

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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 April 28, 2023:

Class A Common Stock par value \$0.01 per share	—	19,363,843
Class B Common Stock par value \$0.01 per share	—	4,529,517

[Table of Contents](#)

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

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets as of March 31, 2023 (unaudited) and June 30, 2022</u>	<u>1</u>
<u>Consolidated Statements of Operations for the three and nine months ended March 31, 2023 and 2022 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended March 31, 2023 and 2022 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the nine months ended March 31, 2023 and 2022 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Equity for the three and nine months ended March 31, 2023 and 2022 (unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>10</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>37</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>40</u>

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

	March 31, 2023	June 30, 2022
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 65,182	\$ 91,018
Restricted cash	653	—
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0 as of March 31, 2023 and June 30, 2022, respectively	80,835	47,240
Net related party receivables	26,053	28,333
Prepaid expenses	23,481	18,810
Other current assets	65,727	19,868
Total current assets	261,931	205,269
Property and equipment, net of accumulated depreciation and amortization of \$49,331 and \$46,794 as of March 31, 2023 and June 30, 2022, respectively	31,415	32,892
Right-of-use lease assets	670,410	686,782
Amortizable intangible assets, net	469	636
Indefinite-lived intangible assets	112,144	112,144
Goodwill	226,955	226,955
Other assets	59,966	37,288
Total assets	\$ 1,363,290	\$ 1,301,966

See accompanying notes to consolidated financial statements.

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

	March 31, 2023 (Unaudited)	June 30, 2022
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,236	\$ 11,263
Net related party payables	7,884	19,624
Debt	30,000	30,000
Accrued liabilities:		
Employee related costs	160,979	119,279
League-related accruals	95,738	75,269
Other accrued liabilities	31,921	6,796
Operating lease liabilities, current	43,607	43,699
Deferred revenue	132,199	132,369
Total current liabilities	510,564	438,299
Long-term debt	350,000	220,000
Operating lease liabilities, noncurrent	715,511	699,587
Defined benefit obligations	4,746	5,005
Other employee related costs	45,917	43,411
Deferred tax liabilities, net	36,511	8,917
Deferred revenue, noncurrent	32,045	31,122
Other liabilities	1,004	1,002
Total liabilities	1,696,298	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; 19,364 and 19,697 shares outstanding as of March 31, 2023 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 March 31, 2023 and June 30, 2022	45	45
Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of March 31, 2023 and June 30, 2022	—	—
Additional paid-in capital	11,226	17,573
Treasury stock, at cost, 1,084 and 751 shares as of March 31, 2023 and June 30, 2022, respectively	(179,410)	(128,026)
Accumulated deficit	(164,668)	(35,699)
Accumulated other comprehensive loss	(1,177)	(1,186)
Total Madison Square Garden Sports Corp. stockholders' equity	(333,780)	(147,089)
Nonredeemable noncontrolling interests	772	1,712
Total equity	(333,008)	(145,377)
Total liabilities and equity	\$ 1,363,290	\$ 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 March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Revenues ^(a)	\$ 382,744	\$ 337,774	\$ 760,527	\$ 646,149
Operating expenses:				
Direct operating expenses ^(b)	239,051	206,273	468,434	407,698
Selling, general and administrative expenses ^(c)	61,102	68,902	192,019	172,230
Depreciation and amortization	840	1,206	2,703	3,847
Operating income	81,751	61,393	97,371	62,374
Other income (expense):				
Interest income	704	52	1,627	145
Interest expense	(7,004)	(2,470)	(16,395)	(9,158)
Miscellaneous income (expense), net	19,324	(63)	19,543	(190)
	13,024	(2,481)	4,775	(9,203)
Income before income taxes	94,775	58,912	102,146	53,171
Income tax expense	(42,962)	(34,993)	(47,024)	(30,939)
Net income	51,813	23,919	55,122	22,232
Less: Net loss attributable to nonredeemable noncontrolling interests	(566)	(584)	(1,928)	(1,711)
Net income attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 52,379	\$ 24,503	\$ 57,050	\$ 23,943
Basic earnings per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 2.19	\$ 1.01	\$ 2.28	\$ 0.99
Diluted earnings per common share attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 2.18	\$ 1.00	\$ 2.27	\$ 0.98
Weighted-average number of common shares outstanding:				
Basic	23,971	24,275	24,133	24,235
Diluted	24,062	24,394	24,225	24,377

^(a) Includes revenues from related parties of \$84,024 and \$75,851 for the three months ended March 31, 2023 and 2022, respectively, and \$167,148 and \$153,229 for the nine months ended March 31, 2023 and 2022, respectively.

^(b) Includes net charges from related parties of \$43,595 and \$40,796 for the three months ended March 31, 2023 and 2022, respectively, and \$91,264 and \$80,828 for the nine months ended March 31, 2023 and 2022, respectively.

^(c) Includes net charges from related parties of \$18,875 and \$20,493 for the three months ended March 31, 2023 and 2022, respectively, and \$49,616 and \$51,620 for the nine months ended March 31, 2023 and 2022, 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 March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Net income	\$ 51,813	\$ 23,919	\$ 55,122	\$ 22,232
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	13	99
Other comprehensive income, before income taxes	4	33	13	99
Income tax expense related to items of other comprehensive income	(1)	(10)	(4)	(32)
Other comprehensive income, net of income taxes	3	23	9	67
Comprehensive income	51,816	23,942	55,131	22,299
Less: Comprehensive loss attributable to nonredeemable noncontrolling interests	(566)	(584)	(1,928)	(1,711)
Comprehensive income attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 52,382	\$ 24,526	\$ 57,059	\$ 24,010

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 55,122	\$ 22,232
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,703	3,847
Provision for deferred income taxes	27,590	30,939
Share-based compensation expense	22,059	19,178
Unrealized gain on equity investments with readily determinable fair value, warrants, and forward contract	(19,020)	—
Other non-cash adjustments	859	1,547
Change in assets and liabilities:		
Accounts receivable, net	(33,595)	(18,497)
Net related party receivables	1,450	(44,142)
Prepaid expenses and other assets	(45,711)	(43,620)
Accounts payable	(3,029)	1,086
Net related party payables	(11,720)	8,535
Accrued and other liabilities	85,145	84,548
Deferred revenue	744	(29,388)
Operating lease right-of-use assets and lease liabilities	32,204	27,968
Net cash provided by operating activities	114,801	64,233
Cash flows from investing activities:		
Capital expenditures	(1,033)	(886)
Purchases of equity securities	(9,333)	(250)
Net cash used in investing activities	(10,366)	(1,136)
Cash flows from financing activities:		
Accelerated share repurchase	(75,060)	—
Dividends paid	(170,824)	—
Taxes paid in lieu of shares issued for equity-based compensation	(15,439)	(12,142)
Proceeds from revolving credit facilities	215,000	—
Repayment of revolving credit facilities	(85,000)	(70,000)
Other financing activities	1,705	(2,836)
Net cash used in financing activities	(129,618)	(84,978)
Net decrease in cash, cash equivalents and restricted cash	(25,183)	(21,881)
Cash, cash equivalents and restricted cash at beginning of period	91,018	72,036
Cash, cash equivalents and restricted cash at end of period	<u>\$ 65,835</u>	<u>\$ 50,155</u>
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 148	\$ 73

See accompanying notes to consolidated financial statements.

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

Three Months Ended March 31, 2023									
	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 December 31, 2022	\$ 249	\$ —	\$ (169,772)	\$ (217,047)	\$ (1,180)	\$ (387,750)	\$ 1,338	\$ (386,412)	
Net income (loss)	—	—	—	52,379	—	52,379	(566)	51,813	
Other comprehensive income	—	—	—	—	3	3	—	3	
Comprehensive income (loss)	—	—	—	—	—	52,382	(566)	51,816	
Share-based compensation	—	3,220	—	—	—	3,220	—	3,220	
Tax withholding associated with shares issued for equity-based compensation	—	(2,457)	—	—	—	(2,457)	—	(2,457)	
Common stock issued under stock incentive plans	—	(1,844)	2,729	—	—	885	—	885	
Accelerated share repurchase	—	12,307	(12,367)	—	—	(60)	—	(60)	
Balance as of March 31, 2023	<u>\$ 249</u>	<u>\$ 11,226</u>	<u>\$ (179,410)</u>	<u>\$ (164,668)</u>	<u>\$ (1,177)</u>	<u>\$ (333,780)</u>	<u>\$ 772</u>	<u>\$ (333,008)</u>	

See accompanying notes to consolidated financial statements.

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

Three Months Ended March 31, 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 December 31, 2021	\$ 249	\$ 6,460	\$ (129,426)	\$ (87,390)	\$ (1,983)	\$ (212,090)	\$ 2,480	\$ (209,610)
Net income (loss)	—	—	—	24,503	—	24,503	(584)	23,919
Other comprehensive income	—	—	—	—	23	23	—	23
Comprehensive income (loss)	—	—	—	—	—	24,526	(584)	23,942
Share-based compensation	—	6,973	—	—	—	6,973	—	6,973
Common stock issued under stock incentive plans	—	(571)	1,400	—	—	829	—	829
Balance as of March 31, 2022	<u>\$ 249</u>	<u>\$ 12,862</u>	<u>\$ (128,026)</u>	<u>\$ (62,887)</u>	<u>\$ (1,960)</u>	<u>\$ (179,762)</u>	<u>\$ 1,896</u>	<u>\$ (177,866)</u>

See accompanying notes to consolidated financial statements.

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

Nine Months Ended March 31, 2023

	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 income (loss)	—	—	—	57,050	—	57,050	(1,928)	55,122
Other comprehensive income	—	—	—	—	9	9	—	9
Comprehensive income (loss)	—	—	—	—	—	57,059	(1,928)	55,131
Share-based compensation	—	22,059	—	—	—	22,059	—	22,059
Tax withholding associated with shares issued for equity-based compensation	—	(17,897)	—	—	—	(17,897)	—	(17,897)
Common stock issued under stock incentive plans	—	(11,170)	20,983	(8,928)	—	885	—	885
Dividends declared (\$7.00 per share)	—	—	—	(172,749)	—	(172,749)	—	(172,749)
Accelerated share repurchase	—	1,649	(72,367)	(4,342)	—	(75,060)	—	(75,060)
Adjustments to noncontrolling interests	—	(988)	—	—	—	(988)	988	—
Balance as of March 31, 2023	\$ 249	\$ 11,226	\$ (179,410)	\$ (164,668)	\$ (1,177)	\$ (333,780)	\$ 772	\$ (333,008)

See accompanying notes to consolidated financial statements.

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

Nine Months Ended March 31, 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, 2021	\$ 249	\$ 23,102	\$ (146,734)	\$ (78,898)	\$ (2,027)	\$ (204,308)	\$ 2,442	\$ (201,866)
Net income (loss)	—	—	—	23,943	—	23,943	(1,711)	22,232
Other comprehensive income	—	—	—	—	67	67	—	67
Comprehensive income (loss)	—	—	—	—	—	24,010	(1,711)	22,299
Share-based compensation	—	19,178	—	—	—	19,178	—	19,178
Tax withholding associated with shares issued for equity-based compensation	—	(18,306)	—	—	—	(18,306)	—	(18,306)
Common stock issued under stock incentive plans	—	(9,947)	18,708	(7,932)	—	829	—	829
Adjustments to noncontrolling interests	—	(1,165)	—	—	—	(1,165)	1,165	—
Balance as of March 31, 2022	\$ 249	\$ 12,862	\$ (128,026)	\$ (62,887)	\$ (1,960)	\$ (179,762)	\$ 1,896	\$ (177,866)

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 previously owned a controlling interest in Counter Logic Gaming (“CLG”), a North American esports organization. In April 2023, the Company sold its controlling interest in CLG to Hard Carry Gaming Inc. (“NRG”), a professional gaming and entertainment company in exchange for a noncontrolling equity interest in the combined NRG/CLG company. CLG and the sports teams are collectively referred to herein as the “teams.” The Company also operates a professional sports team performance center — the Madison Square Garden Training Center in Greenburgh, NY.

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 of 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 “Sphere Distribution Date”), the Company distributed all of the outstanding common stock of Sphere Entertainment Co. (formerly Madison Square Garden Entertainment Corp. and referred to herein as “Sphere Entertainment”) to its stockholders (the “Sphere Distribution”).

On April 20, 2023 (the “MSG E Distribution Date”), Sphere Entertainment distributed to its stockholders approximately 67% of the issued and outstanding shares of common stock of Madison Square Garden Entertainment Corp. (formerly, MSG E Spinc, Inc. and referred to herein as “MSG E Entertainment”) (the “MSG E Distribution”). In connection with the MSG E Distribution, Sphere Entertainment assigned several of its agreements with the Company to MSG E Entertainment, as described herein.

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, which is when the majority of the teams’ games are played.

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 thereof, could result in renewed governmental and/or 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 had 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, financial instruments, and other liabilities. In addition, estimates are used in revenue recognition, revenue sharing expense (net of escrow and excluding playoffs), luxury tax expense, income tax expense, performance and share-based compensation, depreciation and amortization, litigation matters and other matters, as well as in the valuation of contingent consideration and noncontrolling interests resulting from business combination transactions. Management believes its use of estimates in the Financial Statements to be reasonable.

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

Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. This ASU amends certain provisions of Accounting Standards Codification ("ASC") 842, *Leases* that apply to arrangements between related parties under common control. The new guidance is effective for the Company in the first quarter of fiscal year 2025. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

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

Note 3. Revenue Recognition**Contracts with Customers**

All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers. For the three and nine months ended March 31, 2023 and 2022, the Company did not have any material impairment losses on receivables or contract assets arising from contracts with customers.

Disaggregation of Revenue

The following table disaggregates the Company's revenues by type of goods or services in accordance with the required entity-wide disclosure requirements set forth in ASC Subtopic 280-10-50-38 to 40 and the disaggregation of revenue required disclosures in accordance with ASC Subtopic 606-10-50-5 for the three and nine months ended March 31, 2023 and 2022:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Event-related ^(a)	\$ 144,650	\$ 119,728	\$ 292,304	\$ 232,672
Media rights ^(b)	135,200	124,803	260,344	243,697
Sponsorship, signage and suite licenses	90,340	76,715	176,175	138,419
League distributions and other	12,554	16,528	31,704	31,361
Total revenues from contracts with customers	<u>\$ 382,744</u>	<u>\$ 337,774</u>	<u>\$ 760,527</u>	<u>\$ 646,149</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 March 31, 2023 and June 30, 2022.

	March 31, 2023	June 30, 2022
Receivables from contracts with customers, net ^(a)	\$ 58,707	\$ 24,729
Contract assets, current ^(b)	50,463	13,839
Deferred revenue, including non-current portion ^{(c), (d)}	164,244	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 March 31, 2023 and June 30, 2022, the Company's receivables reported above included \$3,057 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 March 31, 2023, the Company had receivable balances related to escrow and player compensation recoveries of \$10,861 recorded in Accounts receivable, net. 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. The Company had contract asset balances related to local media rights of \$24,065 and \$0 as of March 31, 2023 and June 30, 2022, respectively. See Note 15 for further details on these related party arrangements.
- ^(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 \$0 and \$0 as of March 31, 2023 and June 30, 2022, respectively. See Note 15 for further details on these related party arrangements.
- ^(d) Revenue recognized for the nine months ended March 31, 2023 relating to the deferred revenue balance as of June 30, 2022 was \$120,042.

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 March 31, 2023 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)	\$	15,975
Fiscal Year 2024		133,177
Fiscal Year 2025		91,362
Fiscal Year 2026		53,563
Fiscal Year 2027		28,675
Thereafter		24,972
	<u>\$</u>	<u>347,724</u>

Note 4. Computation of Earnings per Common Share

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Net earnings allocable to common shares, basic and diluted (numerator):				
Net income attributable to Madison Square Garden Sports Corp.'s stockholders	\$ 52,379	\$ 24,503	\$ 57,050	\$ 23,943
Less: Dividends to other-than-common stockholders ^(a)	—	—	2,056	—
Net earnings allocable to common shares, basic and diluted (numerator):	<u>\$ 52,379</u>	<u>\$ 24,503</u>	<u>\$ 54,994</u>	<u>\$ 23,943</u>
Weighted-average shares (denominator):				
Weighted-average shares for basic EPS	23,971	24,275	24,133	24,235
Dilutive effect of shares issuable under share-based compensation plans	91	119	92	142
Weighted-average shares for diluted EPS	<u>24,062</u>	<u>24,394</u>	<u>24,225</u>	<u>24,377</u>
Weighted-average shares excluded from diluted EPS	—	—	—	—
Basic earnings per common share attributable to Madison Square Garden Sports Corp.'s stockholders				
	\$ 2.19	\$ 1.01	\$ 2.28	\$ 0.99
Diluted earnings per common share attributable to Madison Square Garden Sports Corp.'s stockholders				
	\$ 2.18	\$ 1.00	\$ 2.27	\$ 0.98

^(a) Dividends to other-than-common stockholders consists of forfeitable rights to dividends declared and payable to holders of the Company's unvested restricted stock units and performance restricted stock units.

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

Note 5. Team Personnel Transactions

Direct operating and selling, general and administrative expenses in the accompanying consolidated statements of operations include a net provision or credit for transactions relating to the Company's teams for waiver/contract termination costs, player trades and season-ending injuries ("Team personnel transactions"). Team personnel transactions were a net provision of \$81 and \$304 (net of insurance recovery of \$656) for the three months ended March 31, 2023 and 2022, respectively, and a net credit of \$219 and a net provision of \$729 (net of insurance recovery of \$656) for the nine months ended March 31, 2023 and 2022, 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			
	March 31, 2023	June 30, 2022	March 31, 2022	June 30, 2021
Captions on the consolidated balance sheets:				
Cash and cash equivalents	\$ 65,182	\$ 91,018	\$ 49,176	\$ 64,902
Restricted cash ^(a)	653	—	979	7,134
Cash, cash equivalents and restricted cash on the consolidated statements of cash flows	<u>\$ 65,835</u>	<u>\$ 91,018</u>	<u>\$ 50,155</u>	<u>\$ 72,036</u>

^(a) Restricted cash as of March 31, 2023 and March 31, 2022 primarily included cash deposited in an escrow account (see Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2022 for more information). As of June 30, 2021, restricted cash was related to the Company's revolving credit facilities (see Note 11 for more information).

Note 7. Leases

As of March 31, 2023, the Company's leases primarily consist of the lease of the Company's principal executive offices under the Sublease Agreement with Sphere Entertainment (the "Sublease Agreement") and, until April 2023, the lease of the CLG performance center in Los Angeles, CA. As of the MSGE Distribution Date, the Sublease Agreement is now between the Company and MSG Entertainment. 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 March 31, 2023, the Company's existing operating leases, which are recorded in the accompanying financial statements, have remaining lease terms ranging from 2 months to 32 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.

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

The following table summarizes the right-of-use assets and lease liabilities recorded on the Company's accompanying consolidated balance sheets as of March 31, 2023 and June 30, 2022:

	Line Item in the Company's Consolidated Balance Sheet	March 31, 2023	June 30, 2022
Right-of-use assets:			
Operating leases	Right-of-use lease assets	\$ 670,410	\$ 686,782
Lease liabilities:			
Operating leases, current ^(a)	Operating lease liabilities, current	\$ 43,607	\$ 43,699
Operating leases, noncurrent ^(a)	Operating lease liabilities, noncurrent	715,511	699,587
Total lease liabilities		<u>\$ 759,118</u>	<u>\$ 743,286</u>

^(a) As of March 31, 2023, Operating lease liabilities, current and Operating lease liabilities, noncurrent included balances of \$43,538 and \$715,511, respectively, that are payable to Sphere 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 Sphere Entertainment.

The following table summarizes the activity recorded within the Company's accompanying consolidated statements of operations for the three and nine months ended March 31, 2023 and 2022:

	Line Item in the Company's Consolidated Statement of Operations	Three Months Ended March 31, 2023	2022	Nine Months Ended March 31, 2023	2022
Operating lease cost	Direct operating expenses	\$ 31,258	\$ 29,737	\$ 64,472	\$ 59,004
Operating lease cost	Selling, general and administrative expenses	613	613	1,839	1,837
Short-term lease cost	Direct operating expenses	59	42	174	119
Total lease cost		<u>\$ 31,930</u>	<u>\$ 30,392</u>	<u>\$ 66,485</u>	<u>\$ 60,960</u>

Supplemental Information

For the nine months ended March 31, 2023 and 2022, cash paid for amounts included in the measurement of lease liabilities was \$33,791 and \$32,580, respectively.

The weighted average remaining lease term for operating leases recorded on the accompanying consolidated balance sheet as of March 31, 2023 was 32.1 years. The weighted average discount rate was 7.13% as of March 31, 2023 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.

Maturities of operating lease liabilities as of March 31, 2023 are as follows:

Fiscal Year 2023 (remainder)	\$ 11,233
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	<u>2,260,180</u>
Less imputed interest	<u>(1,501,062)</u>
Total lease liabilities	<u>\$ 759,118</u>

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

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 March 31, 2023 and June 30, 2022 is \$226,955.

The Company's indefinite-lived intangible assets as of March 31, 2023 and June 30, 2022 are as follows:

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

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:

March 31, 2023	Gross	Accumulated Amortization	Net
Trade names	\$ 2,300	\$ (2,300)	\$ —
Non-compete agreements	2,400	(2,400)	—
Other intangibles	1,200	(731)	469
	<u>\$ 5,900</u>	<u>\$ (5,431)</u>	<u>\$ 469</u>

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
	<u>\$ 5,900</u>	<u>\$ (5,264)</u>	<u>\$ 636</u>

For the three months ended March 31, 2023 and 2022, amortization expense of intangible assets was \$29 and \$265, respectively. For the nine months ended March 31, 2023 and 2022, amortization expense of intangible assets was \$167 and \$795, respectively.

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	March 31, 2023	June 30, 2022
Assets:			
Money market accounts	I	\$ 23,958	\$ 26,018
Time deposit	I	34,007	56,082
Equity investments	I	24,993	2,736
Warrants	III	6,502	—
Forward contract	III	7,140	—
Total assets measured at fair value		<u>\$ 96,600</u>	<u>\$ 84,836</u>

Level I Inputs

Assets classified within Level I of the fair value hierarchy 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. Equity investments include equity instruments with readily determinable fair value, which are included within Other assets in the accompanying consolidated balance sheets.

The equity investments balance as of March 31, 2023 includes an investment of \$11,685 in common stock of Xtract One Technologies Inc. ("Xtract One"), a technology-driven threat detection and security solution company that is listed on the

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

Toronto Stock Exchange (“TSX”) under the symbol “XTRA.” In addition, the remaining balance as of March 31, 2023 and balance as of June 30, 2022 consists of other equity investments held in trust under the Company’s Executive Deferred Compensation Plan (refer to note 12 for further details regarding the plan).

During the three and nine months ended March 31, 2023, the Company recorded unrealized gains of \$7,337 related to the investment in Xtract One which is reported in Miscellaneous income (expense). During the three and nine months ended March 31, 2023, the Company recorded gains of \$368 and \$714, respectively, within Miscellaneous income (expense), net to reflect the remeasurement of the fair value of assets under the Company’s Executive Deferred Compensation Plan.

Level III Inputs

The Company’s level III assets consist of warrants entitling the Company to acquire additional common shares of Xtract One and a forward contract to acquire additional common stock and warrants of Xtract One. The Company’s warrants and forward contract are included within Other assets and Other current assets, respectively, in the accompanying consolidated balance sheets. The fair value of the Company’s warrants in Xtract One were determined using the Black-Scholes option pricing model. The fair value of the Company’s forward contract was determined using the number of additional common shares and warrants in the forward contract, the contractual price of the forward contract, the quoted prices of Xtract One, and the fair value of the Xtract One warrants as of March 31, 2023. The following are key assumptions used to calculate the fair value of the warrants as of March 31, 2023:

	March 31, 2023
Expected term	2.47 years
Expected volatility	77.32 %
Risk-free interest rate	3.94 %

The following table presents additional information about our assets for which we utilize Level III inputs to determine fair value:

	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2023
Balance at beginning of period	\$ —	\$ —
Purchases of warrants	1,959	1,959
Unrealized gains on warrants	4,543	4,543
Unrealized gains on forward contract	7,140	7,140
Balance at end of period	<u>\$ 13,642</u>	<u>\$ 13,642</u>

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

	March 31, 2023		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)	\$ 350,000	\$ 350,000	\$ 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 based on valuation of similar securities. 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.

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

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.

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. During the nine months ended March 31, 2023, the Company borrowed an additional \$55,000 and made principal repayments of \$15,000 under the 2021 Knicks Revolving Credit Facility. The outstanding balance under the 2021 Knicks Revolving Credit Facility was \$260,000 as of March 31, 2023, 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 March 31, 2023 was 6.11%. During the nine months ended March 31, 2023 the Company made interest payments of \$8,865 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

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

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 March 31, 2023, 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.

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. During the nine months ended March 31, 2023, the Company borrowed \$160,000 and made principal repayments of \$70,000 under the 2021 Rangers Revolving Credit Facility. The outstanding balance under the 2021 Rangers Revolving Credit Facility was \$90,000 as of March 31, 2023, which was recorded as Long-term debt in the accompanying consolidated balance sheet. The interest rate on the 2021 Rangers Revolving Credit Facility as of March 31, 2023 was 6.66%. During the nine months ended March 31, 2023 the Company made interest payments of \$3,669 in respect of the 2021 Rangers Revolving Credit Facility. In addition, on April 28, 2023, the Company made an additional principal repayment of \$30,000 under 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.

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

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 March 31, 2023, 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, distributed or transferred by the NHL to Rangers LLC. The outstanding balance under the 2021 Rangers NHL Advance Agreement was \$30,000 as of March 31, 2023 and was recorded as Debt in the accompanying consolidated balance sheet. During the nine months ended March 31, 2023 the Company made interest payments of \$675.

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:

	March 31, 2023	June 30, 2022
Other current assets	\$ 1,145	\$ 1,145
Other assets	3,096	3,954

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

Note 12. Benefit Plans

Defined Benefit Pension Plans

Prior to the Sphere Distribution, the Company sponsored various defined benefit pension plans and a contributory welfare plan. As of the Sphere Distribution Date, the Company and Sphere Entertainment entered into an employee matters agreement (the “Employee Matters Agreement”) which determined each company’s obligations after the Sphere 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 Sphere 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 and nine months ended March 31, 2023 and 2022. Net periodic benefit cost is reported in Miscellaneous income (expense), net.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Interest cost	\$ 60	\$ 31	\$ 180	\$ 93
Recognized actuarial loss	4	33	13	99
Net periodic benefit cost	<u>\$ 64</u>	<u>\$ 64</u>	<u>\$ 193</u>	<u>\$ 192</u>

Defined Contribution Plans

Prior to the Sphere 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 Sphere Distribution, the Savings Plans were transferred to Sphere 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 were \$1,465 and \$3,602 for the three and nine months ended March 31, 2023, respectively, and \$1,238 and \$3,076 for the three and nine months ended March 31, 2022 respectively.

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”). The Company recorded compensation expense of \$368 and \$714 for the three and nine months ended March 31, 2023, respectively, within Selling, general and administrative expenses to reflect the remeasurement of the Deferred Compensation Plan liability. In addition, the Company recorded gains of \$368 and \$714 for the three and nine months ended March 31, 2023, respectively, 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:

	March 31, 2023	June 30, 2022
Non-current assets (included in other assets)	\$ 13,309	\$ 2,736
Current liabilities (included in accrued employee related costs)	(1,262)	(123)
Non-current liabilities (included in other employee related costs)	(12,047)	(2,613)

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

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 \$3,220 and \$22,059 for the three and nine months ended March 31, 2023, respectively and \$6,973 and \$19,178 for the three and nine months ended March 31, 2022, respectively. There were no costs related to share-based compensation that were capitalized for the three and nine months ended March 31, 2023 and 2022 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 Sphere Entertainment employees and non-employee directors, for the nine months ended March 31, 2023:

	Number of		Weighted-Average
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	Fair Value Per Share at Date of Grant ^(a)
Unvested award balance, June 30, 2022	199	189	\$ 198.21
Granted	74	57	\$ 161.70
Vested	(169)	(87)	\$ 213.11
Forfeited / Cancelled	(2)	(2)	\$ 159.80
Unvested award balance, March 31, 2023	102	157	\$ 165.49

^(a) *Weighted-average fair value per share at date of grant does not reflect any adjustments to awards granted prior to the Sphere Distribution.*

The fair value of RSUs that vested during the nine months ended March 31, 2023 was \$40,795. 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 Sphere Entertainment's employees' required statutory tax withholding obligations for the applicable income and other employment taxes, 117 of these RSUs, with an aggregate value of \$18,621, inclusive of \$4,956 related to Sphere 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 nine months ended March 31, 2023.

The fair value of RSUs that vested during the nine months ended March 31, 2022 was \$40,490. The weighted-average fair value per share at grant date of RSUs granted during the nine months ended March 31, 2022 was \$160.22.

Stock Options Award Activity

The following table summarizes activity related to the Company's stock options for the nine months ended March 31, 2023:

	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 March 31, 2023	94	\$ 138.78	4.71	\$ 5,261
Exercisable as of March 31, 2023	94	\$ 138.78	4.71	\$ 5,261

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

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.

On October 6, 2022, the Company's Board of Directors authorized a \$75,000 accelerated share repurchase ("ASR") program under the Company's existing share repurchase authorization. On October 28, 2022, the Company entered into a \$75,000 ASR agreement with JPMorgan Chase Bank, National Association ("JP Morgan"). Pursuant to the ASR agreement, the Company made a payment of \$75,000 to JP Morgan and JP Morgan delivered 388,777 initial shares of Class A Common Stock to the Company on November 1, 2022, representing 80% of the total shares expected to be repurchased under the ASR (determined based on the closing price of the Company's Class A Common Stock of \$154.33 on October 28, 2022). The ASR was completed on January 31, 2023 with JP Morgan delivering 67,681 additional shares of Class A Common Stock to the Company upon final settlement. The average purchase price per share for shares of Class A Common Stock purchased by the Company pursuant to the ASR was \$164.31.

The ASR was accounted for as a repurchase of shares and as an equity forward contract indexed to the Company's Class A Common Stock. The equity forward contract was classified as an equity instrument under ASC Subtopic 815-40. The Company has treated the initial and final shares of Class A Common Stock delivered as treasury shares as of the date the shares were physically delivered in computing the weighted average shares of outstanding Class A Common Stock for both basic and diluted earnings per share.

As of March 31, 2023, the Company had \$184,639 of availability remaining under its stock repurchase authorization.

Note 15. Related Party Transactions

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

As of March 31, 2023, 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 3.2% 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 71.0% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan family are also the controlling stockholders of Sphere Entertainment, MSG Entertainment and AMC Networks Inc. ("AMC Networks").

The Company was party to the following agreements and/or arrangements with Sphere Entertainment as of March 31, 2023, which are now between the Company and MSG Entertainment as of the MSGE Distribution Date:

- 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 sales and catering services during Knicks and Rangers home games, (v) provides day of game services that were historically provided prior to the Sphere Distribution, and (vi) provides other general services within The Garden;
- 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, 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 Sphere 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

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

functions and executive support services, in exchange for service fees and (ii) provides certain services to MSG Entertainment, such as certain communications, legal 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;
- Interest-bearing advances to MSG Entertainment in connection with the construction of new premium hospitality suites at The Garden;
- 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 and;
- Other agreements with MSG Entertainment entered into in connection with the Sphere Distribution, including a trademark license agreement and certain other arrangements.

The Company is also party to the following agreements and/or arrangements with Sphere Entertainment (including through its subsidiary MSG Networks) which were not assigned to MSG Entertainment in connection with the MSGE Distribution:

- Media rights agreements between the Company and MSG Networks, with stated terms of 20 years providing MSG Networks with local telecast right for Knicks and Rangers games in exchange for media rights fees;
- Other agreements with Sphere Entertainment in connection with the Sphere Distribution, including a distribution agreement, a tax disaffiliation agreement and an employee matters 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 shared certain executive support costs, including office space, executive assistants, security and transportation costs for: (i) the Company’s Executive Chairman with Sphere Entertainment; and (ii) the Company’s Vice Chairman with AMC Networks and Sphere Entertainment. Following the MSGE Distribution, such costs are also shared with MSG Entertainment. The Company also previously shared costs for the Company’s former Chief Executive Officer with Sphere Entertainment through March 31, 2022. Additionally, the Company, Sphere Entertainment and AMC Networks allocated the costs of certain personal aircraft and helicopter usage by their shared executives. Following the MSGE Distribution, such costs are also shared with MSG Entertainment.

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.

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

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 and nine months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Revenues ^(a)	\$ 84,024	\$ 75,851	\$ 167,148	\$ 153,229
Operating expenses:				
Corporate expenses pursuant to Services Agreement with Sphere Entertainment	\$ 8,702	\$ 9,473	\$ 28,032	\$ 29,347
Rent expense (sublease) due to Sphere Entertainment	741	752	2,162	2,232
Costs associated with the Sponsorship sales and service representation agreements	7,866	8,389	16,525	16,857
Operating lease expense associated with the Arena License Agreements	30,962	29,425	63,890	58,422
Other costs associated with the Arena License Agreements	14,135	12,771	30,202	24,790
Other operating expenses, net	64	479	69	800

(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

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% primarily due to state taxes, nondeductible officers' compensation, and players' disability insurance premiums expense. The estimated annual effective tax rate is revised on a quarterly basis.

Income tax expense for the three and nine months ended March 31, 2023 of \$42,962 and \$47,024, respectively, reflect an effective tax rate of 45% and 46%.

Income tax expense for the three and nine months ended March 31, 2022 of \$34,993 and \$30,939, respectively, reflect an effective tax rate of 59% and 58%.

The Company was notified in April 2020 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. The Company does not expect the examinations, when finalized, to result in material changes

During the nine months ended March 31, 2023, the Company made income tax payments of \$1,084.

Note 17. Subsequent Events

CLG & NRG Combination

On April 6, 2023, the Company completed the sale of its controlling interest in CLG to NRG, a professional gaming and entertainment company, in exchange for a noncontrolling equity interest in the combined NRG/CLG company, which will be accounted for as an equity method investment. The Company will deconsolidate the CLG business in the fourth quarter of fiscal year 2023 and the transaction is not expected to have a material impact on the Company's ongoing operations, financial position, or cash flows.

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”) 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 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 executing 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 (“CBAs”) with their players’ associations, salary caps, escrow requirements, revenue sharing, NBA luxury tax thresholds and media rights, or other regulations under which we operate;
- 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;
- 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 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;
- the impact of any government plans to redesign New York City’s Pennsylvania Station;

[Table of Contents](#)

- 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;
- certain restrictions on transfer and ownership of our common stock related to our ownership of professional sports franchises in the NBA and NHL;
- the tax-free treatment of the MSGS Distribution and the Sphere Distribution;
- the performance by MSG Entertainment and Sphere Entertainment and their respective subsidiaries of their respective obligations under various agreements with the Company related to the Sphere 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.

[Table of Contents](#)

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

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the Company's unaudited financial statements and accompanying notes thereto included in this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the 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 thereof, could result in renewed governmental and/or league restrictions on attendance or otherwise impact the Company's operations and operating results.

League Matters

On April 26, 2023, the NBA and the National Basketball Players Association (the "NBPA") announced that a new seven-year CBA had been ratified by the NBA Board of Governors and the NBA players, which will take effect on July 1, 2023 and run through the 2029-30 season.

This MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and nine months ended March 31, 2023 compared to the three and nine months ended March 31, 2022.

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 nine months ended March 31, 2023 compared to the nine months ended March 31, 2022, 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.

[Table of Contents](#)
Results of Operations
Comparison of the three and nine months ended March 31, 2023 versus the three and nine months ended March 31, 2022

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

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenues	\$ 382,744	\$ 337,774	\$ 44,970	13 %	\$ 760,527	\$ 646,149	\$ 114,378	18 %
Direct operating expenses	239,051	206,273	32,778	16 %	468,434	407,698	60,736	15 %
Selling, general and administrative expenses	61,102	68,902	(7,800)	(11)%	192,019	172,230	19,789	11 %
Depreciation and amortization	840	1,206	(366)	(30)%	2,703	3,847	(1,144)	(30)%
Operating income	81,751	61,393	20,358	33 %	97,371	62,374	34,997	56 %
Other expense:								
Interest expense, net	(6,300)	(2,418)	(3,882)	NM	(14,768)	(9,013)	(5,755)	(64)%
Miscellaneous income (expense), net	19,324	(63)	19,387	NM	19,543	(190)	19,733	NM
Income before income taxes	94,775	58,912	35,863	61 %	102,146	53,171	48,975	92 %
Income tax expense	(42,962)	(34,993)	(7,969)	(23)%	(47,024)	(30,939)	(16,085)	(52)%
Net income	51,813	23,919	27,894	NM	55,122	22,232	32,890	NM
Less: Net loss attributable to nonredeemable noncontrolling interests	(566)	(584)	18	3 %	(1,928)	(1,711)	(217)	(13)%
Net income attributable to Madison Square Garden Sports Corp.'s stockholders	<u>\$ 52,379</u>	<u>\$ 24,503</u>	<u>\$ 27,876</u>	NM	<u>\$ 57,050</u>	<u>\$ 23,943</u>	<u>\$ 33,107</u>	NM

Revenues

Revenues increased \$44,970, or 13%, to \$382,744 for the three months ended March 31, 2023 as compared to the prior year period. Revenues increased \$114,378, or 18%, to \$760,527 for the nine months ended March 31, 2023 as compared to prior year period. The net increases were attributable to the following:

	Three Months	Nine Months
Increase in pre/regular season ticket-related revenues	\$ 21,936	\$ 52,706
Increase in suite revenues	8,874	22,900
Increase in revenues from local media rights fees	6,850	11,167
Increase in sponsorship and signage revenues	4,751	14,855
Increase in pre/regular season food, beverage, and merchandise sales	3,153	7,666
(Decrease) increase in revenues from league distribution	(820)	3,270
Other net increases	226	1,814
	<u>\$ 44,970</u>	<u>\$ 114,378</u>

The increases in pre/regular season ticket-related revenues for the three and nine months ended March 31, 2023 were primarily due to higher average per-game revenue and the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods. The Knicks played twenty-one games at The Garden during the three months ended March 31, 2023 and forty-two games at The Garden during the nine months ended March 31, 2023 as compared to twenty and forty-one games at The Garden, respectively, during the prior year periods. The Rangers played nineteen games at The Garden during the three months ended March 31, 2023 and forty-one games at The Garden during the nine months ended March 31, 2023 as compared to eighteen and thirty-four games at The Garden, respectively, during the prior year periods.

The increases in suite revenues for the three and nine months ended March 31, 2023 were primarily due to higher net sales of suites products and the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods.

[Table of Contents](#)

The increases in revenues from local media rights for the three and nine months ended March 31, 2023 were primarily due to contractual rate increases and the timing of the NHL 2021-22 regular season resulting in revenue being recognized over a longer time frame in the prior fiscal year.

The increases in sponsorship and signage revenues for the three and nine months ended March 31, 2023 were primarily due to (i) the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods, (ii) higher net sales of existing sponsorship and signage inventory, and (iii) sales of new sponsorship and signage inventory.

The increases in pre/regular season food, beverage, and merchandise sales for the three and nine months ended March 31, 2023 were primarily due to higher average Knicks and Rangers per-game revenue and the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods.

The decrease in revenues from league distributions for the three months ended March 31, 2023 was primarily due to lower other league distributions in the current year period, partially offset by increased national media rights fees in the current year period and the timing of the NHL 2021-22 regular season resulting in revenue being recognized over a longer time frame in the prior fiscal year. The increase in revenues from league distributions for the nine months ended March 31, 2023 was primarily due to increased national media rights fees in the current year period and the timing of the NHL 2021-22 regular season resulting in revenue being recognized over a longer time frame in the prior fiscal year, partially offset by lower other league distributions in the current year period.

Direct operating expenses

Direct operating expenses increased \$32,778, or 16%, to \$239,051 for the three months ended March 31, 2023 as compared to the prior year period. Direct operating expenses increased \$60,736, or 15%, to \$468,434 for the nine months ended March 31, 2023 as compared to the prior year period. The net increases were attributable to the following:

	Three Months	Nine Months
Increase in team personnel compensation	\$ 38,294	\$ 57,631
Increase in other team operating expenses	6,229	13,265
Increase in operating lease costs associated with the Knicks and the Rangers playing home games at The Garden	1,537	5,469
Increase in pre/regular season expense associated with merchandise sales	1,692	4,152
Decrease in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax	(14,751)	(17,243)
Decrease in net provisions for certain team personnel transactions	(223)	(2,538)
	<u>\$ 32,778</u>	<u>\$ 60,736</u>

The increases in team personnel compensation for the three and nine months ended March 31, 2023 were primarily related to the impact of roster changes for the Knicks and the Rangers and the timing of the NHL 2021-22 regular season resulting in expenses being recognized over a longer time frame in the prior fiscal year.

The increases in other team operating expenses for the three and nine months ended March 31, 2023 were primarily related to (i) higher per-game average expenses as compared to the prior year periods, (ii) the timing of the NHL 2021-22 regular season resulting in expenses being recognized over a longer time frame in the prior fiscal year, and (iii) the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods. Other team operating expenses primarily consists of expenses associated with day-to-day operations, including variable day-of-event costs incurred at The Garden, team travel, player insurance, and league assessments.

The increases in operating lease costs associated with the Knicks and the Rangers playing home games at The Garden for the three and nine months ended March 31, 2023 were related to the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods.

The increases in pre/regular season expense associated with merchandise sales for the three and nine months ended March 31, 2023 were primarily related to higher merchandise sales as a result of higher average Knicks and Rangers per-game revenue and the Knicks and the Rangers playing additional games at The Garden during the current year periods as compared to the prior year periods.

[Table of Contents](#)

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

	Three Months Ended March 31,			Nine Months Ended March 31,		
	2023	2022	Decrease	2023	2022	Decrease
Net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax	\$ 11,720	\$ 26,471	\$ (14,751)	\$ 30,505	\$ 47,748	\$ (17,243)

The decreases in net provisions for league revenue sharing expense (net of escrow and excluding playoffs) and NBA luxury tax for the three and nine months ended March 31, 2023 were primarily related to (i) lower provisions for league revenue sharing expense (net of escrow and excluding playoffs) of \$9,138 and \$9,337, respectively, (ii) higher estimated recoveries of NBA luxury tax in the current year periods, and (iii) the net impact of adjustments to prior seasons' revenue sharing expense (net of escrow and excluding playoffs).

The Knicks were not a luxury tax payer for the 2021-22 season and, therefore, received an equal share of the portion of luxury tax receipts that were distributed to non-tax paying teams. The Knicks' roster as of March 31, 2023 would not result in the team being a luxury tax payer for the 2022-23 season.

The actual amounts for the 2022-23 seasons may vary significantly from the recorded provisions based on actual operating results for each league and all teams within each league for the season and other factors.

Net provisions for certain team personnel transactions were as follows:

	Three Months Ended March 31,			Nine Months Ended March 31,		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Season-ending player injuries ^(a)	\$ —	\$ 1,305	\$ (1,305)	\$ —	\$ 2,662	\$ (2,662)
Waivers/contract terminations	30	65	(35)	(1,362)	723	(2,085)
Player trades	51	(1,066)	1,117	1,143	(1,066)	2,209
Net provisions for certain team personnel transactions	\$ 81	\$ 304	\$ (223)	\$ (219)	\$ 2,319	\$ (2,538)

^(a) Net of insurance recovery of \$656 for the three and nine months ended March 31, 2022.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily consist of (i) administrative costs, including compensation, professional fees, costs under the Company's Services Agreement with Sphere Entertainment, (ii) fees related to the Company's sponsorship sales and service representation agreements, and (iii) sales and marketing costs. Selling, general and administrative expenses generally do not fluctuate in line with changes in the Company's revenues and direct operating expenses.

Selling, general and administrative expenses for the three months ended March 31, 2023 decreased \$7,800, or 11%, to \$61,102 as compared to the prior year period, primarily due to lower employee compensation and related benefits of \$8,020, a result of executive management transition costs recognized during the prior year period. Selling, general and administrative expenses for the nine months ended March 31, 2023 increased by \$19,789, or 11%, to \$192,019 as compared to the prior year period, primarily due to (i) higher employee compensation and related benefits of \$12,969, including the net impact of executive management transition costs and the impact of staffing increases relative to the prior year period reflecting the business' return to normal operations, (ii) an increase in marketing costs of \$3,319, (iii) higher fees related to the Company's sponsorship sales and service representation agreements with Sphere Entertainment of \$1,636, and (iv) an increase in professional fees of \$1,245, partially offset by lower costs related to the Company's Services Agreement with Sphere Entertainment of \$2,498.

As of the MSGE Distribution Date, the agreements described above with Sphere Entertainment are now between the Company and MSG Entertainment.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2023 decreased \$366, or 30%, to \$840 as compared to the prior year period. Depreciation and amortization for the nine months ended March 31, 2023 decreased by \$1,144 or 30% to \$2,703 as compared to the prior year period.

Table of Contents

Operating income

Operating income for the three months ended March 31, 2023 increased \$20,358, or 33%, to \$81,751 as compared to the prior year period. For the three months ended March 31, 2023, the increase in operating income was primarily due to an increase in revenues and to a lesser extent lower selling, general and administrative expenses, partially offset by higher direct operating expenses.

Operating income for the nine months ended March 31, 2023 increased \$34,997, or 56%, to \$97,371 as compared to the prior year period. For the nine months ended March 31, 2023, the increase in operating income was primarily due to an increase in revenues, partially offset by higher direct operating expenses and selling, general and administrative expenses.

Interest expense, net

Net interest expense for the three months ended March 31, 2023 increased \$3,882 to \$6,300 as compared to the prior year period. The increase was primarily due to higher interest rates in the current year period causing increased interest expense under the Knicks and the Rangers revolving credit facilities, partially offset by higher interest income due to increased interest rates in the current year period. Net interest expense for the nine months ended March 31, 2023 increased \$5,755, or 64%, to \$14,768 as compared to the prior year period. The increase was primarily due to higher interest rates in the current year period causing increased interest expense under the Knicks and the Rangers revolving credit facilities. The increase was partially offset by (i) higher interest income due to increased interest rates in the current year period, (ii) lower average borrowings under the Rangers revolving credit facility in the current year period as compared to the prior year period, and (iii) the acceleration of previously incurred financing costs that were recognized in the prior year period as a result of the Company terminating the 2020 Knicks Holdings Revolving Credit Facility.

Miscellaneous income (expense), net

Miscellaneous income (expense), net for the three months ended March 31, 2023 of \$19,324 improved \$19,387 as compared to the prior year period. Miscellaneous income (expense), net for the nine months ended March 31, 2023 of \$19,543 improved \$19,733 as compared to the prior year period. The improvements were primarily due to higher recognition of unrealized gains primarily related to the Company's investments in Xtract One common stock and warrants and unrealized gains related to the Company's forward contract in the current year periods as compared to the prior year periods.

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 income

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 Sphere Entertainment (which are now with MSG Entertainment as of the MSGE Distribution Date), (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 this adjustment is beneficial for other incremental reasons as well. This adjustment provides senior management, investors and analysts with important information regarding a long-term related party agreement with Sphere Entertainment (now MSG Entertainment). In addition, this adjustment is a component of the performance measures used to evaluate, and compensate, senior management of the Company. 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

[Table of Contents](#)

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 income to adjusted operating income for the three and nine months ended March 31, 2023 as compared to the prior year periods:

	Three Months Ended				Nine Months Ended			
	March 31,		Change		March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%
Operating income	\$ 81,751	\$ 61,393	\$ 20,358	33 %	\$ 97,371	\$ 62,374	\$ 34,997	56 %
Deferred rent ^(a)	11,949	11,882			24,657	23,590		
Depreciation and amortization	840	1,206			2,703	3,847		
Share-based compensation	3,220	6,973			22,059	19,178		
Remeasurement of deferred compensation plan liabilities	368	—			714	—		
Adjusted operating income	<u>\$ 98,128</u>	<u>\$ 81,454</u>	\$ 16,674	20 %	<u>\$ 147,504</u>	<u>\$ 108,989</u>	\$ 38,515	35 %

^(a) This adjustment represents the non-cash portion of operating lease costs related to the Company's Arena License Agreements with Sphere Entertainment. Pursuant to GAAP, recognition of operating lease costs is recorded on a straight-line basis over the term of the agreement based upon the value of total future payments under the arrangement. As a result, operating lease costs is comprised of a contractual cash component plus or minus a non-cash component for each period presented. Operating expense on a GAAP basis includes operating lease costs of (i) \$19,013 and \$39,234 of expense paid in cash for the three and nine months ended March 31, 2023, respectively, and \$17,543 and \$34,831 of expense paid in cash for three and nine months ended March 31, 2022, respectively, and (ii) a non-cash expense of \$11,949 and \$24,657 for the three and nine months ended March 31, 2023, respectively, and \$11,882 and \$23,590 for the three and nine months ended March 31, 2022, respectively.

For the three months ended March 31, 2023, adjusted operating income increased \$16,674, or 20%, to \$98,128 as compared to the prior year period. For the three months ended March 31, 2023, the increase in adjusted operating income was primarily due to an increase in revenues and to a lesser extent lower selling, general and administrative expenses, partially offset by higher direct operating expenses.

For the nine months ended March 31, 2023, adjusted operating income increased \$38,515, or 35%, to \$147,504 as compared to the prior year period. For the nine months ended March 31, 2023, the increase in adjusted operating income was primarily due to an increase in revenues, partially offset by higher direct operating expenses and selling, general and administrative expenses.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash and cash equivalents, available borrowing capacity under our credit facilities, and cash flow from our operations. 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, the 2021 Rangers Credit Agreement, and the 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, repurchases of shares of the Company's Class A Common Stock, including \$75,000 under the ASR (as defined below), dividends, if declared, and investments.

As of March 31, 2023, we had \$65,182 in Cash and cash equivalents. In addition, as of March 31, 2023, the Company's deferred revenue obligations were \$140,430, net of billed, but not yet collected deferred revenue. This balance is primarily comprised of obligations in connection with tickets and suites. In addition, the Company's deferred revenue obligations included \$30,000 from the NBA, which the league provided to each team.

[Table of Contents](#)

We regularly monitor and assess our ability to meet our net funding and investing requirements. The decisions of the Company as to the use of its available liquidity will be based upon the ongoing review of the funding needs of the business, management's view of a favorable allocation of cash resources, and the timing of cash flow generation. To the extent the Company desires to access alternative sources of funding through the capital and credit markets, restrictions imposed by the NBA and NHL and potentially 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 \$65,182 in Cash and cash equivalents as of March 31, 2023, along with \$175,000 of additional available borrowing capacity under existing credit facilities, to fund our operations and satisfy any obligations for the foreseeable future. In addition, on April 28, 2023, the Company made an additional principal repayment of \$30,000 under the 2021 Rangers Revolving Credit Facility.

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 a one-time cash dividend of \$7.00 per share (the "Special Dividend") payable on October 31, 2022 to shareholders of record on October 17, 2022. During the three and nine months ended March 31, 2023, the Company made payments of \$170,824 related to the Special Dividend.

On October 6, 2022, the Company's Board of Directors authorized a \$75,000 accelerated share repurchase ("ASR") program under the Company's existing share repurchase authorization. On October 28, 2022, the Company entered into a \$75,000 ASR agreement with JPMorgan Chase Bank, National Association ("JP Morgan"). Pursuant to the ASR agreement, the Company made a payment of \$75,000 to JP Morgan and JP Morgan delivered 388,777 initial shares of Class A Common Stock to the Company on November 1, 2022, representing 80% of the total shares expected to be repurchased under the ASR (determined based on the closing price of the Company's Class A Common Stock of \$154.33 on October 28, 2022). The ASR was completed on January 31, 2023 with JP Morgan delivering 67,681 additional shares of Class A Common Stock to the Company upon final settlement. The average purchase price per share for shares of Class A Common Stock purchased by the Company pursuant to the ASR was \$164.31.

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 nine months ended March 31, 2023 and 2022:

	Nine Months Ended March 31,	
	2023	2022
Net income	\$ 55,122	\$ 22,232
Adjustments to reconcile net income to net cash used in operating activities	34,191	55,511
Changes in working capital assets and liabilities	25,488	(13,510)
Net cash provided by operating activities	114,801	64,233
Net cash used in investing activities	(10,366)	(1,136)
Net cash used in financing activities	(129,618)	(84,978)
Net decrease in cash, cash equivalents and restricted cash	\$ (25,183)	\$ (21,881)

Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2023 was \$114,801 as compared to net cash provided by operating activities in the prior period of \$64,233. This was primarily due to the increase in net income adjusted for non-cash items in addition to changes in working capital assets and liabilities. The changes in working capital assets and liabilities were primarily driven by lower Net related party receivables of \$45,592 due to the timing of collections related to the Company's Arena License Agreements and an increase in Deferred revenue of \$30,132 due to higher collections of ticket sales. These changes are partially offset by (i) lower Net related party payables of \$20,225 due to the timing of payments related to the Company's Services Agreement and employee matters agreements, (ii) increased Accounts receivable, net of \$15,098 primarily due to collections of league related receivables, including escrow and player compensation recoveries, luxury tax, and league distributions related to prior NBA and NHL seasons in the prior year period, and (iii) the timing of collections associated with sponsorship and signage revenue.

[Table of Contents](#)

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2023 increased by \$9,230 to \$10,366 as compared to the prior year period primarily due to higher purchases of equity securities in the current year period as compared to the prior year period.

Financing Activities

Net cash used in financing activities for the nine months ended March 31, 2023 increased by \$44,640 to \$129,618 as compared to the prior year period primarily due to the payment of the Special Dividend and the ASR in the current year period, partially offset by additional net borrowings under the Knicks and the Rangers credit facilities in the current year period as compared to the prior 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, which is when the majority of the teams' games are played.

Critical Accounting Policies

Recently Issued Accounting Pronouncements

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

Critical Accounting Policies

The following discussion has been included to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of fiscal year 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 March 31, 2023 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

[Table of Contents](#)

- 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 concluded it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

Identifiable Indefinite-Lived Intangible Assets

Identifiable indefinite-lived intangible assets are tested annually for impairment as of August 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 March 31, 2023:

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 concluded it was not more likely than not that the fair value of the indefinite-lived intangible assets was less than their carrying amount.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 March 31, 2023, we had a total of \$350 million borrowings outstanding under our credit facilities. The effect of a hypothetical 100 basis point increase in floating interest rates prevailing as of March 31, 2023 and continuing for a full year would increase interest expense by approximately \$3.5 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 Executive Chairman (our principal 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 Executive Chairman and Chief Financial Officer concluded that as of March 31, 2023 the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the quarter ended March 31, 2023 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

Share Repurchase Program

On October 6, 2022, the Company's Board of Directors authorized a \$75 million accelerated share repurchase ("ASR") program under the Company's existing share repurchase authorization. On October 28, 2022, the Company entered into a \$75 million ASR agreement with JPMorgan Chase Bank, National Association ("JP Morgan"). Pursuant to the ASR agreement, the Company made a payment of \$75 million to JP Morgan and JP Morgan delivered 388,777 initial shares of Class A Common Stock to the Company on November 1, 2022, representing 80% of the total shares expected to be repurchased under the ASR (determined based on the closing price of the Company's Class A Common Stock of \$154.33 on October 28, 2022). The ASR was completed on January 31, 2023 with JP Morgan delivering 67,681 additional shares of Class A Common Stock to the Company upon final settlement. The average purchase price per share for shares of Class A Common Stock purchased by the Company pursuant to the ASR was \$164.31.

The ASR was effected pursuant to the Company's existing share repurchase authorization and as of March 31, 2023, the Company had approximately \$185 million available for repurchases under this existing share repurchase authorization. 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.

See Note 14 in the Notes to Condensed Consolidated Financial Statements for additional information.

The following table provides information with respect to the Company's purchase of its Class A Common Stock during the three months ended March 31, 2023:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs
January 1, 2023 to January 31, 2023	—	\$ —	—	\$ 184,639,000
February 1, 2023 to February 28, 2023	67,681	(1)	67,681	184,639,000
March 1, 2023 to March 31, 2023	—	—	—	184,639,000
Total	<u>67,681</u>	<u>(1)</u>	<u>67,681</u>	

(1) The ASR concluded pursuant to the terms of the ASR agreement on January 31, 2023, with JP Morgan delivering 67,681 additional shares of Class A Common Stock to the Company on February 2, 2023. The average purchase price per share for shares purchased by the Company pursuant to the ASR was \$164.31.

[Table of Contents](#)

Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
31.1	Certification by the Executive Chairman 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 Executive Chairman 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 March 31, 2023 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 March 31, 2023 formatted in Inline XBRL and contained in Exhibit 101.

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 4th day of May 2023.

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, James L. Dolan, 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: May 4, 2023

/s/ James L. Dolan

James L. Dolan
Executive Chairman

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: May 4, 2023

/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 March 31, 2023 (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: May 4, 2023

/s/ James L. Dolan

James L. Dolan
Executive Chairman

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 March 31, 2023 (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: May 4, 2023

/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.