circumstances, including without limitation if the maximum available amount under the 2021 Knicks Revolving Credit Facility is greater than 350% of qualified revenues.

In addition to the financial covenant described above, the 2021 Knicks Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2021 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 2021 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 2021 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 2021 Knicks Revolving Credit Facility requires Knicks LLC to comply with a debt service ratio of at least 1.5:1.0 over a trailing four quarter period. As of September 30, 2022, Knicks LLC was in compliance with this financial covenant.

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 credit agreement with a syndicate of lenders (the “2020 Knicks Holdings Credit Agreement”). The 2020 Knicks Holdings Credit Agreement provided 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. On December 14, 2021, the Company terminated the 2020 Knicks Holdings Revolving Credit Facility in its entirety.

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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”). On December 14, 2021, Rangers LLC entered into Amendment No. 3 to the 2020 Rangers Credit Agreement, which amended and restated the 2020 Rangers Credit Agreement (the “2021 Rangers Credit Agreement”).

The 2021 Rangers Credit Agreement provides for a senior secured revolving credit facility of up to \$250,000 (the “2021 Rangers Revolving Credit Facility”) to fund working capital needs and for general corporate purposes. The maturity date of the 2021 Rangers Credit Agreement is December 14, 2026. Amounts borrowed may be distributed to the Company except during an event of default.

All borrowings under the 2021 Rangers Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the 2021 Rangers Revolving Credit Facility 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 0.500% to 1.000% per annum or (ii) term SOFR plus a credit spread adjustment of 0.100% per annum plus a margin ranging from 1.500% to 2.000% per annum depending on the credit rating applicable to the NHL’s league-wide credit facility. 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 2021 Rangers Revolving Credit Facility. There was no borrowing under the 2021 Rangers Revolving Credit Facility as of September 30, 2022 and accordingly the Company did not make any interest payments during the three months ended September 30, 2022 in respect of the 2021 Rangers Revolving Credit Facility.

All obligations under the 2021 Rangers Revolving Credit Facility are, subject to the 2021 Rangers NHL Advance Agreement (as defined below), 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 2021 Rangers Revolving Credit Facility at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to SOFR-based 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 2021 Rangers Revolving Credit Facility.

In addition to the financial covenant described above, the 2021 Rangers Credit Agreement and related security agreements contain certain customary representations and warranties, affirmative covenants and events of default. The 2021 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 2021 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 2021 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 2021 Rangers Revolving Credit Facility.

The 2021 Rangers Revolving Credit Facility requires Rangers LLC to comply with a debt service ratio of at least 1.5:1.0 over a trailing four quarter period. As of September 30, 2022, Rangers LLC was in compliance with this financial covenant.

2021 Rangers NHL Advance Agreement

On March 19, 2021, Rangers LLC, Rangers Holdings, LLC and MSG NYR Holdings LLC entered into an advance agreement with the NHL (the “2021 Rangers NHL Advance Agreement”) pursuant to which the NHL advanced \$30,000 to Rangers LLC. The advance is to be utilized solely and exclusively to pay for Rangers LLC operating expenses.

All obligations under the 2021 Rangers NHL Advance Agreement are senior to and shall have priority over all secured and other indebtedness of Rangers LLC, Rangers Holdings, LLC and MSG NYR Holdings LLC. All borrowings under the 2021 Rangers NHL Advance Agreement were made on a non-revolving basis and bear interest at 3.00% per annum, ending on the date any such advances are fully repaid. Advances received under the 2021 Rangers NHL Advance Agreement are payable upon demand by the NHL. It is expected that the advanced amount will be set off against funds that would otherwise be paid,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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distributed or transferred by the NHL to Rangers LLC. The outstanding balance under the 2021 Rangers NHL Advance Agreement was \$30,000 as of September 30, 2022 and was recorded as Debt in the accompanying consolidated balance sheet. During the three months ended September 30, 2022 the Company made interest payments of \$225.

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 sheets:

	September 30, 2022	June 30, 2022
Other current assets	\$ 1,145	\$ 1,145
Other assets	3,668	3,954

Note 12. Benefit Plans

Defined Benefit Pension Plans

Prior to the MSGE Distribution, the Company sponsored various defined benefit pension plans and a contributory welfare plan. 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, 2022 for more information with regard to the liabilities retained by the Company from certain plans, 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 MSGS Pension Plans included in the accompanying consolidated statements of operations for the three months ended September 30, 2022 and 2021. Net periodic benefit cost is reported in Miscellaneous expense, net.

	Three Months Ended September 30,	
	2022	2021
Interest cost	\$ 60	\$ 31
Recognized actuarial loss	4	33
Net periodic benefit cost	<u>\$ 64</u>	<u>\$ 64</u>

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"). As a result of the MSGE Distribution, the Savings Plans 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, 2022 for more information with regard to the liabilities retained by the Company.

Expenses related to the Savings Plans that are included in the accompanying consolidated statements of operations for the three months ended September 30, 2022 and 2021 were \$1,065 and \$939, respectively.

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Executive Deferred Compensation Plan

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, 2022 for more information regarding the Company's Executive Deferred Compensation Plan (the "Deferred Compensation Plan"). For the three months ended September 30, 2022, the Company recorded compensation cost credits of \$103 within Selling, general and administrative expenses to reflect the remeasurement of the Deferred Compensation Plan liability. In addition, for the three months ended September 30, 2022, the Company recorded losses of \$103 within Miscellaneous income (expense), net to reflect the remeasurement of the fair value of assets under the Deferred Compensation Plan.

The following table summarizes amounts recognized related to the Deferred Compensation Plan in the consolidated balance sheets:

	September 30, 2022	June 30, 2022
Non-current assets (included in other assets)	\$ 10,269	\$ 2,736
Current liabilities (included in accrued employee related costs)	(982)	(123)
Non-current liabilities (included in other employee related costs)	(9,287)	(2,613)

Note 13. 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, 2022 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 recognized in the consolidated statements of operations as a component of Selling, general and administrative expenses. Share-based compensation expense was \$7,220 and \$4,851 for the three months ended September 30, 2022 and 2021, respectively. There were no costs related to share-based compensation that were capitalized for the three months ended September 30, 2022 and 2021, respectively.

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 three months ended September 30, 2022:

	Number of		Weighted-Average Fair Value Per Share at Date of Grant ^(a)
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	
Unvested award balance, June 30, 2022	199	189	\$ 198.21
Granted	57	57	\$ 161.58
Vested	(119)	(87)	\$ 222.48
Forfeited / Cancelled	(1)	(1)	\$ 158.01
Unvested award balance, September 30, 2022	136	158	\$ 167.12

^(a) 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 three months ended September 30, 2022 was \$31,766. 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, 99 of these RSUs, with an aggregate value of \$15,229, inclusive of \$4,233 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 three months ended September 30, 2022.

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The fair value of RSUs that vested during the three months ended September 30, 2021 was \$36,380. The weighted-average fair value per share at grant date of RSUs granted during the three months ended September 30, 2021 was \$262.08.

Stock Options Award Activity

The following table summarizes activity related to the Company's stock options for the three months ended September 30, 2022:

	Number of Time Vesting Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of June 30, 2022	94	\$ 145.78		
Granted	—	\$ —		
Cancelled	—	\$ —		
Balance as of September 30, 2022	94	\$ 145.78	5.21	\$ —
Exercisable as of September 30, 2022	94	\$ 145.78	5.21	\$ —

Note 14. Stock Repurchase Program

Effective as of October 1, 2015, the Company's board of directors authorized the repurchase of up to \$525,000 of the Company's Class A Common Stock. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, block trades or such other manner as the Company may determine, 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 months ended September 30, 2022 and 2021, the Company did not engage in any share repurchase activities under its share repurchase program. As of September 30, 2022, the Company had \$259,639 of availability remaining under its stock repurchase authorization.

Note 15. Related Party Transactions

On July 9, 2021, MSG Networks merged with a subsidiary of MSG Entertainment and became a wholly-owned subsidiary of MSG Entertainment (the "MSGE-MSGN Merger"). Accordingly, agreements between the Company and MSG Networks are now effectively agreements with MSG Entertainment on a consolidated basis.

As of September 30, 2022, 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 3.1% 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 70.5% 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 and AMC Networks Inc. ("AMC Networks"). Members of the Dolan family were the direct controlling stockholders of MSG Networks prior to the MSGE-MSGN Merger and indirectly control MSG Networks through MSG Entertainment's ownership of MSG Networks.

The Company is party to the following agreements and/or arrangements with MSG Entertainment (including its subsidiary 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 the 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 sales of food and beverage concessions in exchange for 50% of net profits from the sales and catering services during 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 with stated terms of 20 years, providing MSG Networks with local telecast rights for 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. In addition,

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under this agreement, the Company is charged by MSG Entertainment for sales and service staff and overhead associated with the sales of sponsorship assets;

- 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;
- Services Agreement (the “Services Agreement”) pursuant to which the Company (i) 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 and (ii) provides certain services to MSG Entertainment, such as certain communications, legal (including certain services the Company provided to MSG Networks prior to the MSGE-MSGN Merger) and ticketing services, in exchange for service fees;
- 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 and reimbursement for sales and service staff and overhead associated with the ticket sales on behalf of MSG Entertainment;
- Aircraft sharing agreements pursuant to which MSG Entertainment has agreed from time to time to make its aircraft and aircraft it leases from other related parties 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 (ii) the Company’s Vice Chairman with AMC Networks and MSG Entertainment. The Company also previously shared costs for the Company’s Chief Executive Officer with MSG Entertainment through March 31, 2022. Additionally, the Company, MSG Entertainment and AMC Networks allocate 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 former 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.

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Revenues and Operating Expenses

The following table summarizes the composition and amounts of the transactions with the Company's affiliates. These amounts are reflected in revenues and operating expenses in the accompanying consolidated statements of operations for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	
	2022	2021
Revenues ^(a)	\$ 8,174	\$ 7,247
Operating expenses:		
Corporate expenses pursuant to Services Agreement with MSG Entertainment	\$ 9,513	\$ 8,884
Rent expense (sublease) due to MSG Entertainment	698	715
Costs associated with the Sponsorship sales and service representation agreements	2,933	2,733
Operating lease expense associated with the Arena License Agreements	1,311	1,311
Other costs associated with the Arena License Agreements	970	649
Other operating expenses, net	67	113

(a) Primarily consist of local media rights recognized from the licensing of team-related programming under the media rights agreements covering the Knicks and the Rangers.

Note 16. Income Taxes

Income tax benefit for the three months ended September 30, 2022 of \$20,493 reflects an effective tax rate of 52.5% and income tax benefit for the three months ended September 30, 2021 of \$21,169 reflects an effective tax rate of 55.6%. In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in an interim period. The estimated annual effective tax rate exceeds the statutory federal tax rate of 21% in the current and prior year period primarily due to state taxes and nondeductible officers' compensation and disability insurance premiums expense. The estimated annual effective tax rate is revised on a quarterly basis.

The Company was notified in April 2020 and in February 2022 that the City of New York was commencing an audit of the local income tax returns for the fiscal years ended June 30, 2016 and 2017 and for fiscal years ended June 30, 2018 and 2019, respectively. The Company does not expect the examinations, when finalized, to result in material changes.

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

Note 17. Subsequent Events

Special Dividend and Accelerated Share Repurchase

On October 6, 2022, the Company announced that its Board of Directors has declared a special, one-time cash dividend of \$7.00 per share (expected to be approximately \$172,749). The special dividend is payable on October 31, 2022 to shareholders of record on October 17, 2022. In addition, the Company's Board of Directors has authorized a \$75,000 accelerated share repurchase ("ASR") program, under the Company's existing share repurchase authorization. As discussed in Note 14, the Company had \$259,639 of availability remaining under its stock repurchase authorization as of September 30, 2022 and prior to the execution of the ASR program.

Borrowings under Revolving Credit Facilities

In connection with the special dividend and ASR, on October 27, 2022, the Company borrowed an additional \$55,000 under the 2021 Knicks Revolving Credit Facility and \$160,000 under the 2021 Rangers Revolving Credit Facility. See Note 11 for more information with regards to these revolving credit facilities.

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 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 COVID-19 pandemic and our ability to effectively manage the impacts, including the availability of The Garden with no or limited fans, league decisions regarding play and other matters, the cancellation of games, the impact of governmental restrictions, reduced tourism, and general hesitancy among the public to engage in public activities due to COVID-19;
- 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;
- 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;
- labor market disruptions due to the COVID-19 pandemic or otherwise;
- 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 the Rangers are played;
- a default by our subsidiaries under their respective credit facilities;
- 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;

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- the impact of any government plans to redesign New York City’s Pennsylvania Station;
- 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 and its subsidiaries 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 fiscal year ended June 30, 2022.

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

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 fiscal year ended June 30, 2022, 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.

The Company operates and reports financial information in one segment.

Factors Affecting Results of Operations

Impact of COVID-19 on Our Business

During fiscal years 2020 and 2021, COVID-19 disruptions and actions taken in response by governmental authorities and the leagues materially impacted the Company's revenues and the Company recognized materially less revenues, or in some cases, no revenues, across a number of areas. In fiscal year 2022, the Company's operations and operating results were also impacted by temporary declines in attendance due to ongoing reduced tourism levels as well as an increase in COVID-19 cases during certain months of the fiscal year. See Note 1, Description of Business and Basis of Presentation, to the Company's audited consolidated financial statements and notes thereto for the year ended June 30, 2022 included in the Company's Annual Report on Form 10-K for more information regarding the impact of the COVID-19 pandemic on our business during fiscal years 2020, 2021 and 2022.

It is unclear to what extent COVID-19, including new variants, could result in renewed governmental and league restrictions on attendance or otherwise impact the Company's operations and operating results.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

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 three months ended September 30, 2022 compared to the three months ended September 30, 2021, and (iii) certain contractual obligations.

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

Critical Accounting Policies. This section discusses accounting pronouncements that have been adopted by the Company, if any, 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 2023. This section should be read together with our critical accounting policies, which are discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 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.

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Results of Operations

Comparison of the three months ended September 30, 2022 versus the three months ended September 30, 2021

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

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Revenues	\$ 24,089	\$ 18,794	\$ 5,295	28 %
Direct operating expenses	3,681	8,578	(4,897)	(57)%
Selling, general and administrative expenses	55,281	43,728	11,553	26 %
Depreciation and amortization	1,025	1,426	(401)	(28)%
Operating loss	(35,898)	(34,938)	(960)	(3)%
Other expense:				
Interest expense, net	(2,956)	(3,053)	97	3 %
Miscellaneous expense, net	(166)	(63)	(103)	NM
Loss from operations before income taxes	(39,020)	(38,054)	(966)	(3)%
Income tax benefit	20,493	21,169	(676)	(3)%
Net loss	(18,527)	(16,885)	(1,642)	(10)%
Less: Net loss attributable to nonredeemable noncontrolling interests	(707)	(480)	(227)	(47)%
Net loss attributable to Madison Square Garden Sports Corp.'s stockholders	\$ (17,820)	\$ (16,405)	\$ (1,415)	(9)%

Revenues

Revenues increased \$5,295, or 28%, to \$24,089 for the three months ended September 30, 2022 as compared to the prior year period. The net increase was attributable to the following:

Increase in suite license fee revenues	\$ 1,543
Increase in pre/regular season ticket-related revenues	1,099
Increase in revenues from league distributions	910
Other net increases	1,743
	<u>\$ 5,295</u>

The increase in suite license fee revenues for the three months ended September 30, 2022 was primarily due to suite licenses including preseason home games at The Garden in the current year period compared to suites sold primarily on a single-event basis in the prior year period.

The increase in pre/regular season ticket-related revenues for the three months ended September 30, 2022 was primarily due to higher average per-game revenue.

Direct operating expenses

Direct operating expenses decreased \$4,897, or 57%, to \$3,681 for the three months ended September 30, 2022 as compared to the prior year period. The net decrease was attributable to the following:

Decrease in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax	\$ (3,630)
Decrease in net provisions for certain team personnel transactions	(1,056)
Other net decreases	(211)
	<u>\$ (4,897)</u>

The decrease in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax for the three months ended September 30, 2022 was primarily due to the net impact of adjustments to prior seasons' revenue sharing expense (net of escrow).

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Net provisions for certain team personnel transactions were as follows:

	Three Months Ended September 30,		
	2022	2021	Increase (Decrease)
Waivers/contract terminations	\$ (1,421)	\$ 727	\$ (2,148)
Player trades	1,092	—	1,092
Net provisions for certain team personnel transactions	<u>\$ (329)</u>	<u>\$ 727</u>	<u>\$ (1,056)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended September 30, 2022 increased \$11,553, or 26%, to \$55,281 as compared to the prior year period primarily due to higher employee compensation and related benefits, including the impact of staffing increases relative to the prior year period reflecting the business' return to normal operations and executive management transition costs recorded in the current year period, as well as higher other general and administrative expenses.

Depreciation and amortization

Depreciation and amortization for the three months ended September 30, 2022 decreased \$401, or 28%, to \$1,025 as compared to the prior year period.

Operating loss

Operating loss for the three months ended September 30, 2022 increased \$960, or 3%, to \$35,898 as compared to the prior year period primarily due to an increase in selling, general and administrative expenses, partially offset by higher revenues and lower direct operating expenses.

Interest expense, net

Net interest expense for the three months ended September 30, 2022 decreased \$97, or 3%, to \$2,956 as compared to the prior year period primarily due to lower interest expense on the Rangers revolving credit facilities as there were no borrowings outstanding during the three months ended September 30, 2022, and higher interest income due to higher cash balances along with increased earned interest rates, partially offset by higher interest expense associated with the Knicks revolving credit facilities due to higher interest rates.

Income taxes

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 income taxes.

Adjusted operating 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, (vi) the impact of purchase accounting adjustments related to business acquisitions, and (vii) gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan (which was established in November 2021), which is referred to as adjusted operating income (loss), a non-GAAP measure.

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. 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 the exclusion of gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan provides investors with a clearer picture of the Company's operating performance given that, in accordance with GAAP, gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan are recognized in Operating (income) loss whereas gains and losses related to the remeasurement of the assets under the Company's Executive Deferred Compensation Plan, which are equal to and therefore fully offset the gains and losses related to the remeasurement of liabilities, are recognized in Miscellaneous income (expense), net, which is not reflected in Operating income (loss).

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

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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 loss for the three months ended September 30, 2022 as compared to the prior year period:

	Three Months Ended September 30,		Change	
	2022	2021	\$	%
Operating loss	\$ (35,898)	\$ (34,938)	\$ (960)	(3)%
Deferred rent	506	529		
Depreciation and amortization	1,025	1,426		
Share-based compensation	7,220	4,851		
Remeasurement of deferred compensation plan liabilities	(103)	—		
Adjusted operating loss	<u>\$ (27,250)</u>	<u>\$ (28,132)</u>	\$ 882	3 %

Adjusted operating loss for the three months ended September 30, 2022 decreased \$882 to \$27,250 as compared to the prior year period primarily due to higher revenues and lower direct operating expenses, partially offset by an increase in selling, general and administrative expenses.

Liquidity and Capital Resources

Overview

Our operations and operating results were materially impacted by the COVID-19 pandemic and government and league actions taken in response during fiscal years 2020 and 2021. Our operations and operating results were also impacted by temporary declines in fan attendance in fiscal year 2022, due to ongoing reduced tourism levels as well as an increase in cases during certain months of the fiscal year due to COVID-19 variants. 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 — Sports Business Risks — Our Operations and Operating Results Have Been, and May in the Future 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, 2022. 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. On December 14, 2021, the Company amended and extended the 2020 Knicks Credit Agreement and the 2020 Rangers Credit Agreement. In addition, in March 2021, pursuant to the 2021 Rangers NHL Advance Agreement (the “2021 Rangers NHL Advance Agreement”), the NHL advanced the Company \$30,000, which the league made available to each team. See Note 11 to the consolidated financial statements included in “Part I - Item 1. Financial Statements” of this Quarterly Report on Form 10-Q for a discussion of the 2021 Knicks Credit Agreement”, 2021 Rangers Credit Agreement, and 2021 Rangers NHL Advance Agreement.

Our principal uses of cash include the operation of our businesses, working capital-related items, the repayment of outstanding debt, the payment of a special, one-time cash dividend of \$7.00 per share (expected to be approximately \$172,749) (the “Special Dividend”), and repurchases of shares of the Company's Class A Common Stock, including approximately \$75,000 under the accelerated share repurchase (“ASR”) program announced by the Company on October 6, 2022.

As of September 30, 2022, we had approximately \$81,000 in Cash and cash equivalents. In addition, as of September 30, 2022, the Company's deferred revenue obligations were approximately \$266,439, net of billed, but not yet collected deferred revenue. This balance is primarily comprised of obligations in connection with tickets, suites and local media rights. In addition, the Company's deferred revenue obligations included \$30,000 from the NBA, which the league provided to each team.

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

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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 \$81,000 in Cash and cash equivalents as of September 30, 2022, along with \$305,000 of additional available borrowing capacity under existing credit facilities, to fund our operations and satisfy any obligations, including with respect to the payment of the Special Dividend and the repurchase of shares of the Company's Class A Common Stock under the ASR program, for the foreseeable future.

Financing Agreements and Stock Repurchases

See Note 11 and Note 14 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.

Special Dividend and Accelerated Share Repurchase

On October 6, 2022, the Company announced that its Board of Directors declared the Special Dividend. The Special Dividend is payable on October 31, 2022 to shareholders of record on October 17, 2022. In addition, the Company's Board of Directors has authorized a \$75,000 ASR program under the Company's existing share repurchase authorization. As discussed in Note 14, the Company had \$259,639 of availability remaining under its stock repurchase authorization as of September 30, 2022 and prior to the execution of the ASR program.

Borrowings under Revolving Credit Facilities

In connection with the special dividend and ASR, on October 27, 2022, the Company borrowed an additional \$55,000 under the 2021 Knicks Revolving Credit Facility and \$160,000 under the 2021 Rangers Revolving Credit Facility. Following the additional borrowings, the Company has \$90,000 of additional available borrowing capacity under existing credit facilities.

Contractual Obligations

The Company did not have any material changes in its contractual obligations since the end of fiscal year 2022 other than activities in the ordinary course of business.

Cash Flow Discussion

The following table summarizes the Company's cash flow activities for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	
	2022	2021
Net loss	\$ (18,527)	\$ (16,885)
Adjustments to reconcile net loss to net cash used in operating activities	(11,994)	(14,455)
Subtotal	(30,521)	(31,340)
Changes in working capital assets and liabilities	31,806	12,030
Net cash provided by (used in) operating activities	1,285	(19,310)
Net cash used in investing activities	(271)	(306)
Net cash used in financing activities	(10,996)	(12,142)
Net decrease in cash, cash equivalents and restricted cash	\$ (9,982)	\$ (31,758)

Operating Activities

Net cash provided by operating activities for the three months ended September 30, 2022 was \$1,285 as compared to net cash used in operating activities in the prior year period of \$19,310. This was primarily due to the impact of changes in working capital assets and liabilities and, to a lesser extent, the decrease in net loss adjusted for non-cash items.

Investing Activities

Net cash used in investing activities for the three months ended September 30, 2022 decreased by \$35 to \$271 as compared to the prior year period primarily due to higher other investing activities in the prior year period as compared to the current year period.

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Financing Activities

Net cash used in financing activities for the three months ended September 30, 2022 decreased by \$1,146 to \$10,996 as compared to the prior year period primarily due to higher taxes paid in lieu of shares issued for equity-based compensation in the prior year period as compared to the current year period.

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.

Critical Accounting Policies

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 2023. 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 fiscal year ended June 30, 2022.

Goodwill

The carrying amount of goodwill as of September 30, 2022 was \$226,955. Goodwill is tested annually for impairment as of August 31st 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 2023 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 2023, and there was no impairment of goodwill. Based on this impairment test, the Company's reporting unit had sufficient safety margins, defined as the excess of the amount by which the estimated fair value of the reporting unit exceeded the carrying value of the reporting unit, including goodwill. The most recent quantitative assessments were used in making this determination. The Company believes that if the fair value of a reporting unit exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

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Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 31st 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 September 30, 2022:

Sports franchises	\$	111,064
Photographic related rights		1,080
	\$	<u>112,144</u>

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;
- 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 2023, and there were no impairments identified. Based on this impairment test, the Company's indefinite-lived intangible assets had sufficient safety margins, representing the excess of each identifiable indefinite-lived intangible asset's estimated fair value over its respective carrying value. The Company believes that if the fair value of an indefinite-lived intangible asset exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures regarding market risks in connection with our interest rate risk exposure. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022. 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 SOFR plus a credit spread adjustment, 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 September 30, 2022, we had a total of \$220 million borrowings outstanding under our credit facilities. The effect of a hypothetical 100 basis point increase in floating interest rates prevailing as of September 30, 2022 and continuing for a full year would increase interest expense by approximately \$2.2 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 September 30, 2022 the Company's disclosure controls and procedures were effective.

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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 September 30, 2022 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

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 September 30, 2022, 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 effective on October 1, 2015. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, block trades or such other manner as the Company may determine, 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, available borrowing capacity under our existing credit facilities and cash generated by operations. During the three months ended September 30, 2022, the Company did not engage in any share repurchase activity under its share repurchase program.

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Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Employment Agreement dated September 9, 2022, between Madison Square Garden Sports Corp. and David Hopkinson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 9, 2022) [†]
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Madison Square Garden Sports Corp. Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 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 27th day of October 2022.

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: October 27, 2022

/s/ Andrew Lustgarten

Andrew Lustgarten

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: October 27, 2022

/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 September 30, 2022 (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: October 27, 2022

/s/ Andrew Lustgarten

Andrew Lustgarten

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 September 30, 2022 (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: October 27, 2022

/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.