

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

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: 001-39245



SPHERE ENTERTAINMENT CO.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

Two Penn Plaza New York , NY

(Address of principal executive offices)

84-3755666

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

10121

(Zip Code)

Registrant's telephone number, including area code: (725) 258-0001

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	SPHR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of common stock outstanding as of April 30, 2024:

Class A Common Stock par value \$0.01 per share — 28,461,121

Class B Common Stock par value \$0.01 per share — 6,866,754

**SPHERE ENTERTAINMENT CO.
INDEX TO FORM 10-Q**

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2024 and June 30, 2023 (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Stockholders' Equity and Redeemable Noncontrolling Interests for the three and nine months ended March 31, 2024 and 2023 (Unaudited)</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>58</u>
<u>Item 4. Controls and Procedures</u>	<u>58</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>60</u>
<u>Item 1A. Risk Factors</u>	<u>61</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>85</u>
<u>Item 6. Exhibits</u>	<u>86</u>

Item 1. Financial Statements

PART I – FINANCIAL INFORMATION

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share data)

	As of	
	March 31, 2024	June 30, 2023
ASSETS		
Current Assets:		
Cash, cash equivalents, and restricted cash	\$ 693,946	\$ 429,114
Accounts receivable, net	178,702	112,309
Related party receivables, current	13,195	26,405
Prepaid expenses and other current assets	30,216	56,085
Total current assets	916,059	623,913
Non-Current Assets:		
Investments	51,849	395,606
Property and equipment, net	3,219,889	3,307,161
Right-of-use lease assets	109,663	84,912
Goodwill	456,807	456,807
Intangible assets, net	15,574	17,910
Other non-current assets	98,971	86,706
Total assets	\$ 4,868,812	\$ 4,973,015
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued and other current liabilities	\$ 423,113	\$ 515,731
Related party payables, current	11,263	56,446
Current portion of long-term debt, net	869,776	82,500
Operating lease liabilities, current	17,748	10,127
Deferred revenue	76,712	27,337
Total current liabilities	1,398,612	692,141
Non-Current Liabilities:		
Long-term debt, net	522,057	1,118,387
Operating lease liabilities, non-current	130,419	110,259
Deferred tax liabilities, net	254,995	379,552
Other non-current liabilities	119,130	88,811
Total liabilities	2,425,213	2,389,150
Commitments and contingencies (see Note 10)		
Equity:		
Class A Common Stock ^(a)	284	278
Class B Common Stock ^(b)	69	69
Additional paid-in capital	2,392,247	2,376,420
Retained earnings	57,973	212,036
Accumulated other comprehensive loss	(6,974)	(4,938)
Total stockholders' equity	2,443,599	2,583,865
Total liabilities and equity	\$ 4,868,812	\$ 4,973,015

(a) Class A Common Stock, \$0.01 par value per share, 120,000 shares authorized; 28,461 and 27,812 shares issued and outstanding as of March 31, 2024 and June 30, 2023, respectively.

(b) Class B Common Stock, \$0.01 par value per share, 30,000 shares authorized; 6,867 shares issued and outstanding as of March 31, 2024 and June 30, 2023.

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Revenues ^(a)	\$ 321,330	\$ 162,062	\$ 753,494	\$ 444,732
Direct operating expenses ^(a)	(154,040)	(93,665)	(398,305)	(259,485)
Selling, general, and administrative expenses ^(a)	(123,149)	(143,433)	(325,813)	(342,479)
Depreciation and amortization	(79,867)	(8,200)	(174,157)	(21,719)
Impairment and other (losses) gains, net	—	—	(115,738)	3,000
Restructuring charges	(4,667)	(18,670)	(9,345)	(26,745)
Operating loss	(40,393)	(101,906)	(269,864)	(202,696)
Interest income	7,654	3,374	17,958	9,376
Interest expense	(27,119)	—	(52,947)	—
Other (expense) income, net	(3,256)	(4,182)	37,810	(5,952)
Loss from continuing operations before income taxes	(63,114)	(102,714)	(267,043)	(199,272)
Income tax benefit (expense)	15,874	(11,284)	113,627	11,663
Loss from continuing operations	(47,240)	(113,998)	(153,416)	(187,609)
Income (loss) from discontinued operations, net of taxes	—	55,443	(647)	155,568
Net loss	(47,240)	(58,555)	(154,063)	(32,041)
Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations	—	(216)	—	(682)
Less: Net (loss) income attributable to redeemable noncontrolling interests from discontinued operations	—	(1,492)	—	2,661
Net loss attributable to Sphere Entertainment Co.'s stockholders	\$ (47,240)	\$ (56,847)	\$ (154,063)	\$ (34,020)
Basic loss per common share				
Continuing operations	\$ (1.33)	\$ (3.28)	\$ (4.36)	\$ (5.42)
Discontinued operations	—	1.65	(0.02)	4.44
Basic loss per common share attributable to Sphere Entertainment Co.'s stockholders	\$ (1.33)	\$ (1.64)	\$ (4.38)	\$ (0.98)
Diluted loss per common share				
Continuing operations	\$ (1.33)	\$ (3.28)	\$ (4.36)	\$ (5.42)
Discontinued operations	—	1.65	(0.02)	4.44
Diluted loss per common share attributable to Sphere Entertainment Co.'s stockholders	\$ (1.33)	\$ (1.64)	\$ (4.38)	\$ (0.98)
Weighted-average number of common shares outstanding:				
Basic and diluted	35,418	34,727	35,212	34,604

(a) See Note 15. Related Party Transactions, for further information on related party revenues and expenses.

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net loss	\$ (47,240)	\$ (58,555)	\$ (154,063)	\$ (32,041)
Other comprehensive (loss) income, before income taxes:				
Amortization of net actuarial loss (gain) included in net periodic benefit cost	77	464	(61)	1,484
Cumulative translation adjustments	(968)	2,071	(2,688)	794
Other comprehensive (loss) income, before income taxes	(891)	2,535	(2,749)	2,278
Income tax benefit (expense)	231	(411)	713	(362)
Other comprehensive (loss) income, net of income taxes	(660)	2,124	(2,036)	1,916
Comprehensive loss	(47,900)	(56,431)	(156,099)	(30,125)
Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations	—	(216)	—	(682)
Less: Net (loss) income attributable to redeemable noncontrolling interests from discontinued operations	—	(1,492)	—	2,661
Comprehensive loss attributable to Sphere Entertainment Co.'s stockholders	<u>\$ (47,900)</u>	<u>\$ (54,723)</u>	<u>\$ (156,099)</u>	<u>\$ (32,104)</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES:		
Net loss	\$ (154,063)	\$ (32,041)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	174,157	89,234
Impairment and other losses (gains), net	115,738	(7,834)
Amortization of debt discount and deferred financing costs	2,216	4,186
Amortization of deferred production content	13,334	—
Deferred income tax benefit	(123,844)	(5,031)
Share-based compensation expense	34,742	56,092
Net unrealized and realized loss (gains) on equity investments with readily determinable fair value and loss in nonconsolidated affiliates	20,805	(1,723)
Other non-cash adjustments	433	390
Change in assets and liabilities:		
Accounts receivable, net	(66,108)	(24,081)
Related party receivables and payables, net	(31,973)	9,030
Prepaid expenses and other current and non-current assets	270	(77,020)
Accounts payable, accrued and other current and non-current liabilities	(1,939)	68,650
Deferred revenue	66,656	53,688
Right-of-use lease assets and operating lease liabilities	2,356	4,284
Net cash provided by operating activities	52,780	137,824
INVESTING ACTIVITIES:		
Proceeds from sale of MSGE Retained Interest	256,501	—
Capital expenditures, net	(249,939)	(764,513)
Capitalized interest	(25,053)	(88,450)
Investments in nonconsolidated affiliates	(51)	(7,750)
Proceeds from dispositions, net	—	29,104
Proceeds from sale of equity securities	—	4,369
Other investing activities	(1,698)	1,756
Net cash used in investing activities	(20,240)	(825,484)
FINANCING ACTIVITIES:		
Proceeds from issuance of 3.50% Convertible Senior Notes due 2028	251,634	—
Borrowings under Delayed Draw Term Loan Facility	65,000	—
Proceeds from exercise of stock options	8,827	—
Principal repayments on long-term debt	(61,875)	(52,250)
Taxes paid in lieu of shares issued for equity-based compensation	(15,238)	(14,980)
Purchase of capped call related to 3.50% Convertible Senior Notes due 2028	(14,309)	—
Payments for financing costs	(1,029)	(5,131)
Proceeds from issuance of term loan	—	275,168
Noncontrolling interest holders' capital contributions	—	3,000
Distributions to related parties associated with the settlement of certain share-based awards	—	(2,388)
Repayments of revolving credit facility	—	(2,000)
Distributions to noncontrolling interest holders	—	(1,722)
Other financing activities	—	788
Net cash provided by financing activities	233,010	200,485

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended March 31,	
	2024	2023
Effect of exchange rates on cash, cash equivalents, and restricted cash	(718)	(729)
Net increase (decrease) in cash, cash equivalents, and restricted cash	264,832	(487,904)
Cash, cash equivalents, and restricted cash from continuing operations, beginning of period	429,114	760,312
Cash, cash equivalents, and restricted cash from discontinued operations, beginning of period	—	85,698
Cash, cash equivalents, and restricted cash at beginning of period	429,114	846,010
Cash, cash equivalents and restricted cash from continuing operations, end of period	693,946	204,264
Cash, cash equivalents and restricted cash from discontinued operations, end of period	—	153,842
Cash, cash equivalents, and restricted cash at end of period	\$ 693,946	\$ 358,106
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures incurred but not yet paid	\$ 55,806	\$ 104,004
Non-cash repayment of the Delayed Draw Term Loan Facility	\$ 65,512	\$ —
Share-based compensation capitalized in property and equipment	\$ 1,811	\$ 2,887
Investments and loans to nonconsolidated affiliates	\$ —	\$ 12,859

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS (UNAUDITED)
(in thousands)

	Common Stock Issued	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Sphere Entertainment Co. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of December 31, 2023	\$ 352	\$ 2,365,913	\$ 105,213	\$ (6,314)	\$ 2,465,164	\$ —	\$ 2,465,164	\$ —
Net loss	—	—	(47,240)	—	(47,240)	—	(47,240)	—
Other comprehensive loss	—	—	—	(660)	(660)	—	(660)	—
Share-based compensation	—	18,075	—	—	18,075	—	18,075	—
Exercise of stock options	1	8,826	—	—	8,827	—	8,827	—
Tax withholding associated with shares issued for equity-based compensation	—	(567)	—	—	(567)	—	(567)	—
Balance as of March 31, 2024	<u>\$ 353</u>	<u>\$ 2,392,247</u>	<u>\$ 57,973</u>	<u>\$ (6,974)</u>	<u>\$ 2,443,599</u>	<u>\$ —</u>	<u>\$ 2,443,599</u>	<u>\$ —</u>
Balance as of December 31, 2022	\$ 346	\$ 2,322,007	\$ (267,909)	\$ (48,563)	\$ 2,005,881	\$ 13,039	\$ 2,018,920	\$ 190,222
Net loss	—	—	(56,847)	—	(56,847)	(216)	(57,063)	(1,492)
Other comprehensive income	—	—	—	2,124	2,124	—	2,124	—
Share-based compensation	—	20,714	—	—	20,714	—	20,714	—
Redeemable noncontrolling interest adjustment to redemption fair value	—	50,045	—	—	50,045	—	50,045	(50,045)
Accretion of put options and adjustments	—	—	—	—	—	—	—	587
Contributions	—	—	—	—	—	1,000	1,000	—
Distributions	—	(1,357)	—	—	(1,357)	(397)	(1,754)	(460)
Balance as of March 31, 2023	<u>\$ 346</u>	<u>\$ 2,391,409</u>	<u>\$ (324,756)</u>	<u>\$ (46,439)</u>	<u>\$ 2,020,560</u>	<u>\$ 13,426</u>	<u>\$ 2,033,986</u>	<u>\$ 138,812</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTERESTS (UNAUDITED)
(in thousands)

	Common Stock Issued	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Sphere Entertainment Co. Stockholders' Equity	Non - redeemable Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance as of June 30, 2023	\$ 347	\$ 2,376,420	\$ 212,036	\$ (4,938)	\$ 2,583,865	\$ —	\$ 2,583,865	\$ —
Net loss	—	—	(154,063)	—	(154,063)	—	(154,063)	—
Other comprehensive loss	—	—	—	(2,036)	(2,036)	—	(2,036)	—
Share-based compensation	—	36,500	—	—	36,500	—	36,500	—
Purchase of capped call related to 3.50% Convertible Senior Notes due 2028	—	(14,309)	—	—	(14,309)	—	(14,309)	—
Exercise of stock options	1	8,826	—	—	8,827	—	8,827	—
Tax withholding associated with shares issued for equity-based compensation	5	(15,190)	—	—	(15,185)	—	(15,185)	—
Balance as of March 31, 2024	<u>\$ 353</u>	<u>\$ 2,392,247</u>	<u>\$ 57,973</u>	<u>\$ (6,974)</u>	<u>\$ 2,443,599</u>	<u>\$ —</u>	<u>\$ 2,443,599</u>	<u>\$ —</u>
Balance as of June 30, 2022	\$ 342	\$ 2,301,970	\$ (290,736)	\$ (48,355)	\$ 1,963,221	\$ 12,163	\$ 1,975,384	\$ 184,192
Net (loss) income	—	—	(34,020)	—	(34,020)	(682)	(34,702)	2,661
Other comprehensive income	—	—	—	1,916	1,916	—	1,916	—
Share-based compensation	—	57,009	—	—	57,009	—	57,009	—
Tax withholding associated with shares issued for equity-based compensation	4	(14,984)	—	—	(14,980)	—	(14,980)	—
BCE Disposition	—	—	—	—	—	667	667	—
Redeemable noncontrolling interest adjustment to redemption fair value	—	50,045	—	—	50,045	—	50,045	(50,045)
Accretion of put options and adjustments	—	(895)	—	—	(895)	—	(895)	2,656
Contributions	—	—	—	—	—	3,000	3,000	—
Distributions	—	(1,736)	—	—	(1,736)	(1,722)	(3,458)	(652)
Balance as of March 31, 2023	<u>\$ 346</u>	<u>\$ 2,391,409</u>	<u>\$ (324,756)</u>	<u>\$ (46,439)</u>	<u>\$ 2,020,560</u>	<u>\$ 13,426</u>	<u>\$ 2,033,986</u>	<u>\$ 138,812</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

All amounts included in the following notes to condensed consolidated financial statements (unaudited) are presented in USD and in thousands, except per share data or as otherwise noted.

Note 1. Description of Business and Basis of Presentation

Description of Business

Sphere Entertainment Co. (together with its subsidiaries, the “Company” or “Sphere Entertainment”) is a premier live entertainment and media company comprised of two reportable segments, Sphere and MSG Networks. Sphere is a next-generation entertainment medium, and MSG Networks operates two regional sports and entertainment networks, as well as a direct-to-consumer (“DTC”) and authenticated streaming product.

Sphere: This segment reflects Sphere™, a next-generation entertainment medium powered by cutting-edge technologies that enable multi-sensory storytelling at an unparalleled scale. The Company’s first Sphere opened in Las Vegas in September 2023. The venue can accommodate up to 20,000 guests and can host a wide variety of events year-round, including The Sphere Experience™, which features original immersive productions, as well as concerts and residencies from renowned artists, and marquee sporting and corporate events. Supporting this strategy is Sphere Studios™, which is home to a team of creative, production, technology and software experts who provide full in-house creative and production services. The studio campus in Burbank includes a 68,000-square-foot development facility, as well as Big Dome, a 28,000-square-foot, 100-foot high custom dome, with a quarter-sized version of the interior display plane at Sphere in Las Vegas, that serves as a specialized screening, production facility, and lab for content at Sphere.

MSG Networks: This segment is comprised of the Company’s regional sports and entertainment networks, MSG Network and MSG Sportsnet, as well as its DTC and authenticated streaming product, MSG+. MSG Networks serves the New York designated market area, as well as other portions of New York, New Jersey, Connecticut and Pennsylvania and features a wide range of sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (the “NBA”) and 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 (the “NHL”), as well as significant coverage of the New York Giants (the “Giants”) and the Buffalo Bills (the “Bills”) of the National Football League (the “NFL”).

The Company (formerly Madison Square Garden Entertainment Corp.) was incorporated on November 21, 2019 as a direct, wholly-owned subsidiary of Madison Square Garden Sports Corp. (“MSG Sports”). On April 17, 2020, MSG Sports distributed all outstanding common stock of the Company to MSG Sports’ stockholders (the “2020 Entertainment Distribution”).

MSG Entertainment Distribution

On April 20, 2023 (the “MSG Distribution Date”), the Company distributed approximately 67% of the outstanding common stock of Madison Square Garden Entertainment Corp. (formerly MSGE Spincor, Inc.) (“MSG Entertainment”) to its stockholders (the “MSG Distribution”), with the Company retaining approximately 33% of the outstanding common stock of MSG Entertainment (in the form of MSG Entertainment Class A common stock) immediately following the MSG Distribution (the “MSG Retained Interest”). Following the MSG Distribution Date, the Company retained the Sphere and MSG Networks businesses and MSG Entertainment now owns the traditional live entertainment business previously owned and operated by the Company through its Entertainment business segment, excluding the Sphere business. In the MSG Distribution, stockholders of the Company received (a) one share of MSG Entertainment’s Class A common stock, par value \$0.01 per share, for every share of the Company’s Class A common stock, par value \$0.01 per share (“Class A Common Stock”), held of record as of the close of business, New York City time, on April 14, 2023 (the “Record Date”), and (b) one share of MSG Entertainment’s Class B common stock, par value \$0.01 per share, for every share of the Company’s Class B common stock, par value \$0.01 per share (“Class B Common Stock”), held of record as of the close of business, New York City time, on the Record Date. See Note 1. Description of Business and Basis of Presentation, to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (the “2023 Form 10-K”), for more information.

As of March 31, 2024, following the sales of portions of the MSG Retained Interest and the repayment of the delayed draw term loan with MSG Entertainment using a portion of the MSG Retained Interest, the Company no longer holds any of the outstanding common stock of MSG Entertainment. See Note 6. Investments in Nonconsolidated Affiliates and Note 11. Credit Facilities and Convertible Notes for more information about the MSG Retained Interest.

As of April 20, 2023, the MSG Entertainment business met the criteria for discontinued operations. See Note 3. Discontinued Operations, for more information about the MSG Distribution.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Tao Group Hospitality Disposition

On May 3, 2023, the Company completed the sale of its 66.9% majority interest in TAO Group Sub-Holdings LLC (“Tao Group Hospitality”) to a subsidiary of Mohari Hospitality Limited, a global investment company focused on the luxury lifestyle and hospitality sectors (the “Tao Group Hospitality Disposition”).

Since March 31, 2023, the Tao Group Hospitality segment met the criteria for discontinued operations and was classified as a discontinued operation. See Note 3. Discontinued Operations, for more information about the Tao Group Hospitality Disposition.

Basis of Presentation

The Company reports on a fiscal year basis ending on June 30th (“Fiscal Year”). In these unaudited condensed consolidated financial statements, the fiscal year ending on June 30, 2024 and the fiscal year ended on June 30, 2023 are referred to as “Fiscal Year 2024” and “Fiscal Year 2023,” respectively.

The Company has presented both the MSG Entertainment business and Tao Group Hospitality as discontinued operations for all periods presented. See Note 3. Discontinued Operations, for further discussion on accounting for the MSGE Distribution and Tao Group Hospitality Disposition. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions of Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the “SEC”), and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of June 30, 2023 and 2022 and for the three years ended June 30, 2023, 2022 and 2021 (the “Audited Consolidated Annual Financial Statements”) included in the 2023 Form 10-K.

In the opinion of the Company, the accompanying condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the Company’s financial position as of March 31, 2024 and its results of operations for the three and nine months ended March 31, 2024 and 2023, and cash flows for the nine months ended March 31, 2024 and 2023. The condensed consolidated financial statements and the accompanying notes as of March 31, 2024 were derived from audited annual consolidated financial statements but do not contain all of the footnote disclosures from the audited annual consolidated financial statements.

The results of operations for the periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year. Our MSG Networks segment earns a higher share of its annual revenues in the second and third quarters of its fiscal year as a result of MSG Networks’ advertising revenue being largely derived from the sale of inventory in its live NBA and NHL professional sports programming.

Reclassifications

For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation in accordance with GAAP.

Note 2. Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements of the Company include the accounts of Sphere Entertainment Co. and its subsidiaries. They also historically included accounts of Tao Group Hospitality, MSG Entertainment, and Boston Calling Events, LLC (“BCE”) until their dispositions on May 3, 2023, April 20, 2023, and December 2, 2022, respectively. All significant intercompany transactions and balances have been eliminated in consolidation.

Prior to their dispositions, Tao Group Hospitality and BCE were consolidated with the equity owned by other stockholders shown as redeemable or nonredeemable noncontrolling interests of discontinued operations in the accompanying condensed consolidated balance sheets, and the other stockholders’ portion of net earnings (loss) and other comprehensive income (loss) shown as net income (loss) or comprehensive income (loss) attributable to redeemable or nonredeemable noncontrolling interests from discontinued operations in the accompanying consolidated statements of operations and consolidated statements of comprehensive income (loss), respectively.

See Note 3. Discontinued Operations, for details regarding the Tao Group Hospitality Disposition, and MSGE Distribution. See Note 2. Summary of Significant Accounting Policies, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, regarding the classification of redeemable noncontrolling interests of Tao Group Hospitality.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Use of Estimates

The preparation of the accompanying condensed 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 amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the provision for credit losses, valuation of investments, goodwill, intangible assets, deferred production content costs, other long-lived assets, deferred tax assets, pension and other postretirement benefit obligations and the related net periodic benefit cost, ultimate revenue (as described below), and other liabilities. In addition, estimates are used in revenue recognition, rights fees, performance and share-based compensation, depreciation and amortization, litigation matters and other matters. Management believes its use of estimates in the condensed consolidated financial statements to be reasonable.

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

Production Costs for the Company's Original Immersive Productions

The Company debuted its first original immersive production, *Postcard From Earth*[™], on October 6, 2023, which resulted in the amortization of the related production costs. The following reflects the Company's complete policies with respect to immersive production costs.

The Company defers certain costs during the production phase of its original immersive productions for Sphere that are directly related to production activities. Such costs include, but are not limited to, fees paid to writers, directors and producers as well as video and music production costs and production-specific overhead. For purposes of evaluating the recognition of amortization and any potential impairment, deferred immersive production costs are classified based on their predominant monetization strategy. The determination of the predominant monetization strategy is made at the commencement of production and is based on the means by which the Company expects to derive third-party revenues from use of the content.

The Company's primary monetization strategy and classification for its current content is on an individual production basis, which the Company defines as content where the lifetime value is predominantly derived from third-party revenues that are directly attributable to the specific production. The classification of content only changes if there is a significant change to the production's monetization strategy relative to management's initial assessment.

Deferred immersive production costs are amortized beginning in the month the production debuts, in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year. Estimates of ultimate revenues are prepared on an individual production basis and reviewed regularly by management and revised where necessary to reflect the most current information. Ultimate revenues reflect management's estimates of future revenue over a period not to exceed ten years following the premiere of the production. Deferred immersive production costs are subject to recoverability assessments whenever there is an indication of potential impairment.

Liquidity and Going Concern

As of the date the accompanying unaudited condensed consolidated financial statements were issued (the "issuance date"), management evaluated the presence of the following conditions and events at the Company in accordance with Accounting Standards Update ("ASU") No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40):

As of March 31, 2024, the Company's unrestricted cash and cash equivalents balance was \$680,575, as compared to \$614,549 as of December 31, 2023. Included in unrestricted cash and cash equivalents as of March 31, 2024 was (1) \$125,252 in advance cash proceeds primarily from ticket sales, a majority of which the Company expects to pay to artists and promoters, and (2) \$102,825 of cash and cash equivalents at MSG Networks, which is not available for distribution to the Company in order to maintain compliance with the covenants under the MSG Networks Credit Facilities (as defined below) (which, for the avoidance of doubt, remain available to be used in connection with the refinancing of such facilities as discussed below). In addition, as of March 31, 2024, the Company had \$423,113 of accounts payable, accrued and other current liabilities, including \$155,352 of capital expenditure accruals primarily related to Sphere construction (a significant portion of which is in dispute and which the Company does not expect to pay). The principal balance of the Company's total debt outstanding as of March 31, 2024 was \$1,404,125, including \$870,375 of debt under the MSG Networks Credit Facilities which is classified as short-term on the condensed consolidated balance sheets.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Our primary sources of liquidity are cash and cash equivalents and cash flows from the operations of our businesses. The Company's uses of cash over the next 12 months beyond the issuance date are expected to be substantial and include working capital-related items (including funding our operations), capital spending (including the creation of additional original content for Sphere), required debt service payments, payments we expect to be made in connection with the refinancing of our indebtedness, and investments and related loans and advances that we may fund from time to time. We may also use cash to repurchase our common stock. Our decisions as to the use of our available liquidity will be based upon the ongoing review of the funding needs of our businesses, the optimal allocation of cash resources, and the timing of cash flow generation. To the extent that we desire to access alternative sources of funding through the capital and credit markets, market conditions could adversely impact our ability to do so at that time.

Our ability to have sufficient liquidity to fund our operations and refinance our indebtedness is dependent on the ability of Sphere to generate significant positive cash flow. Although Sphere has been embraced by guests, artists, promoters, advertisers and marketing partners, and we anticipate that Sphere will generate substantial revenue and adjusted operating income on an annual basis over time, there can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform. Original immersive productions, such as *Postcard From Earth*, have not been previously pursued on the scale of Sphere, which increases the uncertainty of our operating expectations. To the extent that our efforts do not result in viable shows, or to the extent that any such productions do not achieve expected levels of popularity among audiences, we may not generate the cash flows from operations necessary to fund our operations. To the extent we do not realize expected cash flows from operations from Sphere, we would have to take several actions to improve our financial flexibility and preserve liquidity, including significant reductions in both labor and non-labor expenses as well as reductions and/or deferrals in capital spending. Therefore, while we currently believe we will have sufficient liquidity from cash and cash equivalents and cash flows from operations (including expected cash flows from operations from Sphere) to fund our operations and, at a minimum, make required aggregate quarterly amortization payments of \$41,250 on the MSG Networks Credit Facilities, as described below, no assurance can be provided that our liquidity will be sufficient in the event any of the preceding uncertainties facing Sphere are realized over the next 12 months beyond the issuance date. The Company also anticipates MSG Networks will pay down a portion of the outstanding term loan under the MSG Networks Credit Facilities prior to its maturity in October 2024, as discussed below, (including as a result of an equity contribution to MSG Networks by Sphere Entertainment Group, LLC ("Sphere Entertainment Group")).

As disclosed in Note 11. Credit Facilities and Convertible Notes, all of the outstanding borrowings under the MSG Networks Credit Facilities are guaranteed by the MSGN Guarantors (as defined under Note 11. Credit Facilities and Convertible Notes) and secured by the MSGN Collateral (as defined under Note 11. Credit Facilities and Convertible Notes). Sphere Entertainment Co., Sphere Entertainment Group and the subsidiaries of Sphere Entertainment Group (collectively, the "Non-Credit Parties") are not legally obligated to fund the outstanding borrowings under the MSG Networks Credit Facilities, nor are the assets of the Non-Credit Parties pledged as security under the MSG Networks Credit Facilities. Prior to maturity of the MSG Networks Credit Facilities in October 2024, MSG Networks expects to make \$41,250 in required quarterly amortization payments on the MSG Networks Credit Facilities. The remaining outstanding borrowings under the MSG Networks Credit Facilities of \$829,125 are scheduled to mature in October 2024, which is within one year of the issuance date of the accompanying unaudited condensed consolidated financial statements. However, MSG Networks will be unable to generate sufficient operating cash flows prior to the maturity to settle the remaining outstanding borrowings under the MSG Networks Credit Facilities when they become due absent action taken by management to refinance the outstanding borrowings.

As of the issuance date of the Company's unaudited condensed consolidated financial statements for the quarter ended March 31, 2024, management is in the advanced stages of negotiating a refinancing of the MSG Networks Credit Facilities with a syndicate of its lenders. In this regard, the Company has had advanced discussions with a number of its lenders to participate in the refinancing and amend and extend the MSG Networks Credit Facilities with agreed upon preliminary terms and provisions. The proposed refinancing is subject to finalization of the syndicate, completion of the loan closing documentation and other closing procedures. The proposed refinancing and amendment to the MSG Networks Credit Facilities would include, among other things, (1) a reduction in the amount of the existing term loan, as a result of a partial repayment of the existing term loan by MSG Networks, a portion of the cash associated with the repayment is expected to be funded through a cash equity contribution from Sphere Entertainment Group to MSG Networks, for which such contribution is not expected to adversely impact Sphere Entertainment's ability to fund its operations and growth initiatives, (2) a reduction in the size of the existing senior secured revolving credit facility, (3) an extension of the maturity date by one year to October 10, 2025, and (4) amendments to certain terms, including adding MSG Networks Inc. and Rainbow Garden Corp. as guarantors, and including a higher amortization rate, higher interest rates, more restrictive covenants (including prohibiting restricted payments to Sphere Entertainment) and adding additional events of default.

Management believes it is probable that (1) the refinancing will be completed or (2) if the refinancing is not completed, MSG Networks would decide to enter into a work-out or seek bankruptcy protection prior to the lenders exercising their rights under the MSG Networks Credit Facilities. While MSG Networks has historically been able to refinance its indebtedness, management can provide no assurance that MSG Networks will be able to refinance the MSG Networks Credit Facilities, or that such refinancing will

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

be secured on terms that are acceptable to MSG Networks. In the event MSG Networks is unable to refinance the amount scheduled to mature under the MSG Networks Credit Facilities or secure alternative sources of funding through the capital and credit markets on acceptable terms, the lenders could exercise their remedies under the MSG Networks Credit Facilities, which would include, but not be limited to, declaring an event of default and foreclosing on the MSGN Collateral. In the event of an exercise of post-default rights and remedies, the Company believes the lenders would have no further remedies or recourse against the Non-Credit Parties pursuant to the terms of the MSG Networks Credit Facilities. While this condition raises substantial doubt about the Company's ability to continue as a going concern, for the reasons stated above, we have concluded this condition has been effectively alleviated and the Company will be able to continue as a going concern for at least one year beyond the issuance date of the accompanying unaudited condensed consolidated financial statements.

Recently Issued and Adopted Accounting Pronouncements

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2023-07, *Improvement to Reportable Segment Disclosures*. This ASU aims to improve segment disclosures through enhanced disclosures about significant segment expenses. The standard requires disclosure of significant expense categories and amounts for such expenses, including those segment expenses that are regularly provided to the chief operating decision maker, easily computable from information that is regularly provided, or significant expenses that are expressed in a form other than actual amounts. This standard will be effective for the Company in Fiscal Year 2025 and is required to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of the additional disclosure requirements on the Company's condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, a final standard on improvements to income tax disclosures which applies to all entities subject to income taxes. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. This standard will be effective for the Company in Fiscal Year 2026 and is required to be applied prospectively. The Company is currently evaluating the impact of the additional disclosure requirements on the Company's condensed consolidated financial statements.

Note 3. Discontinued Operations

As a result of the MSGE Distribution and Tao Group Hospitality Disposition, the results of the traditional live entertainment business previously owned and operated by the Company through its MSG Entertainment business segment (excluding the Sphere business) and the entertainment dining and nightlife business previously owned and operated by the Company through its Tao Group Hospitality business segment, as well as transaction costs related to the MSGE Distribution and Tao Group Hospitality Disposition, have been classified in the accompanying condensed consolidated statements of operations as discontinued operations. See Note 3. Discontinued Operations, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for more information about the MSGE Distribution and Tao Group Hospitality Disposition.

For the nine months ended March 31, 2024, the Company recognized a loss from discontinued operations of \$647, net of \$294 of income tax benefit, related to the final purchase price adjustment from the Tao Group Hospitality Disposition. For the three months ended March 31, 2024, the Company did not recognize any loss or income from discontinued operations.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

The table below sets forth operating results of discontinued operations for the three and nine months ended March 31, 2023. Amounts presented below differ from historically reported results for the MSG Entertainment and Tao Group Hospitality business segments due to reclassifications and adjustments made for purposes of discontinued operations.

	Three Months Ended March 31, 2023			
	MSG Entertainment	Tao Group Hospitality	Eliminations	Total
Revenues	\$ 200,043	\$ 130,857	\$ 1,190	\$ 332,090
Direct operating expenses	(114,298)	(77,963)	(1,247)	(193,508)
Selling, general and administrative expenses	(37,367)	(46,541)	—	(83,908)
Depreciation and amortization	(14,798)	(7,421)	—	(22,219)
Impairment and other losses, net	(51)	—	—	(51)
Restructuring charges	(1,828)	—	—	(1,828)
Operating income (loss)	31,701	(1,068)	(57)	30,576
Interest income	313	49	(1,047)	(685)
Interest expense	—	(160)	—	(160)
Other income (loss), net	9,180	(8)	—	9,172
Income (loss) from operations before income taxes	41,194	(1,187)	(1,104)	38,903
Income tax benefit	12,295	4,245	—	16,540
Net income	53,489	3,058	(1,104)	55,443
Less: Net loss attributable to nonredeemable noncontrolling interests	—	(216)	—	(216)
Less: Net loss attributable to redeemable noncontrolling interests	—	(1,492)	—	(1,492)
Net income from discontinued operations attributable to Sphere Entertainment Co.'s stockholders	\$ 53,489	\$ 4,766	\$ (1,104)	\$ 57,151

	Nine Months Ended March 31, 2023			
	MSG Entertainment	Tao Group Hospitality	Eliminations	Total
Revenues	\$ 694,755	\$ 398,078	\$ 3	\$ 1,092,836
Direct operating expenses	(396,691)	(232,029)	—	(628,720)
Selling, general and administrative expenses	(102,333)	(131,200)	—	(233,533)
Depreciation and amortization	(46,370)	(21,144)	—	(67,514)
Impairment and other gains, net	4,361	473	—	4,834
Restructuring charges	(7,435)	—	—	(7,435)
Operating income	146,287	14,178	3	160,468
Interest income	1,832	85	(1,047)	870
Interest expense	(1,083)	(2,138)	—	(3,221)
Other income, net	7,895	719	—	8,614
Income from operations before income taxes	154,931	12,844	(1,044)	166,731
Income tax expense	(9,120)	(2,043)	—	(11,163)
Net income	145,811	10,801	(1,044)	155,568
Less: Net loss attributable to nonredeemable noncontrolling interests	(553)	(129)	—	(682)
Less: Net income attributable to redeemable noncontrolling interests	—	2,661	—	2,661
Net income from discontinued operations attributable to Sphere Entertainment Co.'s stockholders	\$ 146,364	\$ 8,269	\$ (1,044)	\$ 153,589

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

As permitted under Accounting Standards Codification (“ASC”) Subtopic 205-20-50-5b(2), the Company has elected not to adjust the condensed consolidated statements of cash flows for the nine months ended March 31, 2023 to exclude cash flows attributable to discontinued operations.

The table below sets forth, for the period presented, significant selected financial information related to discontinued activities included in the accompanying condensed consolidated financial statements:

	Three Months Ended March 31, 2023		Nine Months Ended March 31, 2023	
	MSG Entertainment	Tao Group Hospitality	MSG Entertainment	Tao Group Hospitality
Non-cash items included in net income:				
Depreciation and amortization	\$ 14,798	\$ 7,421	\$ 46,370	\$ 21,144
Share-based compensation expense, net	1,792	2,144	2,896	6,570
Cash flows from investing activities:				
Capital expenditures, net	\$ 2,979	\$ 4,962	\$ 12,187	\$ 16,417

Note 4. Revenue Recognition

Contracts with Customers

See Note 2. Summary of Significant Accounting Policies and Note 4. Revenue Recognition, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for more information regarding the details of the Company’s revenue recognition policies. All revenue recognized in the condensed consolidated statements of operations is considered to be revenue from contracts with customers in accordance with ASC Topic 606, Revenue From Contracts with Customers, except for revenues from subleases that are accounted for in accordance with ASC Topic 842, Leases.

Disaggregation of Revenue

The following tables disaggregate the Company’s revenue by major source and reportable segment based upon the timing of transfer of goods or services to the customer for the three and nine months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Event-related ^(a)	\$ 134,835	\$ —	\$ 134,835
Sponsorship, signage, Exosphere™ advertising, and suite licenses revenues ^(b)	32,942	656	33,598
Media related, primarily from affiliation agreements ^(b)	—	148,417	148,417
Other	1,864	1,893	3,757
Total revenues from contracts with customers	169,641	150,966	320,607
Revenues from subleases	723	—	723
Total revenues	\$ 170,364	\$ 150,966	\$ 321,330

	Three Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Sponsorship, signage, Exosphere advertising, and suite licenses ^(b)	\$ —	\$ 696	\$ 696
Media related, primarily from affiliation agreements ^(b)	—	158,526	158,526
Other	—	2,214	2,214
Total revenues from contracts with customers	—	161,436	161,436
Revenues from subleases	626	—	626
Total revenues	\$ 626	\$ 161,436	\$ 162,062

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Nine Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Event-related ^(a)	\$ 286,991	\$ —	\$ 286,991
Sponsorship, signage, Exosphere™ advertising, and suite licenses revenues ^(b)	53,024	1,564	54,588
Media related, primarily from affiliation agreements ^(b)	—	401,308	401,308
Other	3,713	4,680	8,393
Total revenues from contracts with customers	343,728	407,552	751,280
Revenues from subleases	2,214	—	2,214
Total revenues	<u>\$ 345,942</u>	<u>\$ 407,552</u>	<u>\$ 753,494</u>

	Nine Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Sponsorship, signage, Exosphere advertising, and suite licenses ^(b)	\$ —	\$ 1,453	\$ 1,453
Media related, primarily from affiliation agreements ^(b)	—	436,630	436,630
Other	—	4,730	4,730
Total revenues from contracts with customers	—	442,813	442,813
Revenues from subleases	1,919	—	1,919
Total revenues	<u>\$ 1,919</u>	<u>\$ 442,813</u>	<u>\$ 444,732</u>

- (a) Event-related revenues consists of (i) the Sphere Experience, (ii) ticket sales and other ticket-related revenues, (iii) venue license fees from third-party promoters, and (iv) food, beverage and merchandise sales. Event-related revenues are recognized at a point in time. As such, these revenues have been included in the same category in the table above.
- (b) See Note 2. Summary of Significant Accounting Policies, Revenue Recognition, and Note 4. Revenue Recognition, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for further details on the pattern of recognition of sponsorship, signage, Exosphere advertising, suite licenses, and media related revenue.

In addition to the disaggregation of the Company's revenue by major source based upon the timing of transfer of goods or services to the customer disclosed above, the following tables disaggregate the Company's consolidated revenues by type of goods or services in accordance with the required entity-wide disclosure requirements of ASC Subtopic 280-10-50-38 to 40 and the disaggregation of revenue required disclosures in accordance with ASC Subtopic 606-10-50-5 for the three and nine months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Ticketing and venue license fee revenues ^(a)	\$ 110,655	\$ —	\$ 110,655
Sponsorship, signage, Exosphere advertising, and suite revenues	40,511	—	40,511
Food, beverage, and merchandise revenues	18,475	—	18,475
Media networks revenues ^(b)	—	150,966	150,966
Total revenues from contracts with customers	169,641	150,966	320,607
Revenues from subleases	723	—	723
Total revenues	<u>\$ 170,364</u>	<u>\$ 150,966</u>	<u>\$ 321,330</u>

	Three Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Media networks revenues ^(b)	\$ —	\$ 161,436	\$ 161,436
Revenues from subleases	626	—	626
Total revenues	<u>\$ 626</u>	<u>\$ 161,436</u>	<u>\$ 162,062</u>

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Nine Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Ticketing and venue license fee revenues ^(a)	\$ 235,283	\$ —	\$ 235,283
Sponsorship, signage, Exosphere advertising, and suite revenues	66,817	—	66,817
Food, beverage, and merchandise revenues	41,628	—	41,628
Media networks revenues ^(b)	—	407,552	407,552
Total revenues from contracts with customers	343,728	407,552	751,280
Revenues from subleases	2,214	—	2,214
Total revenues	<u>\$ 345,942</u>	<u>\$ 407,552</u>	<u>\$ 753,494</u>

	Nine Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Media networks revenues ^(b)	\$ —	\$ 442,813	\$ 442,813
Revenues from subleases	1,919	—	1,919
Total revenues	<u>\$ 1,919</u>	<u>\$ 442,813</u>	<u>\$ 444,732</u>

(a) Amounts include ticket sales, other ticket-related revenue, and venue license fees from the Company's events such as (i) concerts, (ii) The Sphere Experience and (iii) other live entertainment and sporting events.

(b) Primarily consists of affiliation fees from Distributors (as defined below) and, to a lesser extent, advertising revenues through the sale of commercial time and other advertising inventory during MSG Networks programming.

Contract Balances

The following table provides information about contract balances from the Company's contracts with customers as of March 31, 2024 and June 30, 2023:

	As of	
	March 31, 2024	June 30, 2023
Receivables from contracts with customers, net ^(a)	\$ 179,022	\$ 115,039
Contract assets, current ^(b)	1,500	314
Deferred revenue, including non-current portion ^(c)	76,712	27,397

(a) Receivables from contracts with customers, net, which are reported in Accounts receivable, net in the Company's condensed consolidated balance sheets, represent the Company's unconditional rights to consideration under its contracts with customers. As of March 31, 2024 and June 30, 2023, the Company's receivables from contracts with customers above included \$320 and \$2,730, respectively, related to various related parties. See Note 15. Related Party Transactions, for further details on these related party arrangements.

(b) Contract assets current, which are reported as Prepaid expenses and other current assets in the Company's condensed consolidated balance sheets, primarily relate to the Company's rights to consideration for goods or services transferred to customers, for which the Company does not have an unconditional right to bill as of the reporting date. Contract assets are transferred to accounts receivable once the Company's right to consideration becomes unconditional.

(c) Revenue recognized for the three and nine months ended March 31, 2024 relating to the deferred revenue balance as of June 30, 2023 was \$795 and \$21,519, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

As of March 31, 2024, the Company's remaining performance obligations were \$121,324 of which 59% is expected to be recognized over the next two years and an additional 37% of the balance is expected to be recognized in the following two years. This primarily relates to performance obligations under sponsorship agreements that have original expected durations longer than one year and for which the respective consideration is not variable. In developing the estimated revenue, the Company applies the allowable practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Note 5. Restructuring Charges

During Fiscal Year 2024, the Company has incurred costs for termination benefits for certain executives and employees in the Sphere segment. As a result, the Company has recognized restructuring charges of \$4,667 and \$9,345 for the three and nine months ended March 31, 2024, respectively, inclusive of \$1,166 of share-based compensation expenses, which were recorded in Accounts payable, accrued and other current liabilities, Related party payables, current, and Additional paid-in capital on the condensed consolidated balance sheets. Restructuring charges of \$18,670 and \$26,745 were recorded for the three and nine months ended March 31, 2023, respectively, inclusive of \$7,384 of share-based compensation expenses, which were recorded in Accounts payable, accrued and other current liabilities, and Additional paid-in capital on the condensed consolidated balance sheets.

Changes to the Company's restructuring liability through March 31, 2024 were as follows:

	Restructuring Liability
June 30, 2023	\$ 8,891
Restructuring charges (excluding share-based compensation expense)	8,179
Payments	(10,144)
March 31, 2024	\$ 6,926

Note 6. Investments

The Company's investments in nonconsolidated affiliates, which are accounted for under the equity method of accounting or as equity investments without readily determinable fair value, consisted of the following:

	Ownership Percentage as of March 31, 2024	Investment As of	
		March 31, 2024	June 30, 2023
Equity method investments:			
SACO Technologies Inc. ("SACO")	30 %	\$ 18,692	\$ 22,246
Holoplot Loan ^(a)		21,336	20,971
Holoplot	25 %	—	1,542
MSG Entertainment ^(b)	— %	—	341,039
Crown Properties Collection ^(c)	8 %	51	—
Equity investments without readily determinable fair values		8,721	8,721
Other equity investments with readily determinable fair values held in trust under the Company's Executive Deferred Compensation Plan ^(d)		3,049	1,087
Total investments		\$ 51,849	\$ 395,606

(a) In January 2023, the Company, through an indirect subsidiary, extended financing to Holoplot GmbH ("Holoplot") in the form of a three-year convertible loan (the "Holoplot Loan") of €18,804, equivalent to \$20,484 using the applicable exchange rate at the time of the transaction. As of the reporting date, absent conversion, which is not available under the terms of the Holoplot Loan, the Holoplot Loan and interest accrued thereon are due and payable at the conclusion of the three-year term.

(b) As of March 31, 2024, following the sale of portions of the MSGE Retained Interest and the repayment of the DDTL Facility (as defined below) with MSG Entertainment using a portion of the MSGE Retained Interest, the Company no longer holds any of the outstanding common stock of MSG Entertainment. The Company elected the fair value option for its investment in MSG Entertainment as of June 30, 2023, when it held approximately 20% of the outstanding shares of common stock of MSG Entertainment (in the form of Class A common stock). The fair value of the investment was determined based on quoted market prices on the New York Stock Exchange ("NYSE"), which were classified within Level I of the fair value hierarchy.

(c) In March 2024, the Company paid \$51 for an 8.3% investment in Oak View Group's Crown Properties Collection, LLC ("CPC"). The investment in CPC is accounted for as an equity method investment, with Sphere's share of CPC results picked-up on a 3-month lag.

(d) The Company's investments with readily determinable fair values are classified within Level I of the fair value hierarchy as it is based on quoted prices in active markets. Refer to Note 12. Pension Plans and Other Postretirement Benefit Plan, for further detail on the Company's Executive Deferred Compensation Plan.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

The following table summarizes the realized and unrealized gain (loss) on equity investments with and without readily determinable fair values, which is reported in Other (expense) income, net, for the three and nine months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Unrealized gain	\$ 127	\$ 129	\$ 264	\$ 2,104
Realized loss from shares of MSG Entertainment Class A common stock sold	—	—	(19,027)	—
Total realized and unrealized gain (loss) on equity investments	\$ 127	\$ 129	\$ (18,763)	\$ 2,104
Supplemental information on realized loss:				
Shares of MSG Entertainment Class A common stock disposed ^(a)	—	—	1,923	—
Shares of MSG Entertainment Class A common stock sold ^(b)	—	—	8,221	—
Cash proceeds from shares of MSG Entertainment Class A common stock sold \$	—	\$ —	\$ 256,501	\$ —

(a) Refer to Note 11. Credit Facilities and Convertible Notes, for further explanation of the approximately 1,923 shares disposed related to the repayment of the DDTL Facility.

(b) The sale of approximately 8,221 shares of MSG Entertainment Class A common stock resulted in the cash proceeds from common stock sold.

Note 7. Property and Equipment, net

As of March 31, 2024 and June 30, 2023, property and equipment, net consisted of the following:

	As of	
	March 31, 2024	June 30, 2023
Land	\$ 44,233	\$ 80,878
Buildings	2,287,306	69,049
Equipment, furniture, and fixtures	1,128,495	159,786
Leasehold improvements	18,491	18,491
Construction in progress	593	3,066,785
Total property and equipment, gross	3,479,118	3,394,989
Less accumulated depreciation and amortization	(259,229)	(87,828)
Property and equipment, net	\$ 3,219,889	\$ 3,307,161

The property and equipment balances above include \$155,352 and \$236,593 of capital expenditure accruals (primarily related to Sphere construction) as of March 31, 2024 and June 30, 2023, respectively, which are reflected in Accounts payable, accrued and other current liabilities in the accompanying condensed consolidated balance sheets. During the first quarter of Fiscal Year 2024, the Company placed \$3,130,028 of construction in progress assets into service with the opening of Sphere in Las Vegas and began depreciating them over their corresponding estimated useful lives. See Note 2. Summary of Significant Accounting Policies, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for details on the Company's estimated useful lives for each major category of property and equipment.

The Company recorded depreciation expense on property and equipment of \$79,088 and \$171,821 for the three and nine months ended March 31, 2024, respectively, and \$7,421 and \$19,382 for the three and nine months ended March 31, 2023, respectively, which is recognized in Depreciation and amortization in the condensed consolidated statements of operations.

On November 21, 2023, the Company announced that it was formally notified by the Mayor of London that its planning application for a Sphere venue in Stratford, London was not approved. In light of this decision, the Company no longer plans to allocate resources towards the development of a Sphere in the United Kingdom. In connection with this decision, the Company recorded an impairment charge of \$116,541 on construction in progress and land assets reported within the Sphere segment during the second quarter of Fiscal Year 2024. This charge is recognized in Impairment and other (losses) gains, net within the condensed consolidated statements of operations for the nine months ended March 31, 2024. The fair value of the land was determined using an estimate of the assumed exit value from a market participant perspective.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Note 8. Original Immersive Production Content

The Company's production content for its original immersive productions are included within Other non-current assets in the accompanying condensed consolidated balance sheets.

As of March 31, 2024 and June 30, 2023, total deferred immersive production content costs consisted of the following:

	As of March 31, 2024	June 30, 2023
Production content		
Released, less amortization	\$ 68,397	\$ —
In-process	4,584	61,421
Total production content	<u>\$ 72,981</u>	<u>\$ 61,421</u>

The following table summarizes the Company's amortization of production content costs, which is reported in Direct operating expenses in the accompanying condensed consolidated statements of operations for the three and nine months ended March 31, 2024 and 2023 as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Production content costs ^(a)	\$ 7,789	\$ —	\$ 13,334	\$ —

^(a) For purposes of amortization and impairment, each deferred immersive production content cost is classified based on its predominant monetization strategy. The Company's current original immersive productions are monetized individually. Refer to Note 2. Accounting Policies, for further explanation of the monetization strategy.

Note 9. Goodwill and Intangible Assets

The carrying amounts of goodwill as of March 31, 2024 and June 30, 2023 were as follows:

	As of March 31, 2024	June 30, 2023
Sphere	\$ 32,299	\$ 32,299
MSG Networks	424,508	424,508
Total Goodwill	<u>\$ 456,807</u>	<u>\$ 456,807</u>

During the first quarter of Fiscal Year 2024, the Company performed its annual impairment test of goodwill and determined that there was no impairment of goodwill identified as of the impairment test date.

The Company's intangible assets subject to amortization, which relate to affiliate relationships, as of March 31, 2024 and June 30, 2023 were as follows:

	As of March 31, 2024	June 30, 2023
Gross carrying amount	\$ 83,044	\$ 83,044
Accumulated amortization	(67,470)	(65,134)
Intangible assets, net	<u>\$ 15,574</u>	<u>\$ 17,910</u>

The Company recognized amortization expense on intangible assets of \$779 and \$2,336 for the three and nine months ended March 31, 2024, respectively, and \$779 and \$2,337 for the three and nine months ended March 31, 2023, respectively, which is recognized in Depreciation and amortization in the accompanying condensed consolidated statements of operations.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Note 10. Commitments and Contingencies

Commitments

See Note 11. Commitments and Contingencies, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for details on the Company's commitments. The Company's commitments as of June 30, 2023 included a total of \$3,134,884 of contract obligations (primarily related to media rights agreements from the MSG Networks segment).

During the three and nine months ended March 31, 2024, the Company did not have any material changes in its non-cancelable contractual obligations (other than activities in the ordinary course business). See Note 11. Credit Facilities and Convertible Notes, for details of the principal repayments required under the Company's various credit facilities.

Legal Matters

Fifteen complaints were filed in connection with the merger between a subsidiary of the Company and MSG Networks Inc. (the "Networks Merger") by purported stockholders of the Company and MSG Networks Inc.

Nine of these complaints involved allegations of materially incomplete and misleading information set forth in the joint proxy statement/prospectus filed by the Company and MSG Networks Inc. in connection with the Networks Merger. As a result of supplemental disclosures made by the Company and MSG Networks Inc. on July 1, 2021, all of the disclosure actions were voluntarily dismissed with prejudice prior to or shortly following the consummation of the Networks Merger.

Six complaints involved allegations of fiduciary breaches in connection with the negotiation and approval of the Networks Merger and were consolidated into two remaining litigations.

On September 10, 2021, the Court of Chancery of the State of Delaware (the "Court") entered an order consolidating two derivative complaints filed by purported Company stockholders. The consolidated action is captioned: *In re Madison Square Garden Entertainment Corp. Stockholders Litigation*, C.A. No. 2021-0468-KSJM (the "MSG Entertainment Litigation"). The consolidated plaintiffs filed their Verified Consolidated Derivative Complaint on October 11, 2021. The complaint, which named the Company as only a nominal defendant, retained all of the derivative claims and alleged that the members of the board of directors and controlling stockholders violated their fiduciary duties in the course of negotiating and approving the Networks Merger. Plaintiffs sought, among other relief, an award of damages to the Company including interest, and plaintiffs' attorneys' fees. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company advanced the costs incurred by defendants in this action, and defendants asserted indemnification rights in respect of any adverse judgment or settlement of the action.

On March 14, 2023, the parties to the MSG Entertainment Litigation reached an agreement in principle to settle the MSG Entertainment Litigation, without admitting liability, on the terms and conditions set forth in a binding term sheet, which was incorporated into a long-form settlement agreement (the "MSG Settlement Agreement") that was filed with the Court on April 20, 2023. The MSG Settlement Agreement provided for, among other things, the final dismissal of the MSG Entertainment Litigation in exchange for a settlement payment to the Company of \$85,000, subject to customary reduction for attorneys' fees and expenses, in an amount to be determined by the Court. The settlement's amount was fully funded by the other defendants' insurers. The MSG Settlement Agreement was approved by the Court on August 14, 2023, which constituted the final judgment in the action. A realized gain of \$62,647 was recognized in Other income (expense), net on the condensed consolidated statements of operations in connection with the settlement payment to the Company.

On September 27, 2021, the Court entered an order consolidating four complaints filed by purported former stockholders of MSG Networks Inc. The consolidated action is captioned: *In re MSG Networks Inc. Stockholder Class Action Litigation*, C.A. No. 2021-0575-KSJM (the "MSG Networks Litigation"). The consolidated plaintiffs filed their Verified Consolidated Stockholder Class Action Complaint on October 29, 2021. The complaint asserted claims on behalf of a putative class of former MSG Networks Inc. stockholders against each member of the board of directors of MSG Networks Inc. and the controlling stockholders prior to the Networks Merger. Plaintiffs alleged that the MSG Networks Inc. board of directors and controlling stockholders breached their fiduciary duties in negotiating and approving the Networks Merger. The Company was not named as a defendant but was subpoenaed to produce documents and testimony related to the Networks Merger. Plaintiffs sought, among other relief, monetary damages for the putative class and plaintiffs' attorneys' fees. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company advanced the costs incurred by defendants in this action, and defendants asserted indemnification rights in respect of any adverse judgment or settlement of the action.

On April 6, 2023, the parties to the MSG Networks Litigation reached an agreement in principle to settle the MSG Networks Litigation, without admitting liability, on the terms and conditions set forth in a binding term sheet, which was incorporated into a long-form settlement agreement (the "MSGN Settlement Agreement") that was filed with the Court on May 18, 2023. The MSGN

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Settlement Agreement provided for, among other things, the final dismissal of the MSG Networks Litigation in exchange for a settlement payment to the plaintiffs and the class of \$48,500, of which \$28,000 has been paid by the Company and \$20,500 has been paid to the plaintiffs by insurers. As of March 31, 2024, approximately \$20,500 has been accrued for by the Company in Accounts payable, accrued and other current liabilities. The MSGN Settlement Agreement was approved by the Court on August 14, 2023, which constituted the final judgment in the action. MSG Networks has a dispute with its insurers over whether and to what extent there is insurance coverage for the settlement. Unless MSG Networks Inc. and the insurers settle that insurance dispute, it is expected to be resolved in a pending Delaware insurance coverage action. In the interim, and subject to final resolution of the parties' insurance coverage dispute, and as referenced above, certain of MSG Networks' insurers agreed to advance \$20,500 to fund the settlement and related class notice costs.

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

Note 11. Credit Facilities and Convertible Notes

The following table summarizes the presentation of the outstanding balances under the Company's credit agreements as of March 31, 2024 and June 30, 2023:

	As of					
	March 31, 2024			June 30, 2023		
	Principal	Unamortized Deferred Financing Costs	Net	Principal	Unamortized Deferred Financing Costs	Net
Current portion						
MSG Networks Term Loan	\$ 870,375	\$ (599)	\$ 869,776	\$ 82,500	\$ —	\$ 82,500
Current portion of long-term debt, net	<u>\$ 870,375</u>	<u>\$ (599)</u>	<u>\$ 869,776</u>	<u>\$ 82,500</u>	<u>\$ —</u>	<u>\$ 82,500</u>

	As of							
	March 31, 2024				June 30, 2023			
	Principal	Debt Discount	Unamortized Deferred Financing Costs	Net	Principal	Debt Discount	Unamortized Deferred Financing Costs	Net
Non-current portion								
MSG Networks Term Loan	\$ —	\$ —	\$ —	\$ —	\$ 849,750	\$ —	\$ (1,483)	\$ 848,267
LV Sphere Term Loan Facility	275,000	—	(4,060)	270,940	275,000	—	(4,880)	270,120
3.50% Convertible Senior Notes	258,750	(6,670)	(963)	251,117	—	—	—	—
Long-term debt, net	<u>\$ 533,750</u>	<u>\$ (6,670)</u>	<u>\$ (5,023)</u>	<u>\$ 522,057</u>	<u>\$ 1,124,750</u>	<u>\$ —</u>	<u>\$ (6,363)</u>	<u>\$ 1,118,387</u>

MSG Networks Credit Facilities

General. MSGN Holdings, L.P. ("MSGN L.P."), MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, an indirect subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the "MSGN Holdings Entities"), and certain subsidiaries of MSGN L.P. have senior secured credit facilities pursuant to a credit agreement (as amended and restated on October 11, 2019, the "MSGN Credit Agreement") consisting of: (i) an initial \$1,100,000 term loan facility (the "MSGN Term Loan Facility") and (ii) a \$250,000 revolving credit facility (the "MSGN Revolving Credit Facility" and, together with the MSGN Term Loan Facility, the "MSG Networks Credit Facilities"), each with a term of five years. Up to \$35,000 of the MSGN Revolving Credit Facility is available for the issuance of letters of credit. As of March 31, 2024, there were no borrowings or letters of credit issued and outstanding under the MSGN Revolving Credit Facility.

Interest Rates. Borrowings under the MSGN 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), or (ii) adjusted Term SOFR (i.e., Term SOFR plus 0.10%) plus an additional rate ranging from 1.25% to 2.25% per annum (determined based on a total leverage ratio). Upon a payment default in respect of principal, interest or other amounts due and payable

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

under the MSGN Credit Agreement or related loan documents, default interest will accrue on all overdue amounts at an additional rate of 2.00% per annum.

The MSGN Credit Agreement requires that MSGN L.P. pay a commitment fee ranging from 0.225% to 0.30% (determined based on a total leverage ratio) in respect of the average daily unused commitments under the MSGN 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 interest rate on the MSGN Term Loan Facility as of March 31, 2024 was 7.43%.

Principal Repayments. Subject to customary notice and minimum amount conditions, MSGN L.P. may voluntarily repay outstanding loans under the MSGN Credit Agreement at any time, in whole or in part, without premium or penalty (except for customary breakage costs with respect to Eurodollar loans). The MSGN Term Loan Facility amortizes quarterly in accordance with its terms beginning March 31, 2020 through September 30, 2024 with a final maturity date of October 11, 2024. 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 MSGN 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.

Covenants. The MSGN Credit Agreement generally requires the MSGN 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. As of March 31, 2024, the total leverage ratio was 5.36:1.00. In addition, the MSGN Credit Agreement requires a minimum interest coverage ratio of 2.00:1.00 for the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. As of March 31, 2024, the interest coverage ratio was 2.24:1.00. All borrowings under the MSGN Credit Agreement are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. As of March 31, 2024, the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the covenants.

In addition to the financial covenants discussed above, the MSGN Credit Agreement and the related security agreement contain certain customary representations and warranties, affirmative covenants, and events of default. The MSGN 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 MSGN 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; (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 MSGN Holdings Entities are also subject to customary passive holding company covenants.

Guarantors and Collateral. All obligations under the MSGN Credit Agreement are guaranteed by the MSGN 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 "MSGN Subsidiary Guarantors," and together with the MSGN Holdings Entities, the "MSGN Guarantors"). All obligations under the MSGN Credit Agreement, including the guarantees of those obligations, are secured by certain assets of MSGN L.P. and each MSGN Guarantor (collectively, "MSGN Collateral"), including, but not limited to, a pledge of the equity interests in MSGN L.P. held directly by the MSGN Holdings Entities and the equity interests in each MSGN Subsidiary Guarantor held directly or indirectly by MSGN L.P.

LV Sphere Term Loan Facility

General. On December 22, 2022, MSG Las Vegas, LLC ("MSG LV"), an indirect, wholly-owned subsidiary of the Company, entered into a credit agreement with JP Morgan Chase Bank, N.A., as administrative agent and the lenders party thereto, providing for a five-year, \$275,000 senior secured term loan facility (the "LV Sphere Term Loan Facility").

Interest Rates. Borrowings under the LV Sphere Term Loan Facility bear interest at a floating rate, which at the option of MSG LV may be either (i) a base rate plus a margin of 3.375% per annum or (ii) adjusted Term SOFR (i.e., Term SOFR plus 0.10%) plus a margin of 4.375% per annum. The interest rate on the LV Sphere Term Loan Facility as of March 31, 2024 was 9.80%.

Principal Repayments. The LV Sphere Term Loan Facility will mature on December 22, 2027. The principal obligations under the LV Sphere Term Loan Facility are due at the maturity of the facility, with no amortization payments prior to maturity. Under certain circumstances, MSG LV is required to make mandatory prepayments on the loan, including prepayments in an amount equal to the net cash proceeds of casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights), subject to certain exceptions.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Covenants. The LV Sphere Term Loan Facility and related guaranty by Sphere Entertainment Group include financial covenants requiring MSG LV to maintain a specified minimum debt service coverage ratio and requiring Sphere Entertainment Group to maintain a specified minimum liquidity level.

The debt service coverage ratio covenant began testing in the fiscal quarter ended December 31, 2023 on a historical basis and on a prospective basis. Both the historical and prospective debt service coverage ratios are required to be at least 1.35:1.00. In addition, among other conditions, MSG LV is not permitted to make distributions to Sphere Entertainment Group unless the historical and prospective debt service coverage ratios are at least 1.50:1.00. The minimum liquidity level for Sphere Entertainment Group is set at \$50,000, with \$25,000 required to be held in cash or cash equivalents and is tested as of the last day of each fiscal quarter based on Sphere Entertainment Group's unencumbered liquidity, consisting of cash and cash equivalents and available lines of credit, as of such date.

In addition to the covenants described above, the LV Sphere Term Loan Facility and the related guaranty and security and pledge agreements contain certain customary representations and warranties, affirmative and negative covenants and events of default. The LV Sphere Term Loan Facility contains certain restrictions on the ability of MSG LV and Sphere Entertainment Group to take certain actions as provided in (and subject to various exceptions and baskets set forth in) the LV Sphere Term Loan Facility and the related guaranty and security and pledge agreements, including the following: (i) incur additional indebtedness; (ii) make investments, loans or advances in or to other persons; (iii) pay dividends and distributions (which will restrict the ability of MSG LV to make cash distributions to the Company); (iv) change its lines of business; (v) engage in certain transactions with affiliates; (vi) amend organizational documents; (vii) merge or consolidate; and (viii) make certain dispositions.

Guarantors and Collateral. All obligations under the LV Sphere Term Loan Facility are guaranteed by Sphere Entertainment Group. All obligations under the LV Sphere Term Loan Facility, including the guarantees of those obligations, are secured by all of the assets of MSG LV and certain assets of Sphere Entertainment Group including, but not limited to, MSG LV's leasehold interest in the land on which Sphere in Las Vegas is located and a pledge of all of the equity interests held directly by Sphere Entertainment Group in MSG LV.

Delayed Draw Term Loan Facility

On April 20, 2023, the Company entered into a delayed draw term loan facility (the "DDTL Facility") with MSG Entertainment Holdings, LLC ("MSG Entertainment Holdings"). Pursuant to the DDTL Facility, MSG Entertainment Holdings committed to lend up to \$65,000 in delayed draw term loans to the Company on an unsecured basis for a period of 18 months following the consummation of the MSGE Distribution.

On July 14, 2023, the Company drew down the full amount of the \$65,000 under the DDTL Facility. On August 9, 2023, the Company repaid all amounts outstanding under the DDTL Facility (including accrued interest and commitment fees) by delivering to MSG Entertainment Holdings approximately 1,923 shares of MSG Entertainment Class A common stock.

3.50% Convertible Senior Notes

On December 8, 2023, the Company completed a private unregistered offering (the "Offering") of \$258,750 in aggregate principal amount of its 3.50% Convertible Senior Notes due 2028 (the "3.50% Convertible Senior Notes"), which amount includes the full exercise of the initial purchasers' option to purchase additional 3.50% Convertible Senior Notes.

The Company used \$14,309 of the net proceeds from the Offering to fund the cost of entering into the capped call transactions described below, with the remaining net proceeds from the Offering designated for general corporate purposes, including capital for Sphere-related growth initiatives. The capped call transactions met all of the applicable criteria for equity classification in accordance with ASC 815-10-15-74(a), "Derivatives and Hedging—Embedded Derivatives—Certain Contracts Involving an Entity's Own Equity," and were recorded as a reduction to Equity on the Company's condensed consolidated statements of stockholder's equity and condensed consolidated balance sheets.

On December 8, 2023, the Company entered into an Indenture, dated as of December 8, 2023 (the "Indenture"), with U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), relating to the 3.50% Convertible Senior Notes. The 3.50% Convertible Senior Notes constitute a senior general unsecured obligation of the Company.

The 3.50% Convertible Senior Notes bear interest at a rate of 3.50% per year, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2024. The 3.50% Convertible Senior Notes will mature on December 1, 2028, unless earlier redeemed, repurchased or converted.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Subject to the terms of the Indenture, the 3.50% Convertible Senior Notes may be converted at an initial conversion rate of 28.1591 shares of Class A Common Stock per \$1,000 principal amount of 3.50% Convertible Senior Notes (equivalent to an initial conversion price of approximately \$35.51 per share of Class A Common Stock). Upon conversion of the 3.50% Convertible Senior Notes, the Company will pay or deliver, as the case may be, cash, shares of Class A Common Stock or a combination of cash and shares of Class A Common Stock, at the Company's election, in accordance with the Indenture.

Holders of the 3.50% Convertible Senior Notes may convert their 3.50% Convertible Senior Notes at their option at any time on or after September 1, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date. Holders of the 3.50% Convertible Senior Notes will also have the right to convert the 3.50% Convertible Senior Notes prior to September 1, 2028, but only upon the occurrence of specified events described in the Indenture. The conversion rate is subject to anti-dilution adjustments if certain events occur.

Prior to December 6, 2026, the 3.50% Convertible Senior Notes will not be redeemable. On or after December 6, 2026, the Company may redeem for cash all or part of the 3.50% Convertible Senior Notes (subject to certain exceptions), at its option, if the last reported sale price of the Class A Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any period of 30 consecutive trading days (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 3.50% Convertible Senior Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. No sinking fund is provided for the 3.50% Convertible Senior Notes.

If certain corporate events occur or the Company delivers a notice of redemption prior to the maturity date of the 3.50% Convertible Senior Notes, and a holder elects to convert its 3.50% Convertible Senior Notes in connection with such corporate event or notice of redemption, as the case may be, the Company will, under certain circumstances, increase the conversion rate for the 3.50% Convertible Senior Notes so surrendered for conversion by a number of additional shares of Class A Common Stock in accordance with the Indenture. No adjustment to the conversion rate will be made if the price paid or deemed to be paid per share of Class A Common Stock in such corporate event or redemption, as the case may be, is either less than \$28.41 per share or exceeds \$280.00 per share.

If a specified "Fundamental Change" (as defined in the Indenture) occurs prior to the maturity date of the 3.50% Convertible Senior Notes, under certain circumstances each holder may require the Company to repurchase all or part of its 3.50% Convertible Senior Notes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest to, but not including, the repurchase date.

Under the Indenture, the 3.50% Convertible Senior Notes may be accelerated upon the occurrence of certain events of default. In the case of an event of default with respect to the 3.50% Convertible Senior Notes arising from specified events of bankruptcy or insolvency of the Company, 100% of the principal of and accrued and unpaid interest on the 3.50% Convertible Senior Notes will automatically become due and payable. If any other event of default with respect to the 3.50% Convertible Senior Notes under the Indenture occurs or is continuing, the Trustee or holders of at least 25% in aggregate principal amount of the then outstanding 3.50% Convertible Senior Notes may declare the principal amount of the 3.50% Convertible Senior Notes to be immediately due and payable.

On December 5, 2023, in connection with the pricing of the 3.50% Convertible Senior Notes, and on December 6, 2023, in connection with the exercise in full by the initial purchasers of their option to purchase additional 3.50% Convertible Senior Notes, the Company entered into capped call transactions with certain of the initial purchasers of the 3.50% Convertible Senior Notes or their respective affiliates and other financial institutions, pursuant to capped call confirmations. The capped call transactions are expected generally to reduce the potential dilution to the Class A Common Stock upon any conversion of the 3.50% Convertible Senior Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 3.50% Convertible Senior Notes, as the case may be, with such reduction and/or offset subject to a cap based on a cap price initially equal to approximately \$42.62 per share (which represents a premium of approximately 50% over the last reported sale price of the Class A Common Stock of \$28.41 per share on the New York Stock Exchange (the "NYSE") on December 5, 2023), and is subject to certain adjustments under the terms of the capped call transactions.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Debt Maturities

Long-term debt maturities over the next five years for the outstanding balance under the MSG Networks Credit Facilities, LV Sphere Term Loan Facility and 3.50% Convertible Senior Notes as of March 31, 2024 were as follows:

	MSG Networks Credit Facilities	LV Sphere Term Loan Facility	3.50% Convertible Senior Notes	Total
Fiscal Year 2024 (remainder)	\$ 20,625	\$ —	\$ —	\$ 20,625
Fiscal Year 2025	849,750	—	—	849,750
Fiscal Year 2026	—	—	—	—
Fiscal Year 2027	—	—	—	—
Fiscal Year 2028	—	275,000	—	275,000
Thereafter	—	—	258,750	258,750
Total long-term debt	<u>\$ 870,375</u>	<u>\$ 275,000</u>	<u>\$ 258,750</u>	<u>\$ 1,404,125</u>

Interest payments and loan principal repayments made by the Company under the credit agreements were as follows:

	Interest Payments Nine Months Ended March 31,		Loan Principal Repayments Nine Months Ended March 31,	
	2024	2023	2024	2023
MSG Networks Credit Facilities	\$ 51,587	\$ 41,034	\$ 61,875	\$ 45,375
LV Sphere Term Loan Facility	20,158	6,211	—	—
Delayed Draw Term Loan Facility	460	—	65,000	—
Total Payments	<u>\$ 72,205</u>	<u>\$ 47,245</u>	<u>\$ 126,875</u>	<u>\$ 45,375</u>

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

	As of			
	March 31, 2024		June 30, 2023	
	Carrying Value ^(a)	Fair Value	Carrying Value ^(a)	Fair Value
Liabilities:				
MSG Networks Credit Facilities	\$ 870,375	\$ 866,203	\$ 932,250	\$ 927,589
LV Sphere Term Loan Facility	275,000	273,625	275,000	272,250
3.50% Convertible Senior Notes	252,080	404,323	—	—
Total Long-term debt	<u>\$ 1,397,455</u>	<u>\$ 1,544,151</u>	<u>\$ 1,207,250</u>	<u>\$ 1,199,839</u>

(a) The total carrying value of the Company's debt as of March 31, 2024 and June 30, 2023 is equal to the current and non-current principal payments for the Company's credit agreements, net of discount, excluding unamortized deferred financing costs of \$5,622 and \$6,363, respectively.

The Company's long-term debt is classified within Level II of the fair value hierarchy as it is valued using quoted indices of similar instruments for which the inputs are readily observable.

Note 12. Pension Plans and Other Postretirement Benefit Plan

The Company sponsors (i) both funded and unfunded and qualified and non-qualified pension plans, including the Networks 1212 Plan (as defined below), Networks Excess Cash Balance Plan, and the Networks Excess Retirement Plan (together, the "Networks Plans"), (ii) an excess savings plan and (iii) a postretirement benefit plan (the "Postretirement Plan"). In connection with the MSGE Distribution, the Company established an unfunded non-contributory, non-qualified frozen excess cash balance plan (the "Sphere Excess Plan") covering certain employees who participated in the pre-MSGE Distribution cash balance plan, which was transferred to MSG Entertainment in connection with the MSGE Distribution. The Networks Plans and Sphere Excess Plans are collectively referred to as the "Pension Plans." Prior to the MSGE Distribution, the Company sponsored two contributory welfare plans which provided certain postretirement healthcare benefits to certain employees hired prior to January 1, 2001.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

The sponsorship of the Postretirement Plan covering Networks employees was retained by the Company while the postretirement plan covering MSGE employees was transferred to MSG Entertainment in connection with MSGE Distribution. In addition, the liabilities associated with the postretirement plan for MSGE employees were transferred from the Company to MSG Entertainment in connection with the MSGE Distribution. See Note 13. Pension Plans and Other Postretirement Benefit Plans, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K for more information regarding these plans.

Defined Benefit Pension Plans and Postretirement Benefit Plan

The following table presents components of net periodic benefit cost for the Pension Plans and Postretirement Plan included in the accompanying condensed consolidated statements of operations for the three and nine months ended March 31, 2024 and 2023. Service cost is recognized in direct operating expenses and selling, general and administrative expenses. All other components of net periodic benefit cost are reported in Other expense, net.

	Pension Plans		Postretirement Plan	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Service cost	\$ 61	\$ 123	\$ 5	\$ 15
Interest cost	434	1,189	17	19
Expected return on plan assets	(213)	(1,719)	—	—
Recognized actuarial loss (gain)	94	476	(17)	(12)
Net periodic benefit cost	<u>\$ 376</u>	<u>\$ 69</u>	<u>\$ 5</u>	<u>\$ 22</u>

	Pension Plans		Postretirement Plan	
	Nine Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Service cost	\$ 183	\$ 369	\$ 15	\$ 45
Interest cost	1,302	3,567	51	57
Expected return on plan assets	(347)	(5,157)	—	—
Recognized actuarial (gain) loss	(10)	1,478	(51)	6
Net periodic benefit cost	<u>\$ 1,128</u>	<u>\$ 257</u>	<u>\$ 15</u>	<u>\$ 108</u>

Contributions for Qualified Defined Benefit Plans

The Company sponsors one non-contributory, qualified defined benefit pension plan covering certain of its union employees, the “Networks 1212 Plan.” The Company contributed \$500 to the Networks 1212 Plan during the nine months ended March 31, 2024 and 2023, respectively. The Company did not contribute any amounts to the Networks 1212 Plan during the three months ended March 31, 2024 and 2023.

Defined Contribution Plans

The Company sponsors the MSGN Holdings, L.P. Excess Savings Plan, the Sphere Entertainment Excess Savings Plan, and participates in the Madison Square Garden 401(k) Savings Plan (collectively, “Savings Plans”). For the three and nine months ended March 31, 2024 and 2023, expenses related to the Savings Plans included in the accompanying condensed consolidated statements of operations are as follows:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Continuing Operations	\$ 1,743	\$ 1,937	\$ 4,956	\$ 5,058
Discontinued Operations	—	1,367	—	3,553
Total Savings Plan Expenses	<u>\$ 1,743</u>	<u>\$ 3,304</u>	<u>\$ 4,956</u>	<u>\$ 8,611</u>

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Executive Deferred Compensation

See Note 13. Pension Plans and Other Postretirement Benefit Plans, to the Company's Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for more information regarding the Company's Executive Deferred Compensation Plan (the "Executive Deferred Compensation Plan"). The Company recorded compensation expense of \$126 and \$264 for the three and nine months ended March 31, 2024, respectively, and \$129 and \$135 for the three and nine months ended March 31, 2023, respectively, within Selling, general, and administrative expenses in the condensed, consolidated statements of operations to reflect the remeasurement of the Deferred Compensation Plan liability. In addition, the Company recorded gains of \$126 and \$264 for the three and nine months ended March 31, 2024, respectively, and \$129 and \$135 for the three and nine months ended March 31, 2023, respectively, within Other (expense) income, net in the condensed, consolidated statements of operations to reflect remeasurement of the fair value of assets under the Deferred Compensation Plan.

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

	As of	
	March 31, 2024	June 30, 2023
Non-current assets (included in Investments)	\$ 3,049	\$ 1,087
Non-current liabilities (included in Other non-current liabilities)	\$ (3,072)	\$ (1,087)

Note 13. Share-based Compensation

The Company has three share-based compensation plans: the 2020 Employee Stock Plan, the 2020 Stock Plan for Non-Employee Directors and the MSG Networks Inc. 2010 Employee Stock Plan, in each case as amended from time to time. See Note 12. Share-based Compensation, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for more detail on these plans.

Share-based compensation expense for the Company's restricted stock units ("RSUs"), performance stock units ("PSUs"), stock options and/or cash-settled stock appreciation rights ("SARs") are recognized in the condensed consolidated statements of operations as a component of direct operating expenses or selling, general and administrative expenses.

The following table summarizes the Company's share-based compensation expense:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Share-based compensation ^(a)	\$ 17,164	\$ 9,105	\$ 34,119	\$ 36,950
Fair value of awards vested and exercised ^(b)	\$ 9,567	\$ 806	\$ 42,988	\$ 35,933

^(a) Share-based compensation excludes costs that have been capitalized of \$1,881 and \$2,887 for the nine months ended March 31, 2024 and 2023, respectively.

^(b) To fulfill required statutory tax withholding obligations for the applicable income and other employment taxes, RSUs and PSUs with an aggregate value of \$409 and \$14,844, and \$208 and \$14,949 were retained by the Company during the three and nine months ended March 31, 2024, and 2023, respectively.

As of March 31, 2024, there was \$104,913 of unrecognized compensation cost related to unvested RSUs, PSUs, stock options and SARs held by the Company's employees. The cost is expected to be recognized over a weighted-average period of approximately 2.1 years.

For the three and nine months ended March 31, 2024 all restricted stock units and stock options were excluded from the anti-dilutive calculation because the Company reported a net loss for the period and, therefore, their impact on reported loss per share would have been antidilutive.

Award Activity

RSUs

During the nine months ended March 31, 2024 and 2023, approximately 514 and 657 RSUs were granted, respectively, and approximately 659 and 560 RSUs vested, respectively.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

PSUs

During the nine months ended March 31, 2024 and 2023, approximately 404 and 566 PSUs were granted, respectively, and approximately 273 and 91 PSUs vested, respectively.

Stock options

During the nine months ended March 31, 2024, approximately 3,819 stock options were granted. No stock options were granted during the nine months ended March 31, 2023. During the nine months ended March 31, 2024 and 2023, 184 options were exercised and no options were exercised, respectively. During the nine months ended March 31, 2024, cash received from option exercises was approximately \$8,827. During the nine months ended March 31, 2023, no cash was received from option exercises.

SARs

During the nine months ended March 31, 2024, approximately 188 SARs were granted, and no SARs vested. During the nine months ended March 31, 2023 no SARs were granted or vested.

Note 14. Stockholders' Equity

Preferred Stock

The Company is authorized to issue 15,000 shares of preferred stock, par value \$0.01. As of March 31, 2024 and June 30, 2023, no shares of preferred stock were outstanding.

Stock Repurchase Program

On March 31, 2020, the Company's Board of Directors authorized the repurchase of up to \$350,000 of the Company's Class A Common Stock. The program was re-authorized by the Company's Board of Directors on March 29, 2023. Under the authorization, shares of Class A Common Stock may be purchased from time to time in accordance with applicable insider trading and other securities laws and regulations. The timing and amount of purchases will depend on market conditions and other factors. The Company has not engaged in any share repurchase activities under its share repurchase program to date.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Accumulated Other Comprehensive Loss

The following tables detail the components of accumulated other comprehensive loss:

	Three Months Ended March 31, 2024		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of December 31, 2023	\$ (5,240)	\$ (1,074)	\$ (6,314)
Other comprehensive income (loss):			
Other comprehensive loss before reclassifications	—	(968)	(968)
Amounts reclassified from accumulated other comprehensive loss ^(a)	77	—	77
Income tax (expense) benefit	(19)	250	231
Other comprehensive income (loss), total	58	(718)	(660)
Balance as of March 31, 2024	\$ (5,182)	\$ (1,792)	\$ (6,974)

	Three Months Ended March 31, 2023		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	\$ (39,453)	\$ (9,110)	\$ (48,563)
Other comprehensive income:			
Other comprehensive income before reclassifications	—	2,071	2,071
Amounts reclassified from accumulated other comprehensive loss ^(a)	464	—	464
Income tax expense	(58)	(353)	(411)
Other comprehensive income, total	406	1,718	2,124
Balance as of March 31, 2023	\$ (39,047)	\$ (7,392)	\$ (46,439)

	Nine Months Ended March 31, 2024		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of June 30, 2023	\$ (5,138)	\$ 200	\$ (4,938)
Other comprehensive loss:			
Other comprehensive loss before reclassifications	—	(2,688)	(2,688)
Amounts reclassified from accumulated other comprehensive loss ^(a)	(61)	—	(61)
Income tax benefit	17	696	713
Other comprehensive loss, total	(44)	(1,992)	(2,036)
Balance as of March 31, 2024	\$ (5,182)	\$ (1,792)	\$ (6,974)

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Nine Months Ended March 31, 2023		
	Pension Plans and Postretirement Plan	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance as of June 30, 2022	\$ (40,287)	\$ (8,068)	\$ (48,355)
Other comprehensive income:			
Other comprehensive income before reclassifications	—	794	794
Amounts reclassified from accumulated other comprehensive loss ^(a)	1,484	—	1,484
Income tax expense	(244)	(118)	(362)
Other comprehensive income, total	1,240	676	1,916
Balance as of March 31, 2023	<u>\$ (39,047)</u>	<u>\$ (7,392)</u>	<u>\$ (46,439)</u>

^(a) Amounts reclassified from accumulated other comprehensive loss represent the amortization of net actuarial loss and net unrecognized prior service credit included in net periodic benefit cost, which is reflected under Other income (expense), net in the accompanying condensed consolidated statements of operations (see Note 12. Pension Plans and Other Postretirement Benefit Plans).

Note 15. Related Party Transactions

As of March 31, 2024, certain members of the Dolan family, including certain trusts for the benefit of members of the Dolan family (collectively, the “Dolan Family Group”), for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, collectively beneficially owned 100% of the Company’s outstanding Class B Common Stock and approximately 6.5% of the Company’s outstanding Class A Common Stock (inclusive of options exercisable within 60 days after March 31, 2024). Such shares of the Company’s Class A Common Stock and Class B Common Stock, collectively, represent approximately 72.3% of the aggregate voting power of the Company’s outstanding common stock. Members of the Dolan family are also the controlling stockholders of MSG Entertainment, MSG Sports and AMC Networks Inc.

See Note 17. Related Party Transactions, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K, for a description of the Company’s related party arrangements. There have been no material changes in such related party arrangements except as described below.

As of March 31, 2024, the Company was party to arrangements with (i) MSG Sports, pursuant to which MSG Sports provided certain sponsorship and other business operations services to the Company in exchange for service fees (subsequent to March 31, 2024, MSG Sports no longer provides these sponsorship services to the Company), (ii) MSG Entertainment, pursuant to which MSG Entertainment provides certain sponsorship-related account management services to the Company in exchange for service fees, (iii) MSG Sports and MSG Entertainment, pursuant to which the three companies have agreed to allocate expenses in connection with the use by each company of aircraft owned or leased by MSG Entertainment and MSG Sports, and (iv) MSG Sports and MSG Entertainment pursuant to which the Company has certain sponsorship rights.

In addition, in connection with the Company’s disposition of the MSGE Retained Interest, the Company no longer has “demand” or “piggyback” registration rights with respect to the MSGE Retained Interest. See Note 6. Investments in Nonconsolidated Affiliates, for additional information on the MSGE Retained Interest.

The Company has also entered into certain commercial agreements with its equity method investment nonconsolidated affiliates in connection with Sphere. The Company recorded capital expenditures of \$7 and \$8,049 for the three and nine months ended March 31, 2024, respectively, and \$14,271 and \$87,357 for the three and nine months ended March 31, 2023, respectively, in connection with services provided to the Company under these agreements. The Company recorded commission expense of \$3,323 and \$4,060 for the three and nine months ended March 31, 2024, respectively, and did not record any commission expense for the three and nine months ended March 31, 2023, in connection with sponsorship sales services provided under certain of these arrangements. As of March 31, 2024 and June 30, 2023, accrued liabilities associated with related parties were \$17,450 and \$13,412, respectively, and are reported under Accounts payable, accrued and other current liabilities in the accompanying condensed consolidated balance sheets. As of March 31, 2024 and June 30, 2023, prepaid expenses associated with related parties were \$1,190 and \$0, respectively, and are reported under Other non-current assets in the accompanying condensed consolidated balance sheets.

From time to time, the Company enters into arrangements with 605, LLC (“605”). Kristin Dolan, a director of the Company and the spouse of James L. Dolan, the Executive Chairman and Chief Executive Officer of the Company, founded and was the Chief Executive Officer of 605, an audience measurement and data analytics company in the media and entertainment industries, until

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

February 2023. The Company's Audit Committee approved the entry into one or more agreements with 605 to provide certain data analytics services to the Company for an aggregate amount of up to \$1,000. On September 13, 2023, 605 was sold to iSpot.tv, and James L. Dolan and Kristin A. Dolan now hold a minority interest in iSpot.tv. As a result, from and after September 13, 2023, 605 is no longer considered to be a related party.

Revenues and Operating Expenses

The following table summarizes the composition and amounts of the transactions with the Company's affiliates. These amounts are reflected in revenues and operating expenses in the accompanying condensed consolidated statements of operations for the three and nine months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Revenues	\$ 1,215	\$ 1,730	\$ 3,262	\$ 1,730
Operating expenses (credits):				
Media rights fees	43,947	43,433	132,617	129,633
Cost reimbursement from MSG Sports - MSG Sports Services Agreement	—	(9,789)	—	(28,781)
Corporate general and administrative expenses, net - MSG Entertainment Transition Services Agreement ^(a)	27,494	—	83,611	—
Origination, master control and technical services	1,283	1,257	3,797	3,721
Other operating expenses (credits), net ^(b)	5,102	(69)	13,880	(365)
Total operating expenses, net ^(c)	\$ 77,826	\$ 34,832	\$ 233,905	\$ 104,208

(a) Included in the three and nine months ended March 31, 2024, Corporate general and administrative expenses, net - MSG Entertainment Transition Services Agreement (the "MSG E TSA") are \$558 and \$3,363, respectively, related to Restructuring charges for employees who provided services to the Company under the MSG E TSA.

(b) Other operating expenses, net, includes CPC commission expenses, and reimbursements to MSG Entertainment for aircraft-related expenses, professional and payroll fees.

(c) Of the total operating expenses, net, \$45,332 and \$138,869 for three and nine months ended March 31, 2024, respectively, and \$45,280 and \$134,387 for the three and nine months ended March 31, 2023, respectively, are included in direct operating expenses in the accompanying condensed consolidated statements of operations. Of the total operating expenses, net \$32,494 and \$95,036 for three and nine months ended March 31, 2024, respectively, are included as expenses, and \$(10,448) and \$(30,179) for the three and nine months ended March 31, 2023, respectively, are included as net credits, in selling, general, and administrative expenses in the accompanying condensed consolidated statements of operations.

Revenues

Revenues from related parties relate primarily to certain advertising agreements between MSG Networks and MSG Sports.

Note 16. Segment Information

As of March 31, 2024, the Company was comprised of two reportable segments: Sphere and MSG Networks. The Company takes into account whether two or more operating segments can be aggregated together as one reportable segment as well as the type of discrete financial information that is available and regularly reviewed by its Chief Operating Decision Maker.

The Company evaluates segment performance based on several factors, of which the key financial measure is adjusted operating income (loss), a non-GAAP financial measure. We define adjusted operating income (loss) as operating income (loss) excluding:

- (i) depreciation, amortization and impairments of property and equipment, goodwill and intangible assets,
- (ii) amortization for capitalized cloud computing arrangement costs,
- (iii) share-based compensation expense,
- (iv) restructuring charges or credits,
- (v) merger and acquisition-related costs, including merger-related litigation expenses,
- (vi) gains or losses on sales or dispositions of businesses and associated settlements,
- (vii) the impact of purchase accounting adjustments related to business acquisitions, and

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

(viii) gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan (which was established in November 2021).

The Company believes that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash. The Company eliminates merger and acquisition-related costs, when applicable, because the Company does not consider such costs to be indicative of the ongoing operating performance of the Company as they result from an event that is of a non-recurring nature, thereby enhancing comparability. In addition, management believes that the exclusion of gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan provides investors with a clearer picture of the Company's operating performance given that, in accordance with GAAP, gains and losses related to the remeasurement of liabilities under the Company's Executive Deferred Compensation Plan are recognized in Operating income (loss) whereas gains and losses related to the remeasurement of the assets under the Company's Executive Deferred Compensation Plan, which are equal to and therefore fully offset the gains and losses related to the remeasurement of liabilities, are recognized in Other income (expense), net, which is not reflected in Operating income (loss).

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

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

Information as to the operations of the Company's reportable segments is set forth below.

	Three Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Revenues	\$ 170,364	\$ 150,966	\$ 321,330
Direct operating expenses	(62,294)	(91,746)	(154,040)
Selling, general and administrative expenses	(108,976)	(14,173)	(123,149)
Depreciation and amortization	(77,706)	(2,161)	(79,867)
Restructuring charges	(4,886)	219	(4,667)
Operating (loss) income	\$ (83,498)	\$ 43,105	\$ (40,393)
Interest income			7,654
Interest expense			(27,119)
Other expense, net			(3,256)
Loss from operations before income taxes			\$ (63,114)
Reconciliation of operating (loss) income to adjusted operating income:			
Operating (loss) income	\$ (83,498)	\$ 43,105	\$ (40,393)
Add back:			
Share-based compensation	13,273	3,451	16,724
Depreciation and amortization	77,706	2,161	79,867
Restructuring charges	4,886	(219)	4,667
Merger and acquisition related costs, net of insurance recoveries	416	92	508
Amortization for capitalized cloud computing arrangement costs	—	22	22
Remeasurement of deferred compensation plan liabilities	126	—	126
Adjusted operating income	\$ 12,909	\$ 48,612	\$ 61,521
Other information:			
Capital expenditures	\$ 17,502	\$ 1,962	\$ 19,464

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Three Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Revenues	\$ 626	\$ 161,436	\$ 162,062
Direct operating expenses	(4,414)	(89,251)	(93,665)
Selling, general and administrative expenses	(83,381)	(60,052)	(143,433)
Depreciation and amortization	(6,511)	(1,689)	(8,200)
Restructuring charges	(18,670)	—	(18,670)
Operating (loss) income	<u>\$ (112,350)</u>	<u>\$ 10,444</u>	<u>\$ (101,906)</u>
Interest income			3,374
Other expense, net			(4,182)
Loss from operations before income taxes			<u>\$ (102,714)</u>
Reconciliation of operating (loss) income to adjusted operating (loss) income:			
Operating (loss) income	\$ (112,350)	\$ 10,444	\$ (101,906)
Add back:			
Share-based compensation	8,466	639	9,105
Depreciation and amortization	6,511	1,689	8,200
Restructuring charges	18,670	—	18,670
Merger and acquisition related costs	1,532	45,513	47,045
Amortization for capitalized cloud computing arrangement costs	125	43	168
Adjusted operating (loss) income	<u>\$ (77,046)</u>	<u>\$ 58,328</u>	<u>\$ (18,718)</u>
Other information:			
Capital expenditures	\$ 195,945	\$ 1,818	\$ 197,763

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Nine Months Ended March 31, 2024		
	Sphere	MSG Networks	Total
Revenues	\$ 345,942	\$ 407,552	\$ 753,494
Direct operating expenses	(137,437)	(260,868)	(398,305)
Selling, general and administrative expenses	(290,930)	(34,883)	(325,813)
Depreciation and amortization	(168,127)	(6,030)	(174,157)
Impairment and other losses, net	(115,738)	—	(115,738)
Restructuring charges	(9,564)	219	(9,345)
Operating (loss) income	<u>\$ (375,854)</u>	<u>\$ 105,990</u>	<u>\$ (269,864)</u>
Interest income			17,958
Interest expense			(52,947)
Other income, net			37,810
Loss from operations before income taxes			<u>\$ (267,043)</u>
Reconciliation of operating (loss) income to adjusted operating (loss) income:			
Operating (loss) income	\$ (375,854)	\$ 105,990	\$ (269,864)
Add back:			
Share-based compensation	28,177	5,346	33,523
Depreciation and amortization	168,127	6,030	174,157
Restructuring charges	9,564	(219)	9,345
Impairment and other losses, net	115,738	—	115,738
Merger and acquisition related costs, net of insurance recoveries	(2,086)	(6,069)	(8,155)
Amortization for capitalized cloud computing arrangement costs	—	66	66
Remeasurement of deferred compensation plan liabilities	264	—	264
Adjusted operating (loss) income	<u>\$ (56,070)</u>	<u>\$ 111,144</u>	<u>\$ 55,074</u>
Other information:			
Capital expenditures	\$ 244,963	\$ 6,473	\$ 251,436

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

	Nine Months Ended March 31, 2023		
	Sphere	MSG Networks	Total
Revenues	\$ 1,919	\$ 442,813	\$ 444,732
Direct operating expenses	(4,414)	(255,071)	(259,485)
Selling, general and administrative expenses	(235,331)	(107,148)	(342,479)
Depreciation and amortization	(16,775)	(4,944)	(21,719)
Other gains	3,000	—	3,000
Restructuring charges	(22,757)	(3,988)	(26,745)
Operating (loss) income	<u>\$ (274,358)</u>	<u>\$ 71,662</u>	<u>\$ (202,696)</u>
Interest income			9,376
Other expense, net			(5,952)
Loss from operations before income taxes			<u>\$ (199,272)</u>
Reconciliation of operating (loss) income to adjusted operating (loss) income:			
Operating (loss) income	\$ (274,358)	\$ 71,662	\$ (202,696)
Add back:			
Share-based compensation	31,308	5,642	36,950
Depreciation and amortization	16,775	4,944	21,719
Restructuring charges	22,757	3,988	26,745
Other gains	(3,000)	—	(3,000)
Merger and acquisition related costs	4,223	52,958	57,181
Amortization for capitalized cloud computing arrangement costs	285	131	416
Adjusted operating (loss) income	<u>\$ (202,010)</u>	<u>\$ 139,325</u>	<u>\$ (62,685)</u>
Other information:			
Capital expenditures	\$ 733,198	\$ 5,710	\$ 738,908

Concentration of Risk

Accounts receivable, net in the accompanying condensed consolidated balance sheets as of March 31, 2024 and June 30, 2023 include amounts due from the following individual customers, which accounted for the noted percentages of the gross balance:

	As of	
	March 31, 2024	June 30, 2023
Customer A	13 %	23 %
Customer B	13 %	22 %
Customer C	10 %	17 %

Revenues in the accompanying condensed consolidated statements of operations for the three and nine months ended March 31, 2024 and 2023 include amounts from the following individual customers:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Customer 1	11 %	23 %	14 %	26 %
Customer 2	11 %	21 %	14 %	25 %
Customer 3	8 %	19 %	11 %	21 %

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Note 17. Additional Financial Information

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

	As of	
	March 31, 2024	June 30, 2023
Cash and cash equivalents	\$ 680,575	\$ 131,965
Restricted cash	13,371	297,149
Total cash, cash equivalents and restricted cash	<u>\$ 693,946</u>	<u>\$ 429,114</u>

The Company's cash, cash equivalents, and restricted cash are classified within Level I of the fair value hierarchy as it is valued using observable inputs that reflect quoted prices for identical assets in active markets. The Company's restricted cash includes cash deposited in escrow accounts. The Company has deposited cash in interest-bearing escrow accounts related to credit support, debt facilities, and collateral to its workers compensation and general liability insurance obligations.

Prepaid expenses and other current assets consisted of the following:

	As of	
	March 31, 2024	June 30, 2023
Prepaid expenses	\$ 12,614	\$ 22,616
Note and other receivables	8,589	21,453
Inventory	1,684	—
Current deferred production content costs	1,906	6,524
Other	5,423	5,492
Total prepaid expenses and other current assets	<u>\$ 30,216</u>	<u>\$ 56,085</u>

Accounts payable, accrued and other current liabilities consisted of the following:

	As of	
	March 31, 2024	June 30, 2023
Accounts payable	\$ 73,670	\$ 39,654
Accrued payroll and employee related liabilities	71,584	75,579
Cash due to promoters	57,360	73,611
Capital expenditure accruals	155,352	236,593
Accrued legal fees	23,442	53,857
Other accrued expenses	41,705	36,437
Total accounts payable, accrued and other current liabilities	<u>\$ 423,113</u>	<u>\$ 515,731</u>

Other (expense) income, net includes the following:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Gain on litigation settlement	\$ —	\$ —	\$ 62,647	\$ —
Realized loss on equity method investments	—	—	(19,027)	—
Other	(3,256)	(4,182)	(5,810)	(5,952)
Total other (expense) income, net	<u>\$ (3,256)</u>	<u>\$ (4,182)</u>	<u>\$ 37,810</u>	<u>\$ (5,952)</u>

Income Taxes

During the nine months ended March 31, 2024 and 2023, the Company made income tax payments, net of refunds, of \$18,859 and \$5,372, respectively.

SPHERE ENTERTAINMENT CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

Note 18. Subsequent Events

On April 25, 2024, a subsidiary of the Company entered into a share purchase and transfer agreement to acquire the remaining equity interest in Holoplot GmbH not previously owned by the Company. Following the acquisition on April 25, 2024, Holoplot is now a consolidated subsidiary of the Company. The Company expects to complete the related purchase price allocation and the corresponding recognition of assets acquired and liabilities assumed during the fourth quarter of Fiscal Year 2024.

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

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In this MD&A, there are statements concerning the future operating and future financial performance of Sphere Entertainment Co. and its direct and indirect subsidiaries (collectively, "we," "us," "our," "Sphere Entertainment," or the "Company"), including (i) our plans to refinance MSG Networks' existing debt, (ii) the success of Sphere and The Sphere Experience, (iii) timing and costs of new venue construction and Sphere immersive productions content, (iv) our ability to reduce or defer certain discretionary capital projects, (v) our plans for possible additional debt financing and (vi) our execution of the strategy for and the success of MSG Networks' direct-to-consumer ("DTC") and authenticated streaming product, MSG+. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and future financial performance identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the substantial amount of debt we have incurred, the ability of our subsidiaries to make payments on, or repay or refinance, such debt under their respective credit facilities (including refinancing the MSG Networks debt prior to its maturity in October 2024), the implications of a default under those credit facilities, our ability to make payments on or refinance our 3.50% Convertible Senior Notes (as defined below) and our ability to obtain additional financing, to the extent required, on terms favorable to us or at all;
- the popularity of The Sphere Experience, as well as our ability to continue to attract advertisers and marketing partners, and audiences to attend, and artists to perform at, residencies, concerts and other events at Sphere in Las Vegas;
- the successful development of The Sphere Experience and related original immersive productions and the investments associated with such development, as well as investment in personnel, content and technology for Sphere;
- our ability to successfully design, construct, finance and operate new Sphere venues, and the investments, costs and timing associated with those efforts, including obtaining financing, the impact of inflation and any construction delays and/or cost overruns;
- our ability to successfully implement cost reductions and reduce or defer certain discretionary capital projects, if necessary;
- the level of our expenses and our operational cash burn rate, including our corporate expenses;
- the demand for MSG Networks programming among cable, satellite, fiber-optic and other platforms that distribute its networks ("Distributors") and the number of subscribers thereto, and our ability to enter into and renew affiliation agreements with Distributors, or to do so on favorable terms, as well as the impact of consolidation among Distributors;
- our ability to successfully execute MSG Networks' strategy for its DTC and authenticated streaming product, MSG+, the success of such offering and our ability to adapt to new content distribution platforms or changes in consumer behavior resulting from emerging technologies;
- the ability of our Distributors to 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;
- MSG Networks' ability to renew or replace its media rights agreements with professional sports teams and its ability to perform its obligations thereunder;
- the relocation or insolvency of professional sports teams with which we have a media rights agreement;
- general economic conditions, especially in the Las Vegas and New York City metropolitan areas where we have significant business activities;

- the demand for advertising and marketing partnership offerings at Sphere and advertising and viewer ratings for our networks;
- competition, for example, from other venues (including the construction of new competing venues) and other regional sports and entertainment offerings;
- our ability to effectively manage any impacts of future pandemics or public health emergencies, as well as renewed actions taken in response by governmental authorities or certain professional sports leagues, including ensuring compliance with rules and regulations imposed upon our venues, to the extent applicable;
- the effect of any postponements or cancellations of events by third-parties or the Company as a result of future pandemics, due to operational challenges and other health and safety concerns;
- the extent to which attendance at Sphere in Las Vegas may be impacted by government actions, health concerns of potential attendees or reduced tourism;
- the security of our MSG Networks program signal and electronic data;
- the on-ice and on-court performance and popularity of the professional sports teams whose games we broadcast on our networks;
- changes in laws, guidelines, bulletins, directives, policies and agreements, and regulations under which we operate;
- any economic, social or political actions, such as boycotts, protests, work stoppages or campaigns by labor organizations, including the unions representing players and officials of the National Basketball Association (the “NBA”) and the National Hockey League (the “NHL”), artists or employees involved in our productions or other work stoppages that may impact us or our business partners;
- seasonal fluctuations and other variations in our operating results and cash flow from period to period;
- business, reputational and litigation risk if there is a cyber or other security incident resulting in loss, disclosure or misappropriation of stored personal information, disruption of our Sphere or MSG Networks businesses or disclosure of confidential information or other breaches of our information security;
- activities or other developments (such as pandemics, including the COVID-19 pandemic) that discourage or may discourage congregation at prominent places of public assembly, including our venue;
- the level of our capital expenditures and other investments (and any impairment charges related thereto);
- the acquisition or disposition of assets or businesses and/or the impact of, and our ability to successfully pursue, acquisitions or other strategic transactions;
- our ability to successfully integrate acquisitions, new venues or new businesses into our operations;
- the operating and financial performance of our strategic acquisitions and investments, including those we do not control;
- our internal control environment and our ability to identify and remedy any future material weaknesses;
- the costs associated with, and the outcome of, litigation and other proceedings to the extent uninsured, including litigation or other claims against companies we invest in or acquire;
- the impact of governmental regulations or laws, changes in these regulations or laws or how those regulations and laws are interpreted, as well as our ability to maintain necessary permits, licenses and easements;
- the impact of sports league rules, regulations and/or agreements and changes thereto;
- financial community perceptions of our business, operations, financial condition and the industries in which we operate;
- the ability of our investees and others to repay loans and advances we have extended to them;
- the performance by our affiliated entities of their obligations under various agreements with us, as well as our performance of our obligations under such agreements and ongoing commercial arrangements;

- the tax-free treatment of the MSGE Distribution (as defined below) and the distribution from Madison Square Garden Sports Corp. (“MSG Sports”) in 2020;
- our ability to achieve the intended benefits of the MSGE Distribution; and
- the additional factors described under “Risk Factors” included in Part II of this Form 10-Q for the fiscal quarter ended March 31, 2024 (this “Form 10-Q”) and under “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the Securities and Exchange Commission (the “SEC”) on August 22, 2023 (the “2023 Form 10-K”).

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors” in this Form 10-Q and in the 2023 Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to actual results or to changes in our expectations.

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s unaudited condensed consolidated financial statements (the “financial statements”) and accompanying notes thereto included in “— Item 1. Financial Statements” of this Form 10-Q, as well as the Company’s audited consolidated financial statements and notes thereto as of June 30, 2023 and 2022 and for the three years ended June 30, 2023, 2022 and 2021 (the “Audited Consolidated Annual Financial Statements”) included in the 2023 Form 10-K, to help provide an understanding of our financial condition, changes in financial condition and results of operations.

Business Overview

The Company is a premier live entertainment and media company comprised of two reportable segments, Sphere and MSG Networks. Sphere is a next-generation entertainment medium, and MSG Networks operates two regional sports and entertainment networks, as well as a direct-to-consumer (“DTC”) and authenticated streaming product.

Sphere: This segment reflects Sphere™, a next-generation entertainment medium powered by cutting-edge technologies that enable multi-sensory storytelling at an unparalleled scale. The Company’s first Sphere opened in Las Vegas in September 2023. The venue can accommodate up to 20,000 guests and can host a wide variety of events year-round, including The Sphere Experience™, which features original immersive productions, as well as concerts and residencies from renowned artists, and marquee sporting and corporate events. Supporting this strategy is Sphere Studios™, which is home to a team of creative, production, technology and software experts who provide full in-house creative and production services. The studio campus in Burbank includes a 68,000-square-foot development facility, as well as Big Dome, a 28,000-square-foot, 100-foot high custom dome, with a quarter-sized version of the interior display plane at Sphere in Las Vegas, that serves as a specialized screening, production facility, and lab for content at Sphere.

MSG Networks: This segment is comprised of the Company’s regional sports and entertainment networks, MSG Network and MSG Sportsnet, as well as its DTC and authenticated streaming product, MSG+. MSG Networks serves the New York designated market area, as well as other portions of New York, New Jersey, Connecticut and Pennsylvania and features a wide range of sports content, including exclusive live local games and other programming of the New York Knicks (the “Knicks”) of the National Basketball Association (the “NBA”) and 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 (the “NHL”), as well as significant coverage of the New York Giants (the “Giants”) and the Buffalo Bills (the “Bills”) of the National Football League (the “NFL”).

Our MD&A is organized as follows:

Results of Operations. This section provides an analysis of our unaudited results of operations for the three and nine months ended March 31, 2024 and 2023 on both a (i) consolidated basis and (ii) segment basis.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, an analysis of our cash flows for the nine months ended March 31, 2024 and 2023, as well as certain contractual obligations and off-balance sheet arrangements.

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

Recently Issued Accounting Pronouncements and Critical Accounting Policies. This section discusses accounting pronouncements that have been adopted by the Company, recently issued accounting pronouncements not yet adopted by the Company, as well as the results of the Company's annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of Fiscal Year 2024. This section should be read together with our critical accounting policies, which are discussed in the 2023 Form 10-K under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Recently Issued Accounting Pronouncements and Critical Accounting Estimates" and in the notes to the Audited Consolidated Annual Financial Statements included therein.

MSG Entertainment Distribution

On April 20, 2023 (the "MSG Distribution Date"), the Company distributed approximately 67% of the outstanding common stock of Madison Square Garden Entertainment Corp. ("MSG Entertainment", formerly MSGE Spinco, Inc.) to its stockholders (the "MSG Distribution"), with the Company retaining approximately 33% of the outstanding common stock of MSG Entertainment (in the form of MSG Entertainment Class A common stock) immediately following the MSGE Distribution (the "MSGE Retained Interest"). Following the MSGE Distribution Date, the Company retained the Sphere and MSG Networks businesses and MSG Entertainment now owns the traditional live entertainment business previously owned and operated by the Company through its Entertainment business segment, excluding the Sphere business. In the MSGE Distribution, stockholders of the Company received (a) one share of MSG Entertainment's Class A common stock, par value \$0.01 per share, for every share of the Company's Class A common stock, par value \$0.01 per share ("Class A Common Stock"), held of record as of the close of business, New York City time, on April 14, 2023 (the "Record Date"), and (b) one share of MSG Entertainment's Class B common stock, par value \$0.01 per share, for every share of the Company's Class B common stock, par value \$0.01 per share ("Class B Common Stock"), held of record as of the close of business, New York City time, on the Record Date. See Note 1. Description of Business and Basis of Presentation, to the Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K for more information about the MSGE Distribution. As of March 31, 2024, following the sales of portions of the MSGE Retained Interest and the repayment of the delayed draw term loan with MSG Entertainment using a portion of the MSGE Retained Interest, the Company no longer holds any of the outstanding common stock of MSG Entertainment.

As of April 20, 2023, the MSG Entertainment business met the criteria for discontinued operations and was classified as a discontinued operation.

Tao Group Hospitality Disposition

On May 3, 2023, the Company completed the sale of its 66.9% majority interest in TAO Group Sub-Holdings LLC ("Tao Group Hospitality") to a subsidiary of Mohari Hospitality Limited, a global investment company focused on the luxury lifestyle and hospitality sectors (the "Tao Group Hospitality Disposition"). See Note 3. Discontinued Operations, to the Audited Consolidated Annual Financial Statements, included in the 2023 Form 10-K for more information about the Tao Group Hospitality Disposition.

Since March 31, 2023, the Tao Group Hospitality segment met the criteria for discontinued operations and was classified as a discontinued operation.

Factors Affecting Operating Results

The operating results of our Sphere segment are largely dependent on our ability to continue to attract (i) audiences to The Sphere Experience, (ii) advertisers and marketing partners, and (iii) guests to attend, and artists to perform at, residencies, concerts and other events at our venue. The operating results of our MSG Networks segment are largely dependent on (i) the affiliation agreements MSG Networks negotiates with Distributors, (ii) the number of subscribers of certain Distributors, (iii) the success of MSG+, MSG Networks' DTC and authenticated streaming product, and (iv) the advertising rates we charge advertisers. Certain of these factors in turn depend on the popularity and/or performance of the professional sports teams whose games we broadcast on our networks.

Our Company's future performance is dependent in part on general economic conditions and the effect of these conditions on our customers. Weak economic conditions may lead to lower demand for our entertainment offerings (including The Sphere Experience) and programming content, which would also negatively affect concession and merchandise sales, and could lead to lower levels of advertising, sponsorship and venue signage. These conditions may also affect the number of immersive productions, concerts,

residencies and other events that take place in the future. An economic downturn could adversely affect our business and results of operations. The Company continues to explore additional opportunities to expand our presence in the entertainment industry. Any new investment may not initially contribute to operating income, but is intended to contribute to the success of the Company over time. Our results will also be affected by investments in, and the success of, new original immersive productions.

Condensed Consolidated Results of Operations

Comparison of the Three and Nine Months Ended March 31, 2024 versus the Three and Nine Months Ended March 31, 2023

The tables below set forth, for the periods presented, certain historical financial information.

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 321,330	\$ 162,062	\$ 159,268	98 %
Direct operating expenses	(154,040)	(93,665)	(60,375)	(64)%
Selling, general, and administrative expenses	(123,149)	(143,433)	20,284	14 %
Depreciation and amortization	(79,867)	(8,200)	(71,667)	NM
Restructuring charges	(4,667)	(18,670)	14,003	75 %
Operating loss	(40,393)	(101,906)	61,513	60 %
Interest income	7,654	3,374	4,280	127 %
Interest expense	(27,119)	—	(27,119)	NM
Other expense, net	(3,256)	(4,182)	926	22 %
Loss from operations before income taxes	(63,114)	(102,714)	39,600	39 %
Income tax benefit (expense)	15,874	(11,284)	27,158	NM
Loss from continuing operations	(47,240)	(113,998)	66,758	59 %
Income from discontinued operations, net of taxes	—	55,443	(55,443)	NM
Net loss	(47,240)	(58,555)	11,315	19 %
Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations	—	(216)	216	NM
Less: Net loss attributable to redeemable noncontrolling interests from discontinued operations	—	(1,492)	1,492	NM
Net loss attributable to Sphere Entertainment Co.'s stockholders	\$ (47,240)	\$ (56,847)	\$ 9,607	17 %

	Nine Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 753,494	\$ 444,732	\$ 308,762	69 %
Direct operating expenses	(398,305)	(259,485)	(138,820)	(53)%
Selling, general, and administrative expenses	(325,813)	(342,479)	16,666	5 %
Depreciation and amortization	(174,157)	(21,719)	(152,438)	NM
Impairment and other (losses) gains, net	(115,738)	3,000	(118,738)	NM
Restructuring charges	(9,345)	(26,745)	17,400	65 %
Operating loss	(269,864)	(202,696)	(67,168)	(33)%
Interest income	17,958	9,376	8,582	92 %
Interest expense	(52,947)	—	(52,947)	NM
Other income (expense), net	37,810	(5,952)	43,762	NM
Loss from operations before income taxes	(267,043)	(199,272)	(67,771)	(34)%
Income tax benefit	113,627	11,663	101,964	NM
Loss from continuing operations	(153,416)	(187,609)	34,193	18 %
(Loss) income from discontinued operations, net of taxes	(647)	155,568	(156,215)	NM
Net Loss	(154,063)	(32,041)	(122,022)	NM
Less: Net loss attributable to nonredeemable noncontrolling interests from discontinued operations	—	(682)	682	NM
Less: Net income attributable to redeemable noncontrolling interests from discontinued operations	—	2,661	(2,661)	NM
Net loss attributable to Sphere Entertainment Co.'s stockholders	<u>\$ (154,063)</u>	<u>\$ (34,020)</u>	<u>\$ (120,043)</u>	NM

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

The following is a summary of changes in our segments' operating results for the three and nine months ended March 31, 2024, as compared to the prior year period, which are discussed below under "Business Segment Results."

	Three Months Ended March 31, 2024						
	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Impairment and other (losses) gains, net	Restructuring charges	Operating loss
Changes attributable to							
Sphere segment	\$ 169,738	\$ (57,880)	\$ (25,595)	\$ (71,195)	\$ —	\$ 13,784	\$ 28,852
MSG Networks segment	(10,470)	(2,495)	45,879	(472)	—	219	32,661
	<u>\$ 159,268</u>	<u>\$ (60,375)</u>	<u>\$ 20,284</u>	<u>\$ (71,667)</u>	<u>\$ —</u>	<u>\$ 14,003</u>	<u>\$ 61,513</u>

	Nine Months Ended March 31, 2024						
	Revenues	Direct operating expenses	Selling, general and administrative expenses	Depreciation and amortization	Impairment and other (losses) gains, net	Restructuring charges	Operating loss
Changes attributable to							
Sphere segment	\$ 344,023	\$ (133,023)	\$ (55,599)	\$ (151,352)	\$ (118,738)	\$ 13,193	\$ (101,496)
MSG Networks segment	(35,261)	(5,797)	72,265	(1,086)	—	4,207	34,328
	<u>\$ 308,762</u>	<u>\$ (138,820)</u>	<u>\$ 16,666</u>	<u>\$ (152,438)</u>	<u>\$ (118,738)</u>	<u>\$ 17,400</u>	<u>\$ (67,168)</u>

Depreciation and amortization

For the three and nine months ended March 31, 2024, depreciation and amortization increased \$71,667, and \$152,438, respectively, as compared to the prior year period primarily due to assets related to Sphere in Las Vegas that were placed in service during the first quarter of Fiscal Year 2024.

Impairment and other (losses) gains, net

For the nine months ended March 31, 2024, the Company recognized impairment and other losses, net of \$115,738, as compared to other gains of \$3,000, in the prior year period. The current year nine-month period includes an impairment charge of \$116,541 in connection with the Company's decision in November 2023 to no longer pursue the development of a Sphere in the United Kingdom. There were no impairment and other (losses) gains, net in the three months ended March 31, 2024 and 2023.

Restructuring charges

For the three and nine months ended March 31, 2024, the Company recorded restructuring charges of \$4,667 and \$9,345, respectively, related to termination benefits provided for certain executives and employees, as compared to restructuring charges of \$18,670 and \$26,745 in the three and nine months ended March 31, 2023, respectively, as a result of the Company's cost reduction program implemented during Fiscal Year 2023.

Interest income

For the three and nine months ended March 31, 2024, interest income increased \$4,280 and \$8,582, respectively, as compared to the prior year periods, primarily due to higher interest rates and higher average cash and cash equivalent balances.

Interest expense

For the three and nine months ended March 31, 2024, interest expense increased \$27,119 and \$52,947, respectively, as compared to the prior year periods, primarily due to (i) the Company discontinuing the capitalization of interest expense during the second quarter of Fiscal Year 2024 as assets were placed into service following the opening of the Sphere in Las Vegas and (ii) interest expense on the 3.50% Convertible Senior Notes due 2028 (the "3.50% Convertible Senior Notes"), which were issued in December 2023.

Other (expense) income, net

For the three months ended March 31, 2024, other expense, net decreased \$926 as compared to the prior year period, primarily due to smaller losses on equity method investments. For the nine months ended March 31, 2024 other income (expense), net increased \$43,762, as compared to the prior year period, primarily due to a realized gain of \$62,647 related to the settlement of litigation related to the merger between a subsidiary of the Company and MSG Networks Inc. (the "Networks Merger"), partially offset by a realized loss of \$19,027 related to the sale of a portion of the MSGE Retained Interest during the first quarter of Fiscal Year 2024.

Income tax benefit (expense)

In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or expense recognized in an interim period. The estimated annual effective tax rate is revised on a quarterly basis.

Income tax benefit for the three and nine months ended March 31, 2024 of \$15,874 and \$113,627, respectively, reflects an effective tax rate of 25% and 43%, respectively. For the three months ended March 31, 2024, the effective tax rate exceeded the statutory federal tax rate of 21% primarily due to state and local taxes. For the nine months ended March 31, 2024, the effective tax rate exceeds the statutory federal tax rate of 21% primarily due to discrete items including \$64,401 of income tax benefit related to the state tax rate change used to measure the deferred taxes, and income tax benefit of \$15,655 related to the nontaxable gain on the repayment of all amounts outstanding under the delayed draw term loan facility (the "DDTL Facility"), partially offset by an increase in the foreign valuation allowance of \$29,522.

Income tax expense for the three months ended March 31, 2023 of \$11,284 reflects an effective tax rate of 11%. The effective tax rate was lower than the statutory federal tax rate of 21% primarily due to state and local taxes.

Income tax benefit for the nine months ended March 31, 2023 of \$11,663 reflects an effective tax rate of 6%. The effective tax rate was lower than the statutory federal tax rate of 21% primarily due to state and local taxes.

Adjusted operating income (loss)

The following is a reconciliation of operating loss to adjusted operating income (loss) (as defined in Note 16. Segment Information to the condensed consolidated financial statements included in “— Item 1. Financial Statements” of this Form 10-Q) for the three and nine months ended March 31, 2024 as compared to the prior year periods:

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Operating loss	\$ (40,393)	\$ (101,906)	\$ 61,513	60 %
Share-based compensation	16,724	9,105	7,619	84 %
Depreciation and amortization	79,867	8,200	71,667	NM
Restructuring charges	4,667	18,670	(14,003)	(75)%
Merger and acquisition related costs, net of insurance recoveries	508	47,045	(46,537)	(99)%
Amortization for capitalized cloud computing arrangement costs	22	168	(146)	(87)%
Remeasurement of deferred compensation plan liabilities	126	—	126	NM
Adjusted operating income (loss)	\$ 61,521	\$ (18,718)	\$ 80,239	NM

	Nine Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Operating loss	\$ (269,864)	\$ (202,696)	\$ (67,168)	(33)%
Share-based compensation	33,523	36,950	(3,427)	(9)%
Depreciation and amortization	174,157	21,719	152,438	NM
Restructuring charges	9,345	26,745	(17,400)	(65)%
Impairment and other losses (gains), net	115,738	(3,000)	118,738	NM
Merger and acquisition related costs, net of insurance recoveries	(8,155)	57,181	(65,336)	NM
Amortization for capitalized cloud computing arrangement costs	66	416	(350)	(84)%
Remeasurement of deferred compensation plan liabilities	264	—	264	NM
Adjusted operating income (loss)	\$ 55,074	\$ (62,685)	\$ 117,759	NM

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

Adjusted operating income for the three months ended March 31, 2024 increased \$80,239 to \$61,521. Adjusted operating income for the nine months ended March 31, 2024 increased \$117,759 to \$55,074. The changes in adjusted operating income were attributable to the following:

Changes attributable to	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024
Sphere segment	\$ 89,955	\$ 145,940
MSG Networks segment	(9,716)	(28,181)
	\$ 80,239	\$ 117,759

For a discussion of these variances, see “—Business Segment Results” below.

Business Segment Results

Sphere

The tables below set forth, for the periods presented, certain historical financial information and a reconciliation of operating loss to adjusted operating income (loss) for the Company's Sphere segment.

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 170,364	\$ 626	\$ 169,738	NM
Direct operating expenses	(62,294)	(4,414)	(57,880)	NM
Selling, general, and administrative expenses	(108,976)	(83,381)	(25,595)	(31)%
Depreciation and amortization	(77,706)	(6,511)	(71,195)	NM
Restructuring charges	(4,886)	(18,670)	13,784	74 %
Operating loss	\$ (83,498)	\$ (112,350)	\$ 28,852	26 %
Reconciliation to adjusted operating income (loss):				
Share-based compensation	13,273	8,466	4,807	57 %
Depreciation and amortization	77,706	6,511	71,195	NM
Restructuring charges	4,886	18,670	(13,784)	(74)%
Merger and acquisition related costs, net of insurance recoveries	416	1,532	(1,116)	(73)%
Amortization for capitalized cloud computing arrangement costs	—	125	(125)	NM
Remeasurement of deferred compensation plan liabilities	126	—	126	NM
Adjusted operating income (loss)	\$ 12,909	\$ (77,046)	\$ 89,955	NM

	Nine Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 345,942	\$ 1,919	\$ 344,023	NM
Direct operating expenses	(137,437)	(4,414)	(133,023)	NM
Selling, general, and administrative expenses	(290,930)	(235,331)	(55,599)	(24)%
Depreciation and amortization	(168,127)	(16,775)	(151,352)	NM
Impairment and other (losses) gains, net	(115,738)	3,000	(118,738)	NM
Restructuring charges	(9,564)	(22,757)	13,193	58 %
Operating loss	\$ (375,854)	\$ (274,358)	\$ (101,496)	(37)%
Reconciliation to adjusted operating loss:				
Share-based compensation	28,177	31,308	(3,131)	(10)%
Depreciation and amortization	168,127	16,775	151,352	NM
Restructuring charges	9,564	22,757	(13,193)	(58)%
Impairment and other losses (gains), net	115,738	(3,000)	118,738	NM
Merger and acquisition related costs, net of insurance recoveries	(2,086)	4,223	(6,309)	NM
Amortization for capitalized cloud computing arrangement costs	—	285	(285)	NM
Remeasurement of deferred compensation plan liabilities	264	—	264	NM
Adjusted operating loss	\$ (56,070)	\$ (202,010)	\$ 145,940	72 %

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

Revenues

For the three and nine months ended March 31, 2024, revenues increased \$169,738 and \$344,023, respectively, as compared to the prior year periods. The changes in revenues were attributable to the following:

	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024
Increase in revenues for The Sphere Experience	\$ 100,505	\$ 194,635
Increase in event-related revenues	34,331	98,697
Increase in revenues from sponsorship, signage, Exosphere advertising, and suite license fee revenues	32,943	53,019
Other net increases	1,959	(2,328)
	<u>\$ 169,738</u>	<u>\$ 344,023</u>

For the three and nine months ended March 31, 2024, the increase in revenues for The Sphere Experience was due to the October 6, 2023 debut of The Sphere Experience featuring *Postcard From Earth*TM, with 257 and 449 performances taking place during the three and nine months ended March 31, 2024, respectively.

For the three months ended March 31, 2024, the increase in event-related revenues was due to revenues from concerts. For the nine months ended March 31, 2024, the increase in event-related revenues was primarily due to revenues from concerts and, to a lesser extent, revenues from one marquee sporting event held at Sphere in Las Vegas.

For the three and nine months ended March 31, 2024, the increase in revenues from sponsorship, signage, Exosphere advertising and suite license fee revenues primarily reflects advertising campaigns on the venue's Exosphere, which began in September 2023, and, to a lesser extent, suite license fee revenues, which reflects the opening of Sphere in Las Vegas on September 29, 2023.

Direct operating expenses

For the three and nine months ended March 31, 2024, direct operating expenses increased by \$57,880 and \$133,023, respectively, as compared to the prior year period. The changes in direct operating expenses were attributable to the following:

	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024
Increase in direct operating expenses for The Sphere Experience	\$ 29,849	\$ 57,947
Increase in venue operating expenses	13,409	31,393
Increase in event-related direct operating expenses	8,565	32,658
Increase in expenses from sponsorship, signage, Exosphere advertising, and suite license fees	3,122	5,156
Other net increases	2,935	5,869
	<u>\$ 57,880</u>	<u>\$ 133,023</u>

For the three and nine months ended March 31, 2024, the increase in direct operating expenses for The Sphere Experience reflects expenses associated with 257 and 449 performances of The Sphere Experience featuring *Postcard From Earth* taking place during the three and nine months ended March 31, 2024, respectively.

For the three and nine months ended March 31, 2024, the increase in venue operating expenses reflects the opening of Sphere in Las Vegas on September 29, 2023.

For the three months ended March 31, 2024, the increase in event-related direct operating expenses was primarily due to expenses from concerts. For the nine months ended March 31, 2024, the increase in event-related direct operating expenses was primarily due to expenses from concerts and, to a lesser extent, expenses from one marquee sporting event held at Sphere in Las Vegas.

For the three and nine months ended March 31, 2024, the increase in direct operating expenses from sponsorship, signage, Exosphere advertising, and suite license fees primarily reflects expenses related to advertising campaigns on the venue's Exosphere, which began in September 2023.

Selling, general, and administrative expenses

For the three and nine months ended March 31, 2024, selling, general, and administrative expenses increased \$25,595 and \$55,599, respectively, as compared to the prior year periods. The increase was primarily due to higher employee compensation and related benefits, the impact of the Company's transition services agreement with MSG Entertainment, and other cost increases.

The overall increase was partially offset by the absence of certain corporate expenses that were included in the results for the three and nine months ended March 31, 2023. While the Company did not incur these corporate costs after the MSGE Distribution Date (April 20, 2023) and does not expect to incur these corporate costs in future periods, they did not meet the criteria for inclusion in discontinued operations for all periods prior to the MSGE Distribution Date.

Depreciation and amortization

For the three and nine months ended March 31, 2024, depreciation and amortization increased \$71,195 and \$151,352, respectively, as compared to the prior year periods primarily due to an increase in depreciation of assets relating to Sphere in Las Vegas that were placed in service during the first quarter of Fiscal Year 2024.

Impairment and other (losses) gains, net

For the nine months ended March 31, 2024, the Company recognized a loss of \$115,738, as compared to a gain of \$3,000, in the prior year period. The current year nine-month period includes an impairment loss of \$116,541 in connection with the Company's decision in November 2023 to no longer pursue the development of a Sphere in the United Kingdom. There were no impairment and other (losses) gains, net in the three months ended March 31, 2024 and 2023.

Restructuring charges

For the three and nine months ended March 31, 2024, the Company recognized restructuring charges of \$4,886 and \$9,564, respectively, related to termination benefits provided for certain executives and employees, as compared to restructuring charges of \$18,670 and \$22,757 in the three and nine months ended March 31, 2023, respectively, as a result of the Company's cost reduction program implemented during Fiscal Year 2023.

Operating loss

For the three months ended March 31, 2024, operating loss decreased \$28,852 as compared to the prior year period, primarily due to an increase in revenues, and, to a lesser extent, a decrease in restructuring charges, partially offset by an increase in depreciation and amortization, direct operating expenses and, to a lesser extent, selling, general and administrative expenses. For the nine months ended March 31, 2024, operating loss increased \$101,496 as compared to the prior year period, primarily due to an increase in depreciation and amortization, direct operating expenses, impairment and other (losses) gains, net, and, to a lesser extent, selling, general and administrative expenses, partially offset by an increase in revenues and a decrease in restructuring charges.

Adjusted operating income (loss)

For the three months ended March 31, 2024, adjusted operating income increased \$89,955 and for the nine months ended March 31, 2024, adjusted operating loss improved \$145,940, both as compared to the prior year periods, primarily due to an increase in revenues, partially offset by an increase in direct operating expenses and selling, general and administrative expenses (excluding share-based compensation expense and merger and acquisition related costs).

MSG Networks

The tables below set forth, for the periods presented, certain historical financial information and a reconciliation of operating income to adjusted operating income for the Company's MSG Networks segment.

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 150,966	\$ 161,436	\$ (10,470)	(6)%
Direct operating expenses	(91,746)	(89,251)	(2,495)	(3)%
Selling, general, and administrative expenses	(14,173)	(60,052)	45,879	76 %
Depreciation and amortization	(2,161)	(1,689)	(472)	(28)%
Restructuring charges	219	—	219	NM
Operating income	\$ 43,105	\$ 10,444	\$ 32,661	NM
Reconciliation to adjusted operating income:				
Share-based compensation	3,451	639	2,812	NM
Depreciation and amortization	2,161	1,689	472	28 %
Restructuring charges	(219)	—	(219)	NM
Merger and acquisition related costs, net of insurance recoveries	92	45,513	(45,421)	(100)%
Amortization for capitalized cloud computing arrangement costs	22	43	(21)	(49)%
Adjusted operating income	\$ 48,612	\$ 58,328	\$ (9,716)	(17)%

	Nine Months Ended March 31,		Change	
	2024	2023	Amount	Percentage
Revenues	\$ 407,552	\$ 442,813	\$ (35,261)	(8)%
Direct operating expenses	(260,868)	(255,071)	(5,797)	(2)%
Selling, general, and administrative expenses	(34,883)	(107,148)	72,265	67 %
Depreciation and amortization	(6,030)	(4,944)	(1,086)	(22)%
Restructuring charges	219	(3,988)	4,207	NM
Operating income	\$ 105,990	\$ 71,662	\$ 34,328	48 %
Reconciliation to adjusted operating income:				
Share-based compensation	5,346	5,642	(296)	(5)%
Depreciation and amortization	6,030	4,944	1,086	22 %
Restructuring charges	(219)	3,988	(4,207)	NM
Merger and acquisition related costs, net of insurance recoveries	(6,069)	52,958	(59,027)	NM
Amortization for capitalized cloud computing arrangement costs	66	131	(65)	(50)%
Adjusted operating income	\$ 111,144	\$ 139,325	\$ (28,181)	(20)%

NM — Absolute percentages greater than 200% and comparisons from positive to negative values or to zero values are considered not meaningful.

Revenues

For the three and nine months ended March 31, 2024, revenues decreased \$10,470 and \$35,261, respectively, as compared to the prior year period. The changes in revenues were attributable to the following:

	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024
Decrease in distribution revenue	\$ (8,362)	\$ (33,283)
Decrease in advertising revenue	(1,466)	(1,438)
Other net decreases	(642)	(540)
	\$ (10,470)	\$ (35,261)

In June 2023, MSG Networks introduced MSG+, a DTC and authenticated streaming product, which allows subscribers to access MSG Network and MSG Sportsnet as well as on demand content across various devices. MSG+ is available on a free, authenticated basis to subscribers of participating Distributors (including all of MSG Networks' major Distributors), as well as for purchase by viewers on a DTC basis through monthly and annual subscriptions, as well as single game purchases. As a result, (i) distribution revenue as presented above includes both affiliation fee revenue earned from Distributors for the right to carry the Company's networks as well as revenue earned from subscriptions and single game purchases on MSG+; (ii) advertising revenue as presented above includes the impact of MSG+ advertising revenue; and (iii) total subscribers as discussed below includes both subscribers of Distributors as well as monthly and annual subscribers of MSG+.

For the three months ended March 31, 2024, distribution revenue decreased \$8,362, primarily due to a decrease in total subscribers of approximately 12.5%, partially offset by the impact of higher affiliation rates in the current year quarter.

For the nine months ended March 31, 2024, distribution revenue decreased \$33,299, primarily due to a decrease in total subscribers of approximately 11.9% and the absence of a favorable affiliate adjustment of approximately \$2,300 recorded in the prior year period, partially offset by the impact of higher affiliation rates in the current year period.

For the three and nine months ended March 31, 2024 advertising revenue decreased \$1,466, and \$1,438 respectively, primarily due to lower per-game advertising sales related to live professional sports telecasts on the linear networks and lower advertising revenue from branded content, partially offset by higher advertising revenue related to MSG+.

Direct operating expenses

For the three and nine months ended March 31, 2024 direct operating expenses increased by \$2,495 and \$5,797, respectively, as compared to the prior year period. The changes in direct operating expenses were attributable to the following:

	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024
Increase in other programming and production content costs	\$ 2,198	\$ 3,466
Increase in rights fees expense	297	2,331
	<u>\$ 2,495</u>	<u>\$ 5,797</u>

For the three and nine months ended March 31, 2024, other programming and production content costs increased \$2,198 and \$3,466, respectively, primarily due to the impact of MSG+ in the current year periods, partially offset by other net cost decreases.

For the three and nine months ended March 31, 2024, rights fees expense increased \$297 and \$2,331, respectively, primarily due to the impact of annual contractual rate increases, substantially offset by reductions resulting from fewer NBA and NHL games made available to MSG Networks for exclusive broadcast.

Selling, general, and administrative expenses

For the three months ended March 31, 2024, selling, general and administrative expenses of \$14,173 decreased \$45,879 as compared to the prior year period, primarily due to lower professional fees of \$46,025, mainly reflecting a decrease in litigation-related expenses associated with the Networks Merger.

For the nine months ended March 31, 2024, selling, general and administrative expenses of \$34,883 decreased \$72,265 as compared to the prior year period, primarily due to (i) lower professional fees of \$51,162, inclusive of litigation-related insurance recoveries associated with the Networks Merger in the current year period, (ii) lower advertising and marketing costs of \$11,015, and (iii) lower employee compensation and related benefits of \$8,125.

Operating income

For the three and nine months ended March 31, 2024, operating income increased \$32,661 and \$34,328, respectively, as compared to the prior year period, primarily due to the decrease in selling, general and administrative expenses, partially offset by the decrease in revenues and to a lesser extent, the increase in direct operating expenses.

Adjusted operating income

For the three and nine months ended March 31, 2024, adjusted operating income decreased \$9,716 and \$28,181, respectively, as compared to the prior year period, primarily due to the decrease in revenues and, to a lesser extent, the increase in direct operating expenses, partially offset by the decrease in selling, general and administrative expenses (excluding merger and acquisition related costs, net of insurance recoveries, and share-based compensation expense).

Liquidity and Capital Resources

Sources and Uses of Liquidity

As of March 31, 2024, the Company's unrestricted cash and cash equivalents balance was \$680,575, as compared to \$614,549 as of December 31, 2023. Included in unrestricted cash and cash equivalents as of March 31, 2024 was (1) \$125,252 in advance cash proceeds primarily from ticket sales, a majority of which the Company expects to pay to artists and promoters, and (2) \$102,825 of cash and cash equivalents at MSG Networks, which is not available for distribution to the Company in order to maintain compliance with the covenants under the MSG Networks Credit Facilities (as defined below) (which, for the avoidance of doubt, remain available to be used in connection with the refinancing of such facilities as discussed below). In addition, as of March 31, 2024, the Company had \$423,113 of accounts payable, accrued and other current liabilities, including \$155,352 of capital expenditure accruals primarily related to Sphere construction (a significant portion of which is in dispute and which the Company does not expect to pay).

The principal balance of the Company's total debt outstanding as of March 31, 2024 was \$1,404,125, including \$870,375 of debt under the MSG Networks Credit Facilities which is classified as short-term on the condensed consolidated balance sheets.

Our primary sources of liquidity are cash and cash equivalents and cash flows from the operations of our businesses. The Company's uses of cash over the next 12 months beyond the issuance date of the accompanying unaudited condensed consolidated financial statements included in this Form 10-Q (and over the following 12 months thereafter) are expected to be substantial and include working capital-related items (including funding our operations), capital spending (including the creation of additional original content for Sphere), required debt service payments, payments we expect to be made in connection with the refinancing of our indebtedness, and investments and related loans and advances that we may fund from time to time. We may also use cash to repurchase our common stock. Our decisions as to the use of our available liquidity will be based upon the ongoing review of the funding needs of our businesses, the optimal allocation of cash resources, and the timing of cash flow generation. To the extent that we desire to access alternative sources of funding through the capital and credit markets, market conditions could adversely impact our ability to do so at that time.

Our ability to have sufficient liquidity to fund our operations and refinance our indebtedness is dependent on the ability of Sphere to generate significant positive cash flow. Although Sphere has been embraced by guests, artists, promoters, advertisers and marketing partners, and we anticipate that Sphere will generate substantial revenue and adjusted operating income on an annual basis over time, there can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform. Original immersive productions, such as *Postcard From Earth*, have not been previously pursued on the scale of Sphere, which increases the uncertainty of our operating expectations. To the extent that our efforts do not result in viable shows, or to the extent that any such productions do not achieve expected levels of popularity among audiences, we may not generate the cash flows from operations necessary to fund our operations. To the extent we do not realize expected cash flows from operations from Sphere, we would have to take several actions to improve our financial flexibility and preserve liquidity, including significant reductions in both labor and non-labor expenses as well as reductions and/or deferrals in capital spending. Therefore, while we currently believe we will have sufficient liquidity from cash and cash equivalents and cash flows from operations (including expected cash flows from operations from Sphere) to fund our operations and, at a minimum, make required aggregate quarterly amortization payments of \$41,250 on the MSG Networks Credit Facilities, as described below, no assurance can be provided that our liquidity will be sufficient in the event any of the preceding uncertainties facing Sphere are realized over the next 12 months beyond the issuance date of the accompanying unaudited condensed consolidated financial statements included in this Form 10-Q. The Company also anticipates MSG Networks will pay down a portion of the outstanding term loan under the MSG Networks Credit Facilities prior to its maturity in October 2024, as discussed below, (including as a result of an equity contribution to MSG Networks by Sphere Entertainment Group, LLC ("Sphere Entertainment Group")). See the risk factor entitled "*We Have Substantial Indebtedness and Are Highly Leveraged, Which Could Adversely Affect Our Business*" in "Part II — Item 1A. Risk Factors" included in this Form 10-Q.

As disclosed in Note 11. Credit Facilities and Convertible Notes, all of the outstanding borrowings under the MSG Networks Credit Facilities are guaranteed by the MSGN Guarantors (as defined under Note 11. Credit Facilities and Convertible Notes) and secured by the MSGN Collateral (as defined under Note 11. Credit Facilities and Convertible Notes). Sphere Entertainment Co., Sphere Entertainment Group and the subsidiaries of Sphere Entertainment Group (collectively, the "Non-Credit Parties") are not legally obligated to fund the outstanding borrowings under the MSG Networks Credit Facilities, nor are the assets of the Non-Credit Parties

pledged as security under the MSG Networks Credit Facilities. Prior to maturity of the MSG Networks Credit Facilities in October 2024, MSG Networks expects to make \$41,250 in required quarterly amortization payments on the MSG Networks Credit Facilities. The remaining outstanding borrowings under the MSG Networks Credit Facilities of \$829,125 are scheduled to mature in October 2024, which is within one year of the issuance date of the accompanying unaudited condensed consolidated financial statements included in this Form 10-Q. However, MSG Networks will be unable to generate sufficient operating cash flows prior to the maturity to settle the remaining outstanding borrowings under the MSG Networks Credit Facilities when they become due absent action taken by management to refinance the outstanding borrowings.

As of the issuance date of the Company's unaudited condensed consolidated financial statements for the quarter ended March 31, 2024, management is in the advanced stages of negotiating a refinancing of the MSG Networks Credit Facilities with a syndicate of its lenders. In this regard, the Company has had advanced discussions with a number of its lenders to participate in the refinancing and amend and extend the MSG Networks Credit Facilities with agreed upon preliminary terms and provisions. The proposed refinancing is subject to finalization of the syndicate, completion of the loan closing documentation and other closing procedures. The proposed refinancing and amendment to the MSG Networks Credit Facilities would include, among other things, (1) a reduction in the amount of the existing term loan, as a result of a partial repayment of the existing term loan by MSG Networks, a portion of the cash associated with the repayment is expected to be funded through a cash equity contribution from Sphere Entertainment Group to MSG Networks, for which such contribution is not expected to adversely impact Sphere Entertainment's ability to fund its operations and growth initiatives, (2) a reduction in the size of the existing senior secured revolving credit facility, (3) an extension of the maturity date by one year to October 10, 2025, and (4) amendments to certain terms, including adding MSG Networks Inc. and Rainbow Garden Corp. as guarantors, and including a higher amortization rate, higher interest rates, more restrictive covenants (including prohibiting restricted payments to Sphere Entertainment) and adding additional events of default.

Management believes it is probable that (1) the refinancing will be completed or (2) if the refinancing is not completed, MSG Networks would decide to enter into a work-out or seek bankruptcy protection prior to the lenders exercising their rights under the MSG Networks Credit Facilities. While MSG Networks has historically been able to refinance its indebtedness, management can provide no assurance that MSG Networks will be able to refinance the MSG Networks Credit Facilities, or that such refinancing will be secured on terms that are acceptable to MSG Networks. In the event MSG Networks is unable to refinance the amount scheduled to mature under the MSG Networks Credit Facilities or secure alternative sources of funding through the capital and credit markets on acceptable terms, the lenders could exercise their remedies under the MSG Networks Credit Facilities, which would include, but not be limited to, declaring an event of default and foreclosing on the MSGN Collateral. See the risk factor entitled *"Although We Expect to Refinance the MSGN Credit Facilities Prior to Their Maturity in October 2024, There Can Be No Assurances That We Will Be Successful; If We Do Not Refinance the MSGN Credit Facilities, the Outstanding Debt Thereunder Could Be Accelerated and the Lenders Could Foreclose Upon the MSG Networks Business"* in "Part II — Item 1A. Risk Factors" included in this Form 10-Q. In the event of an exercise of post-default rights and remedies, the Company believes the lenders would have no further remedies or recourse against the Non-Credit Parties pursuant to the terms of the MSG Networks Credit Facilities. While this condition raises substantial doubt about the Company's ability to continue as a going concern, for the reasons stated above, we have concluded this condition has been effectively alleviated and the Company will be able to continue as a going concern for at least one year beyond the issuance date of the accompanying unaudited condensed consolidated financial statements included in this Form 10-Q.

See Note 11. Credit Facilities and Convertible Notes, to the condensed consolidated financial statements included in "— Item 1. Financial Statements" of this Form 10-Q, for a discussion of the MSG Networks Credit Facilities, the LV Sphere Term Loan Facility and the 3.50% Convertible Senior Notes.

For additional information regarding the Company's capital expenditures, including those related to Sphere in Las Vegas, see Note 18. Segment Information, to the Company's Audited Consolidated Annual Financial Statements included in the 2023 Form 10-K.

On March 31, 2020, the Company's Board of Directors authorized a share repurchase program to repurchase up to \$350,000 of the Company's Class A Common Stock. The program was re-authorized by the Company's Board of Directors on March 29, 2023. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market transactions, 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. No shares have been repurchased under the share repurchase program to date.

Spheres

The Company opened Sphere in Las Vegas in September 2023. See "Part I — Item 1. Our Business — Sphere" in the 2023 Form 10-K. The venue has a number of revenue streams, including The Sphere Experience (which includes original immersive productions), advertising and marketing partnerships, and concert residencies, corporate and marquee sporting events, each of which the Company

expects to become significant over time. As a result, we anticipate that Sphere in Las Vegas will generate substantial revenue and adjusted operating income on an annual basis over time.

In February 2018, we announced the purchase of land in Stratford, London, which we expected would become home to a future Sphere. The Company submitted planning applications to the local planning authority in March 2019. On November 21, 2023, the Company announced it no longer plans to allocate resources towards the development of a Sphere in the United Kingdom. The Company has taken an impairment loss of \$116,541 in connection with the Company's decision to no longer pursue the development of a Sphere in the United Kingdom.

We will continue to explore additional domestic and international markets where we believe Sphere venues can be successful. The Company's intention for any future venues is to utilize several options, such as joint ventures, equity partners, a managed venue model and non-recourse debt financing.

Financing Agreements

See Note 11. Credit Facilities and Convertible Notes, to the condensed consolidated financial statements included in "— Item 1. Financial Statements" of this Form 10-Q, for discussions of the Company's debt obligations and various financing agreements.

MSG Networks Credit Facilities

MSGN Holdings, L.P. ("MSGN L.P."), MSGN Eden, LLC, an indirect subsidiary of the Company and the general partner of MSGN L.P., Regional MSGN Holdings LLC, an indirect subsidiary of the Company and the limited partner of MSGN L.P. (collectively with MSGN Eden, LLC, the "MSGN Holdings Entities"), and certain subsidiaries of MSGN L.P. have senior secured credit facilities pursuant to a credit agreement (as amended and restated on October 11, 2019, the "MSGN Credit Agreement") consisting of: (i) an initial \$1,100,000 term loan facility (the "MSGN Term Loan Facility") and (ii) a \$250,000 revolving credit facility (the "MSGN Revolving Credit Facility" and, together with the MSGN Term Loan Facility, the "MSG Networks Credit Facilities"), each with a term of five years. Up to \$35,000 of the MSGN Revolving Credit Facility is available for the issuance of letters of credit. As of March 31, 2024, there were no borrowings or letters of credit issued and outstanding under the MSGN Revolving Credit Facility.

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

The MSGN Credit Agreement generally requires the MSGN 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. As of March 31, 2024, the total leverage ratio was 5.36:1.00. In addition, the MSGN Credit Agreement requires a minimum interest coverage ratio of 2.00:1.00 for the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis. As of March 31, 2024, the interest coverage ratio was 2.24:1.00. As of March 31, 2024, the MSGN Holdings Entities and MSGN L.P. and its restricted subsidiaries on a consolidated basis were in compliance with the covenants.

LV Sphere Term Loan Facility

On December 22, 2022, MSG Las Vegas, LLC ("MSG LV"), an indirect, wholly-owned subsidiary of the Company, entered into a credit agreement with JP Morgan Chase Bank, N.A., as administrative agent and the lenders party thereto, providing for a five-year, \$275,000 senior secured term loan facility (the "LV Sphere Term Loan Facility"). All obligations under the LV Sphere Term Loan Facility are guaranteed by Sphere Entertainment Group.

The LV Sphere Term Loan Facility will mature on December 22, 2027. The principal obligations under the LV Sphere Term Loan Facility are due at the maturity of the facility, with no amortization payments prior to maturity. Under certain circumstances, MSG LV is required to make mandatory prepayments on the loan, including prepayments in an amount equal to the net cash proceeds of casualty insurance and/or condemnation recoveries (subject to certain reinvestment, repair or replacement rights), subject to certain exceptions.

The LV Sphere Term Loan Facility and related guaranty by Sphere Entertainment Group include financial covenants requiring MSG LV to maintain a specified minimum debt service coverage ratio and requiring Sphere Entertainment Group to maintain a specified minimum liquidity level. The debt service coverage ratio covenant began testing in the fiscal quarter ended December 31, 2023 on a historical basis and on a prospective basis. Both the historical and prospective debt service coverage ratios are required to be at least

1.35:1.00. In addition, among other conditions, MSG LV is not permitted to make distributions to Sphere Entertainment Group unless the historical and prospective debt service coverage ratios are at least 1.50:1.00. The minimum liquidity level for Sphere Entertainment Group is set at \$50,000, with \$25,000 required to be held in cash or cash equivalents and is tested as of the last day of each fiscal quarter based on Sphere Entertainment Group's unencumbered liquidity, consisting of cash and cash equivalents and available lines of credit, as of such date.

3.50% Convertible Senior Notes

On December 8, 2023, the Company completed a private unregistered offering (the "Offering") of \$258,750 in aggregate principal amount of its 3.50% convertible senior notes due 2028 (the "3.50% Convertible Senior Notes"), which amount includes the full exercise of the initial purchasers' option to purchase additional 3.50% Convertible Senior Notes.

The Company used approximately \$14,309 of the net proceeds from the Offering to fund the cost of entering into the capped call transactions described below, with the remaining net proceeds from the Offering designated for general corporate purposes, including capital for Sphere-related growth initiatives.

On December 8, 2023, the Company entered into an Indenture (the "Indenture"), dated as of December 8, 2023, with U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), relating to the 3.50% Convertible Senior Notes. The 3.50% Convertible Senior Notes constitute a senior general unsecured obligation of the Company.

The 3.50% Convertible Senior Notes bear interest at a rate of 3.50% per year, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2024. The 3.50% Convertible Senior Notes will mature on December 1, 2028, unless earlier redeemed, repurchased or converted.

Subject to the terms of the Indenture, the 3.50% Convertible Senior Notes may be converted at an initial conversion rate of 28.1591 shares of Class A Common Stock per \$1,000 principal amount of 3.50% Convertible Senior Notes (equivalent to an initial conversion price of approximately \$35.51 per share of Class A Common Stock). Upon conversion of the 3.50% Convertible Senior Notes, the Company will pay or deliver, as the case may be, cash, shares of Class A Common Stock or a combination of cash and shares of Class A Common Stock, at the Company's election, in accordance with the Indenture. Holders of the 3.50% Convertible Senior Notes may convert their 3.50% Convertible Senior Notes at their option at any time on or after September 1, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date. Holders of the 3.50% Convertible Senior Notes will also have the right to convert the 3.50% Convertible Senior Notes prior to September 1, 2028, but only upon the occurrence of specified events described in the Indenture. The conversion rate is subject to anti-dilution adjustments if certain events occur.

Prior to December 6, 2026, the 3.50% Convertible Senior Notes will not be redeemable. On or after December 6, 2026, the Company may redeem for cash all or part of the 3.50% Convertible Senior Notes (subject to certain exceptions), at its option, if the last reported sale price of the Class A Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any period of 30 consecutive trading days (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 3.50% Convertible Senior Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. No sinking fund is provided for the 3.50% Convertible Senior Notes.

If certain corporate events occur or the Company delivers a notice of redemption prior to the maturity date of the 3.50% Convertible Senior Notes, and a holder elects to convert its 3.50% Convertible Senior Notes in connection with such corporate event or notice of redemption, as the case may be, the Company will, under certain circumstances, increase the conversion rate for the 3.50% Convertible Senior Notes so surrendered for conversion by a number of additional shares of Class A Common Stock in accordance with the Indenture. No adjustment to the conversion rate will be made if the price paid or deemed to be paid per share of Class A Common Stock in such corporate event or redemption, as the case may be, is either less than \$28.41 per share or exceeds \$280.00 per share.

If a specified "Fundamental Change" (as defined in the Indenture) occurs prior to the maturity date of the 3.50% Convertible Senior Notes, under certain circumstances each holder may require the Company to repurchase all or part of its 3.50% Convertible Senior Notes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest to, but not including, the repurchase date.

Under the Indenture, the 3.50% Convertible Senior Notes may be accelerated upon the occurrence of certain events of default. In the case of an event of default with respect to the 3.50% Convertible Senior Notes arising from specified events of bankruptcy or insolvency of the Company, 100% of the principal of and accrued and unpaid interest on the 3.50% Convertible Senior Notes will automatically become due and payable. If any other event of default with respect to the 3.50% Convertible Senior Notes under the

Indenture occurs or is continuing, the Trustee or holders of at least 25% in aggregate principal amount of the then outstanding 3.50% Convertible Senior Notes may declare the principal amount of the 3.50% Convertible Senior Notes to be immediately due and payable.

On December 5, 2023, in connection with the pricing of the 3.50% Convertible Senior Notes, and on December 6, 2023, in connection with the exercise in full by the initial purchasers of their option to purchase additional 3.50% Convertible Senior Notes, the Company entered into capped call transactions with certain of the initial purchasers of the 3.50% Convertible Senior Notes or their respective affiliates and other financial institutions, pursuant to capped call confirmations. The capped call transactions are expected generally to reduce the potential dilution to the Class A Common Stock upon any conversion of the 3.50% Convertible Senior Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted 3.50% Convertible Senior Notes, as the case may be, with such reduction and/or offset subject to a cap based on a cap price initially equal to approximately \$42.62 per share (which represents a premium of approximately 50% over the last reported sale price of the Class A Common Stock of \$28.41 per share on the New York Stock Exchange on December 5, 2023), and is subject to certain adjustments under the terms of the capped call transactions.

Letters of Credit

The Company uses letters of credit to support its business operations. As of March 31, 2024, there were no borrowings or letters of credit issued and outstanding under the MSGN Revolving Credit Facility. The Company has letters of credit relating to operating leases which are supported by cash and cash equivalents that are classified as restricted.

Contractual Obligations

As of March 31, 2024, the Company did not have any material changes in its non-cancelable contractual obligations (other than activities in the ordinary course of business). See Note 10. Commitments and Contingencies to the condensed consolidated financial statements included in “— Item 1. Financial Statements” of this Form 10-Q, for further details on the timing and amount of payments under various media rights agreements.

Cash Flow Discussion

As of March 31, 2024, cash, cash equivalents and restricted cash totaled \$693,946, as compared to \$429,114 as of June 30, 2023. The following table summarizes the Company’s cash flow activities for the nine months ended March 31, 2024 and 2023:

	Nine Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 52,780	\$ 137,824
Net cash used in investing activities	(20,240)	(825,484)
Net cash provided by financing activities	233,010	200,485
Effect of exchange rates on cash, cash equivalents and restricted cash	(718)	(729)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 264,832</u>	<u>\$ (487,904)</u>

Operating Activities

Net cash provided by operating activities for the nine months ended months ended March 31, 2024 decreased by \$85,044 as compared to the prior year period, primarily due to a net loss in the current year period driven by higher direct operating expenses as compared to net income in the prior year period, as well as changes in working capital assets and liabilities, which included fewer collections from customers and related parties, and a larger amount of payments to vendors and related parties, as compared to the corresponding prior year period. These were offset primarily by cash collections related to deferred revenue of \$66,656 in the current year period, as compared to \$53,688 in the corresponding prior year period.

Investing Activities

Net cash used in investing activities for the nine months ended months ended March 31, 2024 decreased by \$805,244 as compared to the prior year period, primarily due to a decrease in capital expenditures for Sphere in Las Vegas after the assets were placed into service during the first quarter of Fiscal Year 2024, as well as the proceeds from the sale of MSGE Retained Interest.

Financing Activities

Net cash provided by financing activities for the nine months ended March 31, 2024 increased by \$32,525 as compared to the prior year period primarily due to proceeds of \$251,634 from the issuance of 3.50% Convertible Senior Notes, and \$65,000 from the DDTL Facility, as compared to proceeds of \$275,168 from the issuance of the LV Sphere Term Loan Facility in the corresponding prior period, and partially offset by principal repayments of long term debt of \$61,875 in the current year period, as well as the purchase of the \$14,309 capped call related to the 3.50% Convertible Senior Notes.

Seasonality of Our Business

Our MSG Networks segment generally earns a higher share of its annual revenues in the second and third quarters of its fiscal year as a result of MSG Networks' advertising revenue being largely derived from the sale of inventory in its live NBA and NHL professional sports programming.

Recently Issued Accounting Pronouncements and Critical Accounting Estimates

Recently Issued and Adopted Accounting Pronouncements

See Note 2. Accounting Policies to the condensed consolidated financial statements included in “— Item 1. Financial Statements” of this Form 10-Q, for discussion of recently issued accounting pronouncements.

Critical Accounting Estimates

There have been no material changes to the Company's critical accounting policies other than the one noted in “— Item 1. Financial Statements” of this Form 10-Q. The following discussion has been included to provide the results of our annual impairment testing of goodwill and identifiable indefinite-lived intangible assets performed during the first quarter of Fiscal Year 2024.

Impairment of Goodwill

Goodwill is tested annually for impairment as of August 31st and at any time upon the occurrence of certain events or substantive changes in circumstances. The Company performs its goodwill impairment test at the reporting unit level. As of March 31, 2024, the Company had two reportable segments and two reporting units, Sphere and MSG Networks, consistent with the way management makes decisions and allocates resources to the business.

The goodwill balance reported on the Company's condensed consolidated balance sheets as of March 31, 2024 by reporting unit was as follows:

	As of March 31, 2024
Sphere	\$ 32,299
MSG Networks	424,508
Total Goodwill	<u>\$ 456,807</u>

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

The Company elected to perform the qualitative assessment of impairment for all of the Company's reporting units for the Fiscal Year 2024 annual impairment test. These assessments considered qualitative factors such as:

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

During the first quarter of Fiscal Year 2024, the Company performed its most recent annual impairment tests of goodwill and determined that there were no impairments of goodwill identified for any of its reporting units as of the impairment test date.

Based on the impairment test, the Company's MSG Networks reporting unit had a sufficient safety margin, representing the excess of the estimated fair value of the reporting unit, derived from the most recent quantitative assessment, less its carrying value (including goodwill allocated to the reporting unit). The Company believes that if the fair value of the reporting unit exceeds its carrying value by greater than 10%, a sufficient safety margin has been realized.

For the Sphere reporting unit, the goodwill balance was determined based upon a relative fair value allocation between Sphere and MSG Entertainment at the time of the MSGE Distribution. Due to the proximity of the annual goodwill impairment test to the MSGE Distribution and the related relative fair value allocation, the Company primarily considered qualitative factors, as noted above, in determining that the Sphere reporting unit goodwill was not impaired.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosures regarding market risks in connection with our pension and postretirement plans. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of the 2023 Form 10-K.

Potential Interest Rate Risk Exposure

The Company, through its subsidiaries, MSG Networks and MSG LV, is subject to potential interest rate risk exposure related to borrowings incurred under their respective credit facilities. Changes in interest rates may increase interest expense payments with respect to any borrowings incurred under these credit facilities. The effect of a hypothetical 200 basis point increase in floating interest rate prevailing as of March 31, 2024 and continuing for a full year would increase the Company's interest payments on the outstanding amounts under the credit facilities by \$22,908.

Foreign Currency Exchange Rate Exposure

We are exposed to market risk resulting from foreign currency fluctuations, primarily to the British pound sterling through our net investment position initiated with our acquisition of land in Stratford, London in the second quarter of fiscal year 2018, which we expected would become home to a future Sphere, and through cash and invested funds which we expected would be deployed in the construction of our London venue prior to the Company's decision in November 2023 to no longer pursue the development of a Sphere in the United Kingdom. During the 12 months ended March 31, 2024, the GBP/USD exchange rate ranged from 1.2078 to 1.3137 as compared to GBP/USD exchange rate of 1.2638 on March 31, 2024, a fluctuation range of approximately 3.95%. As of March 31, 2024, a uniform hypothetical 4.29% fluctuation in the GBP/USD exchange rate would have resulted in a change of approximately \$1,600 in the Company's net asset value.

Following the acquisition of Holoplot GmbH ("Holoplot") on April 25, 2024, which is based in Berlin, Germany, we are also exposed to market risk resulting from foreign currency fluctuations, related to the Euro. During the 12 months ended March 31, 2024, the EUR/USD exchange rate ranged from 1.0467 to 1.1239 as compared to EUR/USD exchange rate of 1.0799 on March 31, 2024, a fluctuation range of approximately 3.62%.

We may evaluate and decide, to the extent reasonable and practical, to reduce the translation risk of foreign currency fluctuations by entering into foreign currency forward exchange contracts with financial institutions. If we were to enter into such hedging transactions, the market risk resulting from foreign currency fluctuations is unlikely to be entirely eliminated. We do not plan to enter into derivative financial instrument transactions for foreign currency speculative purposes.

Item 4. Controls and Procedures

Our management, with the participation of our Executive Chairman and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer, evaluated 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our Executive Chairman and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

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 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Fifteen complaints were filed in connection with the merger between a subsidiary of the Company and MSG Networks Inc. (the “Networks Merger”) by purported stockholders of the Company and MSG Networks Inc.

Nine of these complaints involved allegations of materially incomplete and misleading information set forth in the joint proxy statement/prospectus filed by the Company and MSG Networks Inc. in connection with the Networks Merger. As a result of supplemental disclosures made by the Company and MSG Networks Inc. on July 1, 2021, all of the disclosure actions were voluntarily dismissed with prejudice prior to or shortly following the consummation of the Networks Merger.

Six complaints involved allegations of fiduciary breaches in connection with the negotiation and approval of the Networks Merger and were consolidated into two remaining litigations.

On September 10, 2021, the Court of Chancery of the State of Delaware (the “Court”) entered an order consolidating two derivative complaints filed by purported Company stockholders. The consolidated action is captioned: *In re Madison Square Garden Entertainment Corp. Stockholders Litigation*, C.A. No. 2021-0468-KSJM (the “MSG Entertainment Litigation”). The consolidated plaintiffs filed their Verified Consolidated Derivative Complaint on October 11, 2021. The complaint, which named the Company as only a nominal defendant, retained all of the derivative claims and alleged that the members of the board of directors and controlling stockholders violated their fiduciary duties in the course of negotiating and approving the Networks Merger. Plaintiffs sought, among other relief, an award of damages to the Company including interest, and plaintiffs’ attorneys’ fees. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company advanced the costs incurred by defendants in this action, and defendants asserted indemnification rights in respect of any adverse judgment or settlement of the action.

On March 14, 2023, the parties to the MSG Entertainment Litigation reached an agreement in principle to settle the MSG Entertainment Litigation, without admitting liability, on the terms and conditions set forth in a binding term sheet, which was incorporated into a long-form settlement agreement (the “MSG Settlement Agreement”) that was filed with the Court on April 20, 2023. The MSG Settlement Agreement provided for, among other things, the final dismissal of the MSG Entertainment Litigation in exchange for a settlement payment to the Company of approximately \$85 million, subject to customary reduction for attorneys’ fees and expenses, in an amount to be determined by the Court. The settlement’s amount was fully funded by the other defendants’ insurers. The MSG Settlement Agreement was approved by the Court on August 14, 2023, which constituted the final judgment in the action. A realized gain of approximately \$62.6 million was recognized in Other income (expense), net on the condensed consolidated statements of operations in connection with the settlement payment to the Company.

On September 27, 2021, the Court entered an order consolidating four complaints filed by purported former stockholders of MSG Networks Inc. The consolidated action is captioned: *In re MSG Networks Inc. Stockholder Class Action Litigation*, C.A. No. 2021-0575-KSJM (the “MSG Networks Litigation”). The consolidated plaintiffs filed their Verified Consolidated Stockholder Class Action Complaint on October 29, 2021. The complaint asserted claims on behalf of a putative class of former MSG Networks Inc. stockholders against each member of the board of directors of MSG Networks Inc. and the controlling stockholders prior to the Networks Merger. Plaintiffs alleged that the MSG Networks Inc. board of directors and controlling stockholders breached their fiduciary duties in negotiating and approving the Networks Merger. The Company was not named as a defendant but was subpoenaed to produce documents and testimony related to the Networks Merger. Plaintiffs sought, among other relief, monetary damages for the putative class and plaintiffs’ attorneys’ fees. Pursuant to the indemnity rights in its bylaws and Delaware law, the Company advanced the costs incurred by defendants in this action, and defendants asserted indemnification rights in respect of any adverse judgment or settlement of the action.

On April 6, 2023, the parties to the MSG Networks Litigation reached an agreement in principle to settle the MSG Networks Litigation, without admitting liability, on the terms and conditions set forth in a binding term sheet, which was incorporated into a long-form settlement agreement (the “MSGN Settlement Agreement”) that was filed with the Court on May 18, 2023. The MSGN Settlement Agreement provided for, among other things, the final dismissal of the MSG Networks Litigation in exchange for a settlement payment to the plaintiffs and the class of approximately \$48.5 million, of which approximately \$28 million has been paid by the Company and \$20.5 million has been paid to the plaintiffs by insurers. As of March 31, 2024, approximately \$20.5 million has been accrued for by the Company in Accounts payable, accrued and other current liabilities. The MSGN Settlement Agreement was approved by the Court on August 14, 2023, which constituted the final judgment in the action. MSG Networks has a dispute with its insurers over whether and to what extent there is insurance coverage for the settlement. Unless MSG Networks Inc. and the insurers settle that insurance dispute, it is expected to be resolved in a pending Delaware insurance coverage action. In the interim, and subject to final resolution of the parties’ insurance coverage dispute, and as referenced above, certain of MSG Networks’ insurers agreed to advance approximately \$20.5 million to fund the settlement and related class notice costs.

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

Item 1A. Risk Factors

In addition to the other information set forth below, you should carefully consider the factors discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-Q and our 2023 Form 10-K and other filings we may make from time to time with the SEC. Any of these risks could have a material adverse effect on our business, operating results and financial condition, which could cause you to lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we deem immaterial also may affect our business and operations. As such, you should not consider this list to be a complete statement of all potential risks and uncertainties.

Risks Related to Our Sphere Business

The Success of Our Sphere Business Depends on the Popularity of The Sphere Experience, as Well as Our Ability to Continue to Attract Advertisers and Marketing Partners, and Audiences and Artists to Concerts, Residencies and Other Events at Sphere in Las Vegas. If The Sphere Experience Does Not Continue to Appeal to Customers or We Are Unable to Attract Advertisers and Marketing Partners, There Will be a Material Negative Effect on Our Business and Results of Operations.

The financial results of our Sphere business are largely dependent on the popularity of The Sphere Experience, which features original immersive productions that can run multiple times per day, year-round and are designed to utilize the full breadth of the venue’s next-generation technologies. The Sphere Experience employs novel and transformative technologies for which there is no established basis of comparison, and there is an inherent risk that we may be unable to achieve the level of success appropriate for the significant investment involved. Fan and consumer tastes also change frequently and it is a challenge to anticipate what will be successful at any point in time. Should the popularity of The Sphere Experience not meet our expectations, our revenues from ticket sales, and concession and merchandise sales would be adversely affected, and we might not be able to replace the lost revenue with revenues from other sources. As a result of any of the foregoing, we may not be able to generate sufficient revenues to cover our costs, which could adversely impact our business and results of operations, the price of our Class A Common Stock and the value of our 3.50% Convertible Senior Notes.

Currently, our Sphere business only has access to one original immersive production, *Postcard from Earth*. The risk of reliance on The Sphere Experience described above is exacerbated by the lack of availability of alternative content. If The Sphere Experience is not successful in continuing to attract guests, we may not have sufficient capital to develop additional original immersive productions. In that event, Sphere in Las Vegas may need to either rely on increased advertising and marketing revenues and the success of much more frequent third-party live entertainment offerings to generate enough capital to develop additional original immersive productions and/or partner with third parties to develop and finance such productions.

Additionally, our Sphere business is also dependent on our ability to continue to attract advertisers and marketing partners to our signage, digital advertising and partnership offerings. Advertising revenues depend on a number of factors, such as the reach and popularity of our venue (including risks around consumer reactions to advertisers and marketing partners), the health of the economy in the markets our businesses serve and in the nation as a whole, general economic trends in the advertising industry and competition with respect to such offerings. Should the popularity of our advertising assets not meet our expectations, our revenues would be adversely affected, and we might not be able to replace the lost revenue with revenues from other sources, which could adversely impact our business and results of operations and the price of our Class A Common Stock and the value of our 3.50% Convertible Senior Notes.

The success of our Sphere business also depends upon our ability to offer live entertainment that is popular with guests. While the Company believes that these next-generation venues will enable new experiences and innovative opportunities to engage with audiences, there can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform. We contract with promoters and others to provide performers and events at Sphere and Sphere grounds. Although our concert performances have been popular with guests, there can be no assurances that future performances will achieve similar popularity. There may be a limited number of popular artists, groups or events that are willing to invest in and to take advantage of the immersive experiences and next generation technologies (which cannot be re-used in venues other than Sphere) or that can attract audiences to Sphere, and our business would suffer to the extent that we are unable to attract such artists, groups and events willing to perform at our venue.

The Difficulty with Estimating the Costs of our Initial Sphere in Las Vegas or the Complexities of the Planning Process Create Risks with Respect to our Sphere Initiative, Which May Not Be Successful Unless We Can Develop Additional Venues.

The Company's venue strategy is to create, build and operate new music and entertainment-focused venues—called Sphere—that use cutting-edge technologies to create the next generation of immersive experiences. There is no assurance that the Sphere initiative will be successful.

We completed construction of our first Sphere in Las Vegas in September 2023. The costs to build Sphere were substantial. While it is always difficult to provide a definitive construction cost estimate for large-scale construction projects, it was particularly challenging for one as unique as Sphere. In May 2019, the Company's preliminary cost estimate for Sphere in Las Vegas was approximately \$1.2 billion. This estimate was based only upon schematic designs for purposes of developing the Company's budget and financial projections. The cost estimate for Sphere was subsequently increased numerous times during the course of the project and the final construction cost for Sphere in Las Vegas meaningfully exceeded the initial estimate. See Note 8 Property and Equipment, Net and Note 9 Leases to the consolidated financial statements included in the 2023 Form 10-K.

In February 2018, we announced the purchase of land in Stratford, London, which we expected would become home to a future Sphere. On November 21, 2023, we announced that we were formally notified by the Mayor of London that our planning application for a Sphere venue in Stratford, London was not approved. In light of this decision, we no longer plan to allocate resources towards the development of a Sphere in the United Kingdom. In connection with this decision, we recorded an impairment charge of \$116.5 million in the quarter ended December 31, 2023.

We continue to explore domestic and international markets where these next-generation venues are expected to be successful. The design of future Spheres will be flexible to accommodate a wide range of sizes and capacities—from large-scale to smaller and more intimate—based on the needs of any individual market. While the Company has self-funded the construction of Sphere in Las Vegas, the Company's intention for future venues is to utilize several options, such as joint ventures, equity partners, a managed venue model and non-recourse debt financing. In connection with the construction of future Sphere venues, the Company may need to obtain additional capital beyond what is available from cash-on-hand and cash flows from operations. There is no assurance that we would be able to obtain financing for any costs relating to any future venues on terms favorable to us or at all.

The difficulty with estimating the costs of our initial Sphere in Las Vegas or the complexities of the planning process create risks with respect to our Sphere initiative, which may not be successful unless we can develop additional venues.

Sphere Uses Cutting-Edge Technologies and Requires Significant Capital Investment by the Company. There Can Be No Assurance That Sphere Will Continue to Be Successful.

Sphere employs novel and transformative technologies and new applications of existing technologies. Although the application of these technologies at Sphere have been successful to-date, there can be no assurance that Sphere will achieve the operational and artistic goals the Company is seeking over the long-term. Any failure to do so could have a material negative effect on our business and results of operations.

While the Company believes that these next-generation venues will enable new experiences and innovative opportunities to engage with audiences, there can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform. The substantial cost of building Sphere in Las Vegas, as well as the potential costs and/or financing needs with respect to future Spheres, may constrain the Company's ability to undertake other initiatives during these multi-year construction periods. Given our strategy of using original immersive productions across multiple venues, our Sphere initiative may not be successful unless we can develop additional venues.

Our Sphere Business Strategy Includes the Development of The Sphere Experience and Related Original Immersive Productions, Which Could Require Us to Make Considerable Investments for Which There Can Be No Guarantee of Success.

As part of our Sphere business strategy, we have developed The Sphere Experience, including *Postcard from Earth*, our first original immersive production, and we intend to further develop related original immersive productions, which could require significant upfront expense that may never result in a viable production, as well as investment in creative processes, commissioning and/or licensing of intellectual property, casting and advertising and may lead to dislocation of other alternative sources of entertainment that may have played in our venue absent these productions. We invested approximately \$81.7 million to develop the first original immersive production, *Postcard from Earth*, and there can be no assurances as to the cost of future immersive productions, which we expect to be significant. To the extent that any efforts at creating new immersive productions do not result in a viable offering, or to the extent that any such productions do not achieve expected levels of popularity among audiences, we may not recover the substantial expenses we previously incurred for non-capitalized investments, or may need to write-off all or a portion of capitalized investments. In addition, any delay in launching such productions could result in the incurrence of operating costs which may not be recouped.

The incurrence of such expenses or the write-off of capitalized investments could adversely impact our business and results of operations and the price of our Class A Common Stock.

We Depend on Licenses from Third Parties for the Performance of Musical Works at Our Venue, the Loss of Which or Renewal of Which on Less Favorable Terms May Have a Negative Effect on Our Business and Results of Operations.

We have obtained and will be required to obtain public performance licenses from music performing rights organizations, commonly known as “PROs,” in connection with the performance of musical works at concerts and certain other live events held at Sphere. In exchange for public performance licenses, most PROs are paid a per-event royalty, traditionally calculated either as a percentage of ticket revenue or a per-ticket amount. The PRO royalty obligation of any individual event is generally paid by, or charged to, the promoter of the event.

If we lose or are unable to obtain these licenses, or are unable to obtain them on terms consistent with past practice, it may have a negative effect on our business and results of operations. An increase in the royalty rate and/or the revenue base on which the royalty rate is applied could substantially increase the cost of presenting concerts and certain other live events at our venue. If we are no longer able to pass all or a portion of these royalties on to promoters (or other venue licensees), it may have a negative effect on our business and results of operations.

Our Properties Are Subject to, and Benefit from, Certain Easements, the Availability of Which May Not Continue on Terms Favorable to Us or at All.

Sphere in Las Vegas has the benefit of easements with respect to the pedestrian bridge to The Venetian. Our ability to continue to utilize these and other easements, including for advertising and promotional purposes, requires us to comply with a number of conditions. Certain adjoining property owners have easements over our property, which we are required to maintain so long as those property owners meet certain conditions. It is possible that we will be unable to continue to access or maintain any easements on terms favorable to us, or at all, which could have a material negative effect on our business and results of operations.

Risks Related to Our MSG Networks Business

The Success of Our MSG Networks 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.

MSG Networks’ success is dependent upon affiliation relationships with a limited number of Distributors. Existing affiliation agreements with our programming networks expire during each of the next several years, and 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. For example, we were not able to renew our affiliation agreement with Comcast when it expired in September 2021.

Affiliation fees constitute a significant majority of our MSG Networks 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 or a loss of subscribers by one or more of our Distributors, have in the past adversely affected (e.g., the non-renewal with Comcast) and will in the future adversely affect our affiliation fee revenue. For example, our affiliation fee revenue declined \$49.3 million in the fiscal year ended June 30, 2023 (“Fiscal Year 2023”) compared to the fiscal year ended June 30, 2022 (“Fiscal Year 2022”). Subject to the terms of our affiliation agreements, Distributors from time to time introduce, market and/or modify tiers of programming networks that 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 recorded \$10.7 million in Fiscal Year 2022 for 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 administrative complaints, litigation and/or actual or threatened termination of an existing agreement. 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 result in our inability to generate sufficient revenues to perform our obligations under our agreements or otherwise materially negatively affect our business and results of operations.

Given That We Depend on a Limited Number of Distributors for a Significant Portion of Our MSG Networks 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 ours. Substantially all of our affiliation fee revenue comes from our top four 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.

We May Not Be Able to Adapt to New Content Distribution Platforms or 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 a DTC basis. In addition to existing subscription DTC streaming services such as Amazon Prime, Hulu, Netflix, Apple TV+, Disney+, ESPN+, Max and Peacock and free advertiser-supported streaming television (“FAST”) channels that are offered directly to consumers at no cost, additional services have launched and more will likely launch in the near term, which may include sports-focused services that may compete with our networks for viewers and advertising revenue. For example, ESPN, Warner Bros. Discovery and Fox have announced their intention to partner on a sports-oriented digital distributor that will offer their national sports services directly to consumers. DTC 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 distribution of our networks (including through our own DTC offering) or through rate increases or other revenue opportunities, our business and results of operations will be adversely affected. Gaming, television and other console and device manufacturers, Distributors and others, such as Microsoft, Apple and Roku, are offering and/or developing technology to offer video programming, including in some cases, various DTC platforms.

Such changes have impacted 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 have in the past needed, and may in the future 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. For example, in January 2023, we introduced MSG SportsZone, a FAST channel, and, in June 2023, we launched our DTC product, MSG+, but there can be no assurance that we will successfully execute our strategy for such offering. Our DTC offering represents a new consumer offering for which we have limited prior experience and we may not be able to successfully predict the demand for such DTC product or the impact such DTC product may have on our traditional distribution business, including with respect to renewals of our affiliation agreements with Distributors. In addition, the success of our DTC product may depend on a number of factors, including our ability to: (i) acquire and maintain DTC rights from the professional sports teams and/or leagues we currently air on our networks; (ii) appropriately price our offering; (iii) offer competitive content and programming and (iv) ensure our DTC technology operates

efficiently. If we fail to adapt to emerging technologies, our appeal to Distributors and our targeted audiences might decline, which could have a material adverse impact on our business and results of operations.

If the Rate of Decline in the Number of Subscribers to Traditional MVPD Services Continues 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 MVPD services in the U.S. has been declining. 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, and may continue to do so in the future. 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 MVPD service offerings are not attractive to consumers due to pricing, increased competition from DTC and other services, dissatisfaction with the quality of traditional MVPD services, poor economic conditions or other factors, more consumers may (i) cancel their traditional MVPD service subscriptions or choose not to subscribe to traditional MVPD services, (ii) elect to instead subscribe to DTC 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 MVPD service subscribers continues or if subscribers shift to DTC 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.

We Derive Substantial Revenues From the Sale of Advertising 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) team performance; (ii) whether live sports games are being played; (iii) the popularity of our programming; (iv) 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) and an increasing shift of advertising expenditures to digital and mobile offerings; (v) 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 ad skipping functionality; (vi) increasing audience fragmentation caused by increased availability of alternative forms of leisure and entertainment activities, such as social networking platforms and video games; (vii) consumer budgeting and buying patterns; (viii) the extent of the distribution of our networks; (ix) changes in the audience demographic for our programming; (x) the ability of third parties to successfully and accurately measure audiences due to changes in emerging technologies and otherwise; (xi) the health of the economy in the markets our businesses serve and in the nation as a whole; and (xii) general economic trends in the advertising industry. A decline in the economic prospects of advertisers or the economy in general has in the past altered, and could in the future 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 may 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 "—Operational and Economic Risks—Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations."

The pricing and volume of advertising has been 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.

Our MSG Networks Business Depends on Media Rights Agreements With Professional Sports Teams That Have Varying Durations and Terms and Include Significant Obligations, and Our Inability to Renew Those Agreements on Acceptable Terms, or the Loss of Such Rights for Other Reasons, May Have a Material Negative Effect on Our MSG Networks Business and Results of Operations.

Our MSG Networks business is dependent upon media rights agreements with professional sports teams. Our existing media rights agreements are multi-year. 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. In addition, one or more of these teams may seek to establish their own programming offering or join one of our competitor's offerings and, in certain circumstances, we may not have an opportunity to bid for the media rights.

Even if we are able to renew such media rights agreements, the Company's results could be adversely affected if our obligations under our media rights agreements prove to be outsized relative to the revenues our MSG Networks segment is able to generate. Our media rights agreements with professional sports teams have varying terms and include significant obligations, which increase annually, without regard to the number of subscribers to our programming networks or the level of our affiliation and/or advertising revenues. If we are not able to generate sufficient revenues, including due to a loss of any of our significant Distributors or failure to renew affiliation agreements on terms as attractive as our existing agreements, we may be unable to renew media rights agreements on acceptable terms, or to perform our obligations under our existing media rights agreements, which could lead to a default under those agreements and the potential loss of such media rights, which could materially negatively affect our business and results of operations. In recent years, certain regional sports networks have experienced financial difficulties. For example, Diamond Sports Group, LLC, an unconsolidated subsidiary of Sinclair Broadcast Group, Inc., which licenses and distributes sports content in a number of regional markets, filed for protection under Chapter 11 of the bankruptcy code in March 2023.

Moreover, the value of our media rights 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 our media rights could 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 MSG Networks 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 “—*The Actions of the NBA and NHL May Have a Material Negative Effect on Our MSG Networks Business and Results of Operations*.”

The Actions of the NBA and NHL May Have a Material Negative Effect on Our MSG Networks 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”) that we may not be able to control, which could affect the value of our media rights agreements, including a decision to alter the number of games played during a season. For example, due to the COVID-19 pandemic and related government actions, decisions made by the NBA and NHL affected, and in the future could affect, our ability to produce and distribute live sports games on our networks. See “—*Operational and Economic Risks—Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations*.” Additionally, 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.

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

Our MSG Networks segment 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 extended periods of time, and may not participate in the post-season in the future. For example, 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 MSG Networks Business Depends on the Appeal of Its Programming, Which May Be Unpredictable, and Increased Programming Costs May Have a Material Negative Effect on Our Business and Results of Operations.

Our MSG Networks 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.

In addition, 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 or develop alternative programming. An increase in our costs associated with programming, including original programming, may materially negatively affect our business and results of operations.

The Unavailability of Third Party Facilities, Systems and/or Software Upon Which Our MSG Networks Business Relies May Have a Material Negative Effect on Our Business and Results of Operations.

During Fiscal Year 2023, our MSG Networks business completed a transition of its signal transmission method from satellite delivery to a terrestrial, internet-protocol based transmission method, which uses third-party IP-based fiber transmission systems to transmit our programming services to Distributors. 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 may impair such terrestrial transmission facilities.

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, such distribution facilities and/or internal or third-party services, systems or software could be adversely impacted by cybersecurity threats including unauthorized breaches. See “—Risks Related to Cybersecurity and Intellectual Property—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.

Risks Related to Our Indebtedness, Financial Condition, and Internal Control

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. As of March 31, 2024, the principal balance of our consolidated debt outstanding was approximately \$1.4 billion, \$870 million of which was due prior to March 31, 2025 and is classified as short-term on our condensed consolidated balance sheets. 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. Furthermore, our interest expense could increase if interest rates increase (including in connection with rising inflation) because our indebtedness bears interest at floating rates or to the extent we have to refinance existing debt with higher cost debt.

In September 2019, certain subsidiaries of MSG Networks Inc., including MSGN L.P., entered into the MSG Networks Credit Facilities. The outstanding borrowings under the MSG Networks Credit Facilities are due at maturity on October 11, 2024. The MSG Networks Credit Facilities are the obligations of our indirect subsidiaries MSGN L.P., MSGN Eden, LLC, Regional MSGN Holdings LLC and certain subsidiaries of MSGN L.P., and none of the Company, Sphere Entertainment Group, or any of the subsidiaries of Sphere Entertainment Group (collectively, the “Non-Credit Parties”) are party to the MSG Networks Credit Facilities.

On December 22, 2022, MSG LV, entered into the LV Sphere Term Loan Facility, a credit agreement providing for a five-year, \$275 million senior secured term loan facility. All obligations under the LV Sphere Term Loan Facility are guaranteed by Sphere Entertainment Group. None of the Company, MSG Networks Inc., MSGN L.P., or any of the subsidiaries of MSGN L.P are parties to the LV Sphere Term Loan Facility.

On December 8, 2023, the Company completed the offering of the 3.50% Convertible Senior Notes.

Our ability to have sufficient liquidity to fund our operations and refinance our indebtedness is dependent on the ability of Sphere to generate significant positive cash flow. There can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform and that Sphere will generate revenue and adjusted operating income in line with our expectations. Original immersive productions, such as *Postcard From Earth*, have not been previously pursued on the scale of Sphere, which increases the uncertainty of our operating expectations. To the extent that our efforts do not result in viable shows, or to the extent that any such productions do not achieve expected levels of popularity among audiences, we may not generate the cash flows from operations necessary to fund our operations. Our future operating performance, to a certain extent, is subject to general economic conditions, recession, fears of recession, financial, competitive, regulatory and other factors that are beyond our control. To the extent we do not realize expected cash flows from operations from Sphere, we would have to take several actions to improve our financial flexibility and preserve liquidity, including significant reductions in both labor and non-labor expenses as well as reductions and/or deferrals in capital spending. Therefore, while we currently believe we will have sufficient liquidity from cash and cash equivalents and cash flows from operations (including expected cash flows from operations from Sphere) to fund our operations and service our 3.50% Convertible Senior Notes and credit facilities, which includes the Company's expectation that MSG Networks will pay down a portion of the MSG Networks term loan in connection with the refinancing of the MSG Networks Credit Facilities (including as a result of an equity contribution to MSG Networks from Sphere Entertainment Group), as described below, no assurance can be provided that our liquidity will be sufficient in the event any of the preceding uncertainties facing Sphere are realized over the next 12 months or if MSG Networks' operating income and adjusted operating income decline at a faster rate than currently expected.

In addition, our ability to make payments on, or repay or refinance, our debt, and to fund our operating and capital expenditures, also depends upon our ability to access the credit markets. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to refinance all or a portion of our debt, sell material assets or operations, or raise additional debt or equity capital, which may be dilutive to you. We cannot provide assurance that we could affect any of these actions on a timely basis, on commercially reasonable terms or at all, or that these actions would be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from effecting certain or any of these alternatives.

Even if our future operating performance is strong, limitations on our ability to access the capital or credit markets, including as a result of general economic conditions, unfavorable terms or general reductions in liquidity may adversely and materially impact our business, financial condition, and results of operations.

The failure to satisfy the covenants, including any inability to attain a covenant waiver and other requirements under each credit agreement could trigger a default thereunder, acceleration of outstanding debt thereunder and, with respect to the LV Sphere Term Loan Facility, a demand for payment under the guarantee provided by Sphere Entertainment Group. Additionally, the LV Sphere Term Loan Facility and the MSG Networks Credit Facilities (together, the "Credit Facilities") each restrict MSG LV and MSGN L.P., respectively, from making cash distributions to us unless certain financial covenants are met. Any failure to satisfy the covenants under our Credit Facilities could negatively impact our liquidity and could have a negative effect on our businesses.

The terms of the Indenture governing the 3.50% Convertible Senior Notes do not restrict us from incurring additional indebtedness, including secured indebtedness. As of March 31, 2024, (i) the principal balance of the Company's indebtedness (excluding subsidiaries) was approximately \$258.8 million under the 3.50% Convertible Senior Notes and (ii) the principal balance of indebtedness of the Company's subsidiaries was \$1.145 billion, all of which is senior secured indebtedness. In addition, As of March 31, 2024, MSG Networks had the ability to utilize approximately \$90.0 million of its \$250.0 million revolving credit facility and not have been in violation of the terms of the MSG Networks Credit Facilities. The ability of MSGN L.P. to draw on its revolving credit facilities will depend on its ability to meet certain financial covenants and other conditions. 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 entertainment and video programming 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, the Indenture does not place any limitations on our ability to incur debt or create liens securing indebtedness. If we incur secured indebtedness and such secured indebtedness is either accelerated or becomes subject to a bankruptcy, liquidation or reorganization, our assets would be used to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on the 3.50% Convertible Senior Notes that are not similarly secured.

The indenture also does not restrict our subsidiaries from incurring additional debt, which would be structurally senior to the 3.50% Convertible Senior Notes. If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify. Our Credit Facilities restrict our ability to incur additional indebtedness, including secured indebtedness, but if the facilities mature or are repaid, we may not be subject to such restrictions under the terms of any subsequent indebtedness.

As described under “Part I — Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” in this Form 10-Q, while the conditions with respect to the MSG Networks Credit Facilities raise substantial doubt about the Company's ability to continue as a going concern, for the reasons stated under Note 2. Accounting Policies — Liquidity and Going Concern, to the condensed consolidated financial statements included in “Part I — Item 1. Financial Statements” of this Form 10-Q with respect to the lenders' recourse under the MSG Networks Credit Facilities, we have concluded that the conditions raising substantial doubt about the Company's ability to continue as a going concern have been effectively alleviated as of the date of this Form 10-Q, and that the Company would be able to continue as a going concern for at least one year beyond the date of issuance of the unaudited condensed consolidated financial statements included in this Form 10-Q. Management will conduct its review of the Company's ability to continue as a going concern prior to issuing the Company's financial statements after each quarterly or annual period. There can be no assurances that we will be able to continue to effectively alleviate the conditions with respect to the Company's ability to continue to be a going concern in the future.

In addition, we have made investments in, or otherwise extended loans to, one or more businesses that we believe complement, enhance or expand our current business or that might otherwise offer us growth opportunities and may make additional investments in, or otherwise extend loans to, one or more of such parties in the future. For example, we had previously invested in and extended financing to Holoplot in connection with Sphere's advanced audio system, and on April 25, 2024, we completed the acquisition of the remaining equity interest in Holoplot that we did not previously own. To the extent that such parties do not perform as expected, including with respect to repayment of such loans, it could impair such assets or create losses related to such loans, and, as a result, have a negative effect on our business and results of operations.

The Terms of Our Indebtedness Outstanding from Time to Time, Including Our Credit Facilities, Will Restrict Our Current and Future Operations, Particularly Our Ability to Respond to Changes or to Take Certain Actions.

The Credit Facilities contain, and future credit facilities are expected to contain, a number of restrictive covenants that impose significant operating and financial restrictions on certain of our subsidiaries and may limit our ability to respond to changes in our business or competitive activities, or to otherwise engage in acts that may be in our long-term best interest, including restrictions on our subsidiaries' ability to:

- incur indebtedness;
- incur liens;
- make investments;
- sell and/or otherwise dispose of assets;
- engage in transactions with affiliates;
- make certain restricted payments;
- enter into certain restrictive agreements;
- enter into sale-leaseback agreements;
- enter into certain swap agreements;
- change our line of business;
- prepay and/or modify the terms of certain indebtedness; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the Credit Facilities require certain of our subsidiaries to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under the Credit Facilities or our other indebtedness outstanding from time to time could result in an event of default under the applicable indebtedness.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results and our substantial indebtedness could adversely affect the availability and terms of our financing.

Although We Expect to Refinance the MSG Networks Credit Facilities Prior to Their Maturity in October 2024, There Can Be No Assurances That We Will Be Successful; If We Do Not Refinance the MSG Networks Credit Facilities, the Outstanding Debt Thereunder Could Be Accelerated and the Lenders Could Foreclose Upon the MSG Networks Business.

As of March 31, 2024, the principal balance of debt outstanding under the MSG Networks Credit Facilities was approximately \$870.4 million and is classified as short-term on our condensed consolidated balance sheets. Under the terms of the MSG Networks Credit Facilities, \$41.3 million in required quarterly amortization payments are due between March 31, 2024 and maturity and the remaining outstanding borrowings under the facility of \$829.1 million are due at maturity on October 11, 2024.

MSG Networks will be unable to generate sufficient operating cash flows over the next 12 months to settle the remaining outstanding borrowings under the MSG Networks Credit Facilities when they become due. Therefore, management plans to refinance the MSG Networks Credit Facilities prior to maturity. While MSG Networks has historically been able to refinance its indebtedness, management can provide no assurance that MSG Networks will be able to refinance the MSG Networks Credit Facilities, or that such refinancing will be secured on terms that are acceptable to us.

The Company also anticipates that MSG Networks will pay down a portion of its term loan in connection with the refinancing of the MSG Networks Credit Facilities (including as a result of an equity contribution to MSG Networks from Sphere Entertainment Group), although no assurance can be provided that a refinancing will be completed. See “—*We Have Substantial Indebtedness and Are Highly Leveraged, Which Could Adversely Affect Our Business.*”

In the event MSG Networks is unable to refinance the amount scheduled to mature under the MSG Networks Credit Facilities or secure alternative sources of funding through the capital and credit markets on acceptable terms, the lenders would have the right to exercise their remedies under the MSG Networks Credit Facilities, which would include, but not be limited to, declaring an event of default and foreclosing on the MSG Networks business. In such event, the Company believes the lenders would have no further remedies or recourse against the Non-Credit Parties pursuant to the terms of the MSG Networks Credit Facilities. MSG Networks may also decide to seek bankruptcy protection prior to the lenders exercising their rights. If lenders exercise remedies or foreclose on the MSG Networks business, or if MSG Networks decides to seek bankruptcy protection, Sphere Entertainment Co. may no longer be entitled to any value in, or results of operations from, the MSG Networks business.

Our Variable Rate Indebtedness Subjects Us to Interest Rate Risk, Which Has Caused, and May Continue to Cause, Our Debt Service Obligations to Increase Significantly.

Borrowings under our facilities are at variable rates of interest and expose us to interest rate risk. Interest rates have increased significantly (including in connection with rising inflation), and, as a result, our debt service obligations on our variable rate indebtedness have increased significantly even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, have correspondingly decreased. Further increases in interest rates will cause additional increases in our debt service obligations. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

We May Not Have the Ability to Raise the Funds Necessary to Settle Conversions of the 3.50% Convertible Senior Notes or to Repurchase the 3.50% Convertible Senior Notes Upon a Fundamental Change.

Holders of the 3.50% Convertible Senior Notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change (as defined in the Indenture) at a purchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date (as defined in the Indenture). In addition, we will be required to make cash payments in respect of the 3.50% Convertible Senior Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make purchases of notes surrendered therefor or notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversion of the notes is limited by the agreements governing our existing indebtedness (including the Credit Facilities) and may also be limited by law, by regulatory authority or by agreements that will govern our future indebtedness. Our failure to repurchase 3.50% Convertible Senior Notes at a time when the repurchase is required by the Indenture or to pay cash payable on future conversions of the 3.50% Convertible Senior Notes as required by the Indenture would constitute a default under the Indenture.

A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness (including the Credit Facilities). If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 3.50% Convertible Senior Notes or make cash payments upon conversion thereof.

The Conditional Conversion Feature of the 3.50% Convertible Senior Notes, If Triggered, May Adversely Affect Our Financial Condition and Operating Results.

In the event the conditional conversion feature of the 3.50% Convertible Senior Notes is triggered, holders of 3.50% Convertible Senior Notes will be entitled to convert the 3.50% Convertible Senior Notes at any time during specified periods at their option. If one or more holders elect to convert their 3.50% Convertible Senior Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A Common Stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 3.50% Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 3.50% Convertible Senior Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The Fundamental Change Repurchase Feature of the 3.50% Convertible Senior Notes May Delay or Prevent an Otherwise Beneficial Attempt to Effect a Change of Control of Our Company.

The terms of the 3.50% Convertible Senior Notes require us to repurchase the 3.50% Convertible Senior Notes in the event of a fundamental change. A change of control of our company would trigger an option of the holders of the 3.50% Convertible Senior Notes, as applicable, to require us to repurchase the 3.50% Convertible Senior Notes. This may have the effect of delaying or preventing a change of control of our company that would otherwise be beneficial to our stockholders.

The Capped Call Transactions May Affect the Value of the Notes and Our Class A Common Stock.

In connection with the pricing of the 3.50% Convertible Senior Notes, we entered into privately negotiated capped call transactions with hedge counterparties. The capped call transactions cover, subject to customary anti-dilution adjustments substantially similar to those applicable to the 3.50% Convertible Senior Notes, the same number of shares of Class A Common Stock that will initially underlie the notes. The capped call transactions are expected generally to reduce potential dilution to our Class A Common Stock and/or offset potential cash payments we are required to make in excess of the principal amount of converted notes, in each case, upon any conversion of notes, with such reduction and/or offset subject to a cap. If the market price per share of our Class A Common Stock, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the capped call transactions. In addition, to the extent any observation period for any converted notes does not correspond to the period during which the market price of our Class A Common Stock is measured under the terms of the capped call transactions, there could also be dilution and/or a reduced offset of any such cash payments as a result of the different measurement periods.

The hedge counterparties (and/or their respective affiliates) may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A Common Stock and/or purchasing or selling our Class A Common Stock or other securities of ours in secondary market transactions prior to the maturity of the 3.50% Convertible Senior Notes (and are likely to do so, to the extent we exercise the relevant election under the capped call transactions, following any repurchase, redemption or conversion of the notes (whether upon a fundamental change or otherwise)). The effect, if any, of these activities on the market price of our Class A Common Stock or the 3.50% Convertible Senior Notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could cause or prevent an increase or a decline in the market price of our Class A Common Stock or the 3.50% Convertible Senior Notes, which could affect the ability of holders to convert the notes and, to the extent the activity occurs following conversion or during any observation period related to a conversion of notes, it could affect the amount of cash and/or the number and value of shares of our Class A Common Stock holders receive upon conversion of the 3.50% Convertible Senior Notes.

We Are Subject to Counterparty Risk With Respect to the Capped Call Transactions, and the Capped Call Transactions May Not Operate as Planned.

The Company used approximately \$14.3 million of the net proceeds from the offering of the 3.50% Convertible Senior Notes to fund the cost of entering into capped call transactions with certain of the initial purchasers of the 3.50% Convertible Senior Notes or their respective affiliates and other financial institutions, pursuant to capped call confirmations. The hedge counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions.

Our exposure to the credit risk of the hedge counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a hedge counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such hedge counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated with an increase in the market price and the volatility of our Class A Common Stock. In addition, upon a default by a hedge counterparty, we may suffer more dilution than we currently anticipate with respect to our Class A Common Stock. We can provide no assurances as to the financial stability or viability of the hedge counterparties.

We May Require Additional Financing to Fund Certain of Our Obligations, Ongoing Operations, and Capital Expenditures, the Availability of Which Is Uncertain.

The capital and credit markets can experience volatility and disruption. Those markets can exert extreme downward pressure on stock prices and upward pressure on the cost of new debt capital and can severely restrict credit availability for most issuers. For example, the global economy, including credit and financial markets, has recently experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, rising interest and inflation rates, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. If the equity and credit markets continue to deteriorate, or the United States enters a recession, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive.

Our Sphere business has been characterized by significant expenditures for properties, businesses, renovations and productions. We may require additional financing to fund our planned capital expenditures, as well as other obligations and our ongoing operations. In the future, we may engage in transactions that depend on our ability to obtain funding. For example, as we extend Sphere beyond Las Vegas, our intention is to utilize several options, such as joint ventures, equity partners, a managed venue model and non-recourse debt financing. There is no assurance that we will be able to successfully complete these plans.

Depending upon conditions in the financial markets and/or the Company's financial performance, we may not be able to raise additional capital on favorable terms, or at all. If we are unable to pursue our current and future spending programs, we may be forced to cancel or scale back those programs. Failure to successfully pursue our capital expenditure and other spending plans could negatively affect our ability to compete effectively and have a material negative effect on our business and results of operations.

We Have Incurred Substantial Operating Losses, Adjusted Operating Losses and Negative Cash Flow and There is No Assurance We Will Have Operating Income, Adjusted Operating Income or Positive Cash Flow in the Future.

We incurred operating losses of \$273 million and \$166 million for Fiscal Years 2023 and 2022, respectively. In addition, we have in prior periods incurred operating losses and negative cash flow and there is no assurance that we will have operating income, adjusted operating income, or positive cash flow in the future. Significant operating losses may limit our ability to raise necessary financing, or to do so on favorable terms, as such losses could be taken into account by potential investors and lenders.

We Are Required to Assess Our Internal Control Over Financial Reporting on an Annual Basis and Our Management Identified a Material Weakness During Fiscal Year 2022, Which Has Now Been Remediated. If We Identify Other Material Weaknesses or Adverse Findings in the Future, Our Ability to Report Our Financial Condition or Results of Operations Accurately or Timely May Be Adversely Affected, Which May Result in a Loss of Investor Confidence in Our Financial Reports, Significant Expenses to Remediate Any Internal Control Deficiencies, and Ultimately Have an Adverse Effect on the Market Price of Our Class A Common Stock and the Value of the 3.50% Convertible Senior Notes.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Annually, we perform activities that include reviewing, documenting and testing our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, we will not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to achieve and maintain an effective internal control environment, we could suffer misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could result in significant expenses to remediate any internal control deficiencies and lead to a decline in our stock price.

Subsequent to the filing of the Fiscal Year 2021 Form 10-K, management of the Company evaluated an immaterial accounting error related to interest costs that should have been capitalized for Sphere in Las Vegas in Fiscal Years 2021, 2020 and 2019 and in the fiscal quarter ended September 30, 2021, as prescribed by Accounting Standards Codification Topic 835-20 (Capitalization of Interest). As a result of the accounting error, the Company re-evaluated the effectiveness of the Company's internal control over financial reporting and identified a material weakness as of June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022. We undertook certain remediation efforts by implementing additional controls which were operating effectively as of June 30, 2022, and as a result, our management has concluded that the material weakness has been remediated and our internal control over financial reporting was effective as of June 30, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

Our management may be unable to conclude in future periods that our disclosure controls and procedures are effective due to the effects of various factors, which may, in part, include unremediated material weaknesses in internal controls over financial reporting. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in those reports is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. In addition, we may not be able to identify and remediate other control deficiencies, including material weaknesses, in the future.

Operational and Economic Risks

Our Businesses Face Intense and Wide-Ranging Competition That May Have a Material Negative Effect on Our Business and Results of Operations.

Our businesses compete, in certain respects and to varying degrees, for guests, advertisers and viewers with other leisure-time activities such as television, radio, motion pictures, sporting events and other live performances, entertainment and nightlife venues, the Internet, social media and social networking platforms, and online and mobile services, including sites for online content distribution, video on demand and other alternative sources of entertainment and information, in addition to competing for concerts, residencies and performances with other event venues (including future venues and arenas) for total entertainment dollars in our marketplace.

Sphere business. The success of our Sphere business is largely dependent on the success of The Sphere Experience, which features first-of-its-kind immersive productions that can run multiple times per day, year-round and are designed to utilize the full breadth of the venue's next-generation technologies. The Sphere Experience employs novel and transformative technologies for which there is no established basis of comparison, and there is an inherent risk that we may be unable to achieve the level of success we are expecting, which could have a material negative impact on our business and results of operations. Additionally, our Sphere business is also dependent on our ability to continue to attract advertisers and marketing partners and we compete with other venues and companies for signage and digital advertising dollars. The degree and extent of competition for advertising dollars will depend on our pricing, reach and audience demographics, among others. Should the popularity of The Sphere Experience or our advertising assets not meet our expectations, our revenues from ticket sales, concession and merchandise sales and advertising would be adversely affected, and we might not be able to replace the lost revenue with revenues from other sources. As a result of any of the foregoing, we may not be able to generate sufficient revenues to cover our costs, which could adversely impact our business and results of operations and the price of our Class A Common Stock and the value of the 3.50% Convertible Senior Notes.

In addition, we expect our Sphere business will be highly sensitive to customer tastes and will depend on our ability to continue to attract concert residencies, marquee sporting events, corporate and other events to our venue, competition for which is intense, and in turn, the ability of performers to attract strong attendance. For example, Sphere will compete with other entertainment options in the Las Vegas area, which is a popular entertainment destination.

While the Company believes that these next-generation venues will enable new experiences and innovative opportunities to engage with audiences, there can be no assurance that guests, artists, promoters, advertisers and marketing partners will continue to embrace this new platform. We contract with promoters and others to provide performers and events at Sphere and Sphere grounds. There may be a limited number of popular artists, groups or events that are willing to take advantage of the immersive experiences and next generation technologies (which cannot be re-used in other venues) or that can attract audiences to Sphere, and our business would suffer to the extent that we are unable to attract such artists, groups and events willing to perform at our venue.

In addition, we must maintain a competitive pricing structure for events that may be held at Sphere, many of which may have alternative venue options available to them in Las Vegas and other cities. We have and may continue to invest a substantial amount in The Sphere Experience to continue to attract audiences. We cannot assure you that such investments will generate revenues that are sufficient to justify our investment or even that exceed our expenses.

MSG Networks business. Our MSG Networks 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 and 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 DTC streaming services or selling devices that aggregate viewing of various DTC 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, or broadcast station owners, such as Sinclair, 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 and entertainment networks affiliated with broadcast networks are carried by certain Distributors that do not currently carry our networks. 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, the performance of the sports teams whose media rights we control, 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.

In June 2023, we launched a DTC streaming product, which provides consumers an alternative to accessing our programming through our Distributors, but there can be no assurance that we will successfully execute our strategy for such offering. Our DTC offering represents a new consumer offering for which we have limited prior experience and we may not be able to successfully predict the demand for such DTC product or the impact such DTC product may have on our traditional distribution business, including with respect to renewals of our affiliation agreements with Distributors. In addition, the success of our DTC product will depend on a number of factors, including competition from other DTC products, such as offerings from other regional sports 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 MSG Networks business operates may also be affected by technological developments. It is difficult to predict the future effect of technology on 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.

Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations.

The Company’s operations and operating results were materially impacted by the COVID-19 pandemic (including COVID-19 variants) and actions taken in response by governmental authorities and certain professional sports leagues during the fiscal year ended June 30, 2021 (“Fiscal Year 2021”).

MSG Networks business. As a result of the COVID-19 pandemic, both the NBA and the NHL reduced the number of regular season games for their 2020-21 seasons, resulting in MSG Networks airing substantially fewer NBA and NHL telecasts during Fiscal Year 2021, as compared with Fiscal Year 2019 (the last full fiscal year not impacted by COVID-19 as the 2019-20 seasons were temporarily suspended and subsequently shortened). Consequently, MSG Networks experienced a decrease in revenues, including a material decrease in advertising revenue. The absence of live sports games also resulted in a decrease in certain MSG Networks expenses, including rights fees, variable production expenses, and advertising sales commissions. Since Fiscal Year 2021, MSG Networks has aired full regular season telecast schedules for its five professional teams across both the NBA and NHL, and, as a result, its advertising revenue and certain operating expenses, including rights fees expense, reflect the same.

Sphere business. In April 2020, the Company announced that it was suspending construction of Sphere in Las Vegas due to COVID-19 related factors that were outside of its control, including supply chain issues. This was a complex construction project with cutting-edge technology that relied on subcontractors obtaining components from a variety of sources around the world.

As the ongoing effects of the pandemic continued to impact its business operations, in August 2020, the Company disclosed that it had resumed full construction with a lengthened timetable in order to better preserve cash through the COVID-19 pandemic. The Company opened the venue in September 2023. Although Sphere was not open during the pandemic, if it had been, its operations would have been suspended for a period of time and, similar to other venues, its operations would have been subject to safety protocols and social distancing upon reopening.

It is unclear to what extent pandemic concerns, including with respect to COVID-19 or other future pandemics, could result in professional sports leagues suspending, cancelling or otherwise reducing the number of games scheduled in the regular season or playoffs, which could have a material impact on the distribution and/or advertising revenues of our MSG Networks segment, or could result in new government-mandated capacity or other restrictions or vaccination/mask requirements or impact the use of and/or demand for Sphere in Las Vegas, impact demand for our sponsorship and advertising assets, deter our employees and vendors from working at Sphere in Las Vegas (which may lead to difficulties in staffing), deter artists from touring or otherwise materially impact our operations. See “—Operational and Economic Risks—*We Are Subject to Extensive Governmental Regulation and Changes in These Regulations and Our Failure to Comply with Them May Have a Material Negative Effect on Our Business and Results of Operations.*”

Our business is particularly sensitive to reductions in travel and discretionary consumer spending. A pandemic, such as COVID-19, or the fear of a new pandemic or public health emergency, has in the past and could in the future impede economic activity in impacted regions and globally over the long term, leading to a decline in discretionary spending on entertainment and sports events and other leisure activities, which could result in long-term effects on our business. To the extent effects of the COVID-19 pandemic or another pandemic or public health emergency adversely affect our business and financial results, they may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our liquidity, indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

Our Business Has Been Adversely Impacted and May, in the Future, Be Materially Adversely Impacted by an Economic Downturn, Recession, Financial Instability, Inflation or Changes in Consumer Tastes and Preferences.

Our business depends upon the ability and willingness of consumers and businesses to purchase tickets and license suites at Sphere, spend on food and beverages and merchandise, subscribe to packages of programming that includes our networks, and drive continued advertising, marketing partnership and affiliate fee revenues, and these revenues are sensitive to general economic conditions, recession, fears of recession and consumer behavior. Further, the live entertainment industry is often affected by changes in consumer tastes, national, regional and local economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing businesses. These risks are exacerbated in our business in light of the fact that we only have one venue in Las Vegas, which is dependent on tourism travel for its success.

Consumer and corporate spending has in the past declined and may in the future decline at any time for reasons beyond our control. The risks associated with our businesses generally become more acute in periods of a slowing economy or recession, which may be accompanied by reductions in corporate sponsorship and advertising and decreases in attendance at events at our venue, among other things. In addition, inflation, which has significantly risen, has increased and may continue to increase operational costs, including labor costs, and continued increases in interest rates in response to concerns about inflation may have the effect of further increasing economic uncertainty and heightening these risks. As a result, instability and weakness of the U.S. and global economies, including due to the effects caused by disruptions to financial markets, inflation, recession, high unemployment, geopolitical events, including any prolonged effects caused by the COVID-19 pandemic or another future pandemic, and the negative effects on consumers’ and businesses’ discretionary spending, have in the past materially negatively affected, and may in the future materially negatively affect, our business and results of operations. A prolonged period of reduced consumer or corporate spending, including with respect to advertising, such as during the COVID-19 pandemic, could have an adverse effect on our business and our results of operations. See “—Operational and Economic Risks—*Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations.*”

The Geographic Concentration of Our Businesses Could Subject Us to Greater Risk Than Our Competitors and Have a Material Negative Effect on Our Business and Results of Operations.

The Sphere business currently operates only in Las Vegas with one venue and, as a result, is subject to significantly greater degrees of risk than competitors with more operating properties or that operate in more markets. MSG Networks’ programming networks are widely distributed throughout New York State and certain nearby areas.

Therefore, the Company is particularly vulnerable to adverse events (including acts of terrorism, natural disasters, epidemics, pandemics, weather conditions, labor market disruptions and government actions) and economic conditions in Las Vegas and New York State, and surrounding areas.

Our Business Could Be Adversely Affected by Terrorist Activity or the Threat of Terrorist Activity, Weather and Other Conditions That Discourage Congregation at Prominent Places of Public Assembly.

The success of our businesses is dependent upon the willingness and ability of patrons to attend events at our venue. The venue we operate, like all prominent places of public assembly, could be the target of terrorist activities, including acts of domestic terrorism, or other actions that discourage attendance. Any such activity or threatened activity at or near one of our venue or other similar venues, including those located elsewhere, could result in reduced attendance at our venue and a material negative effect on our business and results of operations. If our venue was unable to operate for an extended period of time, our business and operations would be materially adversely affected. Similarly, a major epidemic or pandemic, such as the COVID-19 pandemic, or the threat or perceived threat of such an event, could adversely affect attendance at our events and venues by discouraging public assembly at our events and venue. Moreover, the costs of protecting against such incidents, including the costs of implementing additional protective measures for the health and safety of our guests, could reduce the profitability of our operations. See “—Operational and Economic Risks—Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations.”

Weather or other conditions, including natural disasters, in locations which we own or operate venues may affect patron attendance as well as sales of food and beverages and merchandise, among other things. Weather conditions may also require us to cancel or postpone events. Weather or other conditions may prevent us or our Distributors from providing our programming to customers or reduce advertising expenditures. Any of these events may have a material negative effect on our business and results of operations, and any such events may harm our ability to obtain or renew insurance coverage on favorable terms or at all.

We May Pursue Acquisitions and Other Strategic Transactions and/or Investments to Complement or Expand Our Business That May Not Be Successful; We Have Significant Investments in Businesses We Do Not Control.

From time to time, we may explore opportunities to purchase or invest in other businesses, venues or assets that we believe will 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 businesses. Any transactions that we are able to identify and complete may involve risks, including the 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 certain companies, including joint ventures 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. At times, we have had significant investments in businesses that we account for under the equity method of accounting, and we may again in the future. Certain of these investments have generated operating losses in the past and certain have required additional investments from us in the form of equity or loans. For example, our investment in Holoplot was substantially reduced by our share of the entity’s operating losses before we purchased the remainder of the business in April 2024. There can be no assurance that these investments will become profitable individually or in the aggregate or that they will not require material additional funding from us in the future.

We may not control the day-to-day operations of these investments. We have in the past written down and, to the extent that these investments are not successful in the future, we may write down all or a portion of such investments. Additionally, these businesses may be subject to laws, rules and other circumstances, and have risks in their operations, which may be similar to, or different from, those to which we are subject. Any of the foregoing risks could result in a material negative effect on our business and results of operations or adversely impact the value of our investments.

We Are Subject to Extensive Governmental Regulation and Changes in These Regulations and Our Failure to Comply with Them May Have a Material Negative Effect on Our Business and Results of Operations.

Our business is subject to the general powers of federal, state and local governments, as well as foreign governmental authorities. Certain aspects of our MSG Networks business are also subject to certain rules, regulations and agreements of the NBA and NHL. Some FCC regulations apply to our MSG Networks business directly and other FCC regulations, although imposed on Distributors, affect programming networks indirectly.

- *Venue-related Permits/Licenses.* Sphere, like all public spaces, is subject to building and health codes and fire regulations imposed by state and local government as well as zoning and outdoor advertising and signage regulations. We also require a number of licenses to operate, including, but not limited to, occupancy permits, exhibition licenses, food and beverage permits, liquor licenses, signage entitlements and other authorizations. Failure to receive or retain, or the suspension of, liquor licenses or permits could interrupt or terminate our ability to serve alcoholic beverages at our venue. Additional regulation relating to liquor licenses may limit our activities in the future or significantly increase the cost of compliance, or both. We are subject to statutes that generally provide that serving alcohol to a visibly intoxicated or minor patron is a violation of the law and may provide for strict liability for certain damages arising out of such violations. Our liability insurance coverage may not be adequate or available to cover any or all such potential liability. Our failure to maintain these permits or licenses could have a material negative effect on our business and results of operations.
- *Public Health and Safety.* As a result of government mandated assembly limitations and closures implemented in response to the COVID-19 pandemic, MSG Networks aired substantially fewer games in Fiscal Year 2021. There can be no assurance that some or all of these restrictions will not be imposed again in the future due to future outbreaks of COVID-19 (including variants) or another pandemic or public health emergency. We are unable to predict what the long-term effects of these events, including renewed government regulations or requirements, will be. For example, future governmental regulations adopted in response to a pandemic may impact the revenue we derive and/or the expenses we incur from the events that we choose to host, such that events that were historically profitable would instead result in losses. See “—Operational and Economic Risks—Our Operations and Operating Results Were Materially Impacted by the COVID-19 Pandemic and Actions Taken in Response by Governmental Authorities and Certain Professional Sports Leagues, and a Resurgence of the COVID-19 Pandemic or Another Pandemic or Public Health Emergency Could Adversely Affect Our Business and Results of Operations.”
- *Environmental Laws.* We and our venue are subject to environmental laws and regulations relating to the use, disposal, storage, emission and release of hazardous and non-hazardous substances, as well as zoning and noise level restrictions which may affect, among other things, the operations of our venue. Compliance with these regulations and the associated costs may be heightened as a result of the purchase, construction or renovation of a venue. Additionally, certain laws and regulations could hold us strictly, jointly and severally responsible for the remediation of hazardous substance contamination at our facilities or at third-party waste disposal sites, as well as for any personal injury or property damage related to any contamination. Our commercial general liability and/or the pollution legal liability insurance coverage may not be adequate or available to cover any or all such potential liability.
- *Broadcasting.* Legislative enactments, court actions, and federal and state 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 and programming networks 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.
- *Data Privacy.* We are subject to various data privacy and protection laws, regulations, policies and contractual obligations that apply to the collection, transmission, storage, processing and use of personal information or personal data, which among other things, impose certain requirements relating to the privacy and security of personal information. The variety of laws and regulations governing data privacy and protection, and the use of the internet as a commercial medium, are rapidly evolving, extensive and complex, and may include provisions and obligations that are inconsistent with one another or uncertain in their scope or application.

The data protection landscape is rapidly evolving in the United States. As our operations and business grow, we may become subject to or affected by new or additional data protection laws and regulations and face increased scrutiny or attention from regulatory authorities. For example, California has passed a comprehensive data privacy law, the California Consumer Privacy Act of 2018 (the “CCPA”), and a number of other states, including New Jersey, Virginia, Colorado, Utah and Connecticut, have also passed similar laws, and various additional states may do so in the near future. Additionally, the California Privacy Rights Act (the “CPRA”), imposes additional data protection obligations on covered businesses, including additional consumer rights procedures and obligations, limitations on data uses, new audit requirements for higher risk data, and constraints on certain uses of sensitive data. The majority of the CPRA provisions went into effect on January 1, 2023,

and additional compliance investment and potential business process changes may be required. Further, there are several legislative proposals in the United States, at both the federal and state level, that could impose new privacy and security obligations. We cannot yet determine the impact that these future laws and regulations may have on our business.

In addition, governmental authorities and private litigants continue to bring actions against companies for online collection, use, dissemination and security practices that are unfair or deceptive.

Our business is, and may in the future be, subject to a variety of other laws and regulations, including licensing, permitting, working conditions, labor, immigration and employment laws; health, safety and sanitation requirements; and compliance with the Americans with Disabilities Act (and related state and local statutes).

Any changes to the legal and regulatory framework applicable to our business could have an adverse impact on our businesses and our failure to comply with applicable governmental laws and regulations, or to maintain necessary permits or licenses, could result in liability or government actions that could have a material negative effect on our business and results of operations.

Our Business Has Been Subject to Seasonal Fluctuations, and Our Operating Results and Cash Flow Have In the Past Varied, and Could In the Future Vary, Substantially from Period to Period.

Our revenues and expenses have been seasonal and may continue to be seasonal. For example, our MSG Networks segment generally continues to expect to earn a higher share of its annual revenues in the second and third quarters of its fiscal year as a result of MSG Networks' advertising revenue being largely derived from the sale of inventory in its live NBA and NHL professional sports programming. Therefore, our operating results and cash flow reflect significant variation from period to period and will continue to do so in the future. Consequently, period-to-period comparisons of our operating results may not necessarily be meaningful and the operating results of one period are not indicative of our financial performance during a full fiscal year. This variability may adversely affect our business, results of operations and financial condition.

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

In the event of labor market disruptions due to renewed effects of the COVID-19 pandemic or other future pandemics and otherwise, we could face difficulty in maintaining staffing at our Sphere venue and retaining talent in our corporate departments. If we are unable to attract and retain qualified people or to do so on reasonable terms, Sphere could be short-staffed or become more expensive to operate and our ability to meet our guests' demand could be limited, any of which could materially adversely affect our business and results of operations.

Our business is dependent upon the efforts of unionized workers. As of March 31, 2024, approximately 15% of our employees were represented by unions. Approximately 6% of such union employees were subject to collective bargaining agreements ("CBAs") that had expired as of March 31, 2024 and approximately 46% were subject to CBAs that will expire by March 31, 2025 if they are not extended prior thereto. Any labor disputes, such as strikes or lockouts, with the unions with which we have CBAs could have a material negative effect on our business and results of operations (including our ability to produce or present immersive productions, concerts, programming, theatrical productions, sporting events and other events). For example, members of the Writers Guild of America and SAG-AFTRA commenced work stoppages in May and July, 2023, respectively, which lasted several months. If these or other work stoppages by unions involved in the production of original immersive productions occur and we are unable to secure waivers from the guild or union concerned, it could adversely affect our business.

Additionally, NBA and NHL players are covered by CBAs and we may be impacted by union relationships of both such leagues. Both the NBA and the NHL have experienced labor difficulties in the past and may have labor issues in the future, such as player strikes or management lockouts. For example, the NBA has experienced labor difficulties, including a lockout during the 2011-12 NBA season, which resulted in a regular season that was shortened from 82 games to 66 games. In addition, the NHL has also experienced labor difficulties, including a lockout beginning in September 2004 that 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 games to 48 games.

If any NBA or NHL games are cancelled because of any such labor difficulties, the loss of revenue, including from impacts to MSG Networks' ability to produce or present programming, would have a negative impact on our business and results of operations.

The Unavailability of Systems Upon Which We Rely May Have a Material Negative Effect on Our Business and Results of Operations.

We rely upon various internal and third-party software or systems in the operation of our business, including, with respect to ticket sales, credit card processing, email marketing, point of sale transactions, database, inventory, human resource management and financial systems, and other systems used to present Sphere events and immersive productions, advertising or signage, such as audio and video. From time to time, certain of these arrangements may not be covered by long-term agreements. System interruption and the lack of integration and redundancy in the information and other systems and infrastructure, both of our own websites and other computer systems and of affiliate and third-party software, computer networks, and other substructure and communications systems service providers on which we rely may adversely affect our ability to operate websites, applications, process and fulfill transactions, respond to customer inquiries, present events, and generally maintain cost-efficient operations. Such interruptions could occur by virtue of natural disaster, malicious actions, such as hacking or acts of terrorism or war, human error, or other factors affecting such third parties. The failure or unavailability of these internal or third-party services or systems, depending upon its severity and duration, could have a material negative effect on our business and results of operations. See also “—*Risks Related to Governance and Our Controlled Ownership—We Rely on Affiliated Entities’ Performance Under Various Agreements*” for a discussion of services MSG Entertainment performs on our behalf.

While we have backup systems and offsite data centers for certain aspects of our operations, disaster recovery planning by its nature cannot be for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these adverse events were to occur, it could adversely affect our business, financial condition and results of operations.

There Is a Risk of Injuries and Accidents in Connection with Sphere, Which Could Subject Us to Personal Injury or Other Claims; We Are Subject to the Risk of Adverse Outcomes in Other Types of Litigation.

There are inherent risks associated with producing and hosting events and operating, maintaining, renovating or constructing our venues (including as a result of Sphere’s unique features). As a result, personal injuries, accidents and other incidents which may negatively affect guest satisfaction have occurred and may occur from time to time, which could subject us to claims and liabilities.

These risks may not be covered by insurance or could involve exposures that exceed the limits of any applicable insurance policy. Incidents in connection with events at Sphere could also reduce attendance at our events and may have a negative impact on our revenue and results of operations. Although we seek to obtain contractual indemnities for events at our venues that we do not promote and we also maintain insurance policies that provide coverage for incidents in the ordinary course of business, there can be no assurance that such indemnities or insurance will be adequate at all times and in all circumstances.

From time to time, the Company and its subsidiaries are involved in various legal proceedings, including proceedings or lawsuits brought by governmental agencies, stockholders, customers, employees, private parties and other stakeholders. The outcome of litigation is inherently unpredictable and, regardless of the merits of the claims, litigation may be expensive, time-consuming, disruptive to our operations, harmful to our reputation and distracting to management. As a result, we may incur liability from litigation (including in connection with settling such litigation) which could be material and for which we may not have available or adequate insurance coverage, or be subject to other forms of non-monetary relief which may adversely affect the Company. By its nature, the outcome of litigation is difficult to assess and quantify, and its continuing defense is costly. The liabilities and any defense costs we incur in connection with any such litigation could have an adverse effect on our business and results of operations.

We Face Risk from Doing Business Internationally.

We have operations and own property outside of the United States. As a result, our business is subject to certain risks inherent in international business, many of which are beyond our control. These risks include:

- laws and policies affecting trade and taxes, including laws and policies relating to currency, the repatriation of funds and withholding taxes, and changes in these laws;
- changes in local regulatory requirements, including restrictions on foreign ownership;
- exchange rate fluctuation;
- exchange controls, tariffs and other trade barriers;
- differing degrees of protection for intellectual property and varying attitudes towards the piracy of intellectual property;
- foreign privacy and data protection laws and regulations, such as the E.U. General Data Protection Regulation, and changes in these laws;

- the instability of foreign economies and governments;
- war, acts of terrorism and the outbreak of epidemics or pandemics abroad;
- anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act that impose stringent requirements on how we conduct our foreign operations, and changes in these laws and regulations; and
- shifting consumer preferences regarding entertainment.

Events or developments related to these and other risks associated with international operations could have a material negative effect on our business and results of operations.

Risks Related to Cybersecurity and Intellectual Property

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 collect and store, including by electronic means, certain personal, proprietary and other sensitive information, including payment card information, that is provided to us through purchases, 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, destruction, misappropriation or other malicious activity. Our ability to safeguard such personal and other sensitive information, including information regarding the Company and our customers, sponsors, partners, Distributors, advertisers and employees, independent contractors and vendors, 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. See “—Economic and Operational Risks—*We Are Subject to Extensive Governmental Regulation and Changes in These Regulations and Our Failure to Comply with Them May Have a Material Negative Effect on Our Business and Results of Operations.*”

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, sponsor, partner, Distributor, advertiser, Company, employee and other confidential and proprietary information may be compromised due to employee error or other circumstances such as malware or ransomware, viruses, hacking and phishing attacks, denial-of-service attacks, business email compromises, or otherwise. A compromise of our or our vendors’ systems could affect the security of information on our network or that of a third-party service provider. Additionally, outside parties may attempt to fraudulently induce employees, vendors or users to disclose sensitive, proprietary or confidential information in order to gain access to data and systems. As a result, our or our customers’ or affiliates’ sensitive, proprietary and/or confidential information may be lost, disclosed, accessed or taken without consent.

We also continue to review and enhance our security measures in light of the constantly evolving techniques used to gain unauthorized access to networks, data, software and systems. We may be required to incur significant expenses in order to address any actual or potential security incidents that arise and we may not have insurance coverage for any or all of such expenses. If we experience an actual or perceived 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 unauthorized use of our intellectual property. Unauthorized access to or security breaches of our systems could result in the loss of data, loss of business, severe reputational damage adversely affecting customer or investor confidence, diversion of management’s attention, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations and significant costs for remediation that may include liability for stolen or lost assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach and other liabilities. In addition, in the event of a security incident, changes in legislation may increase the risk of potential litigation. For example, the CCPA, which provides a private right of action (in addition to statutory damages) for California residents whose sensitive personal information is breached as a result of a business’ violation of its duty to reasonably secure such information, took effect on January 1, 2020 and was expanded by the CPRA in January 2023. Our insurance coverage may not be adequate to cover the costs of a data breach, indemnification obligations, or other liabilities.

In addition, in some instances, we may have obligations to notify relevant stakeholders of security breaches. Such mandatory disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures and may require us to expend significant capital and other resources to respond to or alleviate problems caused by an actual or perceived security breach.

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 infringement claims (e.g., copyright, trademark and patent) or other claims relating to our productions, brands, programming, technologies, digital products and/or content or other content or material, some of which may be important to our business. In addition, our productions and/or programming could potentially subject us to claims of defamation, violation of rights of privacy or publicity or similar types of allegations. Any such claims, regardless of their merit or outcome, 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.

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, including the technology being developed for Sphere, MSG Networks (including our DTC product), our brand logos, 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 exploitation of such intellectual property, undermine lawful distribution channels and 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, as well as subject us to the other inherent risks of litigation discussed above.

Risks Related to Governance and Our Controlled Ownership

We Are Materially Dependent on Affiliated Entities' Performances Under Various Agreements.

We have entered into various agreements with MSG Entertainment related to the MSGE Distribution, and with MSG Sports with respect to the distribution of all outstanding common stock of the Company to MSG Sports' stockholders in April 2020 (the "2020 Entertainment Distribution"), and MSG Networks has various agreements with MSG Sports in connection with the spinoff of MSG Sports from MSG Networks in September 2015 (the "2015 Sports Distribution"), including, among others, a distribution agreement, a tax disaffiliation agreement, a services agreement, an employee matters agreement and certain other arrangements (including other support services). These agreements include the allocation of employee benefits, taxes and certain other liabilities and obligations attributable to periods prior to, at and after the applicable distribution. In connection with the 2015 Sports Distribution, the 2020 Entertainment Distribution and the MSGE Distribution, we provided MSG Sports and MSG Entertainment, respectively, with indemnities with respect to liabilities arising out of our business, and MSG Sports and MSG Entertainment, respectively, provided us with indemnities with respect to liabilities arising out of the business retained by them. MSG Networks' media rights agreements with MSG Sports provide us with the exclusive live local media rights to Knicks and Rangers games. Rights fees under these media rights agreements amounted to approximately \$172.6 million for Fiscal Year 2023. The stated contractual rights fees under such rights agreements increase annually and are subject to adjustments in certain circumstances, including if MSG Sports does not make available a minimum number of exclusive live games in any year.

Each of the Company, MSG Sports and MSG Entertainment rely on the others to perform their respective obligations under these agreements. If MSG Sports or MSG Entertainment were to breach or become unable to satisfy its respective 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.

The MSGE Distribution Could Result in Significant Tax Liability.

We received an opinion from Sullivan & Cromwell LLP substantially to the effect that, among other things, the MSGE Distribution should qualify 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. Certain transactions related to the MSGE Distribution that are not addressed by the opinion could result in the recognition of income or gain by us. The opinion relied on factual representations and reasonable assumptions, which, if incorrect or inaccurate, may jeopardize the ability to rely on such opinion.

If the MSGE Distribution does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, we would recognize taxable gain in an amount equal to the excess of the fair market value of MSG Entertainment common stock distributed in the MSGE Distribution over our tax basis therein (i.e., as if we had sold such MSG Entertainment common stock in a taxable sale for its fair market value). In addition, the receipt by our stockholders of common stock of MSG Entertainment would be a taxable distribution, and each U.S. holder that received MSG Entertainment common stock in the MSGE Distribution would be treated as if the U.S. holder had received a distribution equal to the fair market value of MSG Entertainment common stock that was distributed to

it, which generally would be treated first as a taxable dividend to the extent of such holder's pro rata share of our earnings and profits, then as a non-taxable return of capital to the extent of the holder's tax basis in our common stock, and thereafter as capital gain with respect to any remaining value. It is expected that the amount of any such taxes to us and our stockholders would be substantial. See *"—We May Have a Significant Indemnity Obligation to MSG Entertainment if the MSGE Distribution Is Treated as a Taxable Transaction."*

We May Have a Significant Indemnity Obligation to MSG Entertainment if the MSGE Distribution Is Treated as a Taxable Transaction.

We have entered into a Tax Disaffiliation Agreement with MSG Entertainment (the "Entertainment Tax Disaffiliation Agreement"), which sets out each party's rights and obligations with respect to federal, state, local or foreign taxes for periods before and after the MSGE Distribution and related matters such as the filing of tax returns and the conduct of IRS and other audits. Pursuant to the Entertainment Tax Disaffiliation Agreement, we are required to indemnify MSG Entertainment for losses and taxes of MSG Entertainment resulting from the breach of certain covenants and for certain taxable gain in connection with the MSGE Distribution, including as a result of certain acquisitions of our stock or assets. If we are required to indemnify MSG Entertainment under the circumstances set forth in the Entertainment Tax Disaffiliation Agreement, we may be subject to substantial liabilities, which could materially adversely affect our financial position.

The 2020 Entertainment Distribution Could Result in Significant Tax Liability.

MSG Sports received an opinion from Sullivan & Cromwell LLP substantially to the effect that, among other things, the 2020 Entertainment Distribution qualified as a tax-free distribution under the Code. The opinion is not binding on the IRS or the courts. Certain transactions related to the 2020 Entertainment Distribution that are not addressed by the opinion could result in the recognition of income or gain by MSG Sports. The opinion relied on factual representations and reasonable assumptions, which, if incorrect or inaccurate, may jeopardize the ability to rely on such opinion.

If the 2020 Entertainment Distribution does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, MSG Sports would recognize taxable gain in an amount equal to the excess of the fair market value of our common stock distributed in the 2020 Entertainment Distribution over MSG Sports' tax basis therein (i.e., as if it had sold such common stock in a taxable sale for its fair market value). In addition, the receipt by MSG Sports' stockholders of common stock of our Company would be a taxable distribution, and each U.S. holder that received our common stock in the 2020 Entertainment Distribution would be treated as if the U.S. holder had received a distribution equal to the fair market value of our common stock that was distributed to it, which generally would be treated first as a taxable dividend to the extent of such holder's pro rata share of MSG Sports' earnings and profits, then as a non-taxable return of capital to the extent of the holder's tax basis in its MSG Sports' common stock, and thereafter as capital gain with respect to any remaining value. It is expected that the amount of any such taxes to MSG Sports stockholders and MSG Sports would be substantial. See *"—We May Have a Significant Indemnity Obligation to MSG Sports if the 2020 Entertainment Distribution Is Treated as a Taxable Transaction."*

We May Have a Significant Indemnity Obligation to MSG Sports if the 2020 Entertainment Distribution Is Treated as a Taxable Transaction.

We have entered into a Tax Disaffiliation Agreement with MSG Sports (the "Sports Tax Disaffiliation Agreement"), which sets out each party's rights and obligations with respect to federal, state, local or foreign taxes for periods before and after the 2020 Entertainment Distribution and related matters such as the filing of tax returns and the conduct of IRS and other audits. Pursuant to the Sports Tax Disaffiliation Agreement, we are required to indemnify MSG Sports for losses and taxes of MSG Sports resulting from the breach of certain covenants and for certain taxable gain recognized by MSG Sports, including as a result of certain acquisitions of our stock or assets. If we are required to indemnify MSG Sports under the circumstances set forth in the Sports Tax Disaffiliation Agreement, we may be subject to substantial liabilities, which could materially adversely affect our financial position.

Certain Adverse U.S. Federal Income Tax Consequences Might Apply to Non-U.S. Holders That Hold Our 3.50% Convertible Senior Notes, Class A Common Stock and Class B Common Stock If We Are Treated as a USRPHC.

We have not made a determination as to whether we are deemed to be a "U.S. real property holding corporation" (a "USRPHC"), as defined in section 897(c) (2) of the Code. In general, we would be considered a USRPHC if, on any applicable determination date, the fair market value of our "United States real property interests" equals or exceeds 50% of the aggregate fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). However, because the determination of whether we are a USRPHC turns on the relative fair market value of our United States real property interests and our other assets, and because the USRPHC rules are complex and the determination of whether we are a USRPHC depends on facts and circumstances that may be beyond our control, we can give no assurance as to our

USRPHC status. If we are treated as a USRPHC, certain adverse U.S. federal income tax consequences might apply to non-U.S. holders that hold our 3.50% Convertible Senior Notes, Class A Common Stock and Class B common stock.

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; and
- Class B Common Stock, which is entitled to 10 votes per share and is entitled collectively to elect the remaining 75% of our board of directors.

As of March 31, 2024, certain members of the Dolan family, including certain trusts for the benefit of members of the Dolan family (collectively, the “Dolan Family Group”), collectively owned 100% of our Class B common stock, approximately 6.5% of our outstanding Class A Common Stock (inclusive of options exercisable within 60 days after March 31, 2024) and approximately 72.3% of the total voting power of all our outstanding common stock in matters other than the election of directors. The members of the Dolan Family Group holding Class B common stock are parties to a Stockholders Agreement, which 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 our 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 the outstanding Class B common stock) are to be voted on all matters in accordance with the determination of the Dolan Family Committee (as defined below), 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 approximately 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, Marianne Dolan Weber and Deborah A. Dolan-Sweeney. The Dolan Family Committee generally acts by 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 will on all matters be voted on 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 the 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 would be able to do so without obtaining the consent of the Dolan Family Group. The Dolan Family Group, by virtue of its stock ownership, has the power to elect all of our directors subject to election by holders of Class B common stock and is 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^{2/3}% 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 has the power to prevent such issuance or amendment.

The Dolan Family Group also controls MSG Sports, MSG Entertainment and AMC Networks and, prior to the Networks Merger, the Dolan Family Group also controlled MSG Networks.

We Have Elected to Be a “Controlled Company” for NYSE Purposes Which Allows Us Not to Comply with Certain of the Corporate Governance Rules of NYSE.

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 NYSE. As a controlled company, we have the right to elect not to comply with the corporate governance rules of NYSE requiring: (i) a majority of independent directors on our board of directors; (ii) an independent corporate governance and nominating committee; and (iii) an independent compensation committee.

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 6.9 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 Directors, Officers and Employees with MSG Sports, MSG Entertainment and/or AMC Networks, Which Means Those Individuals Do Not Devote Their Full Time and Attention to Our Affairs and the Overlap May Give Rise to Conflicts.

Our Executive Chairman and Chief Executive Officer, James L. Dolan, also serves as the Executive Chairman and Chief Executive Officer of MSG Entertainment, the Executive Chairman of MSG Sports and as Non-Executive Chairman of AMC Networks. Furthermore, ten members of our board of directors (including James L. Dolan) also serve as directors of MSG Sports, nine members of our board of directors (including James L. Dolan) also serve as directors of MSG Entertainment, and seven members of our board of directors (including James L. Dolan) serve as directors of AMC Networks and Charles F. Dolan serves as Chairman Emeritus of AMC Networks concurrently with his service on our Board. Our Executive Vice President, David Granville-Smith also serves as Executive Vice President of MSG Sports and AMC Networks. Our Vice Chairman, Gregg G. Seibert, also serves as the Vice Chairman of MSG Sports, MSG Entertainment and AMC Networks, our Executive Vice President and General Counsel, Laura Franco, also serves as MSG Entertainment’s Executive Vice President and General Counsel, and our Secretary, Mark C. Cresitello, also serves as Senior Vice President, Associate General Counsel and Secretary of MSG Sports and Secretary of MSG Entertainment. As a result, these individuals do not devote their full time and attention to the Company’s affairs. The overlapping directors, officers and employees 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 when we on the one hand, and MSG Sports, MSG Entertainment and/or AMC Networks and their respective subsidiaries and successors 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 MSG Sports, MSG Entertainment or AMC Networks (each referred to as an “Other Entity”) and us. In addition, certain of our directors, officers and employees hold MSG Sports, MSG Entertainment and/or AMC Networks stock, stock options and/or restricted stock units. 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 an Other Entity. For a discussion of certain procedures we have implemented to help ameliorate such potential conflicts that may arise, see our Definitive Proxy Statement filed with the SEC on October 25, 2023.

Our Overlapping Directors and Officers with MSG Sports, MSG Entertainment and/or AMC Networks May Result in the Diversion of Corporate Opportunities to MSG Sports, MSG Entertainment and/or AMC Networks and Other Conflicts and Provisions in Our Amended and Restated Certificate of Incorporation May Provide Us No Remedy in That Circumstance.

The Company’s amended and restated certificate of incorporation acknowledges that directors and officers of the Company (the “Overlap Persons”) may also be serving as directors, officers, employees, consultants or agents of an Other Entity, and that the Company may engage in material business transactions with such Other Entities.

The Company has renounced its rights to certain business opportunities and the Company's amended and restated certificate of incorporation provides that no Overlap Person 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 our amended and restated certificate of incorporation) to one or more of the Other Entities instead of the Company, or does not refer or communicate information regarding such corporate opportunities to the Company. These provisions in our amended and restated certificate of incorporation also expressly validate certain contracts, agreements, arrangements and transactions (and amendments, modifications or terminations thereof) between the Company and the Other Entities and, to the fullest extent permitted by law, provided that the actions of the Overlap Person in connection therewith are not breaches of fiduciary duties owed to the Company, any of its subsidiaries or their respective stockholders.

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

As of March 31, 2024, the Company had the ability to repurchase up to \$350 million of the Company's Class A Common Stock under the Class A Common Stock share repurchase program initially authorized by the Company's Board of Directors on March 31, 2020 and reauthorized on March 29, 2023. Under the authorization, shares of Class A Common Stock may be purchased from time to time in open market transactions, 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. No shares have been repurchased to date.

Item 6. Exhibits

(a) Index to Exhibits

EXHIBIT NO.	DESCRIPTION
<u>10.1</u>	<u>Employment Agreement, dated as of January 5, 2024, between Sphere Entertainment Co. and Jennifer Koester (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on February 5, 2024).</u> [†]
<u>10.2</u>	<u>First Amendment to Pledge and Security Agreement dated as of December 22, 2022, by and between MSG Las Vegas, LLC and JPMorgan Chase Bank, N.A., dated as of January 25, 2024 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on February 5, 2024).</u>
<u>31.1</u>	<u>Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u> *	<u>Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u> *	<u>Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from Sphere Entertainment Co. Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of comprehensive loss, (iv) condensed consolidated statements of cash flows, (v) condensed consolidated statements of equity and redeemable noncontrolling interests, and (vi) notes to condensed consolidated financial statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 formatted in Inline XBRL and contained in Exhibit 101.

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

* Furnished herewith. These exhibits shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 10th day of May 2024.

Sphere Entertainment Co.

By: /s/ DAVID F. BYRNES

Name: David F. Byrnes

Title: Executive Vice President, Chief
Financial Officer and Treasurer

Certification

I, James L. Dolan, certify that:

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

Date: May 10, 2024

/s/ JAMES L. DOLAN

James L. Dolan

Executive Chairman and Chief Executive Officer

Certification

I, David F. Byrnes, certify that:

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

Date: May 10, 2024

/s/ DAVID F. BYRNES

David F. Byrnes

Executive Vice President, Chief Financial Officer and Treasurer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Sphere Entertainment Co. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2024

/s/ JAMES L. DOLAN

James L. Dolan

Executive Chairman 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 Sphere Entertainment Co. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of §13(a) or §15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2024

/s/ DAVID F. BYRNES

David F. Byrnes

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.