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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended June 30, 2020  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File  
Number**

1-34434

**Registrant; State of Incorporation;  
Address and Telephone Number**

**MSG NETWORKS INC.**

Delaware  
11 Pennsylvania Plaza  
New York, NY 10001  
(212) 465-6400

**IRS Employer  
Identification No.**

27-0624498

**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 | MSGN              | New York Stock Exchange                    |

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has been 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 and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of MSG Networks Inc. as of June 30, 2020 computed by reference to the price at which the common equity was last sold on the New York Stock Exchange as of December 31, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$716 million.

Number of shares of common stock outstanding as of July 31, 2020:

Class A Common Stock — 43,122,080

Class B Common Stock — 13,588,555

Documents incorporated by reference — Certain information required for Part III of this report is incorporated herein by reference to the proxy statement for the 2020 annual meeting of the Company's shareholders, expected to be filed within 120 days after the close of our fiscal year.

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TABLE OF CONTENTS

|                                                                                                                                          | <u>Page</u>        |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <a href="#">PART I</a>                                                                                                                   |                    |
| <a href="#">Item 1. Business</a>                                                                                                         | <a href="#">3</a>  |
| <a href="#">Item 1A. Risk Factors</a>                                                                                                    | <a href="#">8</a>  |
| <a href="#">Item 1B. Unresolved Staff Comments</a>                                                                                       | <a href="#">20</a> |
| <a href="#">Item 2. Properties</a>                                                                                                       | <a href="#">20</a> |
| <a href="#">Item 3. Legal Proceedings</a>                                                                                                | <a href="#">20</a> |
| <a href="#">Item 4. Mine Safety Disclosure</a>                                                                                           | <a href="#">20</a> |
| <a href="#">PART II</a>                                                                                                                  |                    |
| <a href="#">Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a> | <a href="#">20</a> |
| <a href="#">Item 6. Selected Financial Data</a>                                                                                          | <a href="#">22</a> |
| <a href="#">Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>                            | <a href="#">23</a> |
| <a href="#">Item 7A. Quantitative and Qualitative Disclosures About Market Risk</a>                                                      | <a href="#">36</a> |
| <a href="#">Item 8. Financial Statements and Supplementary Data</a>                                                                      | <a href="#">36</a> |
| <a href="#">Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>                             | <a href="#">36</a> |
| <a href="#">Item 9A. Controls and Procedures</a>                                                                                         | <a href="#">36</a> |
| <a href="#">Item 9B. Other Information</a>                                                                                               | <a href="#">36</a> |
| <a href="#">PART III</a>                                                                                                                 |                    |
| <a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>                                                          | <a href="#">37</a> |
| <a href="#">Item 11. Executive Compensation</a>                                                                                          | <a href="#">37</a> |
| <a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>                  | <a href="#">37</a> |
| <a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>                                       | <a href="#">37</a> |
| <a href="#">Item 14. Principal Accountant Fees and Services</a>                                                                          | <a href="#">37</a> |
| <a href="#">PART IV</a>                                                                                                                  |                    |
| <a href="#">Item 15. Exhibits and Financial Statement Schedules</a>                                                                      | <a href="#">38</a> |
| <a href="#">Item 16. Form 10-K Summary</a>                                                                                               | <a href="#">41</a> |

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## PART I

### Item 1. Business

MSG Networks Inc., incorporated on July 29, 2009, is a Delaware corporation with our principal executive offices at 11 Pennsylvania Plaza, New York, NY, 10001. Unless the context otherwise requires, all references to “we,” “us,” “our” or the “Company” refer collectively to MSG Networks Inc., a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are conducted. Our telephone number is 212-465-6400, our website is <http://www.msgnetworks.com> and the investor relations section of our website is <http://investor.msgnetworks.com>. We make available, free of charge through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). References to our website in this report are provided as a convenience and the information contained on, or available through, our website is not part of this or any other report we file with or furnish to the SEC.

#### Our Company

The Company, an industry leader in sports production, and content development and distribution, owns and operates two award-winning regional sports and entertainment networks, MSG Network (“MSGN”) and MSG+, collectively “MSG Networks” and our companion streaming service, MSG GO. For 50 years, we have been a pioneer in regional sports programming, setting a standard of excellence, creativity and technological innovation. Today, our exclusive, award-winning programming continues to be a valuable differentiator for our viewers, advertisers and the cable, satellite, telephone, and other platforms (“Distributors”) that distribute our networks. Our networks are widely distributed throughout all of New York State and significant portions of New Jersey and Connecticut, as well as parts of Pennsylvania, collectively our “Regional Territory.” MSG GO is currently available to subscribers of all our major Distributors. Our networks are also carried nationally by certain Distributors on sports tiers or in similar packages.

We continually seek to enhance the value that our networks provide to viewers, advertisers and Distributors by utilizing state-of-the-art technology to deliver high-quality, best-in-class content and live viewing experiences. We operate in the nation’s largest television market, the New York Designated Market Area (“DMA”), and attract an important and coveted viewer demographic. Our unique position in this major media market, as a provider of exclusive live local games of top professional sports teams and other sports programming, allows us to optimize distribution revenue and partner with marquee brands to capture advertising sales and explore new content opportunities. In addition, we utilize a dedicated website and social media platforms to promote our brands by sharing content, spotlighting on-air talent, and providing in-depth information about the teams and athletes featured on our networks.

#### *Programming*

MSGN debuted as the first regional sports network in the country on October 15, 1969. During the last 50 years, we have been at the forefront of the industry, pushing the boundaries of regional sports coverage. In the process, our networks have become a powerful platform for some of the world’s greatest athletes and entertainers.

With our commitment to programming excellence, we have earned a reputation for best-in-class programming, production, marketing, and technical innovation. We have won more New York Emmy Awards (“Emmys”) for live sports and original programming over the past 10 years than any other station or network in the region.

The foundation of our programming is our professional sports coverage. MSGN and MSG+ feature a wide range of compelling sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (“NBA”); the New York Rangers (the “Rangers”), New York Islanders (the “Islanders”), New Jersey Devils (the “Devils”) and Buffalo Sabres (the “Sabres”) of the National Hockey League (“NHL”); as well as significant coverage of the New York Giants (the “Giants”) and Buffalo Bills (the “Bills”) of the National Football League (“NFL”).

Our networks also showcase a wide array of other sports and entertainment programming, which this past year included New York Red Bulls soccer; Westchester Knicks basketball; and New York Riptide lacrosse; as well as horse racing, poker, tennis, mixed martial arts, and boxing programs.

MSGN and MSG+ collectively aired approximately 400 live professional games this past year, along with a comprehensive lineup of other sporting events and original programming designed to give fans behind-the-scenes access and insight into the teams and players they love. This content includes comprehensive pre- and post-game coverage throughout the seasons, along with team-related programming that features coaches, players and more, all of which enable us to capitalize on the

## [Table of Contents](#)

extraordinary enthusiasm of our teams' fans. Further distinguishing our programming is our roster of renowned analysts and on-air talent, which includes Mike Breen, Walt Frazier, Sam Rosen, Joe Micheletti, Bill Pidto and Kenny Albert, among others. As the regional sports home of both the Giants and the Bills, our networks feature extensive content specifically for fans of both teams, which, during the 2019-20 NFL season, included pre- and post-game content and other team-related programming.

In addition to our live games and team-related programming, we offer an evolving slate of compelling content to appeal to our existing audiences, as well as new viewers. This includes our "MSG Shorts" programming block, which features short-form content targeted to a younger audience, that is suited for our linear networks as well as digital and social platforms. Programming highlights this past year included original productions such as "Unfiltered," "Verified," "Connections," and "Conference Room H," which provided access to players, coaches, and celebrity guests with unique points of view; as well as popular shows such as "Sneaker Shopping" and "Hot Ones" from Complex, a global lifestyle media brand. As part of our MSG Shorts programming, we also launched themed content specials throughout the year — such as "Food Week," "Wellness Week," and "Sneaker Week" — that provided fans with an inside look into how these popular interests relate to the lives of athletes, coaches, and celebrities. This past year we also debuted "Home Ice with David Quinn," a weekly interview series with Rangers Head Coach David Quinn and "MSG 150 Final," a weeknight talk show featuring expert analysis, conversation and debate surrounding all New York sports teams.

When the NBA and the NHL regular seasons were suspended in March 2020 due to the novel coronavirus ("COVID-19") pandemic, we continued to offer viewers innovative programming, including the launch of "MSG 150 at Home," a remote version of our weeknight talk show. In addition, we launched various weekly thematic programming specials providing viewers with opportunities to relive classic games and historic moments from our teams.

In addition to MSGN and MSG+, the Company distributes programming through our companion streaming service, MSG GO. MSG GO allows subscribers to access MSGN and MSG+ and on demand content in a subscriber's geographic region, using their smartphones, tablets and computers.

### **Revenue**

The Company generates revenues principally from affiliation fees charged to Distributors for the right to carry our networks, as well as from the sale of advertising. The following customers each accounted for more than 10% of consolidated revenues for the year ended June 30, 2020: Altice USA, Charter, and Verizon.

#### *Affiliation Fee Revenue*

The Company's networks are distributed pursuant to agreements with our Distributors that are typically structured as multi-year agreements with staggered expiration dates and generally provide for annual contractual rate increases. We primarily earn revenue under these agreements based on the number of each Distributor's subscribers or subscribers that receive our networks. Our affiliation agreements include certain protections relating to the manner in which our networks are carried, and the compensation for such carriage. Examples of such protections include: carriage requirements; penetration minimums (which require that our networks are made available to significant percentages of our Distributors' basic subscribers); tag-along requirements (which require that MSGN and MSG+ are carried on the same tier as certain other networks); and/or payment minimums (which require us to be compensated based on significant percentages of our Distributors' subscribers). Affiliation fee revenue constituted at least 90% of our consolidated revenues for the year ended June 30, 2020.

MSGN and MSG+ are widely carried by major Distributors in our region, with an average combined reach of approximately 6.0 million viewing subscribers (as of the most recent available monthly information) in our Regional Territory. Our networks also enjoy national distribution with certain Distributors on sports tiers or in similar packages.

#### *Advertising Revenue*

The Company's programming, Regional Territory and viewer demographics make our networks attractive to advertisers. Our networks operate in the largest television market in the country, the New York DMA, and, with our exclusive live game coverage, offer advertisers an increasingly scarce asset in today's evolving media landscape — the ability to reach engaged audiences on a live basis. MSG Networks' viewers, a significant portion of whom are between the ages of 25-54 with high household incomes, also offer an appealing demographic for advertisers.

In addition, we benefit from our advertising sales representation agreement with Madison Square Garden Entertainment Corp. (together with its subsidiaries, "MSGE"), which provides for the packaged sale of certain network advertising inventory as part of team and arena marketing and sponsorship sales.

The Company's advertising revenue is derived largely from the sale of inventory in its live professional sports programming, as such, a disproportionate share of this revenue has historically been earned in the Company's second and third fiscal quarters.

## **Table of Contents**

The value of this inventory is dependent upon a number of factors, including team performance, the availability of live games, ratings, and general economic conditions. Advertising time is sold both in advance and in scatter markets.

### ***The Distributions***

On September 30, 2015 (the “Distribution Date”), the Company distributed to its stockholders all of the outstanding common stock of Madison Square Garden Sports Corp. (formerly, The Madison Square Garden Company) (together with its subsidiaries, “MSGs”) (the “Distribution”). On April 17, 2020, MSGS distributed to its stockholders all of the outstanding common stock of MSGE (the “Entertainment Distribution”).

### **Garden of Dreams Foundation**

Our Company has a close association with the Garden of Dreams Foundation (the “Foundation”), a non-profit charity that assists young people in need. The Foundation provides access to educational and skills opportunities; mentoring programs and memorable experiences that enhance lives, help shape futures and create lasting joy. The Foundation focuses on young people facing illness or financial challenges, as well as children of uniformed personnel who have been lost or injured while serving our communities. Since it was established in 2006, the Foundation has impacted more than 375,000 children and their families. The Company and the Foundation present “MSG Classroom,” an award-winning educational program to teach high school students about the media industry. The program provides a hands-on opportunity for students to develop skills, including broadcasting, script writing and production, and culminates with the students creating their own programming feature. The MSG Classroom program has been recognized with multiple Beacon Awards in the “Education” category, as well as a New York Emmy Award in the “Community Service” category.

### **Regulation**

The Federal Communications Commission (“FCC”) imposes regulations directly on programming networks and also on certain Distributors that affect programming networks indirectly. The rules, regulations, policies and procedures affecting our business are subject to change. The following paragraphs describe the existing legal and regulatory requirements that are most significant to our business today; they do not purport to describe all present and proposed laws and regulations affecting our business.

#### ***Closed Captioning***

Our programming networks must provide closed captioning of video programming for the hearing impaired and meet certain captioning quality standards. The FCC and certain of our affiliation agreements require us to certify compliance with such standards. We are also required to provide closed captioning on certain video content delivered via the Internet.

#### ***Commercial Loudness***

FCC rules require multichannel video programming distributors (“MVPDs”) to ensure that all commercials comply with specified volume standards, and certain of our affiliation agreements require us to certify compliance with such standards.

#### ***Advertising Restrictions on Children’s Programming***

Any programming and associated Internet websites intended primarily for children 12 years of age and under that we may offer must comply with certain limits on commercial content.

#### ***Obscenity Restrictions***

Distributors are prohibited from transmitting obscene programming, and certain of our affiliation agreements require us to refrain from including such programming on our networks.

#### ***Program Carriage***

The FCC has sought comment on changes to the program carriage rules, which prohibit Distributors from favoring their affiliated programming networks over unaffiliated similarly situated programming networks in the rates, terms and conditions of carriage agreements between programming networks and cable operators or other MVPDs. Some of these changes could make it more difficult for our programming networks to challenge a Distributor’s decision to decline to carry one of our programming networks or a Distributor action mid-contract that discriminates against one of our programming networks.

## [Table of Contents](#)

### ***Packaging and Pricing***

The FCC periodically considers examining whether to adopt rules regulating how programmers package and price their networks, such as whether programming networks require Distributors to purchase and carry undesired programming in return for the right to carry desired programming and, if so, whether such arrangements should be prohibited.

### ***Effect of “Must-Carry” Requirements***

The FCC’s implementation of the statutory “must-carry” obligations requires cable and satellite Distributors to give broadcasters preferential access to channel space. This may reduce the amount of channel space that is available for carriage of our programming networks and the amount of funds that Distributors have to pay us for our networks.

### ***Website and Mobile Application Requirements***

We maintain various websites and mobile applications that may be subject to third-party application store requirements, as well as a range of federal, state and local laws such as privacy, accessibility for persons with disabilities, and consumer protection regulations.

## **Competition**

### ***Distribution of Programming Networks***

The business of distributing programming networks is highly competitive. Our programming networks face competition from other programming networks, including other regional sports networks, for the right to be carried by a particular Distributor, and for the right to be carried on the service tier(s) that will attract the most subscribers. Once a programming network of ours is carried by a Distributor, that network competes for viewers not only with the other programming networks available through the Distributor, but also with pay-per-view programming and video on demand offerings, as well as Internet and online streaming and on demand services, mobile applications, social media and social networking platforms, radio, print media, motion picture theaters, home video, and other sources of information, sporting events and entertainment. Each of the following competitive factors are important to our networks: the prices we charge for our programming networks, the quantity, quality (in particular, the performance of the sports teams whose media rights we control), the variety of the programming offered on our networks, and the effectiveness of our marketing efforts.

Our ability to successfully compete with other programming networks for distribution may be hampered because the Distributors may be affiliated with other programming networks. In addition, because such affiliated Distributors may have a substantial number of subscribers, the ability of such competing programming networks to obtain distribution on affiliated Distributors may lead to increased subscriber and advertising revenue for such networks because of their increased penetration compared to our programming networks. Even if such affiliated Distributors carry our programming networks, there is no assurance that such Distributors will not place their affiliated programming network on more desirable tier(s) or otherwise favor their affiliated programming network, thereby giving the affiliated programming network a competitive advantage over our own.

New or existing programming networks that are owned by or affiliated with broadcast networks such as NBC, ABC, CBS or Fox may have a competitive advantage over our networks in obtaining distribution through the “bundling” of agreements to carry those programming networks with the agreement giving the Distributor the right to carry a broadcast station owned by or affiliated with the network.

In addition, content providers (such as certain broadcast and cable networks) and new content developers, Distributors and syndicators are distributing programming directly to consumers on an “over-the-top” (“OTT”) basis. In addition to existing direct-to-consumer streaming services such as Amazon Prime, Hulu and Netflix, in the last fiscal year, several new direct-to-consumer streaming services such as Apple TV+, Disney+, HBO Max, Peacock and Quibi have launched and additional services may launch in the near term. Such direct-to-consumer OTT distribution of content has contributed to consumers eliminating or downgrading their pay television subscription, which results in certain consumers not receiving our programming networks.

See “Item 1A. Risk Factors — *Our Business Faces Intense and Wide-Ranging Competition Which May Have a Material Negative Effect on Our Business and Results of Operations*” and “— *We May Not Be Able to Adapt to New Content Distribution Platforms and to Changes in Consumer Behavior Resulting From Emerging Technologies, Which May Have a Material Negative Effect on Our Business and Results of Operations.*” See also “Part II — Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Business Overview — Revenue Sources.”

## [Table of Contents](#)

### ***Sources of Programming***

We also compete with other networks and other distribution outlets to secure desired programming, including sports-related programming. Competition for programming increases as the number of programming networks and distribution outlets, including, but not limited to, streaming outlets, increases. Other programming networks, or distribution outlets, that are affiliated with or otherwise have larger relationships with programming sources such as sports teams or leagues, movie or television studios, or film libraries may have a competitive advantage over us in this area.

### ***Competition for Sports Programming Sources***

Because the loyalty of the sports viewing audience to a sports programming network is primarily driven by loyalty to a particular team or teams, access to adequate sources of sports programming is particularly critical to our networks. In connection with the Distribution, the Company entered into long-term media rights agreements with the Knicks and Rangers providing us with the exclusive media rights to their games. The Company also has multi-year media rights agreements with the Islanders, Devils and Sabres. Our rights with respect to these professional teams may be limited in certain circumstances due to rules imposed by the leagues in which they compete. Our programming networks compete for telecast rights for teams or events principally with national or regional programming networks that specialize in or carry sports programming; local and national commercial broadcast television networks; independent syndicators that acquire and resell such rights nationally, regionally and locally; streaming outlets and other Internet and mobile-based distributors of programming. Some of our competitors may own or control, or are owned or controlled by, sports teams, leagues or sports promoters, which gives them an advantage in obtaining telecast rights for such teams or sports. For example, two professional sports teams located in New York have ownership interests in programming networks featuring the games of their teams. Distributors may also contract directly with the sports teams in their local service areas for the right to distribute games on their platforms.

The increasing amount of sports programming available on a national basis, including pursuant to national media rights arrangements (e.g., NBA on ABC, ESPN, and TNT and NHL on NBC and NBC Sports Network), as part of league-controlled sports programming networks (e.g., NBA TV and NHL Network), in out-of-market packages (e.g., NBA League Pass and NHL Center Ice), league and other websites, mobile applications and streaming outlets, may have an adverse impact on our competitive position as our programming networks compete for distribution and for viewers.

### ***Competition for Advertising Revenue***

The level of our advertising revenue depends in part upon unpredictable and volatile factors beyond our control, such as viewer preferences, the quality and appeal of the competing programming and the availability of other entertainment activities. See “Item 1A. Risk Factors — *We Derive Substantial Revenues From the Sale of Advertising Time and Those Revenues Are Subject to a Number of Factors, Many of Which Are Beyond Our Control.*”

### **Employees**

As of June 30, 2020, we had approximately 180 full-time union and non-union employees and 520 part-time union and non-union employees. As of June 30, 2020, approximately 72% of the Company’s workforce is subject to collective bargaining agreements (“CBAs”) and approximately 54% of the Company’s workforce that is subject to a CBA is covered by a CBA that has expired. In addition, as of June 30, 2020, approximately 41% of the Company’s workforce that is subject to a CBA is covered by a CBA that will expire during the next fiscal year. Labor relations in general and in the sports and entertainment industry in particular can be volatile, though we believe that our current relationships with our unions taken as a whole are positive.

### **Financial Information about Segments and Geographic Areas**

The Company operates and reports financial information in one segment. Substantially all revenues and assets of the Company are attributed to or located in the United States, and are primarily concentrated in the New York City metropolitan area. Financial information for each of the years ended June 30, 2020, 2019, and 2018 is set forth in “Part II — Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Part II — Item 8. Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K.



**Item 1A. Risk Factors**

***The Success of Our Business Depends on Affiliation Fees We Receive Under Our Affiliation Agreements, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Material Negative Effect on Our Business and Results of Operations.***

Our success is dependent upon the existence and terms of our agreements with Distributors. Existing affiliation agreements of our programming networks expire at various dates. We cannot provide assurances that we will be able to renew these affiliation agreements or obtain terms as attractive as our existing agreements in the event of a renewal.

Affiliation fees constitute a significant majority of our revenues. Changes in affiliation fee revenues generally result from a combination of changes in rates and/or changes in subscriber counts. Reductions in the license fees that we receive per subscriber or in the number of subscribers for which we are paid, including as a result of a loss of or reduction in carriage of our programming networks, would adversely affect our affiliation fee revenue. For example, our affiliation fee revenue declined \$8.3 million in the fourth quarter of fiscal year 2020 compared to the fourth quarter of fiscal year 2019 driven by an acceleration of subscriber losses in the period. Subject to the terms of our affiliation agreements, Distributors may introduce, market and/or modify tiers of programming networks that could impact the number of subscribers that receive our programming networks, including tiers of programming that may exclude our networks. Any loss or reduction in carriage would also decrease the potential audience for our programming, which may adversely affect our advertising revenues. See “— *If the Rate of Decline in the Number of Subscribers to Traditional MVPDs Services Increases or These Subscribers Shift to Other Services or Bundles That Do Not Include the Company’s Programming Networks, There May Be a Material Negative Effect on the Company’s Affiliation Revenues.*”

Our affiliation agreements generally require us to meet certain content criteria, such as minimum thresholds for professional event telecasts throughout the calendar year on our networks. If we do not meet these criteria, remedies may be available to our Distributors, such as fee reductions, rebates or refunds and/or termination of these agreements in some cases. For example, we accrued approximately \$2 million in the fourth quarter of fiscal year 2020 for possible affiliate rebates.

In addition, under certain circumstances, an existing affiliation agreement may expire and we and the Distributor may not have finalized negotiations of either a renewal of that agreement or a new agreement for certain periods of time. In certain of these circumstances, Distributors may continue to carry the service(s) until the execution of definitive renewal or replacement agreements (or until we or the Distributor determine that carriage should cease).

Occasionally we may have disputes with Distributors over the terms of our affiliation agreements. If not resolved through business discussions, such disputes could result in litigation and/or actual or threatened termination of an existing agreement.

Our business is dependent upon affiliation relationships with a limited number of Distributors. The loss of any of our significant Distributors, the failure to renew on terms as attractive as our existing agreements (or to do so in a timely manner) or disputes with our counterparties relating to the interpretation of their agreements with us could materially negatively affect our business and results of operations. See “— *Given That We Depend on a Limited Number of Distributors for a Significant Portion of Our Revenues, Further Industry Consolidation Could Adversely Affect Our Business and Results of Operations.*”

***Given That We Depend on a Limited Number of Distributors for a Significant Portion of Our Revenues, Further Industry Consolidation Could Adversely Affect Our Business and Results of Operations.***

The pay television industry is highly concentrated, with a relatively small number of Distributors serving a significant percentage of pay television subscribers that receive our programming networks, thereby affording the largest Distributors significant leverage in their relationship with programming networks, including us. Substantially all of our affiliation fee revenue comes from our top five Distributors. Further consolidation in the industry could reduce the number of Distributors available to distribute our programming networks and increase the negotiating leverage of certain Distributors, which could adversely affect our revenue. In some cases, if a Distributor is acquired, the affiliation agreement of the acquiring Distributor will govern following the acquisition. In those circumstances, the acquisition of a Distributor that is a party to one or more affiliation agreements with us on terms that are more favorable to us than that of the acquirer could have a material negative impact on our business and results of operations. See Note 17 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.



***Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response.***

An outbreak of a novel strain of coronavirus, COVID-19, in December 2019 subsequently became a global pandemic. Due to the COVID-19 pandemic, in March 2020, the 2019-20 NBA and NHL seasons were suspended. On May 26, 2020, the NHL announced that the 2019-20 regular season was complete and that certain teams would return to play post-season games, including the Rangers and the Islanders, but not the Devils or the Sabres. On June 4, 2020, the NBA announced that certain teams would return to play for the purpose of determining post-season participation and seeding, but not the Knicks. While each of our teams had played a substantial portion of their 2019-20 NHL and NBA regular season games, the suspension of the seasons resulted in 66 fewer regular season games aired on our networks during the fiscal year ended June 30, 2020 as compared with the prior year. The NHL and NBA plans for resumption of play would have each league ending its respective post-season in October 2020, which would delay the start of each league's 2020-21 season.

The Rangers and the Islanders resumed play for the 2019-20 season in late July 2020. As of August 13, 2020, the Islanders, but not the Rangers, are still competing in the post-season games. No assurances can be made as to whether the 2019-20 NHL season will be completed, the number of games that will be available to us for exhibition as a result and if and when the 2020-21 NHL and NBA seasons will begin and the resulting live sports games featuring our teams will become available to the Company. The impact of the suspended NBA and NHL seasons, and any other continuing effects of COVID-19 on our business operations (such as general economic conditions and impacts on the advertising marketplace), may result in a decrease in our revenues, and if the 2020-21 seasons are limited or there are additional suspensions which continue for an extended period, such a decrease would be substantial.

Our business depends on the appeal of our live programming to viewing subscribers of our networks and to our advertisers. As a result of the COVID-19 pandemic, including the suspension of the 2019-20 seasons, we have experienced a material decrease in advertising revenue. Our advertising revenue declined \$7.2 million in the fourth quarter of fiscal year 2020 as compared with the fourth quarter of fiscal year 2019. Although we expect an increase in advertising revenues in the first quarter of fiscal year 2021 compared with the first quarter of fiscal 2020 relating to the resumption of play for the Rangers and Islanders, thereafter we expect a decrease in advertising revenue to continue for periods during which we would otherwise have had live NBA and NHL games for as long as live sports games are not aired on our networks and may also continue after live NBA and NHL sports games resume. Although the absence of live sports games also results in a decrease in certain expenses, including variable production expenses, advertising sales commissions, and rights fees, if the duration of the impacts from COVID-19 continue for an extended period of time, we would not be able to fully offset the decline in revenues, which would adversely affect our results of operations and cash flow.

The Company has experienced a decrease in subscribers to our programming networks in each of the last several fiscal years, which has adversely affected our operating results. If the COVID-19 pandemic continues to impede economic activity and/or the 2020-21 NBA or NHL seasons are adversely impacted, the pandemic could lead to a further decline or accelerate the rate of decline in the number of subscribers to our programming networks. The loss of additional subscribers, if material, would have long-term adverse effects on our business and results of operations.

Our business is dependent upon affiliation relationships with a limited number of Distributors and their continued compliance with their contractual obligations. If any of those Distributors failed to comply with their contractual obligations, as a result of the COVID-19 pandemic or otherwise, it could have an adverse effect on our revenues. See “—*The Success of Our Business Depends on Affiliation Fees We Receive Under Our Affiliation Agreements, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Material Negative Effect on Our Business and Results of Operations.*” In addition, our affiliation agreements generally require us to meet certain content criteria, such as minimum thresholds for professional event telecasts throughout the calendar year on our networks. If we do not meet these criteria, remedies may be available to our Distributors, such as fee reductions, rebates or refunds and/or termination of these agreements in some cases. In addition, the absence of live sports games could impact our ability to renew expiring agreements on terms as attractive as our existing terms or at all. In addition, government actions or regulations applicable to our business or our Distributors in response to COVID-19 could have an adverse effect on our revenues. See “—*The Success of Our Business Depends on Affiliation Fees We Receive Under Our Affiliation Agreements, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Material Negative Effect on Our Business and Results of Operations*” and “—*We Are Subject to Governmental Regulation, Which Can Change, and Any Failure to Comply With These Regulations May Have a Material Negative Effect on Our Business and Results of Operations.*”

Operationally, most of our employees are working remotely, and we have restricted our production activities and business travel. If significant portions of our workforce, including key personnel, are unable to work or work effectively because of illness, government actions or other restrictions in connection with the COVID-19 pandemic, any adverse impact of the pandemic on our businesses could be exacerbated.

We cannot reasonably estimate the ultimate impact of the COVID-19 pandemic, including the extent of any adverse impacts on our business, revenues, results of operations, cash flows and financial condition, which will depend on, among other things, the duration and spread of COVID-19, the impact of government and league actions that have been and continue to be taken in response, and the effectiveness of actions taken to contain or mitigate the pandemic and economic conditions.

***Our Business Faces Intense and Wide-Ranging Competition Which May Have a Material Negative Effect on Our Business and Results of Operations.***

Our business competes, in certain respects and to varying degrees, for viewers and advertisers with other programming networks, pay-per-view, video-on-demand, online streaming or on-demand services and other content offered by Distributors and others. Additional companies, some with significant financial resources, continue to enter or are seeking to enter the video distribution market either by offering OTT streaming services or selling devices that aggregate viewing of various OTT services, which continues to put pressure on an already competitive landscape. We also compete for viewers and advertisers with content offered over the Internet, social media and social networking platforms, mobile media, radio, motion picture, home video and other sources of information and entertainment and advertising services. Important competitive factors are the prices we charge for our programming networks, the quantity, quality (in particular, the performance of the sports teams whose media rights we control), the variety of the programming offered on our networks, and the effectiveness of our marketing efforts.

New or existing programming networks that are owned by or affiliated with broadcast networks such as NBC, ABC, CBS or Fox may have a competitive advantage over our networks in obtaining distribution through the “bundling” of agreements to carry those programming networks with the agreement giving the Distributor the right to carry a broadcast station owned by or affiliated with the network. For example, regional sports networks affiliated with broadcast networks are carried by certain Distributors that do not currently carry our networks.

The extent to which competitive programming, including NBA and NHL games, are available on other programming networks and distribution platforms can adversely affect our competitive position.

The competitive environment in which our business operates may also be affected by technological developments. It is difficult to predict the future effect of technology on many of the factors affecting our competitive position.

With respect to advertising services, factors affecting the degree and extent of competition include prices, reach and audience demographics, among others. Some of our competitors are large companies that have greater financial resources available to them than we do which could impact our viewership and the resulting advertising revenues.

***We May Not Be Able to Adapt to New Content Distribution Platforms and to Changes in Consumer Behavior Resulting From Emerging Technologies, Which May Have a Material Negative Effect on Our Business and Results of Operations.***

We must successfully adapt to technological advances in our industry and the manner in which consumers watch sporting events, including the emergence of alternative distribution platforms. Our ability to exploit new distribution platforms and viewing technologies may affect our ability to maintain and/or grow our business. Emerging forms of content distribution provide different economic models and compete with current distribution methods in ways that are not entirely predictable. Such competition has reduced and could continue to reduce demand for our programming networks or for the offerings of our Distributors and, in turn, reduce our revenue from these sources. Content providers (such as certain broadcast and cable networks) and new content developers, Distributors and syndicators are distributing programming directly to consumers on an OTT basis. In addition to existing direct-to-consumer streaming services such as Amazon Prime, Hulu and Netflix, in the last fiscal year, several new direct-to-consumer streaming services such as Apple TV+, Disney+, HBO Max, Peacock and Quibi have launched and additional services may launch. Such direct-to-consumer OTT distribution of content has contributed to consumers eliminating or downgrading their pay television subscription, which results in certain consumers not receiving our programming networks. If we are unable to offset this loss of subscribers through incremental carriage of our networks or rate increases, our business and results of operations will be adversely affected. Gaming, television and other console and device manufacturers, Distributors and others, such as Microsoft's Xbox, Apple and Roku, are offering and/or developing technology to offer video programming, including in some cases, various OTT platforms. Such changes have and may continue to impact the revenues we are able to generate from our traditional distribution methods, by decreasing the viewership of our programming networks and/or by making advertising on our programming networks less valuable to advertisers.

In order to respond to these developments, we may need to implement changes to our business models and strategies and there can be no assurance that any such changes will prove to be successful or that the business models and strategies we develop will be as profitable as our current business models and strategies. If we fail to adapt to emerging technologies, our appeal to Distributors and our targeted audiences might decline and there could be a material negative effect on our business and results of operations.

In addition, advertising revenues could be significantly impacted by emerging technologies, given that advertising sales are dependent on audience measurement provided by third parties, and the results of audience measurement techniques can vary independent of the size of the audience for a variety of reasons, including difficulties related to the traditional statistical sampling methods, ability to measure new distribution platforms and viewing technologies, and the shifting of the marketplace to the use of measurement of different viewer behaviors, such as delayed viewing. In addition, multiplatform campaign verification is in its infancy, and viewership on tablets, smart phones and other digital devices, which continues to grow, is presently not measured by any one consistently applied method. Moreover, devices that allow users to fast forward or skip programming, including commercials, are causing changes in consumer behavior that may affect the desirability of our programming networks to advertisers. These variations and changes could have a significant effect on advertising revenues.

***If the Rate of Decline in the Number of Subscribers to Traditional MVPDs Services Increases or These Subscribers Shift to Other Services or Bundles That Do Not Include the Company's Programming Networks, There May Be a Material Negative Effect on the Company's Affiliation Revenues.***

During the last few years, the number of subscribers to traditional MVPDs services in the U.S. has been declining, and the rate of decline has increased in recent periods. In addition, Distributors have introduced, marketed and/or modified tiers or bundles of programming that have impacted the number of subscribers that receive our programming networks, including tiers or bundles of programming that exclude our programming networks. As a result of these factors, the Company has experienced a decrease in subscribers in each of the last several fiscal years, which has adversely affected our operating results.

If traditional MVPDs service offerings are not attractive to consumers due to pricing, increased competition from OTT services, increased dissatisfaction with the quality of traditional MVPDs services, poor economic conditions or other factors, more consumers may (i) cancel their traditional MVPDs service subscriptions or choose not to subscribe to traditional MVPDs services, (ii) elect to instead subscribe to OTT services, which in some cases may be offered at a lower price-point and may not include our programming networks or (iii) elect to subscribe to smaller bundles of programming which may not include our programming networks. If the rate of decline in the number of traditional MVPDs service subscribers increases or if subscribers shift to OTT services or smaller bundles of programming that do not include the Company's programming networks, this may have a material negative effect on the Company's revenues. See "— Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response."

***We Derive Substantial Revenues From the Sale of Advertising Time and Those Revenues Are Subject to a Number of Factors, Many of Which Are Beyond Our Control.***

Advertising revenues depend on a number of factors, many of which are beyond our control, such as: (i) the health of the economy in the markets our businesses serve and in the nation as a whole; (ii) general economic trends in the advertising industry; (iii) team performance; (iv) whether live sports games are being played; (v) the popularity of our programming; (vi) the activities of our competitors, including increased competition from other forms of advertising-based media (such as Internet, mobile media, other programming networks, radio and print media); (vii) shifts in consumer viewing patterns, including consumers watching more ad-free content, non-traditional and shorter-form video content online, and the increased use of DVRs to skip advertisements; (viii) declining consumer tolerance for commercial interruptions; (ix) an increasing shift of advertising expenditures to digital and mobile offerings; (x) increasing audience fragmentation caused by increased availability of alternative forms of leisure and entertainment activities, such as social networking platforms and video games; (xi) consumer budgeting and buying patterns; (xii) the extent of the distribution of our networks; and (xiii) changes in the audience demographic for our programming. The 2019-20 NBA and NHL season suspensions resulted in 66 fewer regular season games aired on our networks during the year ended June 30, 2020 compared with the prior year, which had an adverse impact on our advertising revenues. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities, which could cause our revenues and operating results to decline significantly in any given period. Even in the absence of a general recession or downturn in the economy, an individual business sector that tends to spend more on advertising than other sectors might be forced to reduce its advertising expenditures if that sector experiences a downturn. In such case, a reduction in advertising expenditures by such a sector may adversely affect our revenues. See “— *Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response.*”

The pricing and volume of advertising may be affected by shifts in spending away from more traditional media toward online and mobile offerings or towards new ways of purchasing advertising, such as through automated purchasing, dynamic advertising insertion, third parties selling local advertising spots and advertising exchanges, some or all of which may not be as advantageous to the Company as current advertising methods.

In addition, we cannot ensure that our programming will achieve favorable ratings. Our ratings depend partly upon unpredictable and volatile factors, many of which are beyond our control, such as team performance, whether live sports games are being played, viewer preferences, the level of distribution of our programming, competing programming and the availability of other entertainment options. A shift in viewer preferences could cause our advertising revenues to decline as a result of changes to the ratings for our programming and materially negatively affect our business and results of operations. As noted below, MSGE has the exclusive right and obligation to sell our advertising availabilities on our behalf for a commission and, as a result, our advertising revenues are dependent to a material extent on MSGE's sales performance, subject to certain termination rights. See “— *We Rely on MSGS' and MSGE's Performance Under Various Agreements.*”

***Our Media Rights Agreements With Various Professional Sports Teams Have Varying Durations and Terms and We May Be Unable to Renew Those Agreements on Acceptable Terms or Such Rights May Be Lost for Other Reasons.***

Our business is dependent upon media rights agreements with professional sports teams. Upon expiration, we may seek renewal of these agreements and, if we do, we may be outbid by competing programming networks or others for these agreements or the renewal costs could substantially exceed our costs under the current agreements. Even if we are able to renew such agreements, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in affiliation and advertising revenues. In addition, one or more of these teams may seek to establish their own programming network or join one of our competitor's networks and, in certain circumstances, we may not have an opportunity to bid for the media rights. Moreover, the value of these agreements may also be affected by various league decisions and/or league agreements that we may not be able to control, including a decision to alter the number of games played during a season. The value of these media rights can also be affected, or we could lose such rights entirely, if a team is liquidated, undergoes reorganization in bankruptcy or relocates to an area where it is not possible or commercially feasible for us to continue to distribute games. Any loss or diminution in the value of rights could impact the extent of the sports coverage offered by us and could materially negatively affect our business and results of operations. In addition, our affiliation agreements generally include certain remedies in the event our networks fail to include a minimum number of professional event telecasts, and, accordingly, any loss of rights could materially negatively affect our business and results of operations. See “— *The Success of Our Business Depends on Affiliation Fees We Receive Under Our Affiliation Agreements, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Material Negative Effect on Our Business and Results of Operations.*”

***The Actions of the NBA and NHL May Have a Material Negative Effect on Our Business and Results of Operations.***

The governing bodies of the NBA and the NHL have imposed, and may impose in the future, various rules, regulations, guidelines, bulletins, directives, policies and agreements (collectively, “League Rules”), which could have a material negative effect on our business and results of operations. For example, each league imposes rules that define the territories in which we may distribute games of the teams in the applicable league. Changes to these rules or other League Rules, or the adoption of new League Rules, could have a material negative effect on our business and results of operations. See “— *Organized Labor Matters May Have a Material Negative Effect on Our Business and Results of Operations.*”

In addition, due to the COVID-19 pandemic and related government actions, decisions made by the NBA and NHL have affected, and in the future may continue to affect, our ability to produce and distribute live sports games on our networks. See “— *Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response.*”

***Our Business is Substantially Dependent on the Popularity of the NBA and NHL Teams Whose Media Rights We Control.***

Our business has historically been, and we expect will continue to be, dependent on the popularity of the NBA and NHL teams whose local media rights we control and, in varying degrees, those teams achieving on-court and on-ice success, which can generate fan enthusiasm, resulting in increased viewership and advertising revenues. Furthermore, success in the regular season may qualify a team for participation in the post-season, which generates increased excitement and interest in the teams, which can improve viewership and advertising revenues. Some of our teams have not participated in the post-season for an extended period of time. For example, the Knicks have not qualified for the post-season since the 2012-13 NBA season and the Sabres have not qualified for the post-season since the 2010-11 NHL season. In addition, if a team declines in popularity or fails to generate fan enthusiasm, this may negatively impact the terms on which our affiliate agreements are renewed. There can be no assurance that any sports team will generate fan enthusiasm or compete in post-season play and the failure to do so could result in a material negative effect on our business and results of operations.

***Our Business Depends on the Appeal of Our Programming, Which May Be Unpredictable, and Increased Programming Costs May Have a Material Negative Effect on Our Business and Results of Operations.***

Our business depends, in part, upon viewer preferences and audience acceptance of the programming on our networks. These factors are often unpredictable and subject to influences that are beyond our control, such as the quality and appeal of competing programming, general economic conditions and the availability of other entertainment options. We may not be able to successfully predict interest in proposed new programming and viewer preferences could cause new programming not to be successful or cause our existing programming to decline in popularity. If our programming does not gain or maintain the level of audience acceptance we, our advertisers or Distributors expect, it could negatively affect advertising or affiliation fee revenues. An increase in our costs associated with programming, including original programming, may materially negatively affect our business and results of operations.

***We May Be Unable to Obtain Programming From Third Parties on Reasonable Terms, Which Could Lead to Higher Costs.***

We rely on third parties for sports and other programming for our networks. We compete with other providers of programming to acquire the rights to distribute such programming. If we fail to continue to obtain sports and other programming for our networks on reasonable terms for any reason, including as a result of competition, we could be forced to incur additional costs to acquire such programming or look for alternative programming, which may have a material negative effect on our business and results of operations.

***We Face Continually Evolving Cybersecurity and Similar Risks, Which Could Result in Loss, Disclosure, Theft, Destruction or Misappropriation of, or Access to, Our Confidential Information and Cause Disruption of Our Business, Damage to Our Brands and Reputation, Legal Exposure and Financial Losses.***

Through our operations, we may collect, and store, including by electronic means, certain personal and other sensitive information that is provided to us, including through registration on our websites, mobile applications or otherwise in communication or interaction with us. These activities require the use of online services and centralized data storage, including through third-party service providers. Data maintained in electronic form is subject to the risk of security incidents, including breach, compromise, intrusion, tampering, theft, misappropriation or other malicious activity. Further, hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of such systems. Our ability to safeguard such personal and other sensitive information, including information regarding the Company and our Distributors, advertisers and employees, is important to our business. We take these matters seriously and take significant steps to protect our stored information, including the implementation of systems and processes to thwart malicious activity. These protections are

costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. In addition, data privacy laws may require monitoring of, and changes to, our practices related to the collection, use, disclosure and storage of personal information. Despite our efforts, the risks of a security incident cannot be entirely eliminated and our information technology and other systems that maintain and transmit consumer, Distributor, advertiser, Company, employee and other confidential information may be compromised due to employee error or other action, computer malware or ransomware, viruses, hacking and phishing attacks, or otherwise. Such compromise could affect the security of information on our network, or that of a third-party service provider, including MSGE to which we outsource information technology support. Additionally, outside parties may attempt to fraudulently induce employees, vendors or users to disclose sensitive or confidential information in order to gain access to data and systems. As a result, such sensitive and/or confidential information may be lost, disclosed, accessed or taken without authorization. See “—*We Rely on MSGS’ and MSGE’s Performance Under Various Agreements*” for a discussion of services MSGE performs on our behalf.

If we experience a security incident, our ability to conduct business may be interrupted or impaired, we may incur damage to our systems, we may lose profitable opportunities or the value of those opportunities may be diminished and we may lose revenue as a result of unlicensed use of our intellectual property. The Company may be required to incur significant expenses in order to address any security issues that arise, and we may not have insurance coverage for any or all of such expenses. Further, an actual or perceived security incident, such as penetration of our or our third-party vendors’ networks, affecting personal or other sensitive information could subject us to business and litigation risk, including costs associated with such misappropriation or misuse, and damage our reputation, including with Distributors, viewers and advertisers, which could have a material negative effect on our business and results of operations.

***The FCC’s Changes to the Spectrum Used by Satellites to Deliver Programming Networks to Distributors, As Well As The Unavailability of Satellites, Facilities, Systems and/or Software Upon Which We Rely, May Have a Material Negative Effect on Our Business and Results of Operations.***

We use third-party satellites and other systems to transmit our programming services to our Distributors. We use distribution facilities that include uplinks, communications, satellites, and downlinks. Notwithstanding certain back-up and redundant systems and facilities maintained by our third-party providers, transmissions or quality of transmissions may be disrupted, including as a result of events that impair uplinks, downlinks or transmission facilities or the impairment of satellite or terrestrial facilities. In addition, the FCC has reallocated some of the spectrum on which these satellites operate for other uses, and satellite operators will begin transitioning to use the resulting smaller amount of spectrum as soon as late 2020. This change in spectrum will cause our third-party providers to change the way they transmit our programming, including by using different satellites and potentially compressing the video, which could affect quality. It will also require many of our Distributors to acquire new equipment, or modify their current equipment, to receive our programming networks. If they fail to do so, or if there are any other disruptions in the transition process including by satellite operators transitioning to new transmission systems, our Distributors and their subscribers may no longer receive our programming. Part of the spectrum on which video programming networks were previously delivered will be auctioned to wireless providers, who will offer 5G services that could cause interference with the delivery of our programming.

Currently, there are a limited number of communications satellites, which are operated by third parties, available for the transmission of programming, and their continued availability may depend upon a variety of factors including business conditions, technology issues, further changes in law or regulation that may limit the spectrum that these satellites and facilities depend upon to operate and our ability to access such satellites on reasonable terms. In addition, we are party to an agreement with AMC Networks Inc. (“AMC Networks”), pursuant to which AMC Networks provides us with certain origination, master control and technical services which are necessary to distribute our programming networks. If a disruption occurs, we may not be able to secure alternate distribution facilities in a timely manner. In addition, we rely upon various internal and third-party systems or software in the operation of our business, including, with respect to database, human resource management, and financial systems. From time to time, certain of these arrangements may not be covered by long-term agreements. In addition, such distribution facilities and/or internal or third-party services, systems or software could be adversely impacted by cybersecurity threats including unauthorized breaches. See “— *We Face Continually Evolving Cybersecurity and Similar Risks, Which Could Result in Loss, Disclosure, Theft, Destruction or Misappropriation of, or Access to, Our Confidential Information and Cause Disruption of Our Business, Damage to Our Brands and Reputation, Legal Exposure and Financial Losses.*” The failure or unavailability of distribution facilities or these internal and third-party services, systems or software, depending upon its severity and duration, could have a material negative effect on our business and results of operations.

***Theft of Our Intellectual Property May Have a Material Negative Effect on Our Business and Results of Operations.***

The success of our business depends in part on our ability to maintain and monetize our intellectual property rights to our programming, technologies, digital content and other content that is material to our business. Theft of our intellectual property, including content, could have a material negative effect on our business and results of operations because it may reduce the



revenue that we are able to receive from the legitimate sale and distribution of our content, undermine lawful distribution channels, limit our ability to control the marketing of our content and inhibit our ability to recoup or profit from the costs incurred to create such content. Litigation may be necessary to enforce our intellectual property rights or protect our trade secrets. Any litigation of this nature, regardless of the outcome, could cause us to incur significant costs.

***We May Become Subject to Infringement or Other Claims Relating to Our Content or Technology.***

From time to time, third parties may assert against us alleged intellectual property (e.g., copyright, trademark and patent) or other claims relating to our programming, technologies, digital content or other content, some of which may be material to our business. In addition, our programming could subject us to claims of defamation or similar types of allegations. Any such claims, regardless of their merit, could cause us to incur significant costs that could harm our results of operations. We may not be indemnified against, or have insurance coverage for, claims or costs of these types. In addition, if we are unable to continue use of certain intellectual property rights, our business and results of operations could be materially negatively impacted.

***Our Business Has Been Adversely Impacted and May, in the Future, Be Materially Adversely Impacted by an Economic Downturn and Financial Instability.***

Our business depends upon the ability and willingness of consumers and businesses to subscribe to a package of programming that includes our networks. In addition, our business is dependent upon affiliation fee and advertising revenues, which are both sensitive to general economic conditions and consumer buying patterns. See “— *We Derive Substantial Revenues From the Sale of Advertising Time and Those Revenues Are Subject to a Number of Factors, Many of Which Are Beyond Our Control.*”

As a result, instability and weakness of the U.S. and global economies, including as a result of disruptions to financial markets, inflation, recession, high unemployment, geopolitical events and other effects caused by the COVID-19 pandemic, and the negative effects on consumers’ and businesses’ discretionary spending may materially negatively affect our business and results of operations. See “—*Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response.*”

***Weather or Other Conditions Which Are Outside Our Control May Disrupt Our Programming and May Have a Material Negative Effect on Our Business and Results of Operations.***

Weather or other conditions, including natural disasters, acts of terrorism and similar events, which are outside our control may prevent us or our Distributors from providing our programming to customers, may reduce advertising expenditures and may have a material negative effect on our business and results of operations. See “—*Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response.*”

***We Are Subject to Governmental Regulation, Which Can Change, and Any Failure to Comply With These Regulations May Have a Material Negative Effect on Our Business and Results of Operations.***

Our business is subject to federal, state and local laws and regulations. Some FCC regulations apply to us directly and other FCC regulations, although imposed on Distributors, affect programming networks indirectly. See “Item 1. Business — Regulation.” Legislative enactments, court actions, and federal regulatory proceedings could materially affect our programming business by modifying the rates, terms, and conditions under which we offer our content or programming networks to Distributors and the public, or otherwise materially affect the range of our activities or strategic business alternatives. We cannot predict the likelihood, results or impact on our business of any such legislative, judicial, or regulatory actions. Furthermore, to the extent that regulations and laws, either presently in force or proposed, hinder or stimulate the growth of Distributors, our business could be affected. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, amend, or repeal, laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect our business. The regulation of Distributors is subject to the political process and has been in constant flux over the past two decades. Further material changes in the law and regulatory requirements may be proposed or adopted in the future. Our business and our results of operations may be materially negatively affected by future legislation, new regulation or deregulation.

Our business is, and may in the future be, subject to a variety of other laws and regulations, including licensing requirements; working conditions, labor, immigration and employment laws; and data and privacy laws. We are unable to predict the outcome or effects of any of these potential actions or any other legislative or regulatory proposals on our businesses. Any changes to the legal and regulatory framework applicable to any of our services or businesses could have an adverse impact on our businesses and results of operations.

Our failure to comply with applicable governmental laws and regulations, or to maintain necessary permits or licenses, could have a material negative effect on our business and results of operations.



***Organized Labor Matters May Have a Material Negative Effect on Our Business and Results of Operations.***

Our business is substantially dependent upon the efforts of unionized workers. As of June 30, 2020, approximately 72% of our workforce is subject to CBAs.

In addition, we may be impacted by union relations of the NBA and the NHL. Both the NBA and the NHL have experienced labor difficulties in the past and may have labor issues, such as players' strikes or management lockouts, in the future. For example, the NBA has experienced labor difficulties, including a lockout during the 1998-99 season, which resulted in a regular season that was shortened from 82 to 50 games, and a lockout during the 2011-12 season, which resulted in a regular season that was shortened from 82 games to 66 games. The current NBA CBA expires after the 2023-24 season, but the NBA has the right to terminate the NBA CBA effective following the 2019-20 season and each of the NBA and players union have the right to terminate the CBA effective following the 2022-23 season. In addition, the NBA currently has the right to terminate the CBA through the end of September due to force majeure as a result of COVID-19. The NHL has also experienced labor difficulties, including a lockout during the 1994-95 NHL season, which resulted in a regular season that was shortened from 84 to 48 games, a lockout beginning in September 2004, which resulted in the cancellation of the entire 2004-05 NHL season, and a lockout during the 2012-13 NHL season, which resulted in a regular season that was shortened from 82 to 48 games. The current NHL CBA was scheduled to expire on September 15, 2022, but the NHL and the players union have recently agreed on terms by which the NHL CBA will be extended through September 15, 2026 (with the possibility of an additional one-year extension in certain circumstances).

Any labor disputes, such as strikes or lockouts, with the unions with which we have CBAs or by the NBA, NHL or their respective players, could have a material negative effect on our business and results of operations by impacting our ability to produce or present programming.

***We Have Substantial Indebtedness and Are Highly Leveraged, Which Could Adversely Affect Our Business.***

We are highly leveraged with a significant amount of debt and we may continue to incur additional debt in the future. For example, in September 2019, we incurred \$100 million of debt to finance a cash tender offer for shares of our Class A common stock. As a result of our indebtedness, we are required to make interest and principal payments on our borrowings that are significant in relation to our revenues and cash flows. These payments reduce our earnings and cash available for other potential business purposes. This leverage also exposes us to significant risk by limiting our flexibility in planning for, or reacting to, changes in our business (whether through competitive pressure or otherwise), the cable and telecommunications industries and the economy at large. Although our cash flows could decrease in these scenarios, our required payments in respect of indebtedness would not decrease.

In addition, our ability to make payments on, or repay or refinance, such debt, and to fund our operating and capital expenditures, depends largely upon our future operating performance. Our future operating performance, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. Furthermore, our interest expense could increase if interest rates increase because our indebtedness bears interest at floating rates or to the extent we have to refinance existing debt with higher cost debt.

***We May Require Additional Financing to Fund Our Ongoing Operations and Capital Expenditures, the Availability of Which is Highly Uncertain.***

The capital and credit markets can experience volatility and disruption. Such markets can exert extreme downward pressure on stock prices and upward pressure on the cost of new debt capital and may severely restrict our ability to access new credit, if needed.

Although we have a \$250 million revolving credit facility (the "Revolving Credit Facility") (see Note 7 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information), our ability to draw on such facility will depend on our ability to meet certain financial covenants and other conditions. In addition, there can be no assurance that we will be able to refinance any such facility in the future or raise any required additional capital or to do so on favorable terms. Depending upon conditions in the financial markets and/or the Company's financial performance, we may not be able to raise new capital on favorable terms, or at all.

***We May Pursue Acquisitions and Other Strategic Investments to Complement or Expand Our Business That May Not Be Successful.***

We may explore opportunities to purchase or invest in other businesses or assets that could complement, enhance or expand our current business or that might otherwise offer us growth opportunities, including opportunities that may differ from the Company's current business. Any transactions that we are able to identify and complete may involve risks, including the

## [Table of Contents](#)

commitment of significant capital, the incurrence of indebtedness, the payment of advances, the diversion of management's attention and resources from our existing business to develop and integrate the acquired or combined business, the inability to successfully integrate such business or assets into our operations, litigation or other claims in connection with acquisitions or against companies we invest in or acquire, our lack of control over joint venture companies and other minority investments, the risk of not achieving the intended results and the exposure to losses if the underlying transactions or ventures are not successful. Any such risks could result in a material negative effect on our business and results of operations.

***We Are Controlled by the Dolan Family. As a Result of Their Control, the Dolan Family Has the Ability to Prevent or Cause a Change in Control or Approve, Prevent or Influence Certain Actions by the Company.***

We have two classes of common stock:

- Class A Common Stock, which is entitled to one vote per share and is entitled collectively to elect 25% of our Board of Directors.
- Class B Common Stock, which is entitled to ten votes per share and is entitled collectively to elect the remaining 75% of our Board of Directors.

As of July 31, 2020, the Dolan family, including trusts for the benefit of members of the Dolan family (collectively, the "Dolan Family Group"), collectively own all of our outstanding Class B Common Stock and approximately 7.2% (inclusive of options exercisable within 60 days of the date hereof) of our outstanding Class A Common Stock, and as a result hold approximately 77.0% of the total voting power of all our outstanding common stock. The members of the Dolan Family Group holding Class B Common Stock have executed a stockholders agreement (the "Stockholders Agreement") that has the effect of causing the voting power of the holders of our Class B Common Stock to be cast as a block with respect to all matters to be voted on by holders of Class B Common Stock. Under the Stockholders Agreement, the shares of Class B Common Stock owned by members of the Dolan Family Group (representing all of the outstanding Class B Common Stock) are to be voted on all matters in accordance with the determination of the Dolan Family Committee, except that the decisions of the Dolan Family Committee are non-binding with respect to the Class B Common Stock owned by certain Dolan family trusts that collectively own 40.5% of the outstanding Class B Common Stock ("Excluded Trusts"). The "Dolan Family Committee" consists of Charles F. Dolan and his six children, James L. Dolan, Thomas C. Dolan, Patrick F. Dolan, Kathleen M. Dolan, Deborah A. Dolan-Sweeney, and Marianne Dolan Weber. The Dolan Family Committee generally acts by a majority vote, except that approval of a going-private transaction must be approved by a two-thirds vote and approval of a change-in-control transaction must be approved by not less than all but one vote. The voting members of the Dolan Family Committee are James L. Dolan, Thomas C. Dolan, Kathleen M. Dolan, Deborah A. Dolan-Sweeney, and Marianne Dolan Weber, with each member having one vote other than James L. Dolan, who has two votes. Because James L. Dolan has two votes, he has the ability to block Dolan Family Committee approval of any Company change in control transaction. Shares of Class B Common Stock owned by Excluded Trusts are to be voted on all matters in accordance with the determination of the Excluded Trusts holding a majority of the Class B Common Stock held by all Excluded Trusts, except in the case of a vote on a going-private transaction or a change in control transaction, in which case a vote of trusts holding two-thirds of the Class B Common Stock owned by Excluded Trusts is required.

The Dolan Family Group is able to prevent a change in control of our Company and no person interested in acquiring us will be able to do so without obtaining the consent of the Dolan Family Group. The Dolan Family Group, by virtue of their stock ownership, have the power to elect all of our directors subject to election by holders of Class B Common Stock and are able collectively to control stockholder decisions on matters on which holders of all classes of our common stock vote together as a single class. These matters could include the amendment of some provisions of our certificate of incorporation and the approval of fundamental corporate transactions.

In addition, the affirmative vote or consent of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding shares of the Class B Common Stock, voting separately as a class, is required to approve:

- the authorization or issuance of any additional shares of Class B Common Stock, and
- any amendment, alteration or repeal of any of the provisions of our certificate of incorporation that adversely affects the powers, preferences or rights of the Class B Common Stock.

As a result, the Dolan Family Group also has the power to prevent such issuance or amendment.

The Dolan Family Group also controls MSGE, MSGS and AMC Networks.

***We Have Elected to Be a “Controlled Company” for New York Stock Exchange Purposes Which Allows Us Not to Comply With Certain of the Corporate Governance Rules of New York Stock Exchange.***

Members of the Dolan Family Group have entered into the Stockholders Agreement relating, among other things, to the voting of their shares of our Class B Common Stock. As a result, we are a “controlled company” under the corporate governance rules of New York Stock Exchange (“NYSE”). Our Board of Directors has elected for the Company to be treated as a “controlled company” under NYSE corporate governance rules and not to comply with the NYSE requirement for a majority independent board of directors and for an independent corporate governance and nominating committee because of our status as a controlled company. Nevertheless, our Board of Directors has elected to comply with the NYSE requirement for an independent compensation committee.

***Future Stock Sales, Including as a Result of the Exercise of Registration Rights by Certain of Our Stockholders, Could Adversely Affect the Trading Price of Our Class A Common Stock.***

Certain parties have registration rights covering a portion of our shares. We have entered into registration rights agreements with Charles F. Dolan, members of his family, certain Dolan family interests and the Dolan Family Foundation that provide them with “demand” and “piggyback” registration rights with respect to approximately 15 million shares of Class A Common Stock, including shares issuable upon conversion of shares of Class B Common Stock. Sales of a substantial number of shares of Class A Common Stock, including sales pursuant to these registration rights agreements, could adversely affect the market price of the Class A Common Stock and could impair our future ability to raise capital through an offering of our equity securities.

***We Share Certain Key Executives and Directors With MSGE, MSGS and/or AMC Networks, Which Means Those Executives Do Not Devote Their Full Time and Attention to Our Affairs and the Overlap May Give Rise to Conflicts.***

Our Executive Chairman, James L. Dolan, also serves as Executive Chairman and Chief Executive Officer of MSGE and Executive Chairman of MSGS, and our Executive Vice President and General Counsel, Lawrence J. Burian, also serves as the Executive Vice President and General Counsel of MSGS. As a result, not all of our executive officers devote their full time and attention to the Company’s affairs. Our Vice Chairman, Gregg G. Seibert, also serves as the Vice Chairman of MSGE, MSGS and AMC Networks, and our Secretary, Mark C. Cresitello, also serves as Senior Vice President, Associate General Counsel and Secretary of MSGS. In addition, one of our directors, Charles F. Dolan, is the Executive Chairman of AMC Networks. Furthermore, eight members of our Board of Directors (including James L. Dolan) are also directors of MSGE, seven members of our Board of Directors (including James L. Dolan) are also directors of MSGS and six members of our Board of Directors (including James L. Dolan) are also directors of AMC Networks concurrently with their service on our Board of Directors. The overlapping officers and directors may have actual or apparent conflicts of interest with respect to matters involving or affecting each company. For example, the potential for a conflict of interest exists when we on the one hand, and MSGE, MSGS or AMC Networks on the other hand, look at certain acquisitions and other corporate opportunities that may be suitable for more than one of the companies. Also, conflicts may arise if there are issues or disputes under the commercial arrangements that exist between MSGE, MSGS or AMC Networks and us. In addition, certain of our directors and officers hold MSGE, MSGS and/or AMC Networks stock, performance stock units, restricted stock units, options, and/or cash performance awards. These ownership interests could create actual, apparent or potential conflicts of interest when these individuals are faced with decisions that could have different implications for our Company and MSGE, MSGS or AMC Networks. See “Certain Relationships and Potential Conflicts of Interest” in our Proxy Statement filed with the SEC on October 25, 2019 and our Current Report on Form 8-K filed with the SEC on June 19, 2020 for a discussion of certain procedures we instituted to help ameliorate such potential conflicts with MSGE, MSGS and/or AMC Networks that may arise.

***Our Overlapping Directors and Executive Officers With MSGE, MSGS and/or AMC Networks May Result in the Diversion of Corporate Opportunities and Other Conflicts to MSGE, MSGS and/or AMC Networks and Provisions in Our Amended and Restated Certificate of Incorporation May Provide Us No Remedy in That Circumstance.***

The Company acknowledges that directors and officers of the Company may also be serving as directors, officers, employees, consultants or agents of MSGE, MSGS and/or AMC Networks and their respective subsidiaries and that the Company may engage in material business transactions with such entities. The Company’s Board of Directors has adopted resolutions putting in place policies and arrangements whereby the Company has renounced its rights to certain business opportunities and no director or officer of the Company who is also serving as a director, officer, employee, consultant or agent of MSGE, MSGS and/or AMC Networks and their subsidiaries will be liable to the Company or its stockholders for breach of any fiduciary duty that would otherwise occur by reason of the fact that any such individual directs a corporate opportunity (other than certain limited types of opportunities set forth in such policies) to MSGE, MSGS and/or AMC Networks or any of their subsidiaries instead of the Company, or does not refer or communicate information regarding such corporate opportunities to the Company.

***We Could Have Significant Tax Liability as a Result of the Distribution.***

We have obtained an opinion from Sullivan & Cromwell LLP substantially to the effect that, among other things, the Distribution qualifies as a tax-free distribution under the Internal Revenue Code, (the “Code”). The opinion is not binding on the Internal Revenue Service (the “IRS”) or the courts. Additionally, we have received a private letter ruling from the IRS concluding that certain limited aspects of the Distribution will not prevent the Distribution from satisfying certain requirements for tax-free treatment under the Code. The opinion and the private letter ruling rely on factual representations and reasonable assumptions, which if incorrect or inaccurate may jeopardize the ability to rely on such opinion and letter ruling.

If the Distribution does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, we would be subject to tax as if we had sold the MSGS common stock in a taxable sale for its fair value. MSGS stockholders would be subject to tax as if they had received a distribution equal to the fair value of MSGS common stock that was distributed to them, which generally would be treated first as a taxable dividend to the extent of our earnings and profits, then as a non-taxable return of capital to the extent of each holder’s tax basis in its MSGS common stock, and thereafter as capital gain with respect to any remaining value. It is expected that the amount of any such taxes to MSGS stockholders and us would be substantial.

***We Rely on MSGS’ and MSGE’s Performance Under Various Agreements.***

We have various agreements with MSGS, including a distribution agreement, a tax disaffiliation agreement, a services agreement, an employee matters agreement, and media rights agreements, and various agreements with MSGE, including a services agreement, an advertising sales representation agreement and a trademark license agreement, as well as certain other arrangements with each of MSGS and MSGE.

The agreements with MSGS include the allocation of employee benefits, taxes and certain other liabilities and obligations attributable to periods prior to the Distribution. In connection with the Distribution, we agreed to provide MSGS with indemnities with respect to liabilities arising out of our businesses and MSGS agreed to provide us with indemnities with respect to liabilities arising out of the businesses we transferred to MSGS.

Our agreements with MSGS and MSGE also include arrangements with respect to support services and a number of on-going commercial relationships, including, with respect to MSGS, our media rights agreements for Knicks and Rangers games and, with respect to MSGE, the sale of our advertising inventory and our use of the “MSG” brand. The advertising sales representation agreement, services agreement and trademark license agreement are each subject to potential termination by MSGS or MSGE, as applicable, in the event MSGS or MSGE, on the one hand, and the Company, on the other, are no longer affiliates.

MSGE currently provides certain business services to the Company, such as information technology, accounts payable, payroll, tax, certain legal functions, human resources, insurance and risk management, investor relations, corporate communications, benefit plan administration and reporting and internal audit functions, as well as certain executive support services. These services include the collection and storage of certain personal information regarding employees and/or customers as well as information regarding the Company and our Distributors and advertisers. See also “—*We Face Continually Evolving Cybersecurity and Similar Risks, Which Could Result in Loss, Disclosure, Theft, Destruction or Misappropriation of, or Access to, Our Confidential Information and Cause Disruption of Our Business, Damage to Our Brands and Reputation, Legal Exposure and Financial Losses.*” The services agreement with MSGE expired on June 30, 2020. In connection with the expiration of the MSGE services agreement, the Company entered into an interim agreement with MSGE, pursuant to which each party provides the other with the services described above on the same terms as provided in the services agreement on an interim basis while a new agreement is finalized. We expect to enter into a new services agreement with MSGE which will be retroactive to July 1, 2020. In addition, pursuant to a services agreement with MSGS, MSGS provides us with certain legal services.

The media rights agreements with MSGS provide us with the exclusive media rights to Knicks and Rangers games. Rights fees under these media rights agreements amounted to approximately \$138.9 million for the year ended June 30, 2020, which reflect reductions as a result of MSGS’ not making available the minimum number of games. The stated contractual rights fees under such rights agreements increase annually and are subject to adjustments in certain circumstances, including if MSGS does not make available a minimum number of games in any year.

Our advertising sales representation agreement with MSGE, which has a term through June 30, 2022, provides for MSGE to act as our advertising sales representative and includes the exclusive right and obligation to sell certain advertising availabilities on our behalf for a commission. As a result of this arrangement, we depend on MSGE’s performance for the sale of our advertising. The advertising sales representation agreement is subject to certain termination rights, including MSGE’s right to terminate if MSGE and the Company are no longer affiliates and the Company’s right to terminate if certain sales thresholds are not met unless MSGE elects to pay the Company the shortfall.

## [Table of Contents](#)

The Company and MSGS and MSGE, as applicable, each rely on the other to perform their respective obligations under all of these agreements. If MSGS or MSGE were to breach, be unable to satisfy its material obligations under these agreements, including a failure to satisfy its indemnification or other financial obligations, or these agreements otherwise terminate or expire and we do not enter into replacement agreements, we could suffer operational difficulties and/or significant losses.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

Significant properties that are leased include approximately 64,000 square feet housing the Company's administrative and executive offices and approximately 18,000 square feet of studio space in New York City.

### **Item 3. Legal Proceedings**

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

### **Item 4. Mine Safety Disclosure**

Not applicable.

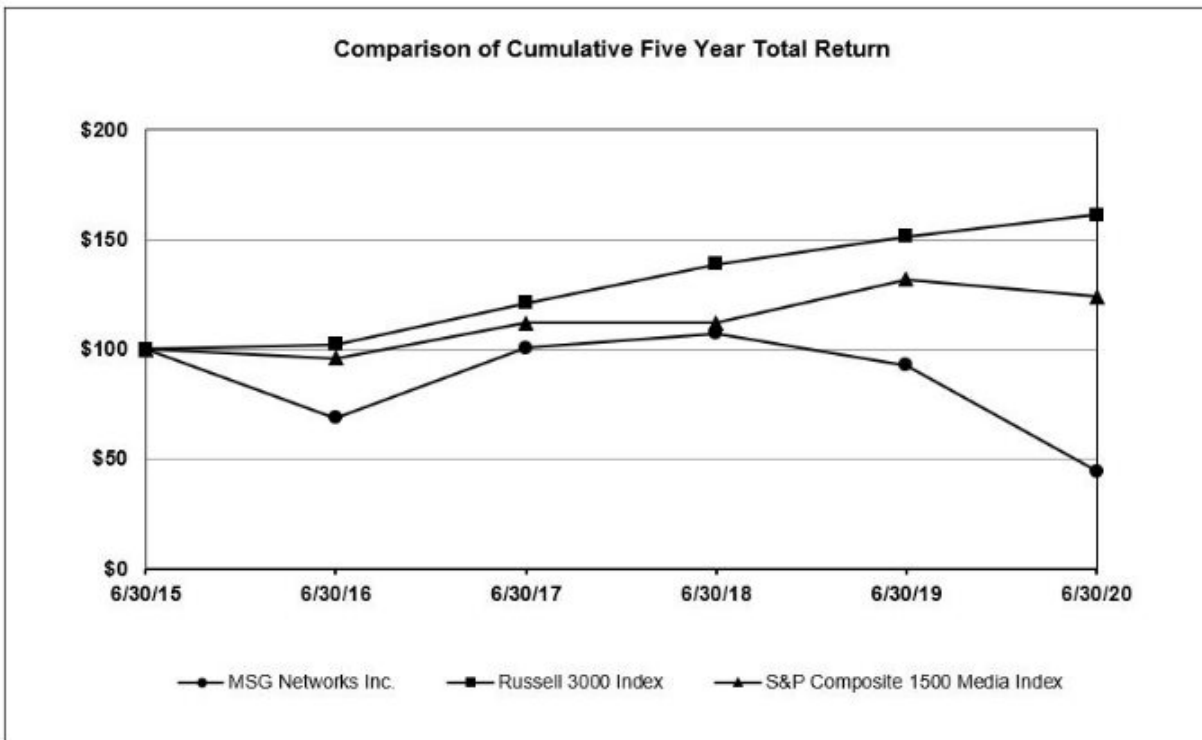
## **PART II**

### **Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our Class A Common Stock is listed on the NYSE under the symbol "MSGN."

#### **Performance Graph**

The following graph compares the cumulative total return of our Class A Common Stock for the last five years with the performance for the same period of the Russell 3000 Index and S&P Composite 1500 Media Index. The comparison assumes an investment of \$100 on June 30, 2015 and reinvestment of dividends. The Distribution is treated as a reinvestment of a special dividend pursuant to SEC rules. The stock price performance in this graph is not necessarily indicative of future stock performance.



|                                | Base<br>Period<br>6/30/15 | 06/30/16 | 06/30/17  | 06/30/18  | 06/30/19 | 06/30/20 |
|--------------------------------|---------------------------|----------|-----------|-----------|----------|----------|
| MSG Networks Inc.              | \$ 100.00                 | \$ 68.68 | \$ 100.51 | \$ 107.22 | \$ 92.85 | \$ 44.55 |
| Russell 3000 Index             | 100.00                    | 102.14   | 121.04    | 138.93    | 151.41   | 161.30   |
| S&P Composite 1500 Media Index | 100.00                    | 95.92    | 111.90    | 111.87    | 131.86   | 124.13   |





## [Table of Contents](#)

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

As of June 30, 2020, there were 927 holders of record of our Class A Common Stock. There is no public trading market for our Class B Common Stock. As of June 30, 2020, there were 14 holders of record of our Class B Common Stock.

We do not have any current plans to pay a cash dividend on our common stock for the foreseeable future. Our senior secured credit facilities restrict our ability to declare dividends in certain situations (see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financing Agreements”).

### Issuer Purchases of Equity Securities

The following table presents information about the Company’s repurchases of Class A Common Stock that were made during the three months ended June 30, 2020 (amounts are presented in thousands except per share data):

| Period                         | Total Number of<br>Shares Purchased<br>(a) | Average Price Paid per<br>Share (b) | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Approximate Dollar<br>Value of Shares That<br>May Yet Be Purchased<br>Under the Plans or<br>Programs (b) |
|--------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| April 1, 2020 - April 30, 2020 | 386                                        | \$ 10.24                            | 386                                                                                       | \$ 145,864                                                                                               |
| May 1, 2020 - May 31, 2020     | —                                          | \$ —                                | —                                                                                         | \$ 145,864                                                                                               |
| June 1, 2020 - June 30, 2020   | —                                          | \$ —                                | —                                                                                         | \$ 145,864                                                                                               |
|                                | <u>386</u>                                 | <u>\$ 10.24</u>                     | <u>386</u>                                                                                |                                                                                                          |

(a) On December 7, 2017, the Company’s Board of Directors authorized the repurchase of up to \$150,000 of the Company’s Class A Common Stock. On August 29, 2019, the Board of Directors authorized a \$300,000 increase to the stock repurchase authorization, which had \$136,165 of availability remaining, bringing the total available repurchase authorization for Class A Common Stock to \$436,165 as of that date. 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. The Company has funded stock repurchases through a combination of cash on hand and amounts financed under its credit facilities. The Company may choose to fund its future stock repurchase program through funding sources including cash on hand, cash generated by operations and its revolving credit facility. Total number of shares purchased are determined based on the settlement date of such trades. As of June 30, 2020, the Company had \$145,864 of availability remaining under its stock repurchase authorization.

(b) The amounts do not give effect to any fees, commissions or other costs associated with repurchases of shares.

**Item 6. Selected Financial Data**

The operating and balance sheet data included in the following table has been derived from the consolidated financial statements of the Company and its subsidiaries and should be read in conjunction with the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K and with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

|                                                                | Years Ended June 30,                  |            |            |            |             |
|----------------------------------------------------------------|---------------------------------------|------------|------------|------------|-------------|
|                                                                | 2020                                  | 2019       | 2018       | 2017       | 2016        |
|                                                                | (in thousands, except per share data) |            |            |            |             |
| Operating Data:                                                |                                       |            |            |            |             |
| Revenues                                                       | \$ 685,797                            | \$ 720,845 | \$ 696,651 | \$ 675,352 | \$ 658,198  |
| Direct operating expenses                                      | 282,837                               | 300,274    | 291,082    | 271,119    | 267,233     |
| Selling, general and administrative expenses                   | 100,829                               | 103,274    | 83,073     | 79,040     | 100,752     |
| Depreciation and amortization (including impairments)          | 7,163                                 | 7,398      | 9,338      | 10,296     | 14,583      |
| Operating income                                               | 294,968                               | 309,899    | 313,158    | 314,897    | 275,630     |
| Other income (expense):                                        |                                       |            |            |            |             |
| Interest income                                                | 4,234                                 | 6,343      | 4,388      | 2,782      | 2,368       |
| Interest expense                                               | (36,324)                              | (47,589)   | (43,312)   | (40,108)   | (31,683)    |
| Debt refinancing expense                                       | (2,764)                               | —          | —          | —          | —           |
| Other components of net periodic benefit cost                  | (1,030)                               | 244        | (1,710)    | (1,633)    | (2,044)     |
| Miscellaneous expense                                          | —                                     | —          | —          | —          | (2)         |
|                                                                | (35,884)                              | (41,002)   | (40,634)   | (38,959)   | (31,361)    |
| Income from continuing operations before income taxes          | 259,084                               | 268,897    | 272,524    | 275,938    | 244,269     |
| Income tax benefit (expense)                                   | (73,863)                              | (82,715)   | 16,338     | (108,476)  | (80,971)    |
| Income from continuing operations                              | 185,221                               | 186,182    | 288,862    | 167,462    | 163,298     |
| Loss from discontinued operations, net of taxes <sup>(a)</sup> | —                                     | —          | —          | (120)      | (155,664)   |
| Net income                                                     | \$ 185,221                            | \$ 186,182 | \$ 288,862 | \$ 167,342 | \$ 7,634    |
| Earnings (loss) per share:                                     |                                       |            |            |            |             |
| Basic                                                          |                                       |            |            |            |             |
| Income from continuing operations                              | \$ 2.93                               | \$ 2.48    | \$ 3.83    | \$ 2.23    | \$ 2.17     |
| Loss from discontinued operations <sup>(a)</sup>               | —                                     | —          | —          | —          | (2.07)      |
| Net income                                                     | 2.93                                  | 2.48       | 3.83       | 2.22       | 0.10        |
| Diluted                                                        |                                       |            |            |            |             |
| Income from continuing operations                              | \$ 2.92                               | \$ 2.46    | \$ 3.81    | \$ 2.22    | \$ 2.16     |
| Loss from discontinued operations <sup>(a)</sup>               | —                                     | —          | —          | —          | (2.06)      |
| Net income                                                     | 2.92                                  | 2.46       | 3.81       | 2.21       | 0.10        |
| Weighted-average number of common shares outstanding:          |                                       |            |            |            |             |
| Basic                                                          | 63,172                                | 75,069     | 75,381     | 75,213     | 75,152      |
| Diluted                                                        | 63,515                                | 75,731     | 75,820     | 75,560     | 75,527      |
| Balance Sheet Data:                                            |                                       |            |            |            |             |
| Total assets                                                   | \$ 850,803                            | \$ 866,899 | \$ 849,612 | \$ 805,044 | \$ 806,542  |
| Total long-term debt                                           | 1,081,009                             | 1,018,017  | 1,190,431  | 1,312,845  | 1,477,759   |
| Total stockholders' deficiency                                 | (552,849)                             | (458,768)  | (657,742)  | (944,207)  | (1,119,958) |

<sup>(a)</sup> On the Distribution Date, the Company distributed to its stockholders all of the outstanding common stock of MSGS. Following the Distribution, the Company no longer consolidates the financial results of MSGS for purposes of its own financial reporting and the historical financial results of MSGS through the Distribution Date, as well as transaction costs related to the Distribution, have been classified in the Company’s consolidated financial statements as discontinued operations for all periods presented. No gain or loss was recognized in connection with the Distribution.

**Item 7. 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, or MD&A, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including impacts on advertising revenues, rights fees and production costs, and affiliation fee revenue as a result of the novel coronavirus ("COVID-19") pandemic. 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 financial performance and plans 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 demand for our programming among cable, satellite, telephone, and other platforms ("Distributors") and the subscribers thereto, and our ability to enter into and renew affiliation agreements with Distributors, as well as the impact of consolidation among Distributors;
- the level of our revenues, which depends in part on the popularity and competitiveness of the sports teams whose games are broadcast on our networks and the popularity of other content aired on our networks;
- the ability of our Distributors to maintain, or minimize declines in, subscriber levels;
- the impact of subscribers selecting Distributors' packages that do not include our networks or Distributors that do not carry our networks at all;
- the impact of the COVID-19 pandemic on our business, operations, and the markets and communities in which we and our Distributors, advertisers, viewers and teams operate, including actions of the National Basketball Association ("NBA"), National Hockey League ("NHL") and any governmental authority or legislation relating to COVID-19;
- the security of our program signal and electronic data;
- general economic conditions especially in the New York City metropolitan area where we conduct the majority of our operations;
- the on-ice and on-court performance of the professional sports teams whose games we carry;
- the demand for advertising and sponsorship arrangements and viewer ratings for our networks;
- competition, for example, from other regional sports networks;
- the relocation or insolvency of professional sports teams with which we have a media rights agreement;
- our ability to maintain, obtain or produce content, together with the cost of such content;
- our ability to renew or replace our media rights agreements with professional sports teams;
- the acquisition or disposition of assets and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured;
- the impact of governmental regulations or laws and changes in such regulations or laws, including with respect to the legalization of sports gaming;
- the impact of sports league rules, regulations and/or agreements and changes thereto;
- any NBA, NHL or other work stoppage due to COVID-19 or otherwise;
- our dependence on Madison Square Garden Sports Corp. (formerly, The Madison Square Garden Company), Madison Square Garden Entertainment Corp. and other third-party providers for the provision of certain services;
- cybersecurity and similar risks which could result in the disclosure of confidential information, disruption of our business or damage to our brands and reputation;
- our substantial debt and high leverage;

## [Table of Contents](#)

- any reduction in our access to capital and credit markets or significant increases in costs to borrow;
- financial community perceptions of our business, operations, financial condition and the industry in which we operate;
- the tax-free treatment of the Distribution (as defined below); and
- the factors described under “Item 1A. Risk Factors” included in this Annual Report on Form 10-K.

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

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

### **Introduction**

MD&A is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements and notes thereto included in this Annual Report on Form 10-K 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,” or the “Company” refer collectively to MSG Networks Inc., a holding company, and its direct and indirect subsidiaries through which substantially all of our operations are conducted.

On September 30, 2015, the Company distributed to its stockholders all of the outstanding common stock of Madison Square Garden Sports Corp. (formerly, The Madison Square Garden Company) (together with its subsidiaries, “MSG”) (the “Distribution”). On April 17, 2020, MSGS distributed to its stockholders all of the outstanding common stock of Madison Square Garden Entertainment Corp. (together with its subsidiaries, “MSG”) (the “Entertainment Distribution”).

The Company operates and reports financial information in one segment.

This MD&A is organized as follows:

*Business Overview.* This section provides a general description of our business, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

*Results of Operations.* This section provides an analysis of our consolidated results of operations for the years ended June 30, 2020, 2019, and 2018.

*Liquidity and Capital Resources.* This section provides a discussion of our financial condition and liquidity, as well as an analysis of our cash flows for the years ended June 30, 2020, 2019, and 2018.

*Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies.* This section provides a discussion of accounting policies considered to be important to our financial condition and results of operations and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are discussed in the notes to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

## **Business Overview**

The Company owns and operates two regional sports and entertainment networks, MSG Network (“MSGN”) and MSG+, collectively the “MSG Networks,” that feature a wide range of compelling sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (“NBA”); the New York Rangers (the “Rangers”), New York Islanders (the “Islanders”), New Jersey Devils (the “Devils”) and Buffalo Sabres (the “Sabres”) of the National Hockey League (“NHL”); as well as significant coverage of the New York Giants (the “Giants”) and Buffalo Bills (the “Bills”) of the National Football League (“NFL”).

## ***Revenue Sources***

The Company generates revenues principally from affiliation fees, as well as from the sale of advertising.

### ***Affiliation Fee Revenue***

Affiliation fee revenue is earned from Distributors for the right to carry the Company’s networks. The fees we receive depend largely on the demand from subscribers for our programming. Affiliation fee revenue constituted approximately 90% of our consolidated revenues for each of the years ended June 30, 2020 and 2019.

### ***Advertising Revenue***

The Company’s advertising revenue is largely derived from the sale of inventory in its live professional sports programming, as such, a disproportionate share of this revenue has historically been earned in the Company’s second and third fiscal quarters. In certain advertising arrangements, the Company guarantees specific viewer ratings for its programming. The Company has an advertising sales representation agreement with MSGE, which has a term through June 30, 2022, that provides for MSGE to act as the Company’s advertising sales representative and includes the exclusive right and obligation to sell certain advertising availabilities on the Company’s behalf for a commission. The advertising sales representation agreement is subject to certain termination rights, including MSGE’s right to terminate if MSGE and the Company are no longer affiliates and the Company’s right to terminate if certain sales thresholds are not met unless MSGE elects to pay the Company the shortfall.

## ***Direct Operating Expenses***

Direct operating expenses primarily include the cost of professional team rights acquired under media rights agreements to telecast various sporting events on our networks, and other direct programming and production costs of our networks.

In connection with the Distribution, the Company entered into long-term media rights agreements with the Knicks and the Rangers, which provide the Company with the exclusive media rights to the teams’ games in their local markets. These agreements were effective July 1, 2015. In addition, the Company has multi-year media rights agreements with the Islanders, Devils and Sabres. The media rights acquired under these agreements to telecast various sporting events and other programming for exhibition on our networks are typically expensed on a straight-line basis over the applicable annual contract or license period. We negotiate directly with the teams to determine the fee and other provisions of the media rights agreements. Media rights fees for sports programming are influenced by, among other things, the size and demographics of the geographic area in which the programming is distributed, and the popularity and/or the competitiveness of a team.

Other direct programming and production costs include, but are not limited to, the salaries of on-air personalities, producers, directors, technicians, writers and other creative staff, as well as expenses associated with location costs, remote facilities and maintaining studios, origination, and transmission services and facilities.

## ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses primarily consist of administrative costs, including employee compensation and related benefits, professional fees, as well as sales commissions and advertising and marketing costs.

## ***Factors Affecting Operating Results***

The financial performance of our business is affected by the affiliation agreements we negotiate with Distributors, the number of subscribers of certain Distributors, and also by the advertising rates we charge advertisers. Certain of these factors in turn depend on the popularity and/or performance of the professional sports teams carried on our networks as well as the cost and the attractiveness of our programming content.

## [Table of Contents](#)

Due largely to our media rights agreements with our NBA and NHL teams and the generally recurring nature of our affiliation fee revenue, MSG Networks has consistently produced operating profits for a number of years. Advertising revenues are less predictable and can vary based upon a number of factors, including general economic conditions, team performance and the performance of MSGE under our advertising sales representation agreement.

Our Company's future performance is also dependent on the U.S. and global economies, the impact of competition, and the relative strength of our current and future advertising customers. Instability and weakness of the U.S. and global economies, including as a result of disruptions to financial markets, inflation, recession, high unemployment, geopolitical events and other effects caused by the COVID-19 pandemic, and the negative effects on consumers' and businesses' discretionary spending may materially negatively affect our business and results of operations. See "Part I — Item 1. Business — Regulation" for other factors that may affect operating results.

## Results of Operations

### Comparison of the Year Ended June 30, 2020 versus the Year Ended June 30, 2019

The table below sets forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues.

|                                               | Years Ended June 30, |                  |            |                  | Increase<br>(Decrease)<br>in Net<br>Income |
|-----------------------------------------------|----------------------|------------------|------------|------------------|--------------------------------------------|
|                                               | 2020                 |                  | 2019       |                  |                                            |
|                                               | Amount               | % of<br>Revenues | Amount     | % of<br>Revenues |                                            |
| Revenues                                      | \$ 685,797           | 100 %            | \$ 720,845 | 100 %            | \$ (35,048)                                |
| Direct operating expenses                     | 282,837              | 41 %             | 300,274    | 42 %             | 17,437                                     |
| Selling, general and administrative expenses  | 100,829              | 15 %             | 103,274    | 14 %             | 2,445                                      |
| Depreciation and amortization                 | 7,163                | 1 %              | 7,398      | 1 %              | 235                                        |
| Operating income                              | 294,968              | 43 %             | 309,899    | 43 %             | (14,931)                                   |
| Other income (expense):                       |                      |                  |            |                  |                                            |
| Interest income                               | 4,234                | 1 %              | 6,343      | 1 %              | (2,109)                                    |
| Interest expense                              | (36,324)             | (5)%             | (47,589)   | (7)%             | 11,265                                     |
| Debt refinancing expense                      | (2,764)              | NM               | —          | NM               | (2,764)                                    |
| Other components of net periodic benefit cost | (1,030)              | NM               | 244        | NM               | (1,274)                                    |
|                                               | (35,884)             | (5)%             | (41,002)   | (6)%             | 5,118                                      |
| Income from operations before income taxes    | 259,084              | 38 %             | 268,897    | 37 %             | (9,813)                                    |
| Income tax expense                            | (73,863)             | (11)%            | (82,715)   | (11)%            | 8,852                                      |
| Net income                                    | 185,221              | 27 %             | 186,182    | 26 %             | (961)                                      |

NM – Percentage is not meaningful

Due to the COVID-19 pandemic, in March 2020, the 2019-20 NBA and NHL seasons were suspended. On May 26, 2020, the NHL announced that the 2019-20 regular season was complete and that certain teams would return to play post-season games. The Rangers and the Islanders, but not the Devils or the Sabres, participated in such post-season games. On June 4, 2020, the NBA announced that certain teams would return to play for the purpose of determining post-season participation and seeding, but not the Knicks.

As a result of the pandemic, the Company telecast fewer regular season games during the year ended June 30, 2020 as compared with the prior year. The full extent of the impact of the COVID-19 pandemic on our business, operations and financial results will depend on numerous evolving factors that we cannot predict. See “Item 1A. Risk Factors — *Our Operations and Operating Results Have Been, and Continue to be, Impacted by the COVID-19 Pandemic and Actions Taken in Response*” for additional details.

#### Revenues

Revenues for the year ended June 30, 2020 decreased \$35,048, or 5%, to \$685,797 as compared with the prior year. The net decrease was attributable to the following:

|                                     |                    |
|-------------------------------------|--------------------|
| Decrease in affiliation fee revenue | \$ (20,047)        |
| Decrease in advertising revenue     | (12,710)           |
| Other net decreases                 | (2,291)            |
|                                     | <u>\$ (35,048)</u> |

The decrease in affiliation fee revenue was primarily due to the impact of a decrease in subscribers of approximately 8%, partially offset by higher affiliation rates. Affiliation fee revenue for the year ended June 30, 2020 reflects a net unfavorable affiliate adjustment of approximately \$300, inclusive of an approximately \$2,000 affiliate rebate accrual in the fourth quarter. Based on current facts and circumstances, the Company expects to have a similar affiliate rebate adjustment, in the aggregate, for the first half of fiscal year 2021.



## [Table of Contents](#)

The decrease in advertising revenue was primarily due to lower sales related to live professional sports telecasts and a lower net decrease in deferred revenue related to ratings guarantees. The decrease in sales from live professional sports telecasts was primarily due to fewer games as compared with the prior year, which reflects the cancellation of games resulting from the NBA and NHL 2019-20 shortened seasons, partially offset by higher per-game sales. As a result of the COVID-19 pandemic, including the suspension of the 2019-20 seasons, we have experienced a material decrease in advertising revenue. We expect an increase in advertising revenues in the first quarter of fiscal year 2021 compared with the first quarter of fiscal 2020 relating to the resumption of play for the Rangers and Islanders.

Other net decreases were largely due to the absence in the current year period of revenues associated with certain services previously provided to Fuse Media, Inc.

### *Direct operating expenses*

Direct operating expenses for the year ended June 30, 2020 decreased \$17,437, or 6%, to \$282,837 as compared with the prior year due to lower rights fees expense of \$14,824 and a decrease in other programming-related costs of \$2,613. The decline in rights fees expense was principally due to the cancellation of games as a result of the shortened NBA and NHL 2019-20 seasons, partially offset by contractual rate increases under the Company's media rights agreements with professional sports teams. Assuming full 2020-21 NBA and NHL regular seasons, the Company expects higher annual rights fee expense and production costs in fiscal year 2021 as compared with fiscal year 2020.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the year ended June 30, 2020 decreased \$2,445, or 2%, to \$100,829 as compared with the prior year primarily due to lower advertising sales commissions and other corporate costs, partially offset by higher advertising and marketing costs. The overall decrease reflects a decline of approximately \$2,000 in expenses that are not indicative of the Company's core expense base.

### *Operating income*

Operating income for the year ended June 30, 2020 decreased \$14,931, or 5%, to \$294,968 as compared with the prior year primarily due to (as discussed above) the decrease in revenues, partially offset by lower direct operating expenses and, to a lesser extent, lower selling, general and administrative expenses (including share-based compensation expense).

### *Interest expense*

Interest expense for the year ended June 30, 2020 decreased \$11,265, or 24%, to \$36,324 as compared with the prior year primarily due to lower average interest rates for the year ended June 30, 2020 (3.1% as compared with 3.8% in the prior year) and, to a lesser extent, a lower average principal balance under the Company's senior secured credit facilities (see "Liquidity and Capital Resources — Financing Agreements").

### *Debt refinancing expense*

Debt refinancing expense for the year ended June 30, 2020 related to the refinancing of the Company's senior secured credit facilities. See Note 7 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information on the refinancing of the Company's senior secured credit facilities.

### *Income taxes*

See Note 16 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information on income taxes.

### *Adjusted operating income*

The Company evaluates performance based on several factors, of which the key financial measure is adjusted operating income. Adjusted operating income is defined as operating income before (i) depreciation, amortization and impairments of property and equipment and intangible assets, (ii) share-based compensation expense or benefit, (iii) restructuring charges or credits and (iv) gains or losses on sales or dispositions of businesses. Because it is based upon operating income, adjusted operating income also excludes interest expense (including cash interest expense) and other non-operating income and expense items. We believe that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the Company without regard to the settlement of an obligation that is not expected to be made in cash. We believe adjusted operating income is an appropriate measure for evaluating the operating performance of our Company. Adjusted operating income and similar measures with similar titles are common performance measures used by investors and

[Table of Contents](#)

analysts to analyze our performance. Internally, we use revenues and adjusted operating income measures as the most important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. Adjusted operating income should be viewed as a supplement to and not a substitute for operating income, net income, cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with U.S. generally accepted accounting principles ("GAAP"). Since adjusted operating income 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, a GAAP measure, to adjusted operating income:

|                                  | Years Ended June 30, |                   | Increase (Decrease)<br>in Adjusted Operating<br>Income |
|----------------------------------|----------------------|-------------------|--------------------------------------------------------|
|                                  | 2020                 | 2019              |                                                        |
| Operating income                 | \$ 294,968           | \$ 309,899        | \$ (14,931)                                            |
| Share-based compensation expense | 19,235               | 18,087            | 1,148                                                  |
| Depreciation and amortization    | 7,163                | 7,398             | (235)                                                  |
| Adjusted operating income        | <u>\$ 321,366</u>    | <u>\$ 335,384</u> | <u>\$ (14,018)</u>                                     |

Adjusted operating income for the year ended June 30, 2020 decreased \$14,018, or 4%, to \$321,366 as compared with the prior year primarily due to (as discussed above) the decrease in revenues, partially offset by lower direct operating expenses and, to a lesser extent, lower selling, general and administrative expenses (excluding share-based compensation expense).

## Results of Operations

### Comparison of the Year Ended June 30, 2019 versus the Year Ended June 30, 2018

The table below sets forth, for the periods presented, certain historical financial information and the percentage that those items bear to revenues.

|                                               | Years Ended June 30, |                  |            |                  | Increase<br>(Decrease)<br>in Net<br>Income |
|-----------------------------------------------|----------------------|------------------|------------|------------------|--------------------------------------------|
|                                               | 2019                 |                  | 2018       |                  |                                            |
|                                               | Amount               | % of<br>Revenues | Amount     | % of<br>Revenues |                                            |
| Revenues                                      | \$ 720,845           | 100 %            | \$ 696,651 | 100 %            | \$ 24,194                                  |
| Direct operating expenses                     | 300,274              | 42 %             | 291,082    | 42 %             | (9,192)                                    |
| Selling, general and administrative expenses  | 103,274              | 14 %             | 83,073     | 12 %             | (20,201)                                   |
| Depreciation and amortization                 | 7,398                | 1 %              | 9,338      | 1 %              | 1,940                                      |
| Operating income                              | 309,899              | 43 %             | 313,158    | 45 %             | (3,259)                                    |
| Other income (expense):                       |                      |                  |            |                  |                                            |
| Interest income                               | 6,343                | 1 %              | 4,388      | 1 %              | 1,955                                      |
| Interest expense                              | (47,589)             | (7)%             | (43,312)   | (6)%             | (4,277)                                    |
| Other components of net periodic benefit cost | 244                  | NM               | (1,710)    | NM               | 1,954                                      |
|                                               | (41,002)             | (6)%             | (40,634)   | (6)%             | (368)                                      |
| Income from operations before income taxes    | 268,897              | 37 %             | 272,524    | 39 %             | (3,627)                                    |
| Income tax benefit (expense)                  | (82,715)             | (11)%            | 16,338     | 2 %              | (99,053)                                   |
| Net income                                    | \$ 186,182           | 26 %             | \$ 288,862 | 41 %             | \$ (102,680)                               |

NM – Percentage is not meaningful

In the first quarter of fiscal year 2019, the Company adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and the subsequent ASUs that amended and/or clarified the application of ASU No. 2014-09 (collectively, “Topic 606”). The standard was applied using the modified retrospective approach. The amount by which each financial statement line item has been affected in the current reporting period by the application of Topic 606 compared to historical policies is not material, therefore, comparative disclosures have been omitted.

#### Revenues

Revenues for the year ended June 30, 2019 increased \$24,194, or 3%, to \$720,845 as compared with the prior year. The net increase was attributable to the following:

|                                     |                  |
|-------------------------------------|------------------|
| Increase in affiliation fee revenue | \$ 14,130        |
| Increase in advertising revenue     | 10,275           |
| Other net decreases                 | (211)            |
|                                     | <u>\$ 24,194</u> |

The increase in affiliation fee revenue was primarily due to higher affiliation rates, partially offset by the impact of a decrease in average subscribers of less than 4% as compared with the prior year. Our subscriber losses accelerated during the year ended June 30, 2019.

The increase in advertising revenue was primarily due to higher per-game sales from the telecast of live professional sports programming, a higher net decrease in deferred revenue related to ratings guarantees in the current year, and, to a lesser extent, higher sales from the Company’s branded content initiatives as compared with prior year.

#### Direct operating expenses

Direct operating expenses for the year ended June 30, 2019 increased \$9,192, or 3%, to \$300,274 as compared with the prior year due to higher rights fees expense of \$9,861, principally as a result of contractual rate increases, partially offset by a decrease in other programming-related costs of \$669.

## [Table of Contents](#)

### *Selling, general and administrative expenses*

Selling, general and administrative expenses for the year ended June 30, 2019 increased \$20,201, or 24%, to \$103,274 as compared with the prior year primarily due to higher advertising and marketing costs, higher employee compensation and related benefits (including share-based compensation expense), higher other corporate costs, and higher advertising sales commissions.

### *Operating income*

Operating income for the year ended June 30, 2019 decreased \$3,259, or 1%, to \$309,899 as compared with the prior year primarily due to (as discussed above) higher selling, general and administrative expenses (including share-based compensation expense) and, to a lesser extent, higher direct operating expenses, largely offset by higher revenues and, to a lesser extent, lower depreciation and amortization.

### *Interest expense*

Interest expense for the year ended June 30, 2019 increased \$4,277, or 10%, to \$47,589 as compared with the prior year primarily due to higher average interest rates in fiscal year 2019 (3.8% as compared with 3.0%), partially offset by a lower average principal balance under the Company's senior secured credit facilities (see "Liquidity and Capital Resources — Financing Agreements").

### *Income taxes*

See Note 16 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information on income taxes.

### *Adjusted operating income*

The Company has presented the components that reconcile operating income, a GAAP measure, to adjusted operating income:

|                                  | Years Ended June 30, |                   | Increase (Decrease)<br>in Adjusted Operating<br>Income |
|----------------------------------|----------------------|-------------------|--------------------------------------------------------|
|                                  | 2019                 | 2018              |                                                        |
| Operating income                 | \$ 309,899           | \$ 313,158        | \$ (3,259)                                             |
| Share-based compensation expense | 18,087               | 13,979            | 4,108                                                  |
| Depreciation and amortization    | 7,398                | 9,338             | (1,940)                                                |
| Adjusted operating income        | <u>\$ 335,384</u>    | <u>\$ 336,475</u> | <u>\$ (1,091)</u>                                      |

Adjusted operating income for the year ended June 30, 2019 decreased \$1,091 to \$335,384 as compared with the prior year primarily due to (as discussed above) higher selling, general and administrative expenses (excluding share-based compensation expense) and, to a lesser extent, higher direct operating expenses, largely offset by higher revenues.

## **Liquidity and Capital Resources**

### ***Overview***

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our business and available borrowing capacity under our revolving credit facility. The Company amended and restated its prior credit agreement, dated September 28, 2015 (the "Former Credit Agreement"), on October 11, 2019 in its entirety. See "Financing Agreements" below. Our principal uses of cash are expected to include working capital-related items, capital spending, taxes, debt service, and the repurchase of shares of the Company's Class A common stock, par value \$0.01 per share ("Class A Common Stock"). The Company's use of its available liquidity will be based upon the ongoing review of the funding needs of the business, its view of a favorable allocation of cash resources, and the timing of cash flow generation.

We believe we have sufficient liquidity, including \$196,837 in cash and cash equivalents, as of June 30, 2020, as well as the available borrowing capacity under our revolving credit facility and our anticipated operating cash flows, to fund our business operations, repurchase shares of the Company's Class A Common Stock and service our outstanding term loan facility (see "Financing Agreements" below) during the next twelve months. However, potential subscriber reductions of our Distributors, changes in the demand for our programming, advertising revenue declines, our ability to maintain or obtain content, and other factors could adversely impact our business and results of operations, which might require that we seek alternative sources of funding through the capital and credit markets that may or may not be available to us. In addition, the

## [Table of Contents](#)

recent COVID-19 pandemic has caused disruption in the capital markets, which could make financing more difficult and/or expensive and we may not be able to obtain such financing on terms acceptable to us or at all.

On December 7, 2017, the Company's Board of Directors (the "Board") authorized the repurchase of up to \$150,000 of the Company's Class A Common Stock. On August 29, 2019, the Board authorized a \$300,000 increase to the stock repurchase authorization, which had \$136,165 of availability remaining, bringing the total available repurchase authorization for Class A Common Stock to \$436,165 as of that date. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market or private transactions, block trades or such other manner as the Company may determine, in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors. During the year ended June 30, 2020, the Company repurchased, including under a modified Dutch auction tender offer, 18,436 shares of its Class A Common Stock for an aggregate purchase price of \$290,301. As of June 30, 2020, the Company had \$145,864 of availability remaining under its stock repurchase authorization.

### **Financing Agreements**

On September 28, 2015, MSGN Holdings, L.P. ("MSGN L.P."), an indirect wholly-owned subsidiary of the Company through which the Company conducts substantially all of its operations, MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, a direct subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the "Holdings Entities"), and certain subsidiaries of MSGN L.P. entered into the Former Credit Agreement with a syndicate of lenders.

MSGN L.P., the Holdings Entities and certain subsidiaries of MSGN L.P. amended and restated the Former Credit Agreement effective October 11, 2019 (the "Credit Agreement"). The Credit Agreement provides MSGN L.P. with senior secured credit facilities consisting of: (i) an initial \$1,100,000 term loan facility (the "Term Loan Facility") and (ii) a \$250,000 revolving credit facility (the "Revolving Credit Facility"), each with a term of five years.

The Company has made principal repayments aggregating to \$13,750 through June 30, 2020 under the Credit Agreement. The Term Loan Facility amortized quarterly in accordance with its terms. As of June 30, 2020, there was \$1,086,250 outstanding under the Term Loan Facility, and no borrowings under the Revolving Credit Facility. As of June 30, 2020, the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the financial covenants of the Credit Agreement.

See Note 7 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information on the Credit Agreement.

### **Contractual Obligations**

As of June 30, 2020, future cash payments required under contracts entered into by the Company in the normal course of business are as follows:

|                                            | Payments Due by Period |            |            |              |              | More Than<br>5 Years |
|--------------------------------------------|------------------------|------------|------------|--------------|--------------|----------------------|
|                                            | Total                  | Year 1     | Years 2-3  | Years 4-5    |              |                      |
| Contractual obligations <sup>(a)</sup>     | \$ 3,879,345           | \$ 268,532 | \$ 517,582 | \$ 495,344   | \$ 2,597,887 |                      |
| Operating lease obligations <sup>(b)</sup> | 20,440                 | 6,012      | 10,276     | 4,152        | —            |                      |
| Debt repayment <sup>(c)</sup>              | 1,086,250              | 38,500     | 115,500    | 932,250      | —            |                      |
| Total                                      | \$ 4,986,035           | \$ 313,044 | \$ 643,358 | \$ 1,431,746 | \$ 2,597,887 |                      |

<sup>(a)</sup> Contractual obligations not reflected on the consolidated balance sheet consist primarily of the Company's obligations under media rights agreements.

<sup>(b)</sup> Operating lease obligations primarily represent future minimum rental payments on various long-term, noncancelable leases for office and studio space.

<sup>(c)</sup> Consists of principal repayments required under the Company's Term Loan Facility.

## [Table of Contents](#)

### **Cash Flow Discussion**

#### *Operating Activities*

Net cash provided by operating activities for the year ended June 30, 2020 increased by \$4,073 to \$210,032 as compared with the prior year. This increase was primarily driven by lower income taxes paid, largely offset by lower income from operations before income taxes and, to a lesser extent, the net impact of certain other items as compared with the prior year.

Net cash provided by operating activities for the year ended June 30, 2019 decreased by \$4,651 to \$205,959 as compared with the prior year. This decrease was primarily driven by higher income taxes paid and lower income from operations before income taxes, partially offset by the net impact of certain other items as compared with the prior year.

#### *Investing Activities*

Net cash used in investing activities for the year ended June 30, 2020 decreased by \$2,065 to \$2,814 as compared with the prior year primarily due to an investment made in a nonconsolidated entity in the prior year.

Net cash used in investing activities for the year ended June 30, 2019 increased by \$1,155 to \$4,879 as compared with the prior year due to an investment made in a nonconsolidated entity, partially offset by lower capital expenditures.

#### *Financing Activities*

Net cash used in financing activities for the year ended June 30, 2020 increased by \$56,804 to \$236,804 as compared with the prior year. This increase was primarily due to repurchases of the Company's Class A Common Stock, partially offset by lower principal repayments on the Company's term loan facilities made in the current year period, as well as the proceeds received from borrowings under the Company's senior secured credit facilities during the current year period.

Net cash used in financing activities for the year ended June 30, 2019 increased by \$37,370 to \$180,000 as compared with the prior year primarily due to higher voluntary principal repayments of \$50,000 on the Company's former term loan facility. This increase was partially offset by the absence of repurchases of the Company's Class A Common Stock in fiscal year 2019 as compared to \$13,850 (including commissions and fees) used in the year ended June 30, 2018 for share repurchases under the Company's share repurchase program.

### **Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies**

#### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

See Note 2 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for information regarding recently issued accounting pronouncements not yet adopted.

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

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amount of revenues and expenses. Management believes its use of estimates in the consolidated financial statements to be reasonable. See Note 2 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information regarding the Company's use of estimates. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

#### ***Impairment of Long-Lived and Indefinite-Lived Assets***

The Company's long-lived and indefinite-lived assets, which account for approximately 54% of the Company's consolidated total assets as of June 30, 2020, consist of the following:

|                                    |    |                |
|------------------------------------|----|----------------|
| Goodwill                           | \$ | 424,508        |
| Amortizable intangible assets, net |    | 30,283         |
| Property and equipment, net        |    | 8,758          |
|                                    | \$ | <u>463,549</u> |

## Table of Contents

In assessing the recoverability of the Company's long-lived and indefinite-lived assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve significant uncertainties and judgments and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change in the future, the Company may be required to record impairment charges related to its long-lived and/or indefinite-lived assets.

### *Goodwill*

Goodwill is tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or substantive changes in circumstances. The 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 does not need to perform the quantitative goodwill 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, then the Company would perform the quantitative goodwill impairment test. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company has one reporting unit for evaluating goodwill impairment. During the first quarter of fiscal year 2020, the Company performed its annual impairment test of goodwill by comparing the fair value of its reporting unit with its carrying value. As the Company's reporting unit had a negative carrying value of net assets, there was no impairment of goodwill identified.

### *Other Long-Lived Assets*

The Company reviews other long-lived assets (including intangible assets that are amortized and property and equipment) for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the undiscounted cash flows from a group of assets being evaluated is less than the carrying value of that group of assets, the fair value of the asset group is determined and the carrying value of the asset group is written down to fair value.

As of June 30, 2020, the Company's intangible assets subject to amortization, which were affiliate relationships, have an estimated useful life of 24 years. The useful lives for the affiliate relationships were determined based upon an estimate for renewals of existing agreements the Company had in place with its major customers in April 2005 (the time that acquisition accounting was applied). The Company has renewed its major affiliation agreements and maintained customer relationships in the past and believes it will be able to renew its major affiliation agreements and maintain those customer relationships in the future. In light of these facts and circumstances, the Company has determined that its estimated useful lives are appropriate. However, it is possible that the Company will not successfully renew such agreements as they expire or that if it does, the net revenue earned may not equal or exceed the net revenue currently being earned, which could have a material negative effect on our business.

There have been periods when an existing affiliation agreement has expired and the Company and the Distributor have not finalized negotiations of either a renewal of that agreement or a new agreement for certain periods of time. In certain of these circumstances, Distributors may continue to carry the service(s) until the execution of definitive renewal or replacement agreements (or until we or the Distributor determine that carriage should cease). See "Part I — Item 1A. Risk Factors — *The Success of Our Business Depends on Affiliation Fees We Receive Under Our Affiliation Agreements, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Material Negative Effect on Our Business and Results of Operations.*"

If a Distributor ceases to carry the service on an other than temporary basis, the Company would record an impairment charge for the then remaining carrying value of the affiliate relationship intangible asset associated with that Distributor. If the Company were to renew an affiliation agreement at rates that produced materially less net revenue compared to the net revenue produced under the previous agreement, the Company would evaluate the impact on its cash flows and, if necessary, would further evaluate such indication of potential impairment by following the policy described above for the asset or asset group containing that intangible asset. The Company also would evaluate whether the remaining useful life of the affiliate relationship remained appropriate. Based on the carrying value of the affiliate relationships recorded as of June 30, 2020, if the estimated life of these affiliate relationships were shortened by 10%, the effect on amortization for the year ended June 30, 2020 would be an increase of approximately \$384.



## [Table of Contents](#)

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

The Company utilizes actuarial methods to calculate pension and other postretirement benefit obligations and the related net periodic benefit cost, which are based on actuarial assumptions. Two key assumptions, the discount rate and, for the Company's funded pension plan, the expected long-term rate of return on plan assets, are important elements of the plans' expense and liability measurement and we evaluate these key assumptions annually. Other assumptions include demographic factors, such as mortality, retirement age and turnover. The actuarial assumptions used by the Company may differ materially from actual results due to various factors, including, but not limited to, changing economic and market conditions. Differences between actual and expected occurrences could significantly impact the actual amount of net periodic benefit cost and the benefit obligation recorded by the Company. Material changes in the costs of the plans may occur in the future due to changes in these assumptions, changes in the number of the plan participants, changes in the level of benefits provided, changes in asset levels and changes in legislation. The Company's assumptions reflect its historical experience and our best judgment regarding future expectations.

Accumulated and projected benefit obligations reflect the present value of future cash payments for benefits. The Company used the Willis Towers Watson U.S. Rate Link: 40-90 Discount Rate Model (which is developed by examining the yields on selected highly rated corporate bonds) to discount these benefit payments on a plan by plan basis, to select the rates at which the Company believes each plan's benefits could be effectively settled. Lower discount rates increase the present value of benefit obligations and will usually increase the subsequent year's net periodic benefit cost. The weighted-average discount rates used to determine benefit obligations as of June 30, 2020 for the Company's pension plans and postretirement plan were 2.69% and 2.14%, respectively. A 25 basis point decrease in these assumed discount rates would increase the projected benefit obligations for the Company's pension plans and postretirement plan at June 30, 2020 by \$1,470 and \$40, respectively. The weighted-average discount rates used to determine the service cost and interest cost components of net periodic benefit cost for the year ended June 30, 2020 for the Company's pension plans were 3.68% and 3.17%, respectively. The weighted-average discount rates used to determine the service cost and interest cost components of net periodic benefit cost for the year ended June 30, 2020 for the Company's postretirement plan were 3.42% and 2.94%, respectively. A 25 basis point decrease in these assumed discount rates would increase the total net periodic benefit cost for the Company's pension plans by \$110 and decrease net periodic benefit cost for the postretirement plan by \$3 for the year ended June 30, 2020.

The Company's expected long-term rate of return on plan assets is based on a periodic review and modeling of the plan's asset allocation structures over a long-term horizon. Expectations of returns for each asset class used in the review and modeling are based on comprehensive reviews of historical data, forward-looking economic outlook, and economic/financial market theory. The expected long-term rate of return was selected from within the reasonable range of rates determined by the expected total returns for the asset classes covered by the investment policy, each comprised of projections of (a) the risk-free rate, or expected return on cash, (b) the passive excess return (beta), or expected excess return from an asset class in excess of the risk-free rate, and (c) the active return (alpha), or expected excess return from active managers' efforts to outperform their respective indices. The expected long-term rate of return on plan assets for the Company's funded pension plan was 5.09% for the year ended June 30, 2020. Performance of the capital markets affects the value of assets that are held in trust to satisfy future obligations under the Company's funded plan. Adverse market performance in the future could result in lower rates of return for these assets than projected by the Company which could increase the Company's funding requirements related to this plan, as well as negatively affect the Company's operating results by increasing the net periodic benefit cost. A 25 basis point decrease in the long-term rate of return on pension plan assets assumption would increase net periodic pension benefit cost by \$53 for the year ended June 30, 2020.

Another important assumption for our postretirement plan is healthcare cost trend rates. We developed our estimate of the healthcare cost trend rates through examination of the Company's claims experience and the results of recent healthcare trend surveys.

Assumed healthcare cost trend rates used to determine the benefit obligation and net periodic benefit cost for our postretirement plan as of and for the year ended June 30, 2020 are as follows:

|                                                                                   | <b>Net Periodic<br/>Benefit Cost</b> | <b>Benefit Obligation</b> |
|-----------------------------------------------------------------------------------|--------------------------------------|---------------------------|
| Healthcare cost trend rate assumed for next year                                  | 6.75%                                | 6.50%                     |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5.00%                                | 5.00%                     |
| Year that the rate reaches the ultimate trend rate                                | 2027                                 | 2027                      |

## [Table of Contents](#)

A one percentage point change in assumed healthcare cost trend rates would have the following effects on the benefit obligation and net periodic benefit cost for our postretirement plan as of and for the year ended June 30, 2020:

|                               | <b>Increase<br/>(Decrease) in<br/>Total of Service<br/>and Interest Cost<br/>Components</b> | <b>Increase<br/>(Decrease) in<br/>Benefit Obligation</b> |
|-------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------|
| One percentage point increase | \$ 10                                                                                       | \$ 165                                                   |
| One percentage point decrease | (9)                                                                                         | (150)                                                    |

GAAP includes mechanisms that serve to limit the volatility in the Company's earnings that otherwise would result from recording changes in the value of plan assets and benefit obligations in our consolidated financial statements in the periods in which those changes occur. For example, while the expected long-term rate of return on the plan's assets should, over time, approximate the actual long-term returns, differences between the expected and actual returns could occur in any given year. These differences contribute to the deferred actuarial gains or losses, which are then amortized over time.

See Note 12 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for more information on our pension plans and other postretirement benefit plan.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

For sensitivity analyses and other information regarding market risks we face in connection with our pension and postretirement plans, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies — Critical Accounting Policies — Defined Benefit Pension Plans and Other Postretirement Benefit Plan," which information is incorporated by reference herein.

Our market risk exposure to interest rate risk relates to any borrowing we may incur.

Borrowings under the credit agreement, dated October 11, 2019, among MSGN Holdings, L.P., MSGN Eden, LLC, Regional MSGN Holdings LLC and certain subsidiaries of MSGN Holdings, L.P. and a syndicate of lenders (the "Credit Agreement") bear interest, based on our election, at a floating rate based upon the London Interbank Offered Rate, the New York Fed Bank Rate or the administrative agent's prime rate, plus, in each case, an additional rate which is dependent upon our total leverage ratio at the time. Accordingly, we are subject to interest rate risk with respect to the tenor of any borrowings we may incur under the Credit Agreement. The effect of a hypothetical 100 basis point increase in floating interest rates prevailing at June 30, 2020 and continuing for a full year would increase interest expense related to the amount outstanding under our \$1.1 billion term loan facility provided under the Credit Agreement by approximately \$10.7 million. If appropriate, we may seek to reduce such exposure through the use of interest rate swaps or similar instruments that qualify for hedge accounting treatment. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financing Agreements" for more information on our Credit Agreement.

We have de minimis foreign currency risk exposure as our business operates almost entirely in U.S. Dollars. We do not have any meaningful commodity risk exposures associated with our operations.

### **Item 8. Financial Statements and Supplementary Data**

The Financial Statements required by this Item 8 appear beginning on page F-1 of this Annual Report on Form 10-K, and are incorporated by reference herein.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

An evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2020 the Company's disclosure controls and procedures were effective.

#### ***Management's Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company

conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2020.

The effectiveness of our internal control over financial reporting as of June 30, 2020 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

***Changes in Internal Controls***

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) under the Exchange Act) during the fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

### PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

Information relating to our directors, executive officers, and corporate governance will be included in the proxy statement for the 2020 annual meeting of the Company's stockholders, which is expected to be filed within 120 days of our fiscal year end, and is incorporated herein by reference.

**Item 11. Executive Compensation**

Information relating to executive compensation will be included in the proxy statement for the 2020 annual meeting of the Company's stockholders, which is expected to be filed within 120 days of our fiscal year end, and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information relating to the beneficial ownership of our common stock will be included in the proxy statement for the 2020 annual meeting of the Company's stockholders, which is expected to be filed within 120 days of our fiscal year end, and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information relating to certain relationships and related transactions and director independence will be included in the proxy statement for the 2020 annual meeting of the Company's stockholders, which is expected to be filed within 120 days of our fiscal year end, and is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

Information relating to principal accountant fees and services will be included in the proxy statement for the 2020 annual meeting of the Company's stockholders, which is expected to be filed within 120 days of our fiscal year end, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Page No.

The following documents are filed as part of this report:

- 1. The financial statements as indicated in the index set forth on page [F-1](#)
- 2. Financial statement schedule:

Schedule supporting consolidated financial statements

[Schedule II — Valuation and Qualifying Accounts](#) [42](#)

Schedules other than that listed above have been omitted, since they are either not applicable, not required or the information is included elsewhere herein.

- 3. Exhibits:

## Table of Contents

| EXHIBIT NO. | DESCRIPTION                                                                                                                                                                                                                                                                                                                                   |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1         | <a href="#"><u>Distribution Agreement dated September 11, 2015, between MSG Networks Inc. and Madison Square Garden Sports Corp. (formerly known as The Madison Square Garden Company) (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed September 14, 2015).</u></a>                              |
| 3.1         | <a href="#"><u>Amended and Restated Certificate of Incorporation of Madison Square Garden, Inc. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on February 10, 2010).</u></a>                                                                                                                   |
| 3.1.A       | <a href="#"><u>Certificate of Ownership and Merger merging The Madison Square Garden Company with and into Madison Square Garden, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended March 31, 2011 filed on May 6, 2011).</u></a>                                                               |
| 3.1.B       | <a href="#"><u>Amendment to the Amended and Restated Certificate of Incorporation of MSG Networks Inc., (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 6, 2015).</u></a>                                                                                                              |
| 3.2         | <a href="#"><u>Amended By-Laws of MSG Networks Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 19, 2020).</u></a>                                                                                                                                                                    |
| 4.1         | <a href="#"><u>Registration Rights Agreement by and among MSG Networks Inc. (formerly known as The Madison Square Garden Company) and the Charles F. Dolan Children Trusts (incorporated by reference to Exhibit 3.5 to Amendment No. 7 to the Company's Registration Statement on Form 10 filed on January 14, 2010).</u></a>                |
| 4.2         | <a href="#"><u>Registration Rights Agreement by and among MSG Networks Inc. (formerly known as The Madison Square Garden Company) and the Dolan Family Affiliates (incorporated by reference to Exhibit 3.6 to Amendment No. 7 to the Company's Registration Statement on Form 10 filed on January 14, 2010).</u></a>                         |
| 4.3         | <a href="#"><u>Transfer Consent Agreement with NBA, dated February 9, 2010 (incorporated by reference to Exhibit 3.7 to Amendment No. 6 to the Company's Registration Statement on Form 10 filed on January 11, 2010).</u></a>                                                                                                                |
| 4.4         | <a href="#"><u>Transfer Consent Agreement with NHL, dated February 9, 2010 (incorporated by reference to Exhibit 3.8 to Amendment No. 6 to the Company's Registration Statement on Form 10 filed on January 11, 2010).</u></a>                                                                                                                |
| 4.5         | <a href="#"><u>Description of Capital Stock (incorporated by reference to Exhibit 4.5 to the Company's Form 10-K for the fiscal year ended June 30, 2019 filed on August 21, 2019).</u></a>                                                                                                                                                   |
| 10.1        | <a href="#"><u>Tax Disaffiliation Agreement dated September 11, 2015, between MSG Networks Inc. and Madison Square Garden Sports Corp. (formerly known as The Madison Square Garden Company) (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed on September 14, 2015).</u></a>                     |
| 10.2        | <a href="#"><u>Contribution Agreement, dated as of September 11, 2015, among MSG Networks Inc., MSGN Holdings, L.P. and Madison Square Garden Sports Corp. (formerly known as The Madison Square Garden Company) (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on September 14, 2015).</u></a> |
| 10.3        | <a href="#"><u>Employee Matters Agreement dated September 11, 2015, between MSG Networks Inc. and Madison Square Garden Sports Corp. (formerly known as The Madison Square Garden Company) (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K filed on September 14, 2015).</u></a>                       |
| 10.4        | <a href="#"><u>MSG Networks Inc. 2010 Employee Stock Plan, as amended (incorporated by reference to Annex A to the Company's DEF 14A filed on October 27, 2016). †</u></a>                                                                                                                                                                    |
| 10.5        | <a href="#"><u>MSG Networks Inc. 2010 Cash Incentive Plan, as amended (incorporated by reference to Annex B to the Company's DEF 14A filed on October 28, 2015). †</u></a>                                                                                                                                                                    |
| 10.6        | <a href="#"><u>MSG Networks Inc. 2010 Stock Plan for Non-Employee Directors, as amended (incorporated by reference to Annex C to the Company's DEF 14A filed on October 28, 2015). †</u></a>                                                                                                                                                  |
| 10.7        | <a href="#"><u>Form of MSG Networks Inc. Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 15, 2016). †</u></a>                                                                                                                                                      |
| 10.8        | <a href="#"><u>Form of MSG Networks Inc. Performance Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 15, 2016). †</u></a>                                                                                                                                          |
| 10.9        | <a href="#"><u>Form of MSG Networks Inc. (formerly known as The Madison Square Garden Company) Non-Employee Director Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended December 31, 2012 filed on February 6, 2013). †</u></a>                                                      |
| 10.10       | <a href="#"><u>Form of MSG Networks Inc. (formerly known as The Madison Square Garden Company) Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on September 10, 2015). †</u></a>                                                                                |
| 10.11       | <a href="#"><u>Form of MSG Networks Inc. (formerly known as The Madison Square Garden Company) Performance Award Agreement (incorporated by reference to Exhibit 10.33 to the Company's Form 10-K for the fiscal year ended June 30, 2013 filed on August 21, 2013). †</u></a>                                                                |
| 10.12       | <a href="#"><u>Form of MSG Networks Inc. Performance Stock Units Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on September 10, 2015). †</u></a>                                                                                                                                     |

## Table of Contents

|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.13 | <a href="#"><u>Employment Agreement dated September 16, 2016 between MSG Networks Inc. and James L. Dolan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended December 31, 2016, filed on February 2, 2017). †</u></a>                                                                                                                                                                                                                  |
| 10.14 | <a href="#"><u>Employment Agreement dated as of September 6, 2018, between MSG Networks Inc. and Andrea Greenberg (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 7, 2018). †</u></a>                                                                                                                                                                                                                                 |
| 10.15 | <a href="#"><u>Employment Agreement dated as of September 6, 2018, between MSG Networks Inc. and Bret Richter (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 7, 2018). †</u></a>                                                                                                                                                                                                                                     |
| 10.16 | <a href="#"><u>Employment Agreement dated as of September 6, 2018, between MSG Networks Inc. and Lawrence J. Burian (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on September 7, 2018). †</u></a>                                                                                                                                                                                                                               |
| 10.17 | <a href="#"><u>Letter Agreement, dated June 19, 2020, between MSG Networks Inc. and Lawrence J. Burian (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 19, 2020). †</u></a>                                                                                                                                                                                                                                                |
| 10.18 | <a href="#"><u>Employment Agreement dated as of September 6, 2018, between MSG Networks Inc. and Dawn Darino-Gorski (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on September 7, 2018). †</u></a>                                                                                                                                                                                                                               |
| 10.19 | <a href="#"><u>Credit Agreement dated as of September 28, 2015, by and among MSGN Holdings, L.P., certain subsidiaries of MSGN Holdings, L.P. identified therein, MSGN Eden, LLC, MSGN Regional Holdings LLC and JPMorgan Chase Bank, N.A., as administrative agent, collateral agent and a letter of credit issuer, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 28, 2015).</u></a> |
| 10.20 | <a href="#"><u>Security Agreement dated as of September 28, 2015, by and among MSGN Holdings, L.P., certain subsidiaries of MSGN Holdings, L.P. identified therein, MSGN Eden, LLC, MSGN Regional Holdings LLC, and JPMorgan Chase Bank, N.A., as collateral agent thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 28, 2015).</u></a>                                                                         |
| 10.21 | <a href="#"><u>MSG Networks Inc. Policy Concerning Certain Matters Relating to Madison Square Garden Sports Corp., Madison Square Garden Entertainment Corp. and AMC Networks Inc. including Responsibilities of Overlapping Directors and Officers.</u></a>                                                                                                                                                                                                                    |
| 10.22 | <a href="#"><u>Form of Indemnification Agreement between MSG Networks Inc. (formerly known as The Madison Square Garden Company) and its Directors and Executive Officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 27, 2015). †</u></a>                                                                                                                                                                            |
| 10.23 | <a href="#"><u>Form of MSG Networks Inc. Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 file on August 15, 2018). †</u></a>                                                                                                                                                                                                                                   |
| 10.24 | <a href="#"><u>Form of MSG Networks Inc. Performance Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 filed on August 15, 2018). †</u></a>                                                                                                                                                                                                                      |
| 10.25 | <a href="#"><u>Form of MSG Networks Inc. Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019 filed on August 21, 2019). †</u></a>                                                                                                                                                                                                                                  |
| 10.26 | <a href="#"><u>Form of MSG Networks Inc. Performance Restricted Stock Units Agreement (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019 filed on August 21, 2019). †</u></a>                                                                                                                                                                                                                      |
| 10.27 | <a href="#"><u>Amended and Restated Credit Agreement, dated as of October 11, 2019, by and among MSGN Holdings, L.P., certain subsidiaries of MSGN Holdings, L.P. identified therein, MSGN Eden, LLC, Regional MSGN Holdings LLC and JP Morgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 15, 2019).</u></a>                              |
| 21.1  | <a href="#"><u>Subsidiaries of the Registrant.</u></a>                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 23.1  | <a href="#"><u>Consent of KPMG LLP.</u></a>                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 24.1  | <a href="#"><u>Powers of Attorney (included on the signature page to this Annual Report on Form 10-K).</u></a>                                                                                                                                                                                                                                                                                                                                                                  |
| 31.1  | <a href="#"><u>Certification by the President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                                                                                                                                                                                    |
| 31.2  | <a href="#"><u>Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                                                                                                                                                                                                  |
| 32.1  | <a href="#"><u>Certification by the President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                                                                                                                                                                                    |
| 32.2  | <a href="#"><u>Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                                                                                                                                                                                                  |



## [Table of Contents](#)

| EXHIBIT<br>NO. | DESCRIPTION                                                                                                                                           |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 101.INS        | XBRL Instance Document.                                                                                                                               |
| 101.SCH        | XBRL Taxonomy Extension Schema.                                                                                                                       |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase.                                                                                                         |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase.                                                                                                          |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase.                                                                                                               |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase.                                                                                                        |
| 104            | The cover page from the Company's Annual Report on Form 10-K for the year ended June 30, 2020, formatted in Inline XBRL and contained in Exhibit 101. |

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

### **Item 16. Form 10-K Summary**

The Company has elected not to provide a summary.

**MSG NETWORKS INC.**  
**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
(in thousands)

|                                                          | <b>Balance at<br/>Beginning<br/>of Period</b> | <b>(Additions)<br/>Deductions<br/>Charged to Costs<br/>and Expenses</b> | <b>(Additions)<br/>Deductions Charged<br/>to Other Accounts</b> | <b>Deductions <sup>(a)</sup></b> | <b>Balance<br/>at End of<br/>Period</b> |
|----------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------|-----------------------------------------|
| Year Ended June 30, 2020 Allowance for doubtful accounts | \$ (1,169)                                    | \$ (278)                                                                | \$ —                                                            | \$ 29                            | \$ (1,418)                              |
| Year Ended June 30, 2019 Allowance for doubtful accounts | \$ (509)                                      | \$ (930)                                                                | \$ —                                                            | \$ 270                           | \$ (1,169)                              |
| Year Ended June 30, 2018 Allowance for doubtful accounts | \$ (594)                                      | \$ (17)                                                                 | \$ —                                                            | \$ 102                           | \$ (509)                                |

<sup>(a)</sup> Primarily reflects write-offs of uncollectible amounts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 13th day of August, 2020.

MSG Networks Inc.

By: /s/ BRET RICHTER

Name: Bret Richter

Title: Executive Vice President, Chief Financial Officer and Treasurer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrea Greenberg and Bret Richter, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person in such person's name, place and stead, in any and all capacities, to sign this report, and file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons in the capacities and on the dates indicated.

| <u>Name</u>                                         | <u>Title</u>                                                                                     | <u>Date</u>     |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------|
| <u>/s/ ANDREA GREENBERG</u><br>Andrea Greenberg     | President & Chief Executive Officer<br>(Principal Executive Officer)                             | August 13, 2020 |
| <u>/s/ BRET RICHTER</u><br>Bret Richter             | Executive Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) | August 13, 2020 |
| <u>/s/ DAWN DARINO-GORSKI</u><br>Dawn Darino-Gorski | Senior Vice President, Controller and<br>Principal Accounting Officer                            | August 13, 2020 |
| <u>/s/ JAMES L. DOLAN</u><br>James L. Dolan         | Executive Chairman (Director)                                                                    | August 13, 2020 |
| <u>/s/ WILLIAM J. BELL</u><br>William J. Bell       | Director                                                                                         | August 13, 2020 |
| <u>/s/ JOSEPH M. COHEN</u><br>Joseph M. Cohen       | Director                                                                                         | August 13, 2020 |
| <u>/s/ AIDAN J. DOLAN</u><br>Aidan J. Dolan         | Director                                                                                         | August 13, 2020 |
| <u>/s/ CHARLES F. DOLAN</u><br>Charles F. Dolan     | Director                                                                                         | August 13, 2020 |
| <u>/s/ KRISTIN A. DOLAN</u><br>Kristin A. Dolan     | Director                                                                                         | August 13, 2020 |

[Table of Contents](#)

| <b>Name</b>                                       | <b>Title</b> | <b>Date</b>     |
|---------------------------------------------------|--------------|-----------------|
| <hr/> /s/ PAUL J. DOLAN <hr/> Paul J. Dolan       | Director     | August 13, 2020 |
| <hr/> /s/ THOMAS C. DOLAN <hr/> Thomas C. Dolan   | Director     | August 13, 2020 |
| <hr/> /s/ JOSEPH J. LHOTA <hr/> Joseph J. Lhota   | Director     | August 13, 2020 |
| <hr/> /s/ JOEL M. LITVIN <hr/> Joel M. Litvin     | Director     | August 13, 2020 |
| <hr/> /s/ HANK J. RATNER <hr/> Hank J. Ratner     | Director     | August 13, 2020 |
| <hr/> /s/ BRIAN G. SWEENEY <hr/> Brian G. Sweeney | Director     | August 13, 2020 |
| <hr/> /s/ JOHN L. SYKES <hr/> John L. Sykes       | Director     | August 13, 2020 |

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

|                                                                                                                      | <b>Page</b>          |
|----------------------------------------------------------------------------------------------------------------------|----------------------|
| <a href="#">Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements</a>     | <a href="#">F-2</a>  |
| <a href="#">Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting</a> | <a href="#">F-4</a>  |
| <a href="#">Consolidated Balance Sheets as of June 30, 2020 and 2019</a>                                             | <a href="#">F-5</a>  |
| <a href="#">Consolidated Statements of Operations for the years ended June 30, 2020, 2019 and 2018</a>               | <a href="#">F-6</a>  |
| <a href="#">Consolidated Statements of Comprehensive Income for the years ended June 30, 2020, 2019 and 2018</a>     | <a href="#">F-7</a>  |
| <a href="#">Consolidated Statements of Cash Flows for the years ended June 30, 2020, 2019 and 2018</a>               | <a href="#">F-8</a>  |
| <a href="#">Consolidated Statements of Stockholders' Deficiency for the years ended June 30, 2020, 2019 and 2018</a> | <a href="#">F-9</a>  |
| <a href="#">Notes to Consolidated Financial Statements</a>                                                           | <a href="#">F-10</a> |

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
MSG Networks Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of MSG Networks Inc. and subsidiaries (the Company) as of June 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' deficiency, and cash flows for each of the years in the three-year period ended June 30, 2020, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 13, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Evaluation of the identification of related parties and related party transactions*

As discussed in Note 15 to the consolidated financial statements, the Dolan family, including trusts for the benefit of members of the Dolan family (collectively, the Dolan Family Group) is the majority beneficial owner of the Company, Madison Square Garden Sports Corp. (MSGS), Madison Square Garden Entertainment Corp. (MSGE), and AMC Networks, Inc. (AMC). In addition, there are certain overlapping directors and executive officers between the companies. Each of these entities is a related party. The Company has entered into a number of transactions with MSGS and MSGE, including agreements for media rights, advertising sales representation, trademark licensing, tax disaffiliation, services, as well as others such as aircraft time sharing, and certain shared executive support costs for the Company's Executive Chairman and Vice Chairman. The Company has also entered into an arrangement with AMC for the provision of certain services.

We identified the evaluation of the identification of related parties and related party transactions as a critical audit matter. Auditor judgment was involved in assessing the sufficiency of the procedures performed to identify related parties and related party transactions of the Company.

## [Table of Contents](#)

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's related party process, including controls over the identification of the Company's related party relationships and transactions. We performed the following procedures to evaluate the identification of related parties and related party transactions by the Company:

- Confirmed directly with the related parties their records of the transactions and balances with the Company and compared the responses received to the Company's records;
- Evaluated the Company's reconciliations of its applicable accounts to the related parties' records of transactions and balances;
- Queried the accounts payable system for transactions with related parties;
- Read public filings, external news, and research sources for information related to transactions between the Company and related parties;
- Listened to the Company's quarterly investor relations calls;
- Inspected questionnaires from the Company's directors and officers;
- Read the Company's minutes from meetings of the Board of Directors and related committees;
- Read new agreements and contracts between the Company and related parties; and
- Inquired with executive officers, key members of management, and the Audit Committee of the Board of Directors regarding related party transactions.

/s/ KPMG LLP

We have served as the Company's auditor since 1997.

New York, New York

August 13, 2020

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
MSG Networks Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited MSG Networks Inc. and subsidiaries' (the Company) internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' deficiency, and cash flows for each of the years in the three-year period ended June 30, 2020, the related notes and financial statement schedule II, (collectively, the consolidated financial statements), and our report dated August 13, 2020 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

New York, New York

August 13, 2020



**MSG NETWORKS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

|                                                                                                                                                    | June 30,   |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
|                                                                                                                                                    | 2020       | 2019       |
| <b>ASSETS</b>                                                                                                                                      |            |            |
| Current Assets:                                                                                                                                    |            |            |
| Cash and cash equivalents                                                                                                                          | \$ 196,837 | \$ 226,423 |
| Accounts receivable, net                                                                                                                           | 105,549    | 108,349    |
| Related party receivables, net                                                                                                                     | 14,190     | 16,091     |
| Prepaid income taxes                                                                                                                               | 461        | 1,968      |
| Prepaid expenses                                                                                                                                   | 11,063     | 2,003      |
| Other current assets                                                                                                                               | 4,541      | 5,286      |
| Total current assets                                                                                                                               | 332,641    | 360,120    |
| Property and equipment, net                                                                                                                        | 8,758      | 9,302      |
| Amortizable intangible assets, net                                                                                                                 | 30,283     | 33,743     |
| Goodwill                                                                                                                                           | 424,508    | 424,508    |
| Operating lease right-of-use assets                                                                                                                | 17,153     | —          |
| Other assets                                                                                                                                       | 37,460     | 39,226     |
| Total assets                                                                                                                                       | \$ 850,803 | \$ 866,899 |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>                                                                                                    |            |            |
| Current Liabilities:                                                                                                                               |            |            |
| Accounts payable                                                                                                                                   | \$ 2,115   | \$ 907     |
| Related party payables                                                                                                                             | 1,472      | 941        |
| Current portion of long-term debt                                                                                                                  | 37,229     | 111,789    |
| Current portion of operating lease liabilities                                                                                                     | 5,492      | —          |
| Income taxes payable                                                                                                                               | 641        | —          |
| Accrued liabilities:                                                                                                                               |            |            |
| Employee related costs                                                                                                                             | 14,187     | 15,466     |
| Other accrued liabilities                                                                                                                          | 10,116     | 13,898     |
| Deferred revenue                                                                                                                                   | 2,753      | 185        |
| Total current liabilities                                                                                                                          | 74,005     | 143,186    |
| Long-term debt, net of current portion                                                                                                             | 1,043,780  | 906,228    |
| Long-term operating lease liabilities                                                                                                              | 13,780     | —          |
| Defined benefit and other postretirement obligations                                                                                               | 25,860     | 25,834     |
| Other employee related costs                                                                                                                       | 5,149      | 4,713      |
| Other liabilities                                                                                                                                  | 1,536      | 2,310      |
| Deferred tax liability                                                                                                                             | 239,542    | 243,396    |
| Total liabilities                                                                                                                                  | 1,403,652  | 1,325,667  |
| Commitments and contingencies (see Notes 8, 9 and 10)                                                                                              |            |            |
| Stockholders' Deficiency:                                                                                                                          |            |            |
| Class A Common Stock, par value \$0.01, 360,000 shares authorized; 43,122 and 61,287 shares outstanding as of June 30, 2020 and 2019, respectively | 643        | 643        |
| Class B Common Stock, par value \$0.01, 90,000 shares authorized; 13,589 shares outstanding as of June 30, 2020 and 2019                           | 136        | 136        |
| Preferred stock, par value \$0.01, 45,000 shares authorized; none outstanding                                                                      | —          | —          |
| Additional paid-in capital                                                                                                                         | 12,731     | 9,916      |
| Treasury stock, at cost, 21,137 and 2,972 shares as of June 30, 2020 and 2019, respectively                                                        | (457,363)  | (179,561)  |
| Accumulated deficit                                                                                                                                | (100,792)  | (282,414)  |
| Accumulated other comprehensive loss                                                                                                               | (8,204)    | (7,488)    |
| Total stockholders' deficiency                                                                                                                     | (552,849)  | (458,768)  |
| Total liabilities and stockholders' deficiency                                                                                                     | \$ 850,803 | \$ 866,899 |

See accompanying notes to consolidated financial statements.



**MSG NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

|                                                                                                                                                                                     | Years Ended June 30, |            |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------|------------|
|                                                                                                                                                                                     | 2020                 | 2019       | 2018       |
| Revenues (including related party revenues of \$0, \$0 and \$230, for the years ended June 30, 2020, 2019, and 2018, respectively)                                                  | \$ 685,797           | \$ 720,845 | \$ 696,651 |
| Direct operating expenses (including related party expenses of \$144,655, \$152,136 and \$148,580, for the years ended June 30, 2020, 2019, and 2018, respectively)                 | 282,837              | 300,274    | 291,082    |
| Selling, general and administrative expenses (including related party expenses of \$23,288, \$25,725 and \$22,240, for the years ended June 30, 2020, 2019, and 2018, respectively) | 100,829              | 103,274    | 83,073     |
| Depreciation and amortization                                                                                                                                                       | 7,163                | 7,398      | 9,338      |
| Operating income                                                                                                                                                                    | 294,968              | 309,899    | 313,158    |
| Other income (expense):                                                                                                                                                             |                      |            |            |
| Interest income                                                                                                                                                                     | 4,234                | 6,343      | 4,388      |
| Interest expense                                                                                                                                                                    | (36,324)             | (47,589)   | (43,312)   |
| Debt refinancing expense                                                                                                                                                            | (2,764)              | —          | —          |
| Other components of net periodic benefit cost                                                                                                                                       | (1,030)              | 244        | (1,710)    |
|                                                                                                                                                                                     | (35,884)             | (41,002)   | (40,634)   |
| Income from operations before income taxes                                                                                                                                          | 259,084              | 268,897    | 272,524    |
| Income tax benefit (expense)                                                                                                                                                        | (73,863)             | (82,715)   | 16,338     |
| Net income                                                                                                                                                                          | \$ 185,221           | \$ 186,182 | \$ 288,862 |
| Earnings per share:                                                                                                                                                                 |                      |            |            |
| Basic                                                                                                                                                                               | \$ 2.93              | \$ 2.48    | \$ 3.83    |
| Diluted                                                                                                                                                                             | \$ 2.92              | \$ 2.46    | \$ 3.81    |
| Weighted-average number of common shares outstanding:                                                                                                                               |                      |            |            |
| Basic                                                                                                                                                                               | 63,172               | 75,069     | 75,381     |
| Diluted                                                                                                                                                                             | 63,515               | 75,731     | 75,820     |

See accompanying notes to consolidated financial statements.

**MSG NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

|                                                                                    | Years Ended June 30, |                   |                   |
|------------------------------------------------------------------------------------|----------------------|-------------------|-------------------|
|                                                                                    | 2020                 | 2019              | 2018              |
| Net income                                                                         | \$ 185,221           | \$ 186,182        | \$ 288,862        |
| Other comprehensive income (loss), before income taxes:                            |                      |                   |                   |
| Pension plans and postretirement plan:                                             |                      |                   |                   |
| Net unamortized gains (losses) arising during the period                           | \$ (1,544)           | \$ (1,587)        | \$ 1,163          |
| Amounts reclassified from accumulated other comprehensive loss:                    |                      |                   |                   |
| Amortization of net actuarial loss included in net periodic benefit cost           | 536                  | 483               | 656               |
| Amortization of prior service credit included in net periodic benefit cost         | (3)                  | (7)               | (13)              |
| Settlement gain                                                                    | —                    | (5)               | —                 |
| Other comprehensive income (loss), before income taxes                             | (1,011)              | (1,116)           | 1,806             |
| Income tax benefit (expense) related to items of other comprehensive income (loss) | 295                  | 328               | (559)             |
| Other comprehensive income (loss)                                                  | (716)                | (788)             | 1,247             |
| Comprehensive income                                                               | <u>\$ 184,505</u>    | <u>\$ 185,394</u> | <u>\$ 290,109</u> |

See accompanying notes to consolidated financial statements.

**MSG NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|                                                                                   | Years Ended June 30, |            |            |
|-----------------------------------------------------------------------------------|----------------------|------------|------------|
|                                                                                   | 2020                 | 2019       | 2018       |
| Cash flows from operating activities:                                             |                      |            |            |
| Net income                                                                        | \$ 185,221           | \$ 186,182 | \$ 288,862 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |            |            |
| Depreciation and amortization                                                     | 7,163                | 7,398      | 9,338      |
| Amortization of deferred financing costs                                          | 1,994                | 3,003      | 3,003      |
| Debt refinancing expense                                                          | 455                  | —          | —          |
| Share-based compensation expense                                                  | 19,235               | 18,087     | 13,979     |
| Provision for doubtful accounts                                                   | 278                  | 930        | 17         |
| Change in assets and liabilities:                                                 |                      |            |            |
| Accounts receivable, net                                                          | 2,582                | 1,371      | (5,391)    |
| Related party receivables, net                                                    | 1,840                | (3,984)    | 4,800      |
| Prepaid expenses and other assets                                                 | (7,129)              | 4,464      | 1,398      |
| Accounts payable                                                                  | 82                   | (553)      | 219        |
| Related party payables, including payable to MSGS and MSGE                        | 531                  | 277        | (2,171)    |
| Prepaid/payable for income taxes                                                  | 2,148                | (9,294)    | 10,165     |
| Accrued and other liabilities                                                     | (3,377)              | 364        | (2,168)    |
| Deferred revenue                                                                  | 2,568                | (4,441)    | (445)      |
| Deferred income taxes                                                             | (3,559)              | 2,155      | (110,996)  |
| Net cash provided by operating activities                                         | 210,032              | 205,959    | 210,610    |
| Cash flows from investing activities:                                             |                      |            |            |
| Capital expenditures                                                              | (2,814)              | (2,879)    | (3,724)    |
| Investment in nonconsolidated entity                                              | —                    | (2,000)    | —          |
| Net cash used in investing activities                                             | (2,814)              | (4,879)    | (3,724)    |
| Cash flows from financing activities:                                             |                      |            |            |
| Principal repayments on term loan facilities (see Note 7)                         | (35,000)             | (175,000)  | (125,000)  |
| Proceeds from senior secured credit facilities (see Note 7)                       | 100,000              | —          | —          |
| Payments for financing costs                                                      | (3,983)              | —          | —          |
| Share repurchase costs                                                            | (293,531)            | —          | (13,850)   |
| Taxes paid in lieu of shares issued for share-based compensation                  | (4,290)              | (5,000)    | (3,780)    |
| Net cash used in financing activities                                             | (236,804)            | (180,000)  | (142,630)  |
| Net increase (decrease) in cash and cash equivalents                              | (29,586)             | 21,080     | 64,256     |
| Cash and cash equivalents at beginning of period                                  | 226,423              | 205,343    | 141,087    |
| Cash and cash equivalents at end of period                                        | \$ 196,837           | \$ 226,423 | \$ 205,343 |

See accompanying notes to consolidated financial statements.

**MSG NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY**  
(in thousands)

|                                                                            | Common<br>Stock<br>Issued | Additional<br>Paid-In Capital | Treasury<br>Stock | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Total        |
|----------------------------------------------------------------------------|---------------------------|-------------------------------|-------------------|------------------------|-----------------------------------------------|--------------|
| Balance as of June 30, 2017                                                | \$ 779                    | \$ 6,909                      | \$ (198,800)      | \$ (746,539)           | \$ (6,556)                                    | \$ (944,207) |
| Net income                                                                 | —                         | —                             | —                 | 288,862                | —                                             | 288,862      |
| Other comprehensive income                                                 | —                         | —                             | —                 | —                      | 1,247                                         | 1,247        |
| Comprehensive income                                                       |                           |                               |                   |                        |                                               | 290,109      |
| Share-based compensation expense                                           | —                         | 13,979                        | —                 | —                      | —                                             | 13,979       |
| Tax withholding associated with shares issued for share-based compensation | —                         | (3,773)                       | —                 | —                      | —                                             | (3,773)      |
| Shares issued upon distribution of Restricted Stock Units                  | —                         | (13,048)                      | 16,769            | (3,721)                | —                                             | —            |
| Repurchases of Class A Common Stock                                        | —                         | —                             | (13,850)          | —                      | —                                             | (13,850)     |
| Reclassification of stranded tax effects                                   | —                         | —                             | —                 | 1,391                  | (1,391)                                       | —            |
| Balance as of June 30, 2018                                                | \$ 779                    | \$ 4,067                      | \$ (195,881)      | \$ (460,007)           | \$ (6,700)                                    | \$ (657,742) |
| Net income                                                                 | —                         | —                             | —                 | 186,182                | —                                             | 186,182      |
| Other comprehensive loss                                                   | —                         | —                             | —                 | —                      | (788)                                         | (788)        |
| Comprehensive income                                                       |                           |                               |                   |                        |                                               | 185,394      |
| Share-based compensation expense                                           | —                         | 18,087                        | —                 | —                      | —                                             | 18,087       |
| Tax withholding associated with shares issued for share-based compensation | —                         | (4,879)                       | —                 | —                      | —                                             | (4,879)      |
| Shares issued upon distribution of Restricted Stock Units                  | —                         | (7,359)                       | 16,320            | (8,961)                | —                                             | —            |
| Cumulative effect of adoption of ASC 606                                   | —                         | —                             | —                 | 372                    | —                                             | 372          |
| Balance as of June 30, 2019                                                | \$ 779                    | \$ 9,916                      | \$ (179,561)      | \$ (282,414)           | \$ (7,488)                                    | \$ (458,768) |
| Net income                                                                 | —                         | —                             | —                 | 185,221                | —                                             | 185,221      |
| Other comprehensive loss                                                   | —                         | —                             | —                 | —                      | (716)                                         | (716)        |
| Comprehensive income                                                       |                           |                               |                   |                        |                                               | 184,505      |
| Share-based compensation expense                                           | —                         | 19,235                        | —                 | —                      | —                                             | 19,235       |
| Repurchases of Class A Common Stock                                        | —                         | —                             | (293,531)         | —                      | —                                             | (293,531)    |
| Tax withholding associated with shares issued for share-based compensation | —                         | (4,290)                       | —                 | —                      | —                                             | (4,290)      |
| Shares issued upon distribution of Restricted Stock Units                  | —                         | (12,130)                      | 15,729            | (3,599)                | —                                             | —            |
| Balance as of June 30, 2020                                                | \$ 779                    | \$ 12,731                     | \$ (457,363)      | \$ (100,792)           | \$ (8,204)                                    | \$ (552,849) |

See accompanying notes to consolidated financial statements.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**

MSG Networks Inc. (together with its subsidiaries, the “Company”), incorporated on July 29, 2009, owns and operates two regional sports and entertainment networks, MSG Network and MSG+, collectively “MSG Networks.” MSG Networks feature a wide range of compelling sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (“NBA”); the New York Rangers (the “Rangers”), New York Islanders (the “Islanders”), New Jersey Devils (the “Devils”) and Buffalo Sabres (the “Sabres”) of the National Hockey League (“NHL”); as well as significant coverage of the New York Giants and Buffalo Bills of the National Football League.

On September 30, 2015 (the “Distribution Date”), the Company distributed to its stockholders all of the outstanding common stock of Madison Square Garden Sports Corp. (formerly, The Madison Square Garden Company) (together with its subsidiaries, “MSG”) (the “Distribution”).

The Company operates and reports financial information in one segment. Substantially all revenues and assets of the Company are attributed to or located in the United States and are primarily concentrated in the New York City metropolitan area.

**Note 2. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of MSG Networks Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates**

The preparation of the accompanying consolidated financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amount of revenues and expenses. Such estimates include the valuation of accounts receivable, investments, goodwill, other long-lived assets, pension and other postretirement benefit obligations and the related net periodic benefit cost, tax accruals, and other liabilities. In addition, estimates are used in revenue recognition, rights fees expense, income tax benefit (expense), performance and share-based compensation, depreciation and amortization, litigation matters, and other matters. Management believes its use of estimates in the consolidated financial statements to be reasonable.

Management evaluates its estimates on an ongoing basis using historical experience and other factors. Due to the novel coronavirus (“COVID-19”) pandemic, in March 2020, the 2019-20 NBA and NHL seasons were suspended. On May 26, 2020, the NHL announced that the 2019-20 regular season was complete and that certain teams would return to play post-season games. The Rangers and the Islanders, but not the Devils or the Sabres, participated in such post-season games. On June 4, 2020, the NBA announced that certain teams would return to play for the purpose of determining post-season participation and seeding, but not the Knicks. The NHL and NBA plans for resumption of play would have each league ending its respective post-season in October 2020, which would delay the start of each league's 2020-21 season.

Our estimates have been prepared based on these facts, and we will continue to monitor updates made by the NBA and NHL with regards to league play and the impact on the Company's use of estimates. 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, including government and league actions taken to contain or mitigate the COVID-19 pandemic, could be material and would be reflected in the Company's financial statements in future periods.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Revenue Recognition**

The Company generates revenues principally from affiliation fees charged to cable, satellite, telephone, and other platforms (“Distributors”) for the right to carry its networks, as well as from the sale of advertising. The Company’s advertising revenue is largely derived from the sale of inventory in its live professional sports programming, as such, a disproportionate share of this revenue has historically been earned in the Company’s second and third fiscal quarters. The Company’s revenue recognition policies that describe the nature, amount, timing and uncertainty associated with each major source of revenue from contracts with customers are described in Note 3.

**Direct Operating Expenses**

Direct operating expenses primarily represent media rights fees, and other direct programming and production costs, such as the salaries of on-air personalities, producers, directors, technicians, writers and other creative staff, as well as expenses associated with location costs, remote facilities and maintaining studios, origination, and transmission services and facilities.

The professional team media rights acquired under media rights agreements to telecast various sporting events and other programming for exhibition on MSG Networks are typically expensed on a straight-line basis over the applicable annual contract or license period.

**Advertising Expenses**

Advertising costs are typically charged to expense when incurred. The Company enters into nonmonetary transactions, primarily with its Distributors, that involve the exchange of advertising and promotional benefits, for the Company’s services. Total advertising costs classified in selling, general and administrative expenses were \$20,406, \$18,249, and \$11,229 for the years ended June 30, 2020, 2019, and 2018, respectively.

**Income Taxes**

The Company’s provision for income taxes is based on current period income, changes in deferred tax assets and liabilities, and changes in estimates with regard to uncertain tax positions. Deferred tax assets are subject to an ongoing assessment of realizability. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company’s ability to realize its deferred tax assets depends upon the generation of sufficient future taxable income to allow for the realization of its deductible temporary differences. If such estimates and related assumptions change in the future, the Company may be required to record valuation allowances against its deferred tax assets, resulting in additional income tax expense in the Company’s consolidated statements of operations. The Company measures its deferred tax liability with regard to MSGN Holdings, L.P. (“MSGN L.P.”), an indirect wholly-owned subsidiary of the Company through which the Company conducts substantially all of its operations, based on the difference between the tax basis and the carrying amount for financial reporting purposes; this is commonly referred to as the outside basis difference. Interest and penalties, if any, associated with uncertain tax positions are included in income tax expense. The Company accounts for investment tax credits, if any, using the “flow-through” method, under which the tax benefit generated from an investment tax credit is recorded in the period the credit is generated.

**Investment in Nonconsolidated Entity**

The Company’s investment in a nonconsolidated entity, which is included in other assets in the accompanying consolidated balance sheets, does not have a readily determinable fair value. As such, the Company has elected to account for it at cost, which would be adjusted for impairment and changes resulting from observable price fluctuations in orderly transactions for an identical or a similar investment of the same issuer (referred to as the measurement alternative method). Investments accounted for under the measurement alternative method are classified within Level III of the fair value hierarchy. As of June 30, 2020, the carrying amount of the Company’s equity investment in the nonconsolidated entity was \$2,000, and the Company did not identify any potential adjustments to the cost of its investment through June 30, 2020.



**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Share-based Compensation**

The Company measures the cost of employee services received in exchange for an award of equity-based instruments based on the grant date fair value of the award. Share-based compensation cost is recognized in earnings over the period during which an employee is required to provide service in exchange for the award, except for restricted stock units (“RSUs”) granted to non-employee directors which, unless otherwise provided under the applicable award agreement, are fully vested, and are expensed at the grant date. The Company has elected to recognize share-based compensation cost for graded vesting awards with only service conditions on a straight-line basis over the requisite service period for the entire award. The Company accounts for forfeitures as they occur.

**Cash and Cash Equivalents**

The Company considers the balance of its investment in funds that substantially hold highly liquid securities that mature within three months or less from the date the fund purchases these securities to be cash equivalents. The carrying amount of cash and cash equivalents either approximates fair value due to the short-term maturity of these instruments or is at fair value. Checks outstanding in excess of related book balances are included in accounts payable in the accompanying consolidated balance sheets. The Company presents the change in these book cash overdrafts as cash flows from operating activities.

**Accounts Receivable**

The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible accounts receivables. The allowance for doubtful accounts is estimated based on the Company’s analysis of receivables aging, specific identification of certain receivables that are at risk of not being paid, historical collection experience and other factors. The Company’s allowance for doubtful accounts was \$1,418 and \$1,169 as of June 30, 2020 and 2019, respectively.

**Long-Lived and Indefinite-Lived Assets**

The Company’s long-lived and indefinite-lived assets consist of goodwill, amortizable intangible assets, and property and equipment.

Goodwill has an indefinite useful life and is not amortized. Identifiable intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives.

Property and equipment is stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets or, with respect to leasehold improvements, amortized over the shorter of the lease term or the asset’s estimated useful life. The useful lives of the Company’s long-lived assets are based on estimates of the period over which the Company expects the assets to be of economic benefit to the Company. In estimating the useful lives the Company considers factors such as, but not limited to, risk of obsolescence, anticipated use, plans of the Company, and applicable laws.

**Impairment of Long-Lived and Indefinite-Lived Assets**

Goodwill is tested annually for impairment as of August 31<sup>st</sup> and at any time upon the occurrence of certain events or substantive changes in circumstances. The 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 does not need to perform the quantitative goodwill 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, then the Company would perform the quantitative goodwill impairment test. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company has one reporting unit for evaluating goodwill impairment.

The Company reviews other long-lived assets (including intangible assets that are amortized and property and equipment) for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the undiscounted cash flows from a group of assets being evaluated is less than the carrying value of that group of assets, the fair value of the asset group is determined and the carrying value of the asset group is written down to fair value.

In assessing the recoverability of the Company’s long-lived and indefinite-lived assets, the Company must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve significant uncertainties and judgments and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change in the future, the Company may be required to record impairment charges related to its long-lived and/or indefinite-lived assets.

**Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

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

As more fully described in Note 12, the Company has both funded and unfunded defined benefit plans, as well as a contributory welfare plan, covering certain full-time employees and retirees. The expense recognized by the Company is determined using certain assumptions, including the discount rate, expected long-term rate of return, and rate of compensation increases, among others. The Company recognizes the funded status of its defined benefit pension and other postretirement plans (other than multiemployer plans) as an asset or liability in the consolidated balance sheets and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income (loss).

**Earnings (Loss) Per Common Share**

Basic earnings (loss) per common share ("EPS") is based upon net income (loss) available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the effect of the assumed vesting of RSUs and exercise of stock options (see Note 13) only in the periods in which such effect would have been dilutive.

**Common Stock**

Holders of the Company's Class A common stock, par value \$0.01 per share ("Class A Common Stock") have one vote per share. Holders of the Company's Class B common stock, par value \$0.01 per share ("Class B Common Stock") have ten votes per share. The Company's Class A Common Stock has no conversion rights, and the Company's Class B Common Stock can be converted to Class A Common Stock at any time with a conversion ratio of one share of Class A Common Stock for one share of Class B Common Stock. Holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends equally on a per share basis. All actions submitted to a vote of stockholders are voted on by holders of Class A Common Stock (with one vote per share) and Class B Common Stock (with ten votes per share) voting together as a single class, except for the election of directors. With respect to the election of directors, holders of Class A Common Stock vote together as a separate class and are entitled to elect 25% of the total number of directors constituting the whole Board of Directors and, if such 25% is not a whole number, then the holders of Class A Common Stock, voting together as a separate class, are entitled to elect the nearest higher whole number of directors that is at least 25% of the total number of directors. Holders of Class B Common Stock, voting together as a separate class, are entitled to elect the remaining directors. In addition, members of the Dolan family group are parties to a Stockholders Agreement, which has the effect of causing the voting power of the Class B stockholders to be cast as a block on all matters to be voted on by holders of the Company's Class B Common Stock.

**Recently Adopted Accounting Pronouncements**

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") *Topic 842, Leases*, on July 1, 2019 ("Adoption Date"), which superseded the lease recognition requirements in ASC *Topic 840, Leases*. The Company applied the modified retrospective approach and effective date method. The Company elected the package of practical expedients, permitted under the transition guidance in the new standard, which among other things allowed for the carry forward of the historical classification of leases. The adoption of ASC 842 resulted in the recognition of operating lease liabilities of approximately \$18,700 and operating lease right-of-use assets of the same amount as of Adoption Date. The historical net lease liabilities balances as of Adoption Date were eliminated as an offset to the operating lease right-of-use assets, resulting in net lease assets of approximately \$16,300. The new standard did not impact the Company's consolidated net income or cash flows. See Note 8 for further discussion regarding leases.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments — Credit Losses*, and subsequent ASUs that amended the application of ASU No. 2016-13, which introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, the Company will be required to use a forward-looking “expected loss” model that will replace the current “incurred loss” model and generally will result in earlier recognition of allowances for losses. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation — Retirement Benefits — Defined Benefit Plans — General (Topic 715-20): Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes, adds, or clarifies disclosure requirements relating to defined benefit plans to improve disclosure effectiveness. This standard will be effective for the Company beginning in the fourth quarter of fiscal year 2021, with early adoption permitted. The standard is to be applied retroactively to all periods presented. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-02, *Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*, which amends ASC Subtopic 920-350 to align the accounting for production costs of an episodic television series with that for the costs of producing films. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021. The standard is to be applied prospectively to all periods presented. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU eliminates certain exceptions to the general approach in ASC Topic 740 and includes methods of simplification to the existing guidance. This standard will be effective for the Company beginning in the first quarter of fiscal year 2022, with early adoption permitted. The standard is to be applied prospectively to all periods presented. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates. This standard was effective upon issuance, and may be applied prospectively through December 31, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements, if elected.

**Note 3. Revenue Recognition**

***Affiliation Fee Revenue***

Affiliation fee revenue is earned from Distributors for the right to carry the Company’s networks under contracts, commonly referred to as “affiliation agreements.” The Company’s performance obligation under its affiliation agreements is satisfied as the Company provides its programming over the term of the affiliation agreement.

Affiliation fee revenue constituted at least 90% of the Company’s consolidated revenues for the year ended June 30, 2020. Substantially all of the Company’s affiliation agreements are sales-based and usage-based royalty arrangements, which are recognized as the sale or usage occurs. The transaction price is represented by affiliation fees that are generally based upon contractual rates applied to the number of the Distributor’s subscribers who receive or can receive the Company’s programming. Such subscriber information is generally not received until after the close of the reporting period, and in these cases, the Company estimates the number of subscribers. Historical adjustments to recorded estimates have not been material.

The Company’s payment terms vary and are generally within 30-60 days after revenue is earned.

***Advertising Revenue***

The Company primarily earns advertising revenue through the sale of commercial time and other advertising inventory during its programming. In general, these advertising arrangements either do not exceed one year or are primarily multi-year media banks, the elements of which are agreed upon each year. Advertising revenue is recognized as advertising is aired. In certain

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

advertising arrangements, the Company guarantees specified viewer ratings for its programming. In such cases, the promise to deliver the guaranteed viewer ratings by airing the advertising represents the Company's performance obligation. A contract liability is recognized as deferred revenue to the extent any guaranteed viewer ratings are not met and the customer is expected to exercise any right for additional advertising time, and is subsequently recognized as revenue either when the Company provides the required additional advertising time, or additional performance requirements become remote, which may be at the time the guarantee obligation contractually expires.

The Company's payment terms vary by the type of customer. Generally, payment terms are 30-60 days after revenue is earned.

*Principal versus Agent Revenue Recognition*

The Company has an advertising sales representation agreement with Madison Square Garden Entertainment Corp. (together with its subsidiaries, "MSG") that provides for MSGE to act as its advertising sales representative and includes the exclusive right and obligation to sell certain advertising availabilities on the Company's behalf for a commission (see Note 15). The Company reports advertising revenue on a gross basis as it is primarily responsible for the fulfillment of advertising orders.

*Noncash Consideration*

The Company enters into nonmonetary transactions, primarily with its Distributors, that involve the exchange of products or services, such as advertising and promotional benefits, for the Company's services. For arrangements that are subject to sales-based and usage-based royalty guidance, the Company measures noncash consideration that it receives at fair value as the sale or usage occurs. For other arrangements, the Company measures the estimated fair value of the noncash consideration that it receives at contract inception. If the Company cannot reasonably estimate the fair value of the noncash consideration, the Company measures the fair value of the consideration indirectly by reference to the standalone selling price of the services promised to the customer in exchange for the consideration.

**Transaction Price Allocated to Future Performance Obligations**

Substantially all of the Company's affiliation agreements are licenses of functional intellectual property where revenue is derived from sales-based and usage-based royalty arrangements, and generally the Company's advertising arrangements either do not exceed one year or are primarily multi-year media banks, the elements of which are agreed upon each year. For these types of arrangements, the Company applies a practical expedient that allows it to omit disclosure of the aggregate amount of consideration the Company expects to receive in exchange for transferring services to a customer (transaction price) that is allocated to performance obligations that have not yet been satisfied. As of June 30, 2020, the aggregate amount of transaction price allocated to remaining performance obligations, other than for contracts that the Company has applied the practical expedient, was \$10,930 of which \$9,836 will be recognized through fiscal year 2023 and \$1,094 thereafter.

**Contract Balances from Contracts with Customers**

An account receivable is recorded when there is an unconditional right to consideration based on a contract with a customer. When consideration is received from a customer prior to transferring services to the customer under the terms of a contract, a contract liability (deferred revenue) is recorded.

For certain types of contracts with customers, the Company may recognize revenue in advance of the contractual right to invoice the customer, resulting in an amount recorded to contract assets. Once the Company has an unconditional right to consideration under these contracts, the contract assets are reclassified to accounts receivable.

Deferred revenue is recognized as revenue when, or as, control of the services is transferred to the customer and all revenue recognition criteria have been met.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The following table provides information about current contract balances from contracts with customers:

|                                                                                                   | <b>June 30,</b> |             |
|---------------------------------------------------------------------------------------------------|-----------------|-------------|
|                                                                                                   | <b>2020</b>     | <b>2019</b> |
| Accounts receivable (including advertising receivable included in related party receivables, net) | \$ 124,325      | \$ 130,422  |
| Contract asset, short-term (included in other current assets)                                     | —               | 839         |
| Contract asset, long-term (included in other assets)                                              | 37              | —           |
| Deferred revenue, short-term                                                                      | 2,753           | 185         |
| Deferred revenue, long-term (included in other liabilities)                                       | 69              | 230         |

The amount of revenue recognized for the year ended June 30, 2020 related to deferred revenue (contract liability) recorded as of June 30, 2019 was approximately \$185.

**Note 4. Computation of Earnings (Loss) per Common Share**

The following table presents a reconciliation of the weighted-average number of shares used in the calculations of basic and diluted EPS:

|                                                                         | <b>Years Ended June 30,</b> |             |             |
|-------------------------------------------------------------------------|-----------------------------|-------------|-------------|
|                                                                         | <b>2020</b>                 | <b>2019</b> | <b>2018</b> |
| Weighted-average number of shares for basic EPS                         | 63,172                      | 75,069      | 75,381      |
| Dilutive effect of shares issuable under share-based compensation plans | 343                         | 662         | 439         |
| Weighted-average number of shares for diluted EPS                       | 63,515                      | 75,731      | 75,820      |
| Anti-dilutive shares                                                    | 2,793                       | 714         | 519         |

**Note 5. Goodwill and Amortizable Intangible Assets**

During the first quarter of fiscal year 2020, the Company performed its annual impairment test of goodwill. As the Company's one reporting unit had a negative carrying value of net assets, there was no impairment of goodwill identified.

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

|                               | <b>June 30,</b> |             |
|-------------------------------|-----------------|-------------|
|                               | <b>2020</b>     | <b>2019</b> |
| Affiliate relationships       | \$ 83,044       | \$ 83,044   |
| Less accumulated amortization | (52,761)        | (49,301)    |
|                               | \$ 30,283       | \$ 33,743   |

Affiliate relationships have an estimated useful life of 24 years. Amortization expense for intangible assets was \$3,460 for the years ended June 30, 2020, 2019, and 2018.

The Company expects its aggregate annual amortization expense for existing intangible assets subject to amortization for each fiscal year from 2021 through 2025 to be as follows:

|                                  |          |
|----------------------------------|----------|
| Fiscal year ending June 30, 2021 | \$ 3,460 |
| Fiscal year ending June 30, 2022 | 3,460    |
| Fiscal year ending June 30, 2023 | 3,460    |
| Fiscal year ending June 30, 2024 | 3,460    |
| Fiscal year ending June 30, 2025 | 3,460    |

**Note 6. Property and Equipment**

As of June 30, 2020 and 2019, property and equipment consisted of the following assets:

|                        | <b>June 30,</b> |             | <b>Estimated</b>    |
|------------------------|-----------------|-------------|---------------------|
|                        | <b>2020</b>     | <b>2019</b> | <b>Useful Lives</b> |
| Equipment              | \$ 28,902       | \$ 35,642   | 2 to 10 years       |
| Furniture and fixtures | 1,726           | 1,726       | 5 to 8 years        |

|                                                 |                 |                 |                                                 |
|-------------------------------------------------|-----------------|-----------------|-------------------------------------------------|
| Leasehold improvements                          | 18,585          | 18,505          | Shorter of term of lease or life of improvement |
| Construction in progress                        | 277             | 1,058           |                                                 |
|                                                 | 49,490          | 56,931          |                                                 |
| Less: accumulated depreciation and amortization | (40,732)        | (47,629)        |                                                 |
|                                                 | <u>\$ 8,758</u> | <u>\$ 9,302</u> |                                                 |

Depreciation and amortization expense on property and equipment was \$3,703, \$3,938, and \$5,878 for the years ended June 30, 2020, 2019, and 2018, respectively.

#### **Note 7. Debt**

##### *Former Senior Secured Credit Facilities*

On September 28, 2015, MSGN L.P., MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, a direct subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the “Holdings Entities”), and certain subsidiaries of MSGN L.P. entered into a credit agreement (the “Former Credit Agreement”) with a syndicate of lenders. The Former Credit Agreement provided MSGN L.P. with senior secured credit facilities (the “Former Senior Secured Credit Facilities”) that consisted of: (a) an initial \$1,550,000 term loan facility (the “Former Term Loan Facility”) and (b) a \$250,000 revolving credit facility (the “Former Revolving Credit Facility”).

##### *Amended and Restated Senior Secured Credit Facilities*

On October 11, 2019, MSGN L.P., the Holdings Entities and certain subsidiaries of MSGN L.P. amended and restated the Former Credit Agreement in its entirety (the “Credit Agreement”). The Credit Agreement provides MSGN L.P. with senior secured credit facilities (the “Senior Secured Credit Facilities”) consisting of: (i) an initial \$1,100,000 term loan facility (the

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

“Term Loan Facility”) and (ii) a \$250,000 revolving credit facility (the “Revolving Credit Facility”), each with a term of five years. Proceeds from the Term Loan Facility were used by MSGN L.P. to repay outstanding indebtedness under the Former Credit Agreement. Up to \$35,000 of the Revolving Credit Facility is available for the issuance of letters of credit. Subject to the satisfaction of certain conditions and limitations, the Credit Agreement allows for the addition of incremental term and/or revolving loan commitments and incremental term and/or revolving loans.

Borrowings under the Credit Agreement bear interest at a floating rate, which at the option of MSGN L.P. may be either (i) a base rate plus an additional rate ranging from 0.25% to 1.25% per annum (determined based on a total net leverage ratio) (the “Base Rate”), or (ii) a Eurodollar rate plus an additional rate ranging from 1.25% to 2.25% per annum (determined based on a total net leverage ratio) (the “Eurodollar Rate”). Upon a payment default in respect of principal, interest or other amounts due and payable under the Credit Agreement or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum. The Credit Agreement requires that MSGN L.P. pay a commitment fee ranging from 0.225% to 0.30% (determined based on a total net leverage ratio) in respect of the average daily unused commitments under the Revolving Credit Facility. MSGN L.P. will also be required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit.

The Credit Agreement generally requires the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis to comply with a maximum total leverage ratio of 5.50:1.00, subject, at the option of MSGN L.P. to an upward adjustment to 6.00:1.00 during the continuance of certain events. In addition, the Credit Agreement requires a minimum interest coverage ratio of 2.00:1.00 for the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. As of June 30, 2020, the Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the applicable financial covenants. All borrowings under the Credit Agreement are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. As of June 30, 2020, there were no letters of credit issued and outstanding under the Revolving Credit Facility, which provides full borrowing capacity of \$250,000.

The Term Loan Facility amortizes quarterly in accordance with its terms beginning March 31, 2020 through September 30, 2024 with a final maturity date on October 11, 2024.

As of June 30, 2020, the principal repayments required under the Term Loan Facility are as follows:

|                                  |    |                  |
|----------------------------------|----|------------------|
| Fiscal year ending June 30, 2021 | \$ | 38,500           |
| Fiscal year ending June 30, 2022 |    | 49,500           |
| Fiscal year ending June 30, 2023 |    | 66,000           |
| Fiscal year ending June 30, 2024 |    | 82,500           |
| Fiscal year ending June 30, 2025 |    | 849,750          |
|                                  | \$ | <u>1,086,250</u> |

All obligations under the Credit Agreement are guaranteed by the Holdings Entities and MSGN L.P.’s existing and future direct and indirect domestic subsidiaries that are not designated as excluded subsidiaries or unrestricted subsidiaries (the “Subsidiary Guarantors,” and together with the Holdings Entities, the “Guarantors”). All obligations under the Credit Agreement, including the guarantees of those obligations, are secured by certain assets of MSGN L.P. and each Guarantor (collectively, “Collateral”), including, but not limited to, a pledge of the equity interests in MSGN L.P. held directly by the Holdings Entities and the equity interests in each Subsidiary Guarantor held directly or indirectly by MSGN L.P.

Subject to customary notice and minimum amount conditions, MSGN L.P. may voluntarily prepay outstanding loans under the Credit Agreement at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurodollar loans). MSGN L.P. is required to make mandatory prepayments in certain circumstances, including without limitation from the net cash proceeds of certain sales of assets (including Collateral) or casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights) and the incurrence of certain indebtedness, subject to certain exceptions.

In addition to the financial covenants discussed above, the Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants, and events of default. The Credit Agreement contains certain restrictions on the ability of MSGN L.P. and its restricted subsidiaries to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the Credit Agreement, including the following: (i) incurring additional indebtedness and contingent liabilities; (ii) creating liens on certain assets; (iii) making investments, loans or advances in or to other persons;



**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

(iv) paying dividends and distributions or repurchasing capital stock; (v) changing their lines of business; (vi) engaging in certain transactions with affiliates; (vii) amending specified material agreements; (viii) merging or consolidating; (ix) making certain dispositions; and (x) entering into agreements that restrict the granting of liens. The Holdings Entities are also subject to customary passive holding company covenants.

The Company is amortizing deferred financing costs of the Term Loan Facility using the effective interest method over its five-year term. The following table summarizes the presentation of the Term Loan Facility and the Former Term Loan Facility, and the related deferred financing costs in the accompanying consolidated balance sheets as of June 30, 2020 and 2019:

|                                        | Term Loan Facilities | Deferred Financing<br>Costs | Net          |
|----------------------------------------|----------------------|-----------------------------|--------------|
| <b>June 30, 2020</b>                   |                      |                             |              |
| Current portion of long-term debt      | \$ 38,500            | \$ (1,271)                  | \$ 37,229    |
| Long-term debt, net of current portion | 1,047,750            | (3,970)                     | 1,043,780    |
| Total                                  | \$ 1,086,250         | \$ (5,241)                  | \$ 1,081,009 |
| <b>June 30, 2019</b>                   |                      |                             |              |
| Current portion of long-term debt      | \$ 114,375           | \$ (2,586)                  | \$ 111,789   |
| Long-term debt, net of current portion | 906,875              | (647)                       | 906,228      |
| Total                                  | \$ 1,021,250         | \$ (3,233)                  | \$ 1,018,017 |

In addition, the Company has recorded deferred financing costs related to the Revolving Credit Facility and the Former Revolving Credit Facility in the accompanying consolidated balance sheets as summarized in the following table:

|                      | June 30,           |
|----------------------|--------------------|
|                      | 2020      2019     |
| Other current assets | \$ 343      \$ 417 |
| Other assets         | 1,123      104     |

Total amortization of deferred financing costs was \$1,994 for the year ended June 30, 2020 and \$3,003 for the years ended June 30, 2019 and 2018, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

The Company made interest payments under the Credit Agreement and Former Credit Agreement of \$34,537, \$43,518, and \$40,106 during the years ended June 30, 2020, 2019, and 2018, respectively.

**Note 8. Leases**

The Company has various operating leases for office and studio space, as well as equipment, expiring at various dates through fiscal year 2025. The Company currently has no finance leases. Some leases include options to extend the lease term. The exercise of lease renewal options is generally at the Company's discretion. The depreciable life of leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The leases generally provide for fixed annual rentals plus certain other costs. Certain leases include variable payments based on the Company's use of the respective assets. The Company's lease agreements do not include any material residual value guarantees or material restrictive covenants. Since the Company's leases do not provide an implicit interest rate, the Company used its incremental borrowing rate as of Adoption Date to determine the present value of future lease payments for all operating leases that commenced prior to that date.

Operating lease cost consists of the following:

|                            | Years Ended June 30,                 |
|----------------------------|--------------------------------------|
|                            | 2020      2019      2018             |
| Operating lease cost       | \$ 5,556      \$ 5,505      \$ 5,474 |
| Variable lease cost        | 1,331      —      —                  |
| Total operating lease cost | \$ 6,887      \$ 5,505      \$ 5,474 |

The following table summarizes the weighted-average remaining lease term and discount rate for operating leases:

|                                                          | June 30,<br>2020 |
|----------------------------------------------------------|------------------|
| Weighted-average discount rate for operating leases      | 3.33%            |
| Weighted-average remaining operating lease term in years | 3.61             |



As of June 30, 2020, the maturities of the Company's operating lease liabilities are as follows:

|                                                      |    |        |
|------------------------------------------------------|----|--------|
| Fiscal year ending June 30, 2021                     | \$ | 6,012  |
| Fiscal year ending June 30, 2022                     |    | 5,310  |
| Fiscal year ending June 30, 2023                     |    | 4,966  |
| Fiscal year ending June 30, 2024                     |    | 4,135  |
| Fiscal year ending June 30, 2025                     |    | 17     |
| Total undiscounted operating lease payments          |    | 20,440 |
| Less: imputed interest                               |    | 1,168  |
| Total operating lease liabilities                    |    | 19,272 |
| Less: current portion of operating lease liabilities |    | 5,492  |
| Non-current operating lease liabilities              | \$ | 13,780 |

Supplemental cash flow information related to operating leases:

|                                                                                                  |    | June 30,<br>2020 |
|--------------------------------------------------------------------------------------------------|----|------------------|
| Cash paid for amounts included in the measurement of operating lease liabilities                 | \$ | 5,940            |
| Cash paid for variable lease payments not included in measurement of operating lease liabilities |    | 1,331            |
| Total                                                                                            | \$ | 7,271            |

#### Note 9. Commitments and Contingencies

As of June 30, 2020, future cash payments required under contracts entered into by the Company in the normal course of business are as follows:

|                                  |    |           |
|----------------------------------|----|-----------|
| Fiscal year ending June 30, 2021 | \$ | 268,532   |
| Fiscal year ending June 30, 2022 |    | 255,153   |
| Fiscal year ending June 30, 2023 |    | 262,429   |
| Fiscal year ending June 30, 2024 |    | 249,331   |
| Fiscal year ending June 30, 2025 |    | 246,013   |
| Thereafter                       |    | 2,597,887 |
|                                  | \$ | 3,879,345 |

Contractual obligations above consist primarily of the Company's obligations under media rights agreements.

In addition, see Note 7 for the principal repayments required under the Company's Term Loan Facility.

#### Note 10. Legal Matters

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

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Note 11. Fair Value Measurements**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The fair value hierarchy consists of the following three levels:

- Level I — Quoted prices for identical instruments in active markets.
- Level II — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III — Instruments whose significant value drivers are unobservable.

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

|                                     | Level I           | Level II    | Level III   | Total             |
|-------------------------------------|-------------------|-------------|-------------|-------------------|
| <b>June 30, 2020</b>                |                   |             |             |                   |
| Assets:                             |                   |             |             |                   |
| Money market accounts               | \$ 129,609        | \$ —        | \$ —        | \$ 129,609        |
| Time deposits                       | 65,713            | —           | —           | 65,713            |
| Total assets measured at fair value | <u>\$ 195,322</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 195,322</u> |
| <b>June 30, 2019</b>                |                   |             |             |                   |
| Assets:                             |                   |             |             |                   |
| Money market accounts               | \$ 17,619         | \$ —        | \$ —        | \$ 17,619         |
| Time deposits                       | 201,524           | —           | —           | 201,524           |
| Total assets measured at fair value | <u>\$ 219,143</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 219,143</u> |

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

*Other Financial Instruments*

The fair value of the Company's long-term debt (see Note 7) was approximately \$1,021,080 as of June 30, 2020. The Company's long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted prices of such securities for which fair value can be derived from inputs that are readily observable, including activity in and the state of the capital markets.

**Note 12. Pension Plans and Other Postretirement Benefit Plan****Company Sponsored Plans**

The Company sponsors (i) a non-contributory, qualified defined benefit pension plan covering certain of its union employees (the "Union Plan"), (ii) an unfunded non-contributory, non-qualified frozen excess cash balance plan covering certain employees who participated in an underlying qualified plan (the "Excess Cash Balance Plan"), and (iii) an unfunded non-contributory, non-qualified frozen defined benefit pension plan for the benefit of certain employees who participated in an underlying qualified plan (the "Excess Plan," and collectively with the Union Plan and the Excess Cash Balance Plan, the "Pension Plans").

As of December 31, 2015, the Excess Cash Balance Plan was amended to freeze participation and future benefit accruals. Therefore, after December 31, 2015, no employee of the Company who was not already a participant may become a participant in the plan and no further annual pay credits will be made for any future year. Existing account balances under the plan will continue to be credited with monthly interest in accordance with the terms of the plan. As of December 31, 2007, the Excess

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Plan was amended to freeze all benefits earned through December 31, 2007 and to eliminate the ability of participants to earn benefits for future service under this plan. Benefits payable to retirees under the Union Plan are based upon years of service and participants' compensation.

The Company also sponsors a contributory welfare plan which provides certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001 (the "Postretirement Plan").

As of the Distribution Date, the Company and MSGS entered into an employee matters agreement, which determined each company's obligations after the Distribution with regard to historic liabilities under the Company's former pension and postretirement plans. The Company has retained liabilities related to (i) its current and former employees who are active participants in the Excess Plan and/or the Excess Cash Balance Plan, (ii) former MSGS employees as of the Distribution Date who were active participants in the Excess Plan and/or the Excess Cash Balance Plan, (iii) its current employees who are eligible for participation in the Postretirement Plan, (iv) its former employees who are retired participants in the Postretirement Plan, and (v) the Union Plan.

The following table summarizes the projected benefit obligations, assets, funded status and the amounts recorded on the Company's consolidated balance sheets as of June 30, 2020 and 2019 based upon actuarial valuations as of those measurement dates.

|                                                  | <b>Pension Plans</b> |             | <b>Postretirement Plan</b> |             |
|--------------------------------------------------|----------------------|-------------|----------------------------|-------------|
|                                                  | <b>June 30,</b>      |             | <b>June 30,</b>            |             |
|                                                  | <b>2020</b>          | <b>2019</b> | <b>2020</b>                | <b>2019</b> |
| <b>Change in benefit obligation:</b>             |                      |             |                            |             |
| Benefit obligation at beginning of period        | \$ 45,154            | \$ 41,379   | \$ 2,360                   | \$ 4,169    |
| Service cost                                     | 484                  | 445         | 40                         | 42          |
| Interest cost                                    | 1,413                | 1,607       | 60                         | 81          |
| Actuarial loss (gain)                            | 4,310                | 3,180       | (400)                      | (107)       |
| Net benefits paid                                | (1,620)              | (1,457)     | (18)                       | 4           |
| Other                                            | —                    | —           | —                          | (1,829)     |
| Benefit obligation at end of period              | 49,741               | 45,154      | 2,042                      | 2,360       |
| <b>Change in plan assets:</b>                    |                      |             |                            |             |
| Fair value of plan assets at beginning of period | 20,510               | 16,225      | —                          | —           |
| Actual return on plan assets                     | 3,342                | 2,061       | —                          | —           |
| Employer contributions                           | 2,376                | 3,681       | —                          | —           |
| Net benefits paid                                | (1,620)              | (1,457)     | —                          | —           |
| Fair value of plan assets at end of period       | 24,608               | 20,510      | —                          | —           |
| Funded status at end of period                   | \$ (25,133)          | \$ (24,644) | \$ (2,042)                 | \$ (2,360)  |

Amounts recognized in the consolidated balance sheets as of June 30, 2020 and 2019 consist of:

|                                                                                            | <b>Pension Plans</b> |             | <b>Postretirement Plan</b> |             |
|--------------------------------------------------------------------------------------------|----------------------|-------------|----------------------------|-------------|
|                                                                                            | <b>June 30,</b>      |             | <b>June 30,</b>            |             |
|                                                                                            | <b>2020</b>          | <b>2019</b> | <b>2020</b>                | <b>2019</b> |
| Current liabilities (included in accrued employee related costs)                           | \$ (1,204)           | \$ (1,061)  | \$ (111)                   | \$ (109)    |
| Non-current liabilities (included in defined benefit and other postretirement obligations) | (23,929)             | (23,583)    | (1,931)                    | (2,251)     |
|                                                                                            | \$ (25,133)          | \$ (24,644) | \$ (2,042)                 | \$ (2,360)  |

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Accumulated other comprehensive loss, before tax, as of June 30, 2020 and 2019 consists of the following amounts that have not yet been recognized in net periodic benefit cost:

|                       | <b>Pension Plans</b> |                    | <b>Postretirement Plan</b> |                 |
|-----------------------|----------------------|--------------------|----------------------------|-----------------|
|                       | <b>June 30,</b>      |                    | <b>June 30,</b>            |                 |
|                       | <b>2020</b>          | <b>2019</b>        | <b>2020</b>                | <b>2019</b>     |
| Actuarial gain (loss) | \$ (11,587)          | \$ (10,179)        | \$ 42                      | \$ (358)        |
| Prior service credit  | —                    | —                  | —                          | 3               |
|                       | <u>\$ (11,587)</u>   | <u>\$ (10,179)</u> | <u>\$ 42</u>               | <u>\$ (355)</u> |

Components of net periodic benefit cost for the years ended June 30, 2020, 2019, and 2018 are as follows:

|                                                                  | <b>Pension Plans</b>        |                 |                 | <b>Postretirement Plan</b>  |                   |               |
|------------------------------------------------------------------|-----------------------------|-----------------|-----------------|-----------------------------|-------------------|---------------|
|                                                                  | <b>Years Ended June 30,</b> |                 |                 | <b>Years Ended June 30,</b> |                   |               |
|                                                                  | <b>2020</b>                 | <b>2019</b>     | <b>2018</b>     | <b>2020</b>                 | <b>2019</b>       | <b>2018</b>   |
| Service cost                                                     | \$ 484                      | \$ 445          | \$ 512          | \$ 40                       | \$ 42             | \$ 72         |
| Other components of net periodic benefit cost:                   |                             |                 |                 |                             |                   |               |
| Interest cost                                                    | 1,413                       | 1,607           | 1,432           | 60                          | 81                | 140           |
| Expected return on plan assets                                   | (976)                       | (574)           | (505)           | —                           | —                 | —             |
| Recognized actuarial loss <sup>(a)</sup>                         | 536                         | 476             | 596             | —                           | 7                 | 60            |
| Amortization of unrecognized prior service credit <sup>(a)</sup> | —                           | —               | —               | (3)                         | (7)               | (13)          |
| Other                                                            | —                           | —               | —               | —                           | (1,829)           | —             |
| Settlement gain <sup>(a)</sup>                                   | —                           | (5)             | —               | —                           | —                 | —             |
| Net periodic benefit cost                                        | <u>\$ 1,457</u>             | <u>\$ 1,949</u> | <u>\$ 2,035</u> | <u>\$ 97</u>                | <u>\$ (1,706)</u> | <u>\$ 259</u> |

<sup>(a)</sup> Reflects amounts reclassified from accumulated other comprehensive loss to other components of net periodic benefit cost in the accompanying consolidated statements of operations.

Other pre-tax changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended June 30, 2020, 2019, and 2018 are as follows:

|                                                                 | <b>Pension Plans</b>        |                   |                 | <b>Postretirement Plan</b>  |               |                 |
|-----------------------------------------------------------------|-----------------------------|-------------------|-----------------|-----------------------------|---------------|-----------------|
|                                                                 | <b>Years Ended June 30,</b> |                   |                 | <b>Years Ended June 30,</b> |               |                 |
|                                                                 | <b>2020</b>                 | <b>2019</b>       | <b>2018</b>     | <b>2020</b>                 | <b>2019</b>   | <b>2018</b>     |
| Actuarial gain (loss)                                           | \$ (1,944)                  | \$ (1,694)        | \$ 1,482        | \$ 400                      | \$ 107        | \$ (319)        |
| Amounts reclassified from accumulated other comprehensive loss: |                             |                   |                 |                             |               |                 |
| Recognized actuarial loss                                       | 536                         | 476               | 596             | —                           | 7             | 60              |
| Recognized prior service credit                                 | —                           | —                 | —               | (3)                         | (7)           | (13)            |
| Settlement gain                                                 | —                           | (5)               | —               | —                           | —             | —               |
| Total recognized in other comprehensive income (loss)           | <u>\$ (1,408)</u>           | <u>\$ (1,223)</u> | <u>\$ 2,078</u> | <u>\$ 397</u>               | <u>\$ 107</u> | <u>\$ (272)</u> |

The estimated net loss for the Pension Plans expected to be amortized from accumulated other comprehensive loss and recognized as a component of net periodic benefit cost over the next fiscal year is \$506.

**Funded Status**

The accumulated benefit obligation for the Pension Plans aggregated to \$49,199 and \$44,325 at June 30, 2020 and 2019, respectively. As of June 30, 2020, the accumulated benefit obligations include \$24,768 for the Company's unfunded plans, and each of the Company's Pension Plans had a projected benefit obligation in excess of plan assets. As of June 30, 2019, each of the Pension Plans had an accumulated benefit obligation and a projected benefit obligation in excess of plan assets.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

*Pension Plans and Postretirement Plan Assumptions*

Weighted-average assumptions used to determine benefit obligations (made at the end of the period) as of June 30, 2020 and 2019 are as follows:

|                                                                                   | Pension Plans |       | Postretirement Plan |       |
|-----------------------------------------------------------------------------------|---------------|-------|---------------------|-------|
|                                                                                   | June 30,      |       | June 30,            |       |
|                                                                                   | 2020          | 2019  | 2020                | 2019  |
| Discount rate                                                                     | 2.69%         | 3.53% | 2.14%               | 3.23% |
| Rate of compensation increase                                                     | 3.00%         | 2.00% | n/a                 | n/a   |
| Healthcare cost trend rate assumed for next year                                  | n/a           | n/a   | 6.50%               | 6.75% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | n/a           | n/a   | 5.00%               | 5.00% |
| Year that the rate reaches the ultimate trend rate                                | n/a           | n/a   | 2027                | 2027  |

Weighted-average assumptions used to determine net periodic benefit cost (made at the beginning of the period) for the years ended June 30, 2020, 2019, and 2018 are as follows:

|                                                                                   | Pension Plans        |       |       | Postretirement Plan  |       |       |
|-----------------------------------------------------------------------------------|----------------------|-------|-------|----------------------|-------|-------|
|                                                                                   | Years Ended June 30, |       |       | Years Ended June 30, |       |       |
|                                                                                   | 2020                 | 2019  | 2018  | 2020                 | 2019  | 2018  |
| Discount rate - service cost                                                      | 3.68%                | 4.25% | 3.92% | 3.42%                | 4.24% | 3.90% |
| Discount rate - interest cost                                                     | 3.17%                | 3.93% | 3.35% | 2.94%                | 3.80% | 3.25% |
| Expected long-term rate of return on plan assets                                  | 5.09%                | 3.72% | 3.46% | n/a                  | n/a   | n/a   |
| Rate of compensation increase                                                     | 2.00%                | 2.00% | 2.00% | n/a                  | n/a   | n/a   |
| Healthcare cost trend rate assumed for next year                                  | n/a                  | n/a   | n/a   | 6.75%                | 7.00% | 7.25% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | n/a                  | n/a   | n/a   | 5.00%                | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate                                | n/a                  | n/a   | n/a   | 2027                 | 2027  | 2027  |

Accumulated and projected benefit obligations reflect the present value of future cash payments for benefits. The Company used the Willis Towers Watson U.S. Rate Link: 40-90 Discount Rate Model (which is developed by examining the yields on selected highly rated corporate bonds) to discount these benefit payments on a plan by plan basis, to select the rates at which the Company believes each plan's benefits could be effectively settled.

The Company's expected long-term rate of return on plan assets is based on a periodic review and modeling of the plan's asset allocation structures over a long-term horizon. Expectations of returns for each asset class used in the review and modeling are based on comprehensive reviews of historical data, forward-looking economic outlook, and economic/financial market theory. The expected long-term rate of return was selected from within the reasonable range of rates determined by the expected total returns for the asset classes covered by the investment policy, each comprised of projections of (a) the risk-free rate, or expected return on cash, (b) the passive excess return (beta), or expected excess return from an asset class in excess of the risk-free rate, and (c) the active return (alpha), or expected excess return from active managers' efforts to outperform their respective indices.

Assumed healthcare cost trend rates are also a key assumption used for the amounts reported for the Postretirement Plan. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

|                               | Increase (Decrease) in Total of Service and Interest Cost Components for the |       |       | Increase (Decrease) in Benefit Obligation at |        |
|-------------------------------|------------------------------------------------------------------------------|-------|-------|----------------------------------------------|--------|
|                               | Years Ended June 30,                                                         |       |       | June 30,                                     |        |
|                               | 2020                                                                         | 2019  | 2018  | 2020                                         | 2019   |
| One percentage point increase | \$ 10                                                                        | \$ 12 | \$ 28 | \$ 165                                       | \$ 205 |
| One percentage point decrease | (9)                                                                          | (11)  | (24)  | (150)                                        | (185)  |

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Plan Assets and Investment Policy*

The weighted-average asset allocation of the Union Plan's assets at June 30, 2020 and 2019 was as follows:

| <b>Asset Classes:</b>   | <b>June 30,</b> |             |
|-------------------------|-----------------|-------------|
|                         | <b>2020</b>     | <b>2019</b> |
| Fixed income securities | 99%             | 83%         |
| Cash equivalents        | 1%              | 17%         |
|                         | <u>100%</u>     | <u>100%</u> |

Investment allocation decisions are formally made by the Company's Investment and Benefits Committee, which takes into account investment advice provided by the Company's external investment consultant. The investment consultant takes into account expected long-term risk, return, correlation, and other prudent investment assumptions when recommending asset classes and investment managers to the Company's Investment and Benefits Committee. The investment consultant also takes into account the Union Plan's liabilities when making investment allocation recommendations. Those decisions are driven by asset/liability studies conducted by the external investment consultant who combines actuarial considerations and strategic investment advice. The Company's current target allocation for the Union Plan's assets is to invest substantially all of the Union Plan's funds in fixed income securities. The major categories of the Union Plan's assets are long duration fixed income and investment grade fixed income funds, which are marked-to-market on a daily basis. Due to the fact that the Union Plan's assets are significantly made up of long duration fixed income funds, they are subjected to interest-rate risk; specifically, a rising interest rate environment. However, an increase in interest rates would cause a corresponding decrease to the overall liability of the plans, thus creating a hedge against rising interest rates. Additional risks involving the asset/liability framework include earning insufficient returns to cover future liabilities and imperfect hedging of the liability. In addition, a portion of the fixed income fund portfolio is invested in non-government securities which are subject to credit risk of the bond issuer defaulting on interest and/or principal payments.

*Plan Assets at Estimated Fair Value*

The fair value of the Union Plan's assets at June 30, 2020 and 2019 by asset class are as follows:

| <b>Fair Value of Plan Assets at June 30, 2020</b> | <b>Level I</b>  | <b>Level II</b>  | <b>Level III</b> | <b>Total</b>     |
|---------------------------------------------------|-----------------|------------------|------------------|------------------|
| Fixed income securities:                          |                 |                  |                  |                  |
| Long duration fixed income funds                  | —               | 17,650           | —                | 17,650           |
| Investment grade fixed income funds               | —               | 6,774            | —                | 6,774            |
| Money market accounts                             | 184             | —                | —                | 184              |
| Total investments measured at fair value          | <u>\$ 184</u>   | <u>\$ 24,424</u> | <u>\$ —</u>      | <u>\$ 24,608</u> |
| <b>Fair Value of Plan Assets at June 30, 2019</b> |                 |                  |                  |                  |
| Fixed income securities:                          |                 |                  |                  |                  |
| U.S. Treasury Securities                          | \$ 4,720        | \$ —             | \$ —             | \$ 4,720         |
| U.S. corporate bonds                              | —               | 10,645           | —                | 10,645           |
| Foreign issued corporate bonds                    | —               | 1,600            | —                | 1,600            |
| Municipal bonds                                   | —               | 35               | —                | 35               |
| Money market accounts                             | 3,510           | —                | —                | 3,510            |
| Total investments measured at fair value          | <u>\$ 8,230</u> | <u>\$ 12,280</u> | <u>\$ —</u>      | <u>\$ 20,510</u> |

*Contributions for Qualified Defined Benefit Pension Plan*

The Company expects to contribute approximately \$280 to the Union Plan in fiscal year 2021.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Estimated Future Benefit Payments*

The following table presents estimated future fiscal year benefit payments for the Pension Plans and Postretirement Plan:

|                                          | <b>Pension Plans</b> | <b>Postretirement<br/>Plan</b> |
|------------------------------------------|----------------------|--------------------------------|
| Fiscal year ending June 30, 2021         | \$ 2,200             | \$ 110                         |
| Fiscal year ending June 30, 2022         | 2,310                | 130                            |
| Fiscal year ending June 30, 2023         | 2,460                | 150                            |
| Fiscal year ending June 30, 2024         | 2,570                | 160                            |
| Fiscal year ending June 30, 2025         | 2,680                | 170                            |
| Fiscal years ending June 30, 2026 – 2030 | 14,420               | 850                            |

*Savings Plans*

The Company sponsors the MSGN Holdings, L.P. Excess Savings Plan and participates in The Madison Square Garden 401(k) Savings Plan, formerly the MSG Holdings, L.P. 401(k) Savings Plan a multiple employer plan (together, the “Savings Plans”). The Madison Square Garden 401(k) Savings Plan was sponsored by MSGS until the Entertainment Distribution (as defined herein), and thereafter by MSGE.

Expenses related to the Savings Plans included the accompanying consolidated statements of operations for the years ended June 30, 2020, 2019, and 2018 were \$1,028, \$1,057, and \$957, respectively.

**Multiemployer Plans**

The Company contributes to a number of multiemployer defined benefit pension plans, multiemployer defined contribution pension plans, and multiemployer health and welfare plans that provide benefits to retired union-represented employees under the terms of collective bargaining agreements (“CBAs”).

The multiemployer defined benefit pension plans to which the Company contributes generally provide for retirement and death benefits for eligible union-represented employees based on specific eligibility/participant requirements, vesting periods, and benefit formulas. The risks to the Company of participating in these multiemployer defined benefit pension plans are different from single-employer defined benefit pension plans in the following aspects:

- Assets contributed to a multiemployer defined benefit pension plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a multiemployer defined benefit pension plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in some of these multiemployer defined benefit pension plans, the Company may be required to pay those plans an amount based on the Company’s proportion of the underfunded status of the plan, referred to as a withdrawal liability. However, cessation of participation in a multiemployer defined benefit pension plan and subsequent payment of any withdrawal liability is subject to the collective bargaining process.

The Company was not listed in any of the multiemployer plans’ Form 5500’s as providing more than 5% of the total contributions. There were no multiemployer defined benefit pension plans, to which the Company contributes, that were in the red zone (which are plans that are generally less than 65% funded) for the most recent Pension Protection Act zone status available as of June 30, 2020.

The Company contributed \$1,140, \$1,145, and \$1,299 for the years ended June 30, 2020, 2019, and 2018, respectively, to multiemployer plans, primarily multiemployer defined benefit pension plans.

**Note 13. Share-based Compensation**

The Company has two share-based compensation plans (i) the MSG Networks Inc. 2010 Employee Stock Plan, as amended (the “Employee Stock Plan”), which was most recently approved by the Company’s stockholders on December 15, 2016, and (ii) the MSG Networks Inc. 2010 Stock Plan for Non-Employee Directors, as amended (the “Non-Employee Director Plan”), which was most recently approved by the Company’s stockholders on December 6, 2019.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

Under the Employee Stock Plan, the Company is authorized to grant incentive stock options and non-qualified stock options (“NQSOS”), restricted shares, RSUs and other share-based awards. The Employee Stock Plan provides that the Company may grant awards for up to 12,500 (inclusive of awards granted prior to the December 15, 2016 amendment thereof) shares of the Company’s Class A Common Stock (subject to certain adjustments). NQSOS under the Employee Stock Plan must be granted with an exercise price of not less than the fair market value of a share of the Company’s Class A Common Stock on the date of grant and must expire no later than 10 years from the date of grant (or up to one additional year in the case of the death of a holder). RSUs granted under the Employee Stock Plan will settle in shares of the Company’s Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee of the Board of Directors (“Compensation Committee”), in cash. The terms and conditions of awards granted under the Employee Stock Plan, including vesting and exercisability, are determined by the Compensation Committee and may include performance targets.

Under the Non-Employee Director Plan, the Company is authorized to grant NQSOS, RSUs and other share-based awards. The Non-Employee Director Plan provides that the Company may grant awards for up to 400 (inclusive of awards granted prior to the December 6, 2019 amendment thereof) shares of the Company’s Class A Common Stock (subject to certain adjustments). NQSOS under the Non-Employee Director Plan must be granted with an exercise price of not less than the fair market value of a share of the Company’s Class A Common Stock on the date of grant and must expire no later than 10 years from the date of grant (or up to one additional year in the case of the death of a holder). The terms and conditions of awards granted under the Non-Employee Director Plan, including vesting and exercisability, are determined by the Compensation Committee. Unless otherwise provided in an applicable award agreement, NQSOS granted under the Non-Employee Director Plan will be fully vested and exercisable, and RSUs granted under the Non-Employee Director Plan will be fully vested, upon the date of grant and will settle in shares of the Company’s Class A Common Stock (either from treasury or with newly issued shares), or, at the option of the Compensation Committee, in cash, on the first business day after ninety days from the date the director’s service on the Board of Directors ceases or, if earlier, upon the director’s death.

*Share-based Compensation Expense*

Share-based compensation expense, presented within selling, general and administrative expenses and direct operating expenses, was \$19,235, \$18,087 and \$13,979 for the years ended June 30, 2020, 2019, and 2018, respectively.

As of June 30, 2020, there was \$17,664 of unrecognized compensation cost related to unvested RSUs and NQSOS, held by Company employees. The cost is expected to be recognized over a weighted-average period of 2 years for unvested RSUs and NQSOS. There were no costs related to share-based compensation that were capitalized. Tax benefits realized from tax deductions associated with share-based compensation expense for the years ended June 30, 2020, 2019 and 2018 totaled \$2,484, \$3,406, and \$2,814, respectively.

*NQSOS Award Activity*

The following table summarizes activity relating to holders of the Company’s NQSOS for the year ended June 30, 2020:

|                                 | <b>Number of</b>                                      |                                                    | <b>Weighted-Average<br/>Exercise<br/>Price Per<br/>Share</b> | <b>Weighted-Average<br/>Remaining<br/>Contractual<br/>Term (In Years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|---------------------------------|-------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------|
|                                 | <b>Nonperformance<br/>Based<br/>Vesting<br/>NQSOS</b> | <b>Performance<br/>Based<br/>Vesting<br/>NQSOS</b> |                                                              |                                                                           |                                          |
| Balance as of June 30, 2019     | 1,277                                                 | 1,277                                              | \$ 20.87                                                     | 5.52                                                                      | \$ 3,132                                 |
| Granted <sup>(a)</sup>          | 556                                                   | 557                                                | 14.33                                                        |                                                                           |                                          |
| Balance as of June 30, 2020     | 1,833                                                 | 1,834                                              | \$ 18.88                                                     | 5.17                                                                      | —                                        |
| Exercisable as of June 30, 2020 | 924                                                   | 536                                                | \$ 19.07                                                     | 4.04                                                                      | \$ —                                     |

*(a) Includes incremental shares of performance based NQSOS that were historically reported at a target payout of 100%. Upon meeting the performance objective, the number of performance based NQSOS vested at a payout of 100.3% of target.*

Nonperformance based vesting NQSOS granted under the Employee Stock Plan during the year ended June 30, 2020 are subject to three-year ratable vesting. Performance based vesting NQSOS granted under the Employee Stock Plan during the year ended June 30, 2020 are subject to three-year cliff vesting and the achievement of certain Company performance criteria. These NQSOS have an expiration period of 7.5 years. The Company calculated the fair value of these NQSOS on the date of grant using the Black-Scholes option pricing model, which resulted in a grant date fair value of \$4.32 per NQSO.



**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The following were the key assumptions used to calculate the fair value of this award:

|                         |            |
|-------------------------|------------|
| Risk-free interest rate | 1.4%       |
| Expected term           | 5.25 years |
| Expected volatility     | 30.68%     |

The Company's computation of expected term was calculated using the simplified method (the average of the vesting period and option term) as prescribed in ASC Topic 718-10-S99. The Company's computation of expected volatility was based on historical volatility of its common stock.

The aggregate intrinsic value is calculated for in-the-money NQSOs as the difference between (i) the exercise price of the underlying award and (ii) the quoted price of the Company's Class A Common Stock at June 30, 2020 and 2019, as applicable.

*Restricted Share Units Award Activity*

The following table summarizes activity relating to holders of the Company's RSUs for the year ended June 30, 2020:

|                                            | Number of                                  |                                         | Weighted-Average<br>Fair Value<br>Per Share At<br>Date of Grant |
|--------------------------------------------|--------------------------------------------|-----------------------------------------|-----------------------------------------------------------------|
|                                            | Nonperformance<br>Based<br>Vesting<br>RSUs | Performance<br>Based<br>Vesting<br>RSUs |                                                                 |
| Unvested award balance as of June 30, 2019 | 541                                        | 836                                     | \$ 23.08                                                        |
| Granted <sup>(a)</sup>                     | 397                                        | 316                                     | 14.46                                                           |
| Vested <sup>(a)</sup>                      | (341)                                      | (279)                                   | 20.46                                                           |
| Forfeited                                  | (2)                                        | (3)                                     | 19.14                                                           |
| Unvested award balance as of June 30, 2020 | 595                                        | 870                                     | 20.01                                                           |

*(a) Includes incremental shares of performance based RSUs that were historically reported at a target payout of 100%. Upon meeting the performance objective, the number of performance based RSUs vested at a payout of 100.3% of target.*

Nonperformance based vesting RSUs granted under the Employee Stock Plan and the Non-Employee Director Plan during the year ended June 30, 2020 are subject to three-year ratable vesting and vest upon date of grant, respectively. Performance based vesting RSUs granted under the Employee Stock Plan during the year ended June 30, 2020 are subject to three-year cliff vesting.

The fair value of RSUs that vested during the year ended June 30, 2020 was \$9,810. Upon delivery, RSUs granted under the Employee Stock Plan were net share-settled to cover the required statutory tax withholding obligations and the remaining number of shares were issued from the Company's treasury shares. To fulfill the employees' statutory tax withholding obligations for the applicable income and other employment taxes, 269 of these RSUs, with an aggregate value of \$4,290 were retained by the Company and the taxes paid during the year ended June 30, 2020 are reflected as a financing activity in the accompanying consolidated statement of cash flows. For the years ended June 30, 2019 and 2018, the fair value of the Company's RSUs that vested was \$12,779 and \$9,329, respectively, determined as of the date of the RSU vesting.

The weighted-average fair value per share at date of grant of RSUs granted during the years ended June 30, 2019 and 2018, was \$25.61 and \$21.32, respectively.

**Note 14. Stock Repurchase Program**

On December 7, 2017, the Company's Board of Directors authorized the repurchase of up to \$150,000 of the Company's Class A Common Stock. On August 29, 2019, the Board authorized a \$300,000 increase to the stock repurchase authorization, which had \$136,165 of availability remaining, bringing the total available repurchase authorization for Class A Common Stock to \$436,165 as of that date. 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.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

During the year ended June 30, 2020, the Company repurchased, including shares repurchased under a modified Dutch auction tender offer, 18,436 shares of its Class A Common Stock for an aggregate purchase price of \$290,301. As of June 30, 2020, the Company had \$145,864 of availability remaining under its stock repurchase authorization. The purchase price of these share repurchases, and the related fees, have been classified as Treasury stock in the accompanying consolidated balance sheet as of June 30, 2020. There were no shares repurchased by the Company during the year ended June 30, 2019.

**Note 15. Related Party Transactions**

As of June 30, 2020, members of the Dolan family group, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, including trusts for the benefit of the Dolan family group (collectively, the “Dolan Family Group”), collectively beneficially own all of the Company’s outstanding Class B Common Stock and own approximately 7.2% of the Company’s outstanding Class A Common Stock (inclusive of options exercisable within 60 days of the date hereof). Such shares of the Company’s Class A Common Stock and Class B Common Stock, collectively, represent approximately 77.0% of the aggregate voting power of the Company’s outstanding common stock. On April 17, 2020, MSGS distributed to its stockholders all of the outstanding common stock of MSGE (the “Entertainment Distribution”). The Dolan Family Group also controls MSGS and AMC Networks Inc. (“AMC Networks”), and as a result of the Entertainment Distribution, MSGE.

Prior to September 2018, the Company had an arrangement with the Dolan Family Office, LLC (“DFO”), MSG, and AMC Networks providing for the sharing of certain expenses associated with executive office space which was available to Charles F. Dolan (a director of the Company, MSGE and MSGS, and the Executive Chairman and a director of AMC Networks), James L. Dolan (the Executive Chairman and a director of the Company, the Executive Chairman, Chief Executive Officer and a director of MSGE, the Executive Chairman and a director of MSGS, and a director of AMC Networks), and the DFO, which is controlled by Charles F. Dolan. Effective September 2018, the Company is no longer party to this arrangement.

The Company shares certain executive support costs, including office space, executive assistants, security and transportation costs for (i) the Company’s Executive Chairman with MSGS and (ii) the Company’s Vice Chairman with MSGS and AMC Networks. Following the Entertainment Distribution, the Company now also shares such costs with MSGE.

The Company and MSGE are also party to aircraft time sharing agreements, pursuant to which MSGE has agreed from time to time to make certain aircraft available to the Company for use on a “time sharing” basis. Prior to the Entertainment Distribution, the Company was party to such time sharing agreements with MSGS. Additionally, the Company, MSGS, AMC Networks and, following the Entertainment Distribution, MSGE have agreed on an allocation of the costs of certain other aircraft, including helicopter, use by shared executives.

The Company has various agreements with MSGS, including media rights agreements covering Knicks and Rangers games, and a tax disaffiliation agreement. As a result of the Entertainment Distribution, certain of the agreements which were previously between the Company and MSGS are, as of April 17, 2020, between the Company and MSGE, including an advertising sales representation agreement, a trademark license agreement, and certain other arrangements, including a services agreement (the “Services Agreement”) pursuant to which the Company outsources certain business functions. The services currently outsourced include information technology, accounts payable, payroll, tax, certain legal functions, human resources, insurance and risk management, investor relations, corporate communications, benefit plan administration and reporting and internal audit, as well as certain executive support services described above. The Company provides certain services to MSGE pursuant to the Services Agreement. In connection with the Entertainment Distribution, the Company entered into a services agreement with MSGS, pursuant to which MSGS provides the Company certain legal services previously provided under the Services Agreement. The Services Agreement expired on June 30, 2020. In connection thereof, the Company entered into an interim agreement with MSGE, pursuant to which each party provides the other with the services on the same terms. The Company expects to enter into a new services agreement which will be retroactive to July 1, 2020.

The Company has also entered into various agreements with AMC Networks with respect to a number of ongoing commercial relationships.

***Related Party Transactions***

***Rights Fees***

The Company’s media rights agreements with MSGS, effective as of July 1, 2015, provide the Company with the exclusive media rights to Knicks and Rangers games in their local markets. Rights fees included in the accompanying consolidated statements of operations for the years ended June 30, 2020, 2019, and 2018 were \$140,058, \$147,483, and \$141,726, respectively.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*Origination, Master Control and Technical Services*

AMC Networks provides certain origination, master control and technical services to the Company. Amounts incurred by the Company for the years ended June 30, 2020, 2019, and 2018 were \$4,690, \$4,632, and \$6,138, respectively.

*Commission*

The Company's advertising sales representation agreement, which has a term through June 30, 2022, provides for MSGE (MSGs prior to the Entertainment Distribution) to act as the Company's advertising sales representative and includes the exclusive right and obligation to sell certain advertising availabilities on the Company's behalf for a commission. The amounts incurred by the Company for the years ended June 30, 2020, 2019, and 2018 were \$12,591, \$14,945, and \$13,011, respectively.

*General and Administrative Expenses*

Amounts incurred by the Company for expenses associated with the Services Agreement and the services agreement with MSGS, net, amounted to \$10,367, \$10,313, and \$8,863 for the years ended June 30, 2020, 2019, and 2018, respectively.

*Other Operating Expenses*

The Company and its related parties enter into other transactions with each other in the ordinary course of business. Net amounts incurred by the Company for other related party transactions amounted to \$237, \$488, and \$1,082 for the years ended June 30, 2020, 2019, and 2018, respectively.

**Note 16. Income Taxes**

Income tax expense (benefit) is comprised of the following components:

|                                                 | Years Ended June 30, |                  |                    |
|-------------------------------------------------|----------------------|------------------|--------------------|
|                                                 | 2020                 | 2019             | 2018               |
| Current expense:                                |                      |                  |                    |
| Federal                                         | \$ 49,971            | \$ 48,769        | \$ 64,021          |
| State and other                                 | 27,451               | 31,791           | 30,651             |
|                                                 | <u>77,422</u>        | <u>80,560</u>    | <u>94,672</u>      |
| Deferred expense (benefit):                     |                      |                  |                    |
| Federal                                         | (532)                | 134              | (109,145)          |
| State and other                                 | (3,027)              | 2,021            | (1,851)            |
|                                                 | <u>(3,559)</u>       | <u>2,155</u>     | <u>(110,996)</u>   |
| Tax benefit relating to uncertain tax positions | —                    | —                | (14)               |
| Income tax expense (benefit)                    | <u>\$ 73,863</u>     | <u>\$ 82,715</u> | <u>\$ (16,338)</u> |

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The income tax expense (benefit) differs from the amount derived by applying the statutory federal rate to pre-tax income principally due to the effect of the following items:

|                                                                              | Years Ended June 30, |                  |                    |
|------------------------------------------------------------------------------|----------------------|------------------|--------------------|
|                                                                              | 2020                 | 2019             | 2018               |
| Federal tax expense at statutory federal rate <sup>(a)</sup>                 | \$ 54,408            | \$ 56,468        | \$ 76,470          |
| State and local income taxes, net of federal benefit                         | 21,312               | 23,910           | 21,372             |
| Change in the estimated applicable tax rate used to determine deferred taxes | (1,899)              | 1,398            | (497)              |
| Impact of Tax Cuts and Jobs Act on deferred taxes                            | —                    | —                | (106,446)          |
| Domestic production activities tax deduction                                 | —                    | —                | (3,585)            |
| Tax benefit relating to uncertain tax positions                              | —                    | —                | (14)               |
| Tax return to GAAP provision adjustments                                     | (420)                | (1,770)          | (3,411)            |
| Impact of nondeductible officers' compensation <sup>(b)</sup>                | 2,046                | 2,989            | —                  |
| Excess tax benefit related to share-based payment awards                     | (1,576)              | (515)            | (312)              |
| Nondeductible expenses and other                                             | (8)                  | 235              | 85                 |
| Income tax expense (benefit)                                                 | <u>\$ 73,863</u>     | <u>\$ 82,715</u> | <u>\$ (16,338)</u> |

<sup>(a)</sup> On December 22, 2017, the enactment of the Tax Cuts and Jobs Act ("TCJA") significantly changed the U.S. tax laws and included a reduction in the corporate federal tax rate from 35% to 21% effective January 1, 2018. For the year ended June 30, 2018, the Company used a blended statutory federal rate of 28% (based upon the number of days for the fiscal year ended 2018 that it will be taxed at the former rate of 35% and the number of days it will be taxed at the new rate of 21%).

<sup>(b)</sup> The TCJA included changes to Internal Revenue Code Section 162(m), including elimination of the exception for qualified performance-based compensation over the \$1 million annual limit. Accordingly, effective January 1, 2018, all compensation for certain officers in excess of \$1 million is nondeductible.

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and liabilities included in the accompanying consolidated balance sheets as of June 30, 2020 and 2019 are as follows:

|                                       | June 30,            |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | 2020                | 2019                |
| Deferred tax asset (liability)        |                     |                     |
| Investment in MSGN L.P.               | \$ (247,786)        | \$ (249,143)        |
| Compensation and benefit plans        | 8,244               | 5,747               |
| Net noncurrent deferred tax liability | <u>\$ (239,542)</u> | <u>\$ (243,396)</u> |

Deferred tax assets have resulted from the Company's future deductible temporary differences. At this time, based on current facts and circumstances, management believes that it is more likely than not that the Company will realize the benefit for its gross deferred tax assets.

During the year ended June 30, 2020, the Company did not record any uncertain tax positions (including interest and penalties).

The Company made cash income tax payments (net) of \$75,274, \$89,854 and \$84,524 for years ended June 30, 2020, 2019, and 2018, respectively.

The Company was notified during the fourth quarter of fiscal year 2017 that the State of New York was commencing an examination of the Company's New York State income tax returns as filed for the tax years ended December 31, 2013 and 2014. In January 2020, the Company closed the examination with no material changes to the tax returns as filed.

The Company was notified during the first quarter of fiscal year 2019 that the City of New York was commencing an examination of the Company's New York City general corporate income tax returns as filed for the tax years ended December 31, 2015 and 2016. The Company does not expect the examination, when finalized, to result in material changes to the tax returns as filed.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The Company was notified during the fourth quarter of fiscal year 2019 that the City of New York was commencing an examination of the Company's Unincorporated Business Tax Returns as filed for the tax years ended December 31, 2016 and 2017, and June 30, 2018. In October 2019, the Company closed the examination with no material changes to the tax returns as filed.

The Company was notified during the fourth quarter of fiscal year 2019 that the State of New Jersey initiated an audit of the Company's income tax returns for the tax years ended December 31, 2015 through December 31, 2017. The Company does not expect the examination, when finalized, to result in material changes to the tax returns as filed.

The federal and state statute of limitations are currently open on the Company's tax returns for 2016 and 2015, respectively, and forward.

**Note 17. Concentrations of Risk**

Financial instruments that may potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are invested in money market funds and bank time deposits. The Company monitors the financial institutions and money market funds where it invests its cash and cash equivalents with diversification among counterparties to mitigate exposure to any single financial institution. The Company's emphasis is primarily on safety of principal and liquidity and secondarily on maximizing the yield on its investments.

Accounts receivable, net on the accompanying consolidated balance sheets as of June 30, 2020 and 2019 include amounts due from the following individual customers, which accounted for the noted percentages of the gross balance:

|            | June 30, |      |
|------------|----------|------|
|            | 2020     | 2019 |
| Customer A | 26%      | 25%  |
| Customer B | 25%      | 25%  |
| Customer C | 22%      | 23%  |
| Customer D | 11%      | 14%  |

Affiliation fee revenue constituted approximately 90% of the Company's consolidated revenues for each of the years ended June 30, 2020, 2019, and 2018.

Revenues in the accompanying consolidated statements of operations for the years ended June 30, 2020, 2019, and 2018 include amounts from the following individual customers, which accounted for the noted percentages of the total:

|            | Years Ended June 30, |      |      |
|------------|----------------------|------|------|
|            | 2020                 | 2019 | 2018 |
| Customer 1 | 26%                  | 24%  | 24%  |
| Customer 2 | 24%                  | 23%  | 23%  |
| Customer 3 | 21%                  | 21%  | 22%  |
| Customer 4 | 9%                   | 11%  | 11%  |

The accompanying consolidated balance sheets as of June 30, 2020 and 2019 include the following approximate amounts that are recorded in connection with the Company's license agreement with the New Jersey Devils:

| Reported in          | June 30,         |                  |
|----------------------|------------------|------------------|
|                      | 2020             | 2019             |
| Prepaid expenses     | \$ 3,000         | \$ 1,000         |
| Other current assets | 4,000            | 4,000            |
| Other assets         | 34,000           | 36,000           |
|                      | <u>\$ 41,000</u> | <u>\$ 41,000</u> |

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

As of June 30, 2020, approximately 500 full-time and part-time employees, who represent approximately 72% of the Company's workforce, are subject to CBAs and approximately 54% of the Company's workforce that is subject to a CBA is covered by a CBA that has expired. In addition, as of June 30, 2020, approximately 41% of the Company's workforce that is subject to a CBA is covered by a CBA that will expire during the next fiscal year.

**MSG NETWORKS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Note 18. Interim Financial Information (Unaudited)**

The following is a summary of the Company's selected quarterly financial data for the years ended June 30, 2020 and 2019:

|                     | Three Months Ended |                   |                |               | Year Ended June 30, 2020 |
|---------------------|--------------------|-------------------|----------------|---------------|--------------------------|
|                     | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |                          |
| Revenues            | \$ 160,981         | \$ 187,730        | \$ 184,972     | \$ 152,114    | \$ 685,797               |
| Operating expenses  | 92,707             | 117,767           | 111,309        | 69,046        | 390,829                  |
| Operating income    | \$ 68,274          | \$ 69,963         | \$ 73,663      | \$ 83,068     | \$ 294,968               |
| Net income          | \$ 43,067          | \$ 39,964         | \$ 46,270      | \$ 55,920     | \$ 185,221               |
| Earnings per share: |                    |                   |                |               |                          |
| Basic               | \$ 0.57            | \$ 0.66           | \$ 0.77        | \$ 0.98       | \$ 2.93                  |
| Diluted             | \$ 0.57            | \$ 0.66           | \$ 0.77        | \$ 0.97       | \$ 2.92                  |

|                     | Three Months Ended |                   |                |               | Year Ended June 30, 2019 |
|---------------------|--------------------|-------------------|----------------|---------------|--------------------------|
|                     | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 |                          |
| Revenues            | \$ 164,464         | \$ 192,914        | \$ 195,105     | \$ 168,362    | \$ 720,845               |
| Operating expenses  | 85,603             | 114,564           | 112,624        | 98,155        | 410,946                  |
| Operating income    | \$ 78,861          | \$ 78,350         | \$ 82,481      | \$ 70,207     | \$ 309,899               |
| Net income          | \$ 46,930          | \$ 43,838         | \$ 54,235      | \$ 41,179     | \$ 186,182               |
| Earnings per share: |                    |                   |                |               |                          |
| Basic               | \$ 0.63            | \$ 0.58           | \$ 0.72        | \$ 0.55       | \$ 2.48                  |
| Diluted             | \$ 0.62            | \$ 0.58           | \$ 0.72        | \$ 0.54       | \$ 2.46                  |

## MSG Networks Inc.

**Policy Concerning Certain Matters Relating to Madison Square Garden Sports Corp., Madison Square Garden Entertainment Corp. and AMC Networks Inc., Including Responsibilities of Overlapping Directors and Officers****A. Certain Acknowledgements; Definitions.**

MSG Networks Inc. (the “Corporation”) recognizes that (a) certain directors and officers of the Corporation and its subsidiaries (the “Overlap Persons”) have served and may serve as directors, officers, employees and agents of Madison Square Garden Sports Corp. (“MSG Sports”), Madison Square Garden Entertainment Corp. (“MSG Entertainment”), AMC Networks Inc. (“AMC Networks”), and their respective subsidiaries and successors (each of the foregoing, including its subsidiaries and successors, is an “Other Entity”), (b) the Corporation and its subsidiaries, directly or indirectly, may engage in the same, similar or related lines of business as those engaged in by any Other Entity and other business activities that overlap with or compete with those in which such Other Entity may engage, (c) the Corporation or its subsidiaries may have an interest in the same areas of business opportunity as an Other Entity, (d) the Corporation will derive substantial benefits from the service as directors or officers of the Corporation and its subsidiaries of Overlap Persons, and (e) it is in the best interests of the Corporation that the rights of the Corporation, and the duties of any Overlap Persons, be determined and delineated as provided in this Policy in respect of any Potential Business Opportunities (as defined below) and in respect of the agreements and transactions referred to herein. The provisions of this Policy will, to the fullest extent permitted by law, regulate and define the conduct of the business and affairs of the Corporation and its officers and directors who are Overlap Persons in connection with any Potential Business Opportunities and in connection with any agreements and transactions referred to herein. Any person purchasing or otherwise acquiring any shares of capital stock of the Corporation, or any interest therein, will be deemed to have notice of and to have consented to the provisions of this Policy. References in this Policy to “directors,” “officers,” “employees” and “agents” of any person will be deemed to include those persons who hold similar positions or exercise similar powers and authority with respect to any other entity that is a limited liability company, partnership, joint venture or other non-corporate entity.

**B. Duties of Directors and Officers Regarding Potential Business Opportunities; Renunciation of Interest in Potential Business Opportunities.**

The Corporation hereby renounces, on behalf of itself and its subsidiaries, to the fullest extent permitted by law, any interest or expectancy in any Potential Business Opportunity that is not a Restricted Potential Business Opportunity. If a director or officer of the Corporation who is an Overlap Person is presented or offered, or otherwise acquires knowledge of, a potential transaction or matter that may constitute or present a business opportunity for the Corporation or any of its subsidiaries, in which the Corporation or any of its subsidiaries could, but for the provisions of this Policy, have an interest or expectancy (any such transaction or matter, and any such actual or potential business opportunity, a “Potential Business Opportunity”), (i) such Overlap Person will, to the fullest extent permitted by law, have no duty or obligation to refrain from referring such Potential Business Opportunity to any Other Entity and, if such Overlap Person refers such Potential Business Opportunity to an Other Entity, such Overlap Person shall have no duty or obligation to refer such Potential Business Opportunity to the Corporation or to any of its subsidiaries or to give any notice to the Corporation or to any of its subsidiaries regarding such Potential Business Opportunity (or any matter related thereto), (ii) if such Overlap Person refers a Potential Business Opportunity to an Other Entity, such Overlap Person, to the fullest extent permitted by law, will not be liable to the Corporation as a director, officer, stockholder or otherwise, for any failure to refer such Potential Business Opportunity to the Corporation, or for referring such Potential Business Opportunity to any Other Entity, or for any failure to give any notice to the Corporation regarding such Potential Business Opportunity or any matter relating thereto; (iii) any Other Entity may participate, engage or invest in any such Potential Business Opportunity notwithstanding that such Potential Business Opportunity may have been referred to such Other Entity by an Overlap Person, and (iv) if a director or officer who is an Overlap Person refers a Potential Business Opportunity to an Other Entity, then, as between the Corporation and/or its subsidiaries, on the one hand, and such Other Entity, on the other hand, the Corporation and its subsidiaries shall be deemed to have renounced any interest, expectancy or right in or to such Potential Business Opportunity or to receive any income or proceeds derived therefrom solely as a result of such Overlap Person having been presented or offered, or otherwise acquiring knowledge of, such Potential Business Opportunity, unless in each case referred to in clause (i), (ii), (iii) or (iv), such Potential Business Opportunity satisfies all of the following conditions (any Potential Business Opportunity that satisfies all of such conditions, a “Restricted Potential Business Opportunity”): (A) such Potential Business Opportunity was expressly presented or offered to the Overlap Person solely in his or her capacity as a director or officer of the Corporation; (B) the Overlap Person believed that the Corporation possessed, or would reasonably be expected to be able to possess, the resources necessary to



exploit such Potential Business Opportunity; and (C) such opportunity relates exclusively to the business of owning and operating a regional professional sports programming service that features the live carriage of games of teams that compete in the National Hockey League, the National Basketball Association or Major League Baseball and that is targeted to, and made available to, multichannel video programming distributors in the New York, New Jersey and Connecticut tri-state area; *provided*, that the Corporation or any of its subsidiaries is directly engaged in such business at the time the Potential Business Opportunity is presented or offered to the Overlap Person. In the event the Corporation's board of directors declines to pursue a Restricted Potential Business Opportunity, Overlap Persons shall be free to refer such Restricted Potential Business Opportunity to an Other Entity.

**C. Certain Agreements and Transactions Permitted.**

No contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof) entered into between the Corporation and/or any of its subsidiaries, on the one hand, and an Other Entity, on the other hand, before the Corporation or AMC Networks ceased to be an indirect, wholly-owned subsidiary of Cablevision Systems Corporation, before MSG Sports ceased to be an indirect, wholly-owned subsidiary of the Corporation, or before MSG Entertainment ceased to be a direct, wholly-owned subsidiary of MSG Sports, shall be void or voidable or be considered unfair to the Corporation or any of its subsidiaries solely because such Other Entity is a party thereto, or because any directors, officers or employees of such Other Entity were present at or participated in any meeting of the board of directors, or a committee thereof, of the Corporation, or the board of directors, or committee thereof, of any subsidiary of the Corporation, that authorized the contract, agreement, arrangement or transaction (or any amendment, modification or termination thereof), or because his, her or their votes were counted for such purpose. The Corporation may from time to time enter into and perform, and cause or permit any of its subsidiaries to enter into and perform, one or more contracts, agreements, arrangements or transactions (or amendments, modifications or supplements thereto) with an Other Entity. To the fullest extent permitted by law, no such contract, agreement, arrangement or transaction (nor any such amendments, modifications or supplements), nor the performance thereof by the Corporation or any subsidiary of the Corporation or an Other Entity, shall be considered contrary to any fiduciary duty owed to the Corporation (or to any subsidiary of the Corporation, or to any stockholder of the Corporation or any of its subsidiaries) by any director or officer of the Corporation (or by any director or officer of any subsidiary of the Corporation) who is an Overlap Person. To the fullest extent permitted by law, no director or officer of the Corporation or any subsidiary of the Corporation who is an Overlap Person thereof shall have or be under any fiduciary duty to the Corporation (or to any subsidiary of the Corporation, or to any stockholder of the Corporation or any of its subsidiaries) to refrain from acting on behalf of the Corporation, any subsidiary of the Corporation or an Other Entity, in respect of any such contract, agreement, arrangement or transaction or performing any such contract, agreement, arrangement or transaction in accordance with its terms and each such director or officer of the Corporation or any subsidiary of the Corporation who is an Overlap Person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and its subsidiaries, and shall be deemed not to have breached his or her duties of loyalty to the Corporation or any of its subsidiaries or any of their respective stockholders, and not to have derived an improper personal benefit therefrom.

**D. Amendment of this Policy.**

No alteration, amendment or repeal of, or adoption of any provision inconsistent with, any provision of this Policy will have any effect upon (a) any agreement between the Corporation or a subsidiary thereof and any Other Entity, that was entered into before the time of such alteration, amendment or repeal or adoption of any such inconsistent provision (the "Amendment Time"), or any transaction entered into in connection with the performance of any such agreement, whether such transaction is entered into before or after the Amendment Time, (b) any transaction entered into between the Corporation or a subsidiary thereof and any Other Entity, before the Amendment Time, (c) the allocation of any business opportunity between the Corporation or any subsidiary thereof and any Other Entity before the Amendment Time, or (d) any duty or obligation owed by any director or officer of the Corporation or any subsidiary of the Corporation (or the absence of any such duty or obligation) with respect to any Potential Business Opportunity which such director or officer was offered, or of which such director or officer otherwise became aware, before the Amendment Time (regardless of whether any proceeding relating to any of the above is commenced before or after the Amendment Time).

MSG Networks Inc. Subsidiaries

| ENTITY NAME                     | STATE OF INCORPORATION | PERCENTAGE OWNED |
|---------------------------------|------------------------|------------------|
| The 31st Street Company, L.L.C. | Delaware               | 100%             |
| MSGN Eden, LLC                  | Delaware               | 100%             |
| MSGN Enterprises, LLC           | Delaware               | 100%             |
| MSGN Holdings, L.P.             | Delaware               | 100%             |
| MSGN Interactive, LLC           | Delaware               | 100%             |
| MSGN Publishing, LLC            | Delaware               | 100%             |
| MSGN Songs, LLC                 | Delaware               | 100%             |
| SportsChannel Associates        | New York               | 100%             |
| Rainbow Garden Corp.            | Delaware               | 100%             |
| Regional MSGN Holdings LLC      | Delaware               | 100%             |

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
MSG Networks Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-164597, 333-208482, 333-215869, and 333-235392) on Form S-8 of MSG Networks Inc. of our reports dated August 13, 2020, with respect to the consolidated balance sheets of MSG Networks Inc. as of June 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' deficiency, and cash flows for each of the years in the three-year period ended June 30, 2020, and the related notes and financial statement schedule II (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of June 30, 2020, which reports appear in the June 30, 2020 annual report on Form 10-K of MSG Networks Inc.

/s/ KPMG LLP

New York, New York

August 13, 2020

**Certification**

I, Andrea Greenberg, certify that:

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

Date: August 13, 2020

/s/ Andrea Greenberg

Andrea Greenberg

President and Chief Executive Officer

**Certification**

I, Bret Richter, certify that:

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

Date: August 13, 2020

/s/ Bret Richter

Bret Richter

Executive Vice President, Chief Financial Officer and Treasurer

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of MSG Networks Inc. (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the year ended June 30, 2020 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2020

/s/ Andrea Greenberg

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Andrea Greenberg

President and Chief Executive Officer

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

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of MSG Networks Inc. (the “Company”), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the year ended June 30, 2020 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2020

/s/ Bret Richter

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Bret Richter

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.