

February 2, 2018

## The Madison Square Garden Company Reports Fiscal 2018 Second Quarter Results

***Fiscal 2018 second quarter revenue of \$536.3 million, up 20% versus prior year period***  
***Fiscal 2018 second quarter operating income of \$72.4 million, up 24% versus prior year period***  
***Fiscal 2018 second quarter adjusted operating income of \$118.0 million, up 23% versus prior year period***

NEW YORK, Feb. 02, 2018 (GLOBE NEWSWIRE) -- The Madison Square Garden Company (NYSE:MSG) today reported financial results for the second quarter ended December 31, 2017.

For the fiscal 2018 second quarter, the Company generated revenues of \$536.3 million, an increase of 20% as compared with the prior year period. In addition, the Company generated fiscal 2018 second quarter operating income of \$72.4 million and adjusted operating income of \$118.0 million, which represent increases of 24% and 23%, respectively, both as compared to the prior year second quarter. <sup>(1)</sup> <sup>(2)</sup>

Executive Chairman and CEO Jim Dolan said, "For the fiscal 2018 second quarter, we delivered strong year-over-year growth in revenues and adjusted operating income, fueled by our continued focus on providing the very best in live experiences. Our performance this quarter was highlighted by strong bookings results, record revenue for the Christmas Spectacular and broad-based growth across our Sports segment. With regard to our venue expansion strategy, we continue to make important progress on the design of our Las Vegas venue. Looking ahead, we remain confident in our ongoing ability to deliver attractive long-term growth and value creation for our shareholders."

### Results from Operations

Segment results for the quarters ended December 31, 2017 and 2016 are as follows:

|                                 | Revenues        |                 |             | Operating Income (Loss) |                |             | Adjusted Operating Income (Loss) |                |             |
|---------------------------------|-----------------|-----------------|-------------|-------------------------|----------------|-------------|----------------------------------|----------------|-------------|
|                                 | F'Q2<br>2018    | F'Q2<br>2017    | %<br>Change | F'Q2<br>2018            | F'Q2<br>2017   | %<br>Change | F'Q2<br>2018                     | F'Q2<br>2017   | %<br>Change |
| \$ millions                     |                 |                 |             |                         |                |             |                                  |                |             |
| MSG Entertainment               | \$ 271.2        | \$ 192.5        | 41%         | \$ 74.5                 | \$ 57.0        | 31%         | \$ 81.9                          | \$ 63.7        | 29%         |
| MSG Sports                      | 265.1           | 252.7           | 5%          | 49.3                    | 40.2           | 23%         | 55.1                             | 47.2           | 17%         |
| Corporate and Other             | —               | —               | NM          | (45.5)                  | (38.7)         | (18)%       | (19.0)                           | (14.9)         | (27)%       |
| Purchase accounting adjustments | —               | —               | NM          | (5.9)                   | (0.2)          | NM          | —                                | —              | NM          |
| <b>Total Company</b>            | <b>\$ 536.3</b> | <b>\$ 445.2</b> | <b>20%</b>  | <b>\$ 72.4</b>          | <b>\$ 58.3</b> | <b>24%</b>  | <b>\$ 118.0</b>                  | <b>\$ 96.0</b> | <b>23%</b>  |

Note: Does not foot due to rounding

1. See page 3 of this earnings release for the definition of adjusted operating income (loss) included in the discussion of non-GAAP financial measures.
2. Fiscal 2017 second quarter operating results did not include TAO Group, Counter Logic Gaming and Obscura Digital, which the Company acquired on January 31, 2017, July 28, 2017 and November 20, 2017, respectively. Accordingly, the Company's results for fiscal 2018 are not directly comparable to fiscal 2017 results. In addition, the Company records TAO Group's operating results in its consolidated statements of operations on a three-month lag basis.

### MSG Entertainment

For the fiscal 2018 second quarter as compared to the prior year period, MSG Entertainment revenues of \$271.2 million increased 41%. The increase was primarily due to the inclusion of operating results for TAO Group and higher overall event-related revenues at the Company's venues, as well as an increase in revenues for the *Christmas Spectacular Starring the Radio City Rockettes* production. The increase in event-related revenues was primarily due to higher revenues at The Theater at Madison Square Garden, the Forum, The Garden and The Chicago Theatre. The increase in revenues for the *Christmas Spectacular* production was primarily due to higher ticket-related revenue, mainly as a result of higher average ticket prices and the impact of additional scheduled performances, partially offset by a decrease in average per-show paid attendance.

Fiscal 2018 second quarter operating income of \$74.5 million increased 31% and adjusted operating income of \$81.9 million increased 29%, both as compared to the prior year period. The increases primarily reflect higher revenues, partially

offset by an increase in direct operating expenses and higher selling, general and administrative expenses. The increase in direct operating expenses was primarily due to the inclusion of TAO Group's operating results and higher overall event-related expenses at the Company's venues. The increase in selling, general and administrative expenses was primarily due to the inclusion of TAO Group's operating results (including a management fee incurred by TAO Group payable to the Company) and higher corporate general and administrative costs and professional fees.

## **MSG Sports**

For the fiscal 2018 second quarter as compared to the prior year period, MSG Sports revenues of \$265.1 million increased 5%. The increase in revenues was primarily due to higher sponsorship and signage revenues, professional sports teams' pre/regular season ticket-related revenue and food, beverage and merchandise sales, as well as higher local media rights fees from MSG Networks Inc., suite rental fees and league distributions. This was partially offset by lower event-related revenues from other live sporting events.

Second quarter operating income of \$49.3 million increased 23% and adjusted operating income of \$55.1 million increased 17%, both as compared to the prior year period. The increases primarily reflect higher revenues, partially offset by an increase in direct operating expenses and selling, general and administrative expenses. The increase in direct operating expenses was primarily due to higher other team operating expenses, net provisions for NBA and NHL revenue sharing expense, net provisions for certain team personnel transactions, and expenses associated with food, beverage and merchandise sales, partially offset by lower event-related expenses for other live sporting events and venue operating costs.

## **Corporate and Other**

For the fiscal 2018 second quarter as compared to the prior year period, Corporate and Other's operating loss of \$45.5 million and adjusted operating loss of \$19.0 million increased 18% and 27%, respectively, primarily due to higher employee compensation and related benefits and the inclusion of certain selling, general and administrative expenses for Obscura Digital, partially offset by a management fee earned for providing management and strategic services to TAO Group.

## **Purchase Accounting Adjustments**

For the fiscal 2018 second quarter as compared to the prior year period, operating expenses related to purchase accounting adjustments of \$5.9 million increased \$5.6 million, primarily due to the amortization of intangible assets and expense related to the step-up in value of leases for TAO Group.

## **Other Items**

During the fiscal second quarter, the Company purchased a nearly 5-acre site in London, zoned for commercial and leisure use and adjacent to the Westfield Stratford City shopping center, for \$79.5 million (£60.0 million). This amount excludes transactional taxes, a significant majority of which is recoverable value-added tax.

As a result of the recently enacted Federal tax reform legislation effective January 1, 2018, which reduces the Company's federal tax rate to 21% from 35% and provides that future net operating losses have an indefinite carry-forward period, fiscal 2018 second quarter net income includes a non-cash income tax benefit of \$113.5 million to reduce the Company's net deferred tax liabilities.

## **About The Madison Square Garden Company**

The Madison Square Garden Company (MSG) is a world leader in live sports and entertainment experiences. The company presents or hosts a broad array of premier events in its diverse collection of iconic venues: New York's Madison Square Garden, The Theater at Madison Square Garden, Radio City Music Hall and Beacon Theatre; the Forum in Inglewood, CA; The Chicago Theatre; and the Wang Theatre in Boston. Other MSG properties include legendary sports franchises: the New York Knicks (NBA), the New York Rangers (NHL) and the New York Liberty (WNBA); two development league teams -- the Westchester Knicks (NBAGL) and the Hartford Wolf Pack (AHL); and one of the leading North American esports organizations, Counter Logic Gaming. In addition, the Company features the popular original production - the Christmas Spectacular Starring the Radio City Rockettes - and through Boston Calling Events, produces New England's preeminent Boston Calling Music Festival. Also under the MSG umbrella is TAO Group, a world-class hospitality group with globally-recognized entertainment dining and nightlife brands: Tao, Marquee, Lavo, Avenue, The Stanton Social, Beauty & Essex and Vandal. More information is available at [www.themadisonsquaregardencompany.com](http://www.themadisonsquaregardencompany.com).

## **Non-GAAP Financial Measures**

*We define adjusted operating income (loss), which is a non-GAAP financial measure, as operating income (loss) before 1) depreciation, amortization and impairments of property and equipment and intangible assets, 2) share-based compensation expense or benefit, 3) restructuring charges or credits, 4) gains or losses on sales or dispositions of businesses and 5) the*

impact of purchase accounting adjustments related to business acquisitions. Because it is based upon operating income (loss), adjusted operating income (loss) also excludes interest expense (including cash interest expense) and other non-operating income and expense items. We believe that the exclusion of share-based compensation expense or benefit allows investors to better track the performance of the various operating units of our business without regard to the settlement of an obligation that is not expected to be made in cash.

We believe adjusted operating income (loss) is an appropriate measure for evaluating the operating performance of our 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 our performance. Internally, we use revenues and adjusted operating income (loss) measures as the most important indicators of our business performance, and evaluate 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 U.S. generally accepted accounting principles ("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. For a reconciliation of operating income (loss) to adjusted operating income (loss), please see page 5 of this release.

### Forward-Looking Statements

This press release may contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties, and that actual results, developments and events may differ materially from those in the forward-looking statements as a result of various factors, including financial community and rating agency perceptions of the Company and its business, operations, financial condition and the industry in which it operates and the factors described in the Company's filings with the Securities and Exchange Commission, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. The Company disclaims any obligation to update any forward-looking statements contained herein.

### Contacts:

Kimberly Kerns  
Senior Vice President  
Communications  
The Madison Square  
Garden Company  
(212) 465-6442

Ari Danes, CFA  
Senior Vice President  
Investor Relations  
The Madison Square  
Garden Company  
(212) 465-6072

### Conference Call Information:

The conference call will be Webcast live today at 10:00 a.m. ET at [www.themadisonsquaregardencompany.com](http://www.themadisonsquaregardencompany.com)  
Conference call dial-in number is 877-347-9170 / Conference ID Number 7097567  
Conference call replay number is 855-859-2056 / Conference ID Number 7097567 until February 9, 2018

## CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share data) (Unaudited)

|  | Three Months Ended |            | Six Months Ended |            |
|--|--------------------|------------|------------------|------------|
|  | December 31,       |            | December 31,     |            |
|  | 2017               | 2016       | 2017             | 2016       |
| Revenues                                     | \$ 536,302         | \$ 445,150 | \$ 781,517       | \$ 626,845 |
| Direct operating expenses                    | 311,881            | 266,673    | 435,617          | 378,080    |
| Selling, general and administrative expenses | 121,440            | 94,260     | 227,878          | 171,281    |
| Depreciation and amortization                | 30,544             | 25,966     | 61,090           | 52,076     |
| Operating income                             | 72,437             | 58,251     | 56,932           | 25,408     |
| Other income (expense):                      |                    |            |                  |            |
| Earnings (loss) in equity method investments | (2,608)            | (1,188)    | 2,117            | (2,182)    |
| Interest income                              | 5,378              | 2,692      | 9,764            | 5,091      |
| Interest expense                             | (3,798)            | (491)      | (7,509)          | (901)      |
| Miscellaneous income (expense)               | (250)              | 1,405      | (250)            | 1,405      |
| Income from operations before income taxes   | 71,159             | 60,669     | 61,054           | 28,821     |
| Income tax benefit (expense)                 | 116,832            | (3,248)    | 116,070          | (314)      |

|  |                   |                  |                   |                  |
|--|-------------------|------------------|-------------------|------------------|
| Net income   | 187,991           | 57,421           | 177,124           | 28,507           |
| Less: Net income (loss) attributable to redeemable noncontrolling interests                        | (767)             | —                | 133               | —                |
| Less: Net loss attributable to nonredeemable noncontrolling interests                              | (855)             | (305)            | (1,515)           | (593)            |
| Net income attributable to The Madison Square Garden Company's stockholders                        | <u>\$ 189,613</u> | <u>\$ 57,726</u> | <u>\$ 178,506</u> | <u>\$ 29,100</u> |
| Basic earnings per common share attributable to The Madison Square Garden Company's stockholders   | \$ 8.03           | \$ 2.41          | \$ 7.57           | \$ 1.21          |
| Diluted earnings per common share attributable to The Madison Square Garden Company's stockholders | \$ 7.96           | \$ 2.39          | \$ 7.48           | \$ 1.20          |
| Basic weighted-average number of common shares outstanding   | 23,621            | 23,971           | 23,594            | 24,013           |
| Diluted weighted-average number of common shares outstanding                                       | 23,813            | 24,143           | 23,861            | 24,192           |

### ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO ADJUSTED OPERATING INCOME (LOSS)

The following is a description of the adjustments to operating income (loss) in arriving at adjusted operating income (loss) as described in this earnings release:

- 1 Share-based compensation expense. This adjustment eliminates the compensation expense relating to restricted stock units granted under our employee stock plan and non-employee director plan in all periods.
- 1 Depreciation and amortization. This adjustment eliminates depreciation, amortization and impairments of property and equipment and intangible assets in all periods.
- 1 Other purchase accounting adjustments. This adjustment eliminates the impact of various purchase accounting adjustments related to business acquisitions, primarily fair value adjustments to favorable / unfavorable lease agreements of the acquiree.

|  | Three Months Ended<br>December 31, |                  | Six Months Ended<br>December 31, |                  |
|--|------------------------------------|------------------|----------------------------------|------------------|
|  | 2017                               | 2016             | 2017                             | 2016             |
| Operating income                           | \$ 72,437                          | \$ 58,251        | \$ 56,932                        | \$ 25,408        |
| Share-based compensation                   | 13,912                             | 11,743           | 26,816                           | 20,098           |
| Depreciation and amortization <sup>1</sup> | 30,544                             | 25,966           | 61,090                           | 52,076           |
| Other purchase accounting adjustments      | 1,133                              | —                | 2,324                            | —                |
| Adjusted operating income                  | <u>\$ 118,026</u>                  | <u>\$ 95,960</u> | <u>\$ 147,162</u>                | <u>\$ 97,582</u> |

<sup>1</sup> Includes depreciation and amortization related to purchase accounting adjustments.

### CONSOLIDATED OPERATIONS DATA (Dollars in thousands) (Unaudited)

#### REVENUES

|  | Three Months Ended<br>December 31, |                          | % Change    |
|--|------------------------------------|--------------------------|-------------|
|  | 2017                               | 2016                     |             |
| <b>MSG Entertainment</b>                       | <b>\$ 271,216</b>                  | <b>\$ 192,485</b>        | <b>41 %</b> |
| <b>MSG Sports</b>                              | <b>265,086</b>                     | <b>252,665</b>           | <b>5 %</b>  |
| Corporate and Other                            | —                                  | —                        | NM          |
| <b>The Madison Square Garden Company Total</b> | <u><b>\$ 536,302</b></u>           | <u><b>\$ 445,150</b></u> | <b>20 %</b> |

  

|  | Six Months Ended<br>December 31, |                          | % Change    |
|--|----------------------------------|--------------------------|-------------|
|  | 2017                             | 2016                     |             |
| <b>MSG Entertainment</b>                       | <b>\$ 435,497</b>                | <b>\$ 303,183</b>        | <b>44 %</b> |
| <b>MSG Sports</b>                              | <b>346,020</b>                   | <b>323,662</b>           | <b>7 %</b>  |
| Corporate and Other                            | —                                | —                        | NM          |
| <b>The Madison Square Garden Company Total</b> | <u><b>\$ 781,517</b></u>         | <u><b>\$ 626,845</b></u> | <b>25 %</b> |

## OPERATING INCOME (LOSS) AND ADJUSTED OPERATING INCOME (LOSS)

|  | Operating Income (Loss)         |                  |            | Adjusted Operating Income (Loss) |                  |            |
|--|---------------------------------|------------------|------------|----------------------------------|------------------|------------|
|  | Three Months Ended December 31, |                  |            | Three Months Ended December 31,  |                  |            |
|  | 2017                            | 2016             | % Change   | 2017                             | 2016             | % Change   |
| <b>MSG Entertainment</b>                       | \$ 74,531                       | \$ 56,976        | 31%        | \$ 81,944                        | \$ 63,655        | 29%        |
| <b>MSG Sports</b>                              | 49,324                          | 40,205           | 23%        | 55,078                           | 47,210           | 17%        |
| Corporate and Other                            | (45,541)                        | (38,700)         | (18)%      | (18,996)                         | (14,905)         | (27)%      |
| Purchase accounting adjustments                | (5,877)                         | (230)            | NM         | —                                | —                | NM         |
| <b>The Madison Square Garden Company Total</b> | <b>\$ 72,437</b>                | <b>\$ 58,251</b> | <b>24%</b> | <b>\$ 118,026</b>                | <b>\$ 95,960</b> | <b>23%</b> |

  

|  | Operating Income (Loss)       |                  |             | Adjusted Operating Income (Loss) |                  |            |
|--|-------------------------------|------------------|-------------|----------------------------------|------------------|------------|
|  | Six Months Ended December 31, |                  |             | Six Months Ended December 31,    |                  |            |
|  | 2017                          | 2016             | % Change    | 2017                             | 2016             | % Change   |
| <b>MSG Entertainment</b>                       | \$ 84,378                     | \$ 49,920        | 69%         | \$ 99,853                        | \$ 62,594        | 60%        |
| <b>MSG Sports</b>                              | 69,016                        | 49,522           | 39%         | 80,912                           | 62,629           | 29%        |
| Corporate and Other                            | (85,215)                      | (73,574)         | (16)%       | (33,603)                         | (27,641)         | (22)%      |
| Purchase accounting adjustments                | (11,247)                      | (460)            | NM          | —                                | —                | NM         |
| <b>The Madison Square Garden Company Total</b> | <b>\$ 56,932</b>              | <b>\$ 25,408</b> | <b>124%</b> | <b>\$ 147,162</b>                | <b>\$ 97,582</b> | <b>51%</b> |

## CONSOLIDATED BALANCE SHEETS (In thousands, except per share data) (Unaudited)

|  | December 31,<br>2017 | June 30,<br>2017 |
|--|----------------------|------------------|
| <b>ASSETS</b>  |                      |                  |
| Current Assets:  |                      |                  |
| Cash and cash equivalents  | \$ 1,125,647         | \$ 1,238,114     |
| Restricted cash  | 23,332               | 34,000           |
| Accounts receivable, net   | 119,158              | 102,085          |
| Net related party receivables                                      | 1,524                | 2,714            |
| Prepaid expenses   | 44,132               | 23,358           |
| Other current assets   | 41,475               | 49,458           |
| Total current assets   | 1,355,268            | 1,449,729        |
| Investments and loans to nonconsolidated affiliates                | 247,586              | 242,287          |
| Property and equipment, net  | 1,235,133            | 1,159,271        |
| Amortizable intangible assets, net                                 | 256,892              | 256,975          |
| Indefinite-lived intangible assets                                 | 174,850              | 166,850          |
| Goodwill   | 392,621              | 380,087          |
| Other assets   | 51,921               | 57,554           |
| Total assets   | \$ 3,714,271         | \$ 3,712,753     |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b> |                      |                  |
| Current Liabilities:   |                      |                  |
| Accounts payable   | \$ 38,416            | \$ 24,084        |
| Net related party payables   | 21,197               | 17,576           |
| Current portion of long-term debt, net of deferred financing costs | 436                  | —                |
| Accrued liabilities:   |                      |                  |
| Employee related costs   | 69,651               | 138,858          |
| Other accrued liabilities  | 184,131              | 191,344          |
| Deferred revenue   | 390,056              | 390,180          |
| Total current liabilities  | 703,887              | 762,042          |
| Long-term debt, net of deferred financing costs                    | 105,464              | 105,433          |

|   |                     |                     |
|---|---------------------|---------------------|
| Defined benefit and other postretirement obligations  | 44,919              | 52,997              |
| Other employee related costs  | 27,894              | 29,399              |
| Deferred tax liabilities, net   | 80,324              | 196,436             |
| Other liabilities   | 72,287              | 65,955              |
| Total liabilities   | <u>1,034,775</u>    | <u>1,212,262</u>    |
| Commitments and contingencies   |                     |                     |
| Redeemable noncontrolling interests   | 77,819              | 80,630              |
| The Madison Square Garden Company Stockholders' Equity:   |                     |                     |
| Class A Common stock, par value \$0.01, 120,000 shares authorized; 19,025 and 19,014 shares outstanding as of December 31, 2017 and June 30, 2017, respectively | 204                 | 204                 |
| Class B Common stock, par value \$0.01, 30,000 shares authorized; 4,530 shares outstanding as of December 31, 2017 and June 30, 2017                            | 45                  | 45                  |
| Preferred stock, par value \$0.01, 15,000 shares authorized; none outstanding as of December 31, 2017 and June 30, 2017   | —                   | —                   |
| Additional paid-in capital  | 2,838,120           | 2,832,516           |
| Treasury stock, at cost, 1,422 and 1,433 shares as of December 31, 2017 and June 30, 2017, respectively   | (242,495)           | (242,077)           |
| Retained earnings (accumulated deficit)   | 27,693              | (148,410)           |
| Accumulated other comprehensive loss  | (39,449)            | (34,115)            |
| Total The Madison Square Garden Company stockholders' equity  | <u>2,584,118</u>    | <u>2,408,163</u>    |
| Nonredeemable noncontrolling interests  | 17,559              | 11,698              |
| Total equity  | <u>2,601,677</u>    | <u>2,419,861</u>    |
| Total liabilities, redeemable noncontrolling interests and equity   | <u>\$ 3,714,271</u> | <u>\$ 3,712,753</u> |

**SELECTED CASH FLOW INFORMATION**  
(Dollars in thousands)  
(Unaudited)

|   | Six Months Ended<br>December 31, |                     |
|---|----------------------------------|---------------------|
|   | 2017                             | 2016                |
| Net cash provided by operating activities             | \$ 63,267                        | \$ 109,932          |
| Net cash used in investing activities                 | (143,872)                        | (62,691)            |
| Net cash used in financing activities                 | (31,874)                         | (81,213)            |
| Effect of exchange rates on cash and cash equivalents | 12                               | —                   |
| Net decrease in cash and cash equivalents             | (112,467)                        | (33,972)            |
| Cash and cash equivalents at beginning of period      | 1,238,114                        | 1,444,317           |
| Cash and cash equivalents at end of period            | <u>\$ 1,125,647</u>              | <u>\$ 1,410,345</u> |

 [Primary Logo](#)

Source: The Madison Square Garden Company

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