

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

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 001-10701

THE E.W. SCRIPPS COMPANY

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-1223339
(IRS Employer
Identification Number)

312 Walnut Street
Cincinnati, Ohio
(Address of principal executive offices)

45202
(Zip Code)

Registrant's telephone number, including area code: (513) 977-3000

Not applicable

(Former name, former address and former fiscal year, if changed since last report.)

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, par value \$0.01 per share	SSP	NASDAQ Global Select Market

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 and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

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 Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of September 30, 2021, there were 70,591,607 of the registrant's Class A Common shares, \$0.01 par value per share, outstanding and 11,932,722 of the registrant's Common Voting shares, \$0.01 par value per share, outstanding.

**Index to The E.W. Scripps Company Quarterly Report
on Form 10-Q for the Quarter Ended September 30, 2021**

Item No.	Page
<hr/>	
<u>PART I - Financial Information</u>	
<u>1. Financial Statements</u>	<u>3</u>
<u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>3</u>
<u>3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>3</u>
<u>4. Controls and Procedures</u>	<u>3</u>
<u>PART II - Other Information</u>	
<u>1. Legal Proceedings</u>	<u>3</u>
<u>1A. Risk Factors</u>	<u>3</u>
<u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>3</u>
<u>3. Defaults Upon Senior Securities</u>	<u>3</u>
<u>4. Mine Safety Disclosures</u>	<u>3</u>
<u>5. Other Information</u>	<u>4</u>
<u>6. Exhibits</u>	<u>4</u>
<u>Signatures</u>	<u>5</u>

PART I

As used in this Quarterly Report on Form 10-Q, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Item 1. Financial Statements

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

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

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

Item 4. Controls and Procedures

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

Item 1. Legal Proceedings

We are involved in litigation and regulatory proceedings arising in the ordinary course of business, such as defamation actions and governmental proceedings primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in our 2020 Annual Report on Form 10-K.

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

On January 7, 2021, in connection with the ION transaction, we issued to Berkshire Hathaway, Inc. and certain of its subsidiaries 6,000 shares of series A preferred stock (the Preferred Shares) with a warrant to purchase approximately 23.1 million shares of Scripps Class A common stock at an exercise price of \$13 (the Warrant) for \$600 million. The Preferred Shares and the Warrant have not been registered under the Securities Act of 1933, as amended, and were issued and sold in a private placement pursuant to Section 4(2) thereof. See Note 3. Acquisitions and Note 14. Capital Stock, in the Notes to Condensed Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for more information.

In February 2020, our Board of Directors authorized a new share repurchase program of up to \$100 million of our Class A Common shares through March 1, 2022. No shares have been repurchased under the authorization. Under the terms of the Preferred Shares, we are prohibited from repurchasing our common shares until all Preferred Shares are redeemed.

Item 3. Defaults Upon Senior Securities

There were no defaults upon senior securities during the quarter ended September 30, 2021.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
31(a)	Section 302 Certifications
31(b)	Section 302 Certifications
32(a)	Section 906 Certifications
32(b)	Section 906 Certifications
101	The Company's unaudited Condensed Consolidated Financial Statements and related Notes for the quarter and nine months ended September 30, 2021 from this Quarterly Report on Form 10-Q, formatted in iXBRL (Inline eXtensible Business Reporting Language).*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* - Filed herewith

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 5, 2021

THE E.W. SCRIPPS COMPANY

By: /s/ Daniel W. Perschke

Daniel W. Perschke

Vice President, Controller

(Principal Accounting Officer)

The E.W. Scripps Company
Index to Financial Information (Unaudited)

Item	Page
Condensed Consolidated Balance Sheets	F-2
Condensed Consolidated Statements of Operations	F-3
Condensed Consolidated Statements of Comprehensive Income (Loss)	F-4
Condensed Consolidated Statements of Cash Flows	F-5
Condensed Consolidated Statements of Equity	F-6
Notes to Condensed Consolidated Financial Statements	F-7
Management's Discussion and Analysis of Financial Condition and Results of Operations	F-23
Quantitative and Qualitative Disclosures About Market Risk	F-36
Controls and Procedures	F-37

The E.W. Scripps Company
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share data)	As of September 30, 2021	As of December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,208	\$ 576,021
Restricted cash	34,257	1,050,000
Accounts receivable (less allowances— \$3,624 and \$3,443)	524,428	429,017
FCC repack receivable	981	12,363
Miscellaneous	28,293	26,784
Total current assets	660,167	2,094,185
Investments	23,287	14,404
Property and equipment	463,989	343,920
Operating lease right-of-use assets	121,514	51,471
Goodwill	2,927,310	1,203,212
Other intangible assets	1,931,800	975,444
Programming	433,116	138,701
Miscellaneous	19,366	38,049
Total Assets	<u>\$ 6,580,549</u>	<u>\$ 4,859,386</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 76,467	\$ 68,139
Unearned revenue	21,856	14,101
Current portion of long-term debt	18,612	10,612
Accrued liabilities:		
Employee compensation and benefits	62,554	55,133
Programming liability	163,855	72,743
Accrued interest	16,393	16,514
Miscellaneous	47,936	85,588
Other current liabilities	52,154	35,626
Total current liabilities	459,827	358,456
Long-term debt (less current portion)	3,192,506	2,923,359
Deferred income taxes	364,566	85,844
Operating lease liabilities	110,096	42,097
Other liabilities (less current portion)	550,587	286,365
Equity:		
Preferred stock, \$0.01 par — authorized: 25,000,000 shares; none outstanding	—	—
Preferred stock — Series A, \$100,000 par; 6,000 shares at September 30, 2021	409,363	—
Common stock, \$0.01 par:		
Class A — authorized: 240,000,000 shares; issued and outstanding: 70,591,607 and 69,794,917 shares	706	698
Voting — authorized: 60,000,000 shares; issued and outstanding: 11,932,722 and 11,932,722 shares	119	119
Total preferred and common stock	410,188	817
Additional paid-in capital	1,424,240	1,130,789
Retained earnings	164,891	131,778
Accumulated other comprehensive loss, net of income taxes	(96,352)	(100,119)
Total equity	1,902,967	1,163,265
Total Liabilities and Equity	<u>\$ 6,580,549</u>	<u>\$ 4,859,386</u>

See notes to condensed consolidated financial statements.

The E.W. Scripps Company
Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating Revenues:				
Advertising	\$ 394,730	\$ 320,026	\$ 1,153,996	\$ 770,024
Retransmission and carriage	151,828	153,888	464,746	437,121
Other	8,685	19,348	42,499	59,223
Total operating revenues	555,243	493,262	1,661,241	1,266,368
Operating Expenses:				
Costs of revenues, excluding depreciation and amortization	285,775	227,520	818,853	682,455
Selling, general and administrative expenses, excluding depreciation and amortization	140,745	122,737	428,884	356,573
Acquisition and related integration costs	251	10,928	35,582	16,059
Restructuring costs	1,872	—	9,436	—
Depreciation	14,939	12,568	43,309	38,315
Amortization of intangible assets	27,147	14,288	79,035	42,531
Losses (gains), net on disposal of property and equipment	(31,109)	(2,012)	(30,954)	728
Total operating expenses	439,620	386,029	1,384,145	1,136,661
Operating income	115,623	107,233	277,096	129,707
Interest expense	(41,013)	(21,387)	(126,905)	(70,184)
Loss on extinguishment of debt	—	—	(13,775)	—
Defined benefit pension plan expense	(264)	(1,261)	(250)	(3,313)
Gains on sale of business	—	—	81,784	—
Losses on stock warrants	—	—	(99,118)	—
Miscellaneous, net	674	1,488	(6,884)	1,050
Income from continuing operations before income taxes	75,020	86,073	111,948	57,260
Provision for income taxes	16,654	22,100	48,866	17,997
Income from continuing operations, net of tax	58,366	63,973	63,082	39,263
Income (loss) from discontinued operations, net of tax	332	(5,455)	6,827	(14,597)
Net income	58,698	58,518	69,909	24,666
Preferred stock dividends	(12,577)	—	(36,796)	—
Net income attributable to the shareholders of The E.W. Scripps Company	\$ 46,121	\$ 58,518	\$ 33,113	\$ 24,666
Net income per basic share of common stock:				
Income from continuing operations	\$ 0.54	\$ 0.76	\$ 0.31	\$ 0.47
Income (loss) from discontinued operations	—	(0.07)	0.08	(0.18)
Net income per basic share of common stock:	\$ 0.54	\$ 0.70	\$ 0.39	\$ 0.29
Net income per diluted share of common stock:				
Income from continuing operations	\$ 0.49	\$ 0.76	\$ 0.29	\$ 0.47
Income (loss) from discontinued operations	—	(0.07)	0.08	(0.18)
Net income per diluted share of common stock:	\$ 0.50	\$ 0.69	\$ 0.37	\$ 0.29

See notes to condensed consolidated financial statements.

The sum of net income (loss) per share from continuing and discontinued operations may not equal the reported total net income per share as each is calculated independently.

The E.W. Scripps Company**Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 58,698	\$ 58,518	\$ 69,909	\$ 24,666
Changes in defined benefit pension plans, net of tax of \$421, \$317, \$1,170 and \$891	1,337	1,002	3,710	2,803
Other	19	6	57	18
Total comprehensive income attributable to preferred and common stockholders	<u>\$ 60,054</u>	<u>\$ 59,526</u>	<u>\$ 73,676</u>	<u>\$ 27,487</u>

See notes to condensed consolidated financial statements.

The E.W. Scripps Company
Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 69,909	\$ 24,666
Income (loss) from discontinued operations, net of tax	6,827	(14,597)
Income from continuing operations, net of tax	63,082	39,263
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	122,344	80,846
Losses (gains), net on disposal of property and equipment	(30,954)	728
Loss on extinguishment of debt	13,775	—
Gains on sale of business	(81,784)	—
Losses on stock warrants	99,118	—
Programming assets and liabilities	(53,811)	(31,960)
Restructuring impairment charges	7,050	—
Deferred income taxes	13,287	32,019
Stock and deferred compensation plans	21,091	12,233
Pension contributions, net of income/expense	(24,652)	(27,218)
Other changes in certain working capital accounts, net	(13,109)	58,416
Miscellaneous, net	15,038	14,000
Net cash provided by operating activities from continuing operations	150,475	178,327
Net cash provided by (used in) operating activities from discontinued operations	6,077	(18,528)
Net operating activities	156,552	159,799
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	(2,679,798)	2,500
Proceeds from sale of Triton Digital, net of cash disposed	224,990	—
Acquisition of intangible assets	(430)	(1,480)
Additions to property and equipment	(45,026)	(38,086)
Purchase of investments	(11,785)	(5,453)
Proceeds from FCC repack	18,198	19,164
Miscellaneous, net	33,686	3,980
Net cash used in investing activities from continuing operations	(2,460,165)	(19,375)
Net cash provided by (used in) investing activities from discontinued operations	10,000	(333)
Net investing activities	(2,450,165)	(19,708)
Cash Flows from Financing Activities:		
Net borrowings under revolving credit facility	—	—
Proceeds from issuance of long-term debt	800,000	—
Proceeds from issuance of preferred stock	600,000	—
Payments on long-term debt	(513,959)	(7,959)
Premium paid on debt extinguishment	(10,252)	—
Payments on financing costs	(50,597)	—
Payments for capitalized preferred stock issuance costs	(11,526)	—
Dividends paid on common and preferred stock	(33,067)	(12,415)
Tax payments related to shares withheld for vested stock and RSUs	(6,725)	(2,323)
Miscellaneous, net	203	(21,837)
Net cash provided by (used in) financing activities from continuing operations	774,077	(44,534)
Effect of foreign exchange rates on cash, cash equivalents and restricted cash	(20)	23
Increase (decrease) in cash, cash equivalents and restricted cash	(1,519,556)	95,580
Cash, cash equivalents and restricted cash:		
Beginning of year	1,626,021	32,968
End of period	\$ 106,465	\$ 128,548
Supplemental Cash Flow Disclosures		
Interest paid	\$ 110,816	\$ 65,581
Income taxes paid	\$ 74,345	\$ 434
Non-cash investing information		
Capital expenditures included in accounts payable	\$ 3,682	\$ 2,015

See notes to condensed consolidated financial statements.

The E.W. Scripps Company
Condensed Consolidated Statements of Equity (Unaudited)

Three Months Ended September 30, 2021 and 2020 <i>(in thousands, except per share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Total Equity
As of June 30, 2021	\$ 408,786	\$ 825	\$ 1,420,066	\$ 118,770	\$ (97,708)	\$ 1,850,739
Comprehensive income (loss)	—	—	—	58,698	1,356	60,054
Preferred stock dividends, \$2,000 per share	577	—	—	(12,577)	—	(12,000)
Stock warrants	—	—	—	—	—	—
Compensation plans: 57,016 net shares issued *	—	—	4,174	—	—	4,174
As of September 30, 2021	<u>\$ 409,363</u>	<u>\$ 825</u>	<u>\$ 1,424,240</u>	<u>\$ 164,891</u>	<u>\$ (96,352)</u>	<u>\$ 1,902,967</u>

* Net of tax payments related to shares withheld for vested RSUs of \$121 for the three months ended September 30, 2021.

As of June 30, 2020	\$ —	\$ 815	\$ 1,123,067	\$ (163,092)	\$ (97,176)	\$ 863,614
Comprehensive income (loss)	—	—	—	58,518	1,008	59,526
Cash dividend: declared and paid - \$0.05 per share	—	—	—	(4,156)	—	(4,156)
Compensation plans: 83,073 net shares issued *	—	1	4,082	—	—	4,083
As of September 30, 2020	<u>\$ —</u>	<u>\$ 816</u>	<u>\$ 1,127,149</u>	<u>\$ (108,730)</u>	<u>\$ (96,168)</u>	<u>\$ 923,067</u>

* Net of tax payments related to shares withheld for vested RSUs of \$31 for the three months ended September 30, 2020.

Nine Months Ended September 30, 2021 and 2020 <i>(in thousands, except per share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Total Equity
As of December 31, 2020	\$ —	\$ 817	\$ 1,130,789	\$ 131,778	\$ (100,119)	\$ 1,163,265
Comprehensive income (loss)	—	—	—	69,909	3,767	73,676
Issuance of preferred stock, net of discount and issuance costs	407,634	—	—	—	—	407,634
Preferred stock dividends, \$5,511 per share	1,729	—	—	(36,796)	—	(35,067)
Stock warrants	—	—	279,958	—	—	279,958
Compensation plans: 796,690 net shares issued *	—	8	13,493	—	—	13,501
As of September 30, 2021	<u>\$ 409,363</u>	<u>\$ 825</u>	<u>\$ 1,424,240</u>	<u>\$ 164,891</u>	<u>\$ (96,352)</u>	<u>\$ 1,902,967</u>

* Net of tax payments related to shares withheld for vested RSUs of \$6,725 for the nine months ended September 30, 2021.

As of December 31, 2019	\$ —	\$ 810	\$ 1,117,095	\$ (120,981)	\$ (98,989)	\$ 897,935
Comprehensive income (loss)	—	—	—	24,666	2,821	27,487
Cash dividend: declared and paid - \$0.15 per share	—	—	—	(12,415)	—	(12,415)
Compensation plans: 639,389 net shares issued *	—	6	10,054	—	—	10,060
As of September 30, 2020	<u>\$ —</u>	<u>\$ 816</u>	<u>\$ 1,127,149</u>	<u>\$ (108,730)</u>	<u>\$ (96,168)</u>	<u>\$ 923,067</u>

* Net of tax payments related to shares withheld for vested RSUs of \$2,323 for the nine months ended September 30, 2020.

See notes to condensed consolidated financial statements.

The E.W. Scripps Company
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

As used in the Notes to Condensed Consolidated Financial Statements, the terms “Scripps,” “Company,” “we,” “our,” or “us” may, depending on the context, refer to The E.W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Basis of Presentation — The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto included in our 2020 Annual Report on Form 10-K. In management’s opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the interim periods have been made.

Results of operations are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

Expense amounts that were previously reported under the captions “Employee compensation and benefits,” “Programming,” and “Other expenses” in our 2020 Condensed Consolidated Statements of Operations have been reclassified into line items captioned as either “Costs of revenues” or “Selling, general and administrative expenses.” Costs of revenues reflect the costs of providing our broadcast signals, programming and other content to respective distribution platforms. The costs captured within the costs of revenues caption include programming, content distribution, satellite transmission fees, production and operations and other direct costs. Selling, general and administrative expenses are primarily comprised of sales, marketing and advertising expenses, research costs, certain occupancy costs and other administrative costs.

Principles of Consolidation — The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. Noncontrolling interest represents an owner’s share of the equity in certain of our consolidated entities. All intercompany transactions and account balances have been eliminated in consolidation.

Investments in entities over which we have significant influence but not control are accounted for using the equity method of accounting. Income from equity method investments represents our proportionate share of net income generated by equity method investees.

Nature of Operations — We are a diverse media enterprise, serving audiences and businesses through a portfolio of local and national television brands. All of our businesses provide content and services via digital platforms, including the Internet, smartphones and tablets. Our media businesses are organized into the following reportable business segments: Local Media, Scripps Networks and Other. Additional information for our business segments is presented in the Notes to Condensed Consolidated Financial Statements.

Use of Estimates — Preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make a variety of decisions that affect the reported amounts and the related disclosures. Such decisions include the selection of accounting principles that reflect the economic substance of the underlying transactions and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions.

Our financial statements include estimates and assumptions used in accounting for our defined benefit pension plans; the periods over which long-lived assets are depreciated or amortized; the fair value of long-lived assets, goodwill and indefinite lived assets; the liability for uncertain tax positions and valuation allowances against deferred income tax assets; the fair value of assets acquired and liabilities assumed in business combinations; and self-insured risks.

While we re-evaluate our estimates and assumptions on an ongoing basis, actual results could differ from those estimated at the time of preparation of the financial statements.

Nature of Products and Services — The following is a description of principal activities from which we generate revenue.

Core Advertising — Core advertising is comprised of sales to local and national customers. The advertising includes a combination of broadcast airtime, as well as digital advertising. Pricing of advertising time is based on audience size and share, the demographic of our audiences and the demand for our limited inventory of commercial time. Advertising time is sold through a combination of local and national sales staff and national sales representative firms. Digital revenues are primarily generated from the sale of advertising to local and national customers on our local television websites, smartphone apps, tablet apps and other platforms.

Political Advertising — Political advertising is generally sold through our Washington D.C. sales office. Advertising is sold to presidential, gubernatorial, Senate and House of Representative candidates, as well as for state and local issues. It is also sold to political action groups (PACs) or other advocacy groups.

Retransmission Revenues — We earn revenue from retransmission consent agreements with multi-channel video programming distributors (“MVPDs”) in our markets. The MVPDs are cable operators and satellite carriers who pay us to offer our programming to their customers. We also receive fees from over-the-top virtual MVPDs such as Hulu, YouTubeTV and AT&T Now. The fees we receive are typically based on the number of subscribers in our local market and the contracted rate per subscriber.

Other Products and Services — We derive revenue from sponsorships and community events through our Local Media segment. Our Scripps Networks segment offers subscription services for access to premium content to its customers.

Refer to Note 13. Segment Information for further information, including revenue by significant product and service offering.

Revenue Recognition — Revenue is measured based on the consideration we expect to be entitled to in exchange for promised goods or services provided to customers, and excludes any amounts collected on behalf of third parties. Revenue is recognized upon transfer of control of promised products or services to customers.

Advertising — Advertising revenue is recognized, net of agency commissions, over time primarily as ads are aired or impressions are delivered and any contracted audience guarantees are met. We apply the practical expedient to recognize revenue at the amount we have the right to invoice, which corresponds directly to the value a customer has received relative to our performance. For advertising sold based on audience guarantees, audience deficiency may result in an obligation to deliver additional advertisements to the customer. To the extent that we do not satisfy contracted audience ratings, we record deferred revenue until such time that the audience guarantee has been satisfied.

Retransmission — Retransmission revenues are considered licenses of functional intellectual property and are recognized at the point in time the content is transferred to the customer. MVPDs report their subscriber numbers to us generally on a 30- to 90-day lag. Prior to receiving the MVPD reporting, we record revenue based on estimates of the number of subscribers, utilizing historical levels and trends of subscribers for each MVPD.

Contract Balances — Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing.

Payment terms may vary by contract type, although our terms generally include a requirement of payment within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers.

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We estimate the allowance based on expected credit losses, including our historical experience of actual losses and known troubled accounts. The allowance for doubtful accounts totaled \$3.6 million at September 30, 2021 and \$3.4 million at December 31, 2020.

We record unearned revenue when cash payments are received in advance of our performance. We generally require amounts payable under advertising contracts with political advertising customers to be paid in advance. Unearned revenue totaled \$21.9 million at September 30, 2021 and is expected to be recognized within revenue over the next 12 months. Unearned revenue totaled \$14.1 million at December 31, 2020. We recorded \$9.9 million of revenue in the nine months ended September 30, 2021 that was included in unearned revenue at December 31, 2020.

Leases — We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and operating lease liabilities in our Condensed Consolidated Balance Sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the implicit rate is not readily determinable for most of our leases, we use our incremental borrowing rate when determining the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease. The operating lease ROU asset also includes any payments made at or before commencement and is reduced by any lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Share-Based Compensation — We have a Long-Term Incentive Plan (the “Plan”) which is described more fully in our 2020 Annual Report on Form 10-K. The Plan provides for the award of incentive and nonqualified stock options, stock appreciation rights, restricted stock units (RSUs) and unrestricted Class A Common shares and performance units to key employees and non-employee directors.

Share-based compensation costs totaled \$3.6 million and \$3.0 million for the third quarter of 2021 and 2020, respectively. Year-to-date share-based compensation totaled \$18.3 million and \$10.2 million in 2021 and 2020, respectively.

Earnings Per Share (“EPS”) — Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our RSUs, are considered participating securities for purposes of calculating EPS. Under the two-class method, we allocate a portion of net income to these participating securities and, therefore, exclude that income from the calculation of EPS for common stock. We do not allocate losses to the participating securities.

The following table presents information about basic and diluted weighted-average shares outstanding:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator (for basic and diluted earnings per share)				
Income from continuing operations, net of tax	\$ 58,366	\$ 63,973	\$ 63,082	\$ 39,263
Less income allocated to RSUs	(1,337)	(1,748)	(738)	(921)
Less preferred stock dividends	(12,577)	—	(36,796)	—
Numerator for basic and diluted earnings per share	<u>\$ 44,452</u>	<u>\$ 62,225</u>	<u>\$ 25,548</u>	<u>\$ 38,342</u>
Denominator				
Basic weighted-average shares outstanding	82,482	81,522	82,258	81,340
Effect of dilutive securities:				
Restricted stock units	797	566	880	279
Common stock warrant	6,852	—	3,764	—
Diluted weighted-average shares outstanding	<u>90,131</u>	<u>82,088</u>	<u>86,902</u>	<u>81,619</u>

As of September 30, 2021 and 2020, we had less than 0.1 million and 0.5 million of outstanding RSU's that were anti-dilutive, respectively. On May 14, 2021, we amended our common stock warrant agreement with Berkshire Hathaway. Following the amendment date, the EPS calculation for the 2021 quarterly and year-to-date periods includes the dilutive impact of the common stock warrant. Prior to the May 14, 2021 amendment of the common stock warrant agreement, the basic and dilutive EPS calculations excluded the impact of the common stock warrant as the effect would have been anti-dilutive.

2. Recently Adopted and Issued Accounting Standards

Recently Issued Accounting Standards — In May 2021, the Financial Accounting Standards Board ("FASB") issued new guidance that clarifies an issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. Specifically, the guidance provides a "principles-based framework to determine whether an issuer should recognize the modification or exchange as an adjustment to equity or an expense." The guidance is effective for all entities with fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. We are currently evaluating the impact of this guidance on our condensed consolidated financial statements.

In March 2020, the FASB issued new guidance that provides optional expedients and exceptions to certain accounting requirements to facilitate the transition away from the use of the London Interbank Offered Rate (LIBOR) and other interbank offered rates. The guidance is effective as of March 12, 2020 and will apply through December 31, 2022 to all entities, subject to meeting certain criteria, that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. We will evaluate transactions or contract modifications occurring as a result of reference rate reform to determine whether to apply the optional guidance on an ongoing basis.

3. Acquisitions

ION Acquisition

On January 7, 2021, we completed the acquisition of national broadcast network ION Media Networks, Inc. ("ION") for \$2.65 billion. ION is a national network of broadcast stations and is the largest holder of U.S. broadcast television spectrum. The business distributes its programming through owned Federal Communications Commission-licensed television stations as well as affiliated TV stations, reaching 100 million of U.S. homes through its over-the-air broadcast and pay TV platforms. The acquisition of ION enabled us to create a full-scale national television networks business by combining the ION network with our other news and entertainment networks - Bounce, Grit, Laff, Court TV, Court TV Mystery and Newsy.

The transaction was financed with a combination of cash, debt financing and preferred equity financing, including Berkshire Hathaway's \$600 million preferred equity investment in Scripps. Berkshire Hathaway also received a warrant to purchase up to 23.1 million Class A shares, at an exercise price of \$13 per share.

To comply with ownership rules of the Federal Communications Commission, we simultaneously divested 23 of ION's television stations for a total consideration of \$30 million, which were purchased by INYO Broadcast Holdings, LLC upon completion of the acquisition. These divested stations became independent affiliates of ION pursuant to long-term affiliation agreements.

The following table summarizes the net cash consideration for the ION transaction.

(in thousands)	
Total purchase price	\$ 2,650,000
Plus: Cash acquired	14,493
Plus: Working capital	59,798
Total transaction gross cash consideration	2,724,291
Less: Proceeds from ION stations divested	(30,000)
Total transaction net cash consideration	2,694,291
Less: Cash acquired	(14,493)
Total consideration, net of cash acquired	\$ 2,679,798

The following table summarizes the preliminary fair values of the ION assets acquired and liabilities assumed at the closing date.

(in thousands)

Accounts receivable	\$ 135,006
Other current assets	25,540
Programming rights	169,027
Property and equipment	123,093
Operating lease right-of-use assets	72,717
Other assets	2,295
Goodwill	1,810,074
Indefinite-lived intangible assets - FCC licenses	424,200
Amortizable intangible assets:	
INYO affiliation agreement	422,000
Other affiliation relationships	22,000
Advertiser relationships	143,000
Trade names	72,000
Accounts payable	(9,674)
Unearned revenue	(13,043)
Accrued expenses	(34,688)
Current portion of programming liabilities	(92,721)
Other current liabilities	(8,373)
Programming liabilities	(191,837)
Deferred tax liabilities	(276,476)
Operating lease liabilities	(78,438)
Other long-term liabilities	(35,904)
Total consideration, net of cash acquired	\$ 2,679,798

During 2021, we recorded measurement period adjustments to the preliminary ION purchase price allocation as a result of ongoing valuation procedures on assets acquired and liabilities assumed. These adjustments included increases in property and equipment of \$60.0 million and advertiser relationships of \$4.0 million, as well as decreases in FCC licenses of \$9.5 million and INYO and other affiliation relationships of \$14.0 million. The estimated amortization period for certain intangible assets were adjusted as well. These adjustments in fair value also resulted in an increase to the deferred tax liability of \$10.3 million. The impact of the measurement period adjustments to our results of operations resulted in increases to previously reported depreciation and amortization expense of \$2.0 million in 2021.

Of the value allocated to amortizable intangible assets, the INYO affiliation agreement has an estimated amortization period of 20 years, advertiser relationships have an estimated amortization period of 7 years, other affiliation relationships have an estimated amortization period of 10 years and the value allocated to trade names has an estimated amortization period of 10 years.

The goodwill of \$1.8 billion arising from the transactions consists largely of synergies, economies of scale and other benefits of a larger national broadcast footprint and becoming the largest holder of broadcast spectrum. We allocated the goodwill to our Scripps Networks segment. The transaction is accounted for as a stock acquisition which applies carryover tax basis to the assets and liabilities acquired. The goodwill is not deductible for income tax purposes.

From the January 7, 2021 acquisition date through September 30, 2021, revenues from ION's operations of \$394 million have been included in the accompanying Condensed Consolidated Statements of Operations. Acquisition and integration costs related to the transaction, including legal and professional fees and severance costs, totaled \$33.4 million for the nine months ended September 30, 2021.

KCDO Television Station

On November 20, 2020, we closed on the acquisition of the KCDO television station in the Denver, Colorado market. Included in the sale was KSBS-CD, a low power translator of KCDO. Total consideration for the transaction totaled \$9.6 million. The preliminary purchase price allocated \$6.9 million to the acquired FCC license, \$1.7 million to goodwill, \$0.9 million to property and equipment and the remainder was allocated to various working capital accounts.

Pro forma results of operations

Pro forma results of operations, assuming the ION acquisition had taken place at the beginning of 2020, are presented in the following table. The pro forma results do not include KCDO, as the impact of this acquisition, individually or in the aggregate, is not material to prior year results of operations. The pro forma information includes the historical results of operations of Scripps and ION (excluding the results of the divested stations sold to INYO), as well as adjustments for additional depreciation and amortization of the assets acquired, additional interest expense related to the financing of the transactions and other transactional adjustments. The pro forma results do not include efficiencies, cost reductions or synergies expected to result from the acquisition, or retrospective fair value adjustments to the warrant. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have occurred had the acquisition been completed at the beginning of the period.

(in thousands, except per share data) (unaudited)	Nine Months Ended September 30,	
	2021	2020
Operating revenues	\$ 1,667,963	\$ 1,657,760
Net income attributable to Scripps shareholders	57,469	25,899
Net income per share:		
Basic	\$ 0.68	\$ 0.31
Diluted	0.64	0.31

Pro forma results in 2020 include \$42.9 million of non-recurring transaction related costs. The pro forma results in 2021 reflect a \$33.4 million reversal of ION transaction costs incurred that are already being captured in the 2020 pro forma results.

4. Asset Write-Downs and Other Charges and Credits

Income from continuing operations before income taxes was affected by the following:

2021 - Acquisition and related integration costs of \$35.6 million in the first nine months of 2021 primarily reflect investment banking, legal and professional service costs incurred to complete and integrate the ION Media Networks, Inc. acquisition, which closed on January 7, 2021.

Restructuring costs totaled \$9.4 million in the first nine months of 2021 due to the Newsy restructuring plan. In the first quarter, we incurred costs of \$7.1 million for the write-downs of both capitalized carriage agreement payments and certain Newsy intangible assets. The additional Newsy restructuring charges were primarily attributed to employee severance, relocation costs and Nielsen contract costs.

We completed the building sale for our Denver KMGH television station in the third quarter of 2021. The sale resulted in recognition of a pre-tax gain totaling \$32.6 million.

We redeemed the outstanding principal amount of our 2025 Senior Notes during the second quarter of 2021. The redemption resulted in a loss on extinguishment of debt of \$13.8 million, representing the premium paid to retire the notes and write-off of unamortized debt financing costs.

During the first quarter of 2021, we completed the sale of our Triton business. The sale generated total net proceeds of \$225 million and we recognized a pre-tax gain from disposition totaling \$81.8 million.

Related to our outstanding common stock warrant, we recognized non-cash charges totaling \$99.1 million for the year-to-date period of 2021. The warrant obligation was being marked-to-market each reporting period with the increase in our common stock price being the significant contributor to a higher valuation. Following an amendment to the common stock warrant agreement on May 14, 2021, the fair value of the warrant was reclassified to equity and is no longer

marked-to-market each reporting period.

2020 - Acquisition and related integration costs of \$10.9 million in the third quarter of 2020 and \$16.1 million in the first nine months of 2020 reflect contract termination costs and professional service costs incurred to integrate the Cordillera and Nexstar-Tribune television stations, as well as costs incurred leading up to the ION Media transaction.

5. Income Taxes

We file a consolidated federal income tax return, consolidated unitary tax returns in certain states and other separate state income tax returns for our subsidiary companies.

The income tax provision for interim periods is generally determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate, we must estimate both the total income (loss) before income tax for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income (loss) before income tax is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations. We review and adjust our estimated effective income tax rate for the full year each quarter based upon our most recent estimates of income (loss) before income tax for the full year and the jurisdictions in which we expect that income will be taxed.

The effective income tax rate for the nine months ended September 30, 2021 and 2020 was 44% and 31%, respectively. Differences between our effective income tax rate and the U.S. federal statutory rate are the impact of state taxes, foreign taxes, non-deductible expenses, changes in reserves for uncertain tax positions, excess tax benefits or expense from the exercise and vesting of share-based compensation awards (\$1.8 million benefit in 2021 and \$1.2 million expense in 2020), state deferred rate changes and state NOL valuation allowance changes (\$1.2 million benefit in 2021 and \$3.5 million expense in 2020). Additionally, a non-deductible expense of \$102.6 million was recorded in 2021 related to issuance costs and unrealized losses on mark-to-market adjustments recorded on the common stock warrants issued in connection with the ION acquisition.

We recognize state NOL carryforwards as deferred tax assets, subject to valuation allowances. At each balance sheet date, we estimate the amount of carryforwards that are not expected to be used prior to expiration of the carryforward period. The tax effect of the carryforwards that are not expected to be used prior to their expiration is included in the valuation allowance.

6. Restricted Cash

At September 30, 2021 and December 31, 2020, we had restricted cash of \$34.3 million and \$1.1 billion, respectively. The September 30, 2021 balance reflects restricted cash held in escrow from the KMGH Denver television station building sale completed during the third quarter. The December 31, 2020 restricted balance represented the senior secured notes and senior unsecured notes proceeds that were segregated as financing for the January 7, 2021 closing of the ION Media Networks, Inc. acquisition. Refer to Note 9. Long-Term Debt and Note 3. Acquisitions for further information on the \$550 million senior secured notes and \$500 million senior unsecured notes that were issued on December 30, 2020.

7. Leases

We have operating leases for office space, data centers and certain equipment. Our leases have remaining lease terms of 1 year to 30 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year. Operating lease costs recognized in our Condensed Consolidated Statements of Operations for the three months ended September 30, 2021 and 2020 totaled \$6.1 million and \$4.8 million, including short-term lease costs of \$0.5 million and \$0.1 million, respectively. Year-to-date September 30, 2021 and 2020 costs totaled \$18.0 million and \$14.4 million, including short-term lease costs of \$1.4 million and \$0.4 million, respectively.

Other information related to our operating leases was as follows:

(in thousands, except lease term and discount rate)	As of September 30, 2021	As of December 31, 2020
Balance Sheet Information		
Right-of-use assets	\$ 121,514	\$ 51,471
Other current liabilities	19,896	9,623
Operating lease liabilities	110,096	42,097
Weighted Average Remaining Lease Term		
Operating leases	8.53 years	7.64 years
Weighted Average Discount Rate		
Operating leases	4.30 %	5.96 %

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Supplemental Cash Flows Information				
Cash paid for amounts included in the measurement of lease liabilities	\$ 5,780	\$ 4,351	\$ 16,456	\$ 12,689
Right-of-use assets obtained in exchange for lease obligations	2,228	2,713	9,185	4,455

Future minimum lease payments under non-cancellable operating leases as of September 30, 2021 were as follows:

(in thousands)	Operating Leases
Remainder of 2021	\$ 8,123
2022	26,842
2023	22,401
2024	19,405
2025	15,227
Thereafter	63,472
Total future minimum lease payments	155,470
Less: Imputed interest	(25,478)
Total	\$ 129,992

8. Goodwill and Other Intangible Assets

Goodwill consisted of the following:

(in thousands)	Local Media	Scripps Networks	Other	Total
Gross balance as of December 31, 2020	\$ 1,122,408	\$ 232,742	\$ 85,976	\$ 1,441,126
Accumulated impairment losses	(216,914)	(21,000)	—	(237,914)
Net balance as of December 31, 2020	<u>\$ 905,494</u>	<u>\$ 211,742</u>	<u>\$ 85,976</u>	<u>\$ 1,203,212</u>
Gross balance as of September 30, 2021	\$ 1,122,408	\$ 2,042,816	\$ —	\$ 3,165,224
Accumulated impairment losses	(216,914)	(21,000)	—	(237,914)
Net balance as of September 30, 2021	<u>\$ 905,494</u>	<u>\$ 2,021,816</u>	<u>\$ —</u>	<u>\$ 2,927,310</u>

Other intangible assets consisted of the following:

(in thousands)	As of September 30, 2021	As of December 31, 2020
Amortizable intangible assets:		
Carrying amount:		
Television affiliation relationships	\$ 1,060,244	\$ 616,244
Customer lists and advertiser relationships	217,400	102,900
Other	127,224	104,445
Total carrying amount	<u>1,404,868</u>	<u>823,589</u>
Accumulated amortization:		
Television affiliation relationships	(154,503)	(113,950)
Customer lists and advertiser relationships	(70,350)	(53,232)
Other	(29,230)	(37,778)
Total accumulated amortization	<u>(254,083)</u>	<u>(204,960)</u>
Net amortizable intangible assets	1,150,785	618,629
Indefinite-lived intangible assets — FCC licenses	781,015	356,815
Total other intangible assets	<u>\$ 1,931,800</u>	<u>\$ 975,444</u>

Estimated amortization expense of intangible assets for each of the next five years is \$24.5 million for the remainder of 2021, \$94.1 million in 2022, \$90.5 million in 2023, \$89.2 million in 2024, \$87.4 million in 2025, \$84.4 million in 2026 and \$680.7 million in later years.

9. Long-Term Debt

Long-term debt consisted of the following:

(in thousands)	As of September 30, 2021	As of December 31, 2020
Revolving credit facility	\$ —	\$ —
Senior secured notes, due in 2029	550,000	550,000
Senior unsecured notes, due in 2025	—	400,000
Senior unsecured notes, due in 2027	500,000	500,000
Senior unsecured notes, due in 2031	500,000	500,000
Term loan, due in 2024	288,000	290,250
Term loan, due in 2026	745,952	751,660
Term loan, due in 2028	694,000	—
Total outstanding principal	3,277,952	2,991,910
Less: Debt issuance costs and issuance discounts	(66,834)	(57,939)
Less: Current portion	(18,612)	(10,612)
Net carrying value of long-term debt	\$ 3,192,506	\$ 2,923,359
Fair value of long-term debt *	\$ 3,284,008	\$ 3,064,194

* Fair values of the Senior Notes are estimated based on quoted private market transactions and are classified as Level 1 in the fair value hierarchy. The fair values of the term loans are based on observable estimates provided by third party financial professionals, and as such, are classified within Level 2 of the fair value hierarchy.

Scripps Senior Secured Credit Agreement

On January 7, 2021, we entered into the Sixth Amendment to the Third Amended Restated Credit Agreement ("Sixth Amendment"). Under the Sixth Amendment, the capacity of our Revolving Credit Facility was increased from \$210 million to \$400 million. Additionally, the Sixth Amendment extended the facility's maturity date to the earlier of January 2026 or 91 days prior to the stated maturity date for any of our existing loans and our existing unsecured notes that mature within the facility's term. Commitment fees of 0.30% to 0.50% per annum, based on our leverage ratio, of the total unused commitment are payable under the Revolving Credit Facility. Interest is payable on the Revolving Credit Facility at rates based on LIBOR, plus a margin based on our leverage ratio, ranging from 1.75% to 2.50%. As of September 30, 2021, we had no borrowings under the Revolving Credit Facility. As of September 30, 2021 and December 31, 2020, we had outstanding letters of credit totaling \$6.8 million and \$6.0 million, respectively, under the Revolving Credit Facility.

On October 2, 2017, we issued a \$300 million term loan B which matures in October 2024 ("2024 term loan"). Interest is currently payable on the 2024 term loan at a rate based on LIBOR, plus a fixed margin of 2.00%. Interest will reduce to a rate of LIBOR plus a fixed margin of 1.75% if the Company's total net leverage, as defined by the amended agreement, is below 2.75. The 2024 term loan requires annual principal payments of \$3 million.

As of September 30, 2021 and December 31, 2020, the interest rate on the 2024 term loan was 2.08% and 2.15%, respectively. The weighted-average interest rate was 2.09% and 2.16% for the nine months ended September 30, 2021 and 2020, respectively.

On May 1, 2019, we entered into a Fourth Amendment to the Third Amended and Restated Credit Agreement ("Fourth Amendment"). Under the Fourth Amendment, we issued a \$765 million term loan B ("2026 term loan") that matures in May 2026. Interest is currently payable on the 2026 term loan at a rate based on LIBOR, plus a fixed margin of 2.56%. The 2026 term loan requires annual principal payments of \$7.6 million. Deferred financing costs and original issuance discount totaled approximately \$23.0 million with this term loan, which are being amortized over the life of the loan.

As of September 30, 2021 and December 31, 2020, the interest rate on the 2026 term loan was 3.31% and 2.65%, respectively. The weighted-average interest rate on the term loan was 3.31% and 2.66% for the nine months ended September 30, 2021 and 2020, respectively.

Under the Sixth Amendment, we also issued an \$800 million term loan B ("2028 term loan") that contributed to the financing of the ION acquisition. The term loan matures in 2028 with interest payable at rates based on LIBOR, plus a fixed margin of 3.00%. Additionally, the Sixth Amendment provided that the LIBOR rate could not be less than 0.75% for our term loans that mature in 2026 and 2028. The 2028 term loan requires annual principal payments of \$8.0 million. We incurred deferred financing costs totaling \$23.4 million related to this term loan and the amendment to the Revolving Credit Facility, which are being amortized over the life of the term loan.

During 2021, we made additional principal payments on the 2028 term loan totaling \$100 million and wrote off \$2.5 million of deferred financing costs related to this term loan to interest expense.

As of September 30, 2021, the interest rate on the 2028 term loan was 3.75%. The weighted-average interest rate on the term loan was 3.75% for the nine months ended September 30, 2021.

The Senior Secured Credit Agreement contains covenants that limit our ability to incur additional debt and provides for restrictions on certain payments (dividends and share repurchases). Additionally, we must be in compliance with certain leverage ratios in order to proceed with acquisitions. Our credit agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. We granted the lenders pledges of our equity interests in our subsidiaries and security interests in substantially all other personal property including cash, accounts receivables and equipment. In addition, the Revolving Credit Facility contains a covenant to comply with a maximum first lien net leverage ratio of 4.75 to 1.0 when we have outstanding borrowings on the facility. As of September 30, 2021, we were in compliance with our financial covenants.

2029 Senior Secured Notes

On December 30, 2020, we issued \$550 million of senior secured notes (the "2029 Senior Notes"), which bear interest at a rate of 3.875% per annum and mature on January 15, 2029. The proceeds of the 2029 Senior Notes were deposited into a segregated escrow account. The escrow account was subsequently released on January 7, 2021 and used toward the financing of the ION acquisition (See Note 3). The 2029 Senior Notes were priced at 100% of par value and interest is payable semi-annually on January 15 and July 15, commencing on July 15, 2021. Prior to January 15, 2024 we may redeem up to 40% of the aggregate principal amount of the 2029 Senior Notes at a redemption price of 103.875% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem some or all of the 2029 Senior Notes before January 15, 2024 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date plus a "make whole" premium. On or after January 15, 2024 and before January 15, 2026, we may redeem the notes, in whole or in part, at applicable redemption prices noted in the indenture agreement. If we sell certain of our assets or have a change of control, the holders of the 2029 Senior Notes may require us to repurchase some or all of the notes. Our credit agreement also includes a provision that in certain circumstances we must use a portion of excess cash flow to repay debt. The 2029 Senior Notes are guaranteed by us and the majority our subsidiaries and are secured on equal footing with the obligations under the Senior Secured Credit Agreement. Following the release of the proceeds from escrow on January 7, 2021, the notes became secured, on a first lien basis, from pledges of equity interests in our subsidiaries and by substantially all of the existing and future assets of Scripps. The 2029 Senior Notes contain covenants with which we must comply that are typical for borrowing transactions of this nature.

We incurred approximately \$13.8 million of deferred financing costs in connection with the issuance of the 2029 Senior Notes, which are being amortized over the life of the notes.

2025 Senior Unsecured Notes

On April 28, 2017, we issued \$400 million of senior unsecured notes (the "2025 Senior Notes"), which bear interest at a rate of 5.125% per annum and mature on May 15, 2025. The 2025 Senior Notes were priced at 100% of par value and interest is payable semi-annually on May 15 and November 15. On or after May 15, 2020 and before May 15, 2023, we may redeem the notes, in whole or in part, at applicable redemption prices noted in the indenture agreement.

We incurred approximately \$7.0 million of deferred financing costs in connection with the issuance of the 2025 Senior Notes, which are being amortized over the life of the notes.

On May 15, 2021, we redeemed all the outstanding principal amount of the 2025 Senior Notes for a redemption price equal to 102.563% of the aggregate principal amount plus accrued and unpaid interest. The redemption resulted in a loss on extinguishment of debt of \$13.8 million, representing the premium paid to retire the notes and write-off of unamortized debt financing costs. The notes were redeemed with cash on hand.

2027 Senior Unsecured Notes

On July 26, 2019, we issued \$500 million of senior unsecured notes, which bear interest at a rate of 5.875% per annum and mature on July 15, 2027 ("the 2027 Senior Notes"). The 2027 Senior Notes were priced at 100% of par value and interest is payable semi-annually on July 15 and January 15. Prior to July 15, 2022, we may redeem up to 40% of the aggregate principal amount of the 2027 Senior Notes at a redemption price of 105.875% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem some or all of the notes before July 15, 2022 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date plus a "make whole" premium. On or after July 15, 2022 and before July 15, 2025, we may redeem the notes, in whole or in part, at applicable redemption prices noted in the indenture agreement. If we sell certain of our assets or have a change of control, the holders of the 2027 Senior Notes may require us to repurchase some or all of the notes. The 2027 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our existing and future domestic restricted subsidiaries. The 2027 Senior Notes contain covenants with which we must comply that are typical for borrowing transactions of this nature. There are no registration rights associated with the 2027 Senior Notes.

We incurred approximately \$10.7 million of deferred financing costs in connection with the issuance of the 2027 Senior Notes, which are being amortized over the life of the notes.

2031 Senior Unsecured Notes

On December 30, 2020, we issued \$500 million of senior unsecured notes (the "2031 Senior Notes"), which bear interest at a rate of 5.375% per annum and mature on January 15, 2031. The proceeds of the 2031 Senior Notes were deposited into a segregated escrow account. The escrow account was subsequently released on January 7, 2021 and used toward the financing of the ION acquisition (See Note 3). The 2031 Senior Notes were priced at 100% of par value and interest is payable semi-annually on January 15 and July 15, commencing on July 15, 2021. Prior to January 15, 2024 we may redeem up to 40% of the aggregate principal amount of the 2031 Senior Notes at a redemption price of 105.375% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem some or all of the 2031 Senior Notes before January 15, 2026 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date plus a "make whole" premium. On or after January 15, 2026 and before January 15, 2029, we may redeem the notes, in whole or in part, at applicable redemption prices noted in the indenture agreement. If we sell certain of our assets or have a change of control, the holders of the 2031 Senior Notes may require us to repurchase some or all of the notes. The 2031 Senior Notes are also guaranteed by us and the majority our subsidiaries. The 2031 Senior Notes contain covenants with which we must comply that are typical for borrowing transactions of this nature.

We incurred approximately \$12.5 million of deferred financing costs in connection with the issuance of the 2031 Senior Notes, which are being amortized over the life of the notes.

Debt Repurchase Authorization

In May 2021, our Board of Directors provided additional debt repurchase program authorization pursuant to which we may reduce, through redemptions or open market purchases and retirement, a combination of the outstanding principal balance of our senior secured and senior unsecured notes. The authorization currently permits an aggregate principal amount reduction of up to \$600 million and expires on March 1, 2023.



10. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of September 30, 2021	As of December 31, 2020
Employee compensation and benefits	\$ 36,961	\$ 34,020
Deferred FCC repack income	46,210	44,945
Programming liability	293,629	33,481
Liability for pension benefits	132,040	161,845
Liabilities for uncertain tax positions	11,605	2,332
Other	30,142	9,742
Other liabilities (less current portion)	<u>\$ 550,587</u>	<u>\$ 286,365</u>

In connection with the acquisition of ION, we assumed \$26.2 million of uncertain tax position liabilities. Approximately \$21.9 million of that liability was attributed to disallowed domestic production activities deductions (DPAD). During 2021, we have reached agreement with the IRS for settlement of \$12.5 million of the DPAD liability. We would expect the remaining liability to be resolved within the next twelve months.

11. Supplemental Cash Flow Information

The following table presents additional information about the change in certain working capital accounts:

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Accounts receivable	\$ 16,473	\$ 5,822
Other current assets	11,777	7,366
Accounts payable	7,840	30,212
Accrued employee compensation and benefits	(2,378)	(4,527)
Accrued interest	(121)	(1,323)
Other accrued liabilities	(19,269)	(2,812)
Unearned revenue	(5,224)	23,806
Other, net	(22,207)	(128)
Total	<u>\$ (13,109)</u>	<u>\$ 58,416</u>

12. Employee Benefit Plans

We sponsor a noncontributory defined benefit pension plan and non-qualified Supplemental Executive Retirement Plans ("SERPs"). The accrual for future benefits has been frozen in our defined benefit pension plan and SERPs.

We sponsor a defined contribution plan covering substantially all non-union and certain union employees. We match a portion of employees' voluntary contributions to this plan.

Other union-represented employees are covered by defined benefit pension plans jointly sponsored by us and the union, or by union-sponsored multi-employer plans.

The components of the employee benefit plan expense consisted of the following:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest cost	\$ 4,143	\$ 5,014	\$ 12,349	\$ 14,849
Expected return on plan assets, net of expenses	(5,786)	(5,250)	(17,426)	(15,762)
Amortization of actuarial loss and prior service cost	1,684	1,255	4,657	3,504
Total for defined benefit pension plan	41	1,019	(420)	2,591
Multi-employer plans	—	15	—	76
SERPs	223	242	670	722
Defined contribution plan	3,197	3,060	10,877	10,541
Net periodic benefit cost	3,461	4,336	11,127	13,930
Allocated to discontinued operations	—	(171)	—	(497)
Net periodic benefit cost — continuing operations	\$ 3,461	\$ 4,165	\$ 11,127	\$ 13,433

We contributed \$0.8 million to fund current benefit payments for our SERPs and \$24.1 million for our defined benefit pension plan during the nine months ended September 30, 2021. During the remainder of 2021, we anticipate contributing an additional \$0.6 million to fund the SERPs' benefit payments. As of September 30, 2021, we have met our 2021 funding requirements under the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. We do not expect to make any contributions to our defined pension plan the remainder of the year.

13. Segment Information

We determine our business segments based upon our management and internal reporting structures, as well as the basis on which our chief operating decision maker makes resource-allocation decisions.

Effective with the January 7, 2021 close of the ION acquisition, we realigned our internal reporting structure and changed the reporting of our businesses' operating results to reflect this new structure. Under the new structure, our operating results are reported under Local Media, Scripps Networks and Other segment captions.

Our Local Media segment includes our 61 local broadcast stations and their related digital operations. It is comprised of 18 ABC affiliates, 11 NBC affiliates, nine CBS affiliates and four FOX affiliates. We also have 12 CW affiliates - four on full power stations and eight on multicast; five independent stations and 10 additional low power stations. Our Local Media segment earns revenue primarily from the sale of advertising to local, national and political advertisers and retransmission fees received from cable operators, telecommunications companies, satellite carriers and over-the-top virtual MVPDs.

Our Scripps Networks segment, which includes the recently acquired ION business, is comprised of nine national television networks that reach nearly every U.S. television home through free over-the-air broadcast, cable/satellite, over-the-top and digital distribution. These operations earn revenue primarily through the sale of advertising.

The operating results of our recently sold Triton business, and the other national businesses that were previously reported in our National Media segment, are aggregated with our remaining business activities in the Other segment caption.

Our respective business segment results reflect the impact of intercompany carriage agreements between our local broadcast television stations and our national networks. We also allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits and shared services to our business segments. These intercompany agreements and allocations are generally amounts agreed upon by management, which may differ from an arms-length amount.

Our chief operating decision maker evaluates the operating performance of our business segments and makes decisions about the allocation of resources to our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan amounts, income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

Information regarding our business segments is as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Segment operating revenues:				
Local Media	\$ 331,316	\$ 407,002	\$ 968,734	\$ 1,011,879
Scripps Networks	226,550	72,825	678,945	216,232
Other	1,207	16,668	24,378	47,816
Intersegment eliminations	(3,830)	(3,233)	(10,816)	(9,559)
Total operating revenues	\$ 555,243	\$ 493,262	\$ 1,661,241	\$ 1,266,368
Segment profit (loss):				
Local Media	\$ 65,391	\$ 147,794	\$ 185,971	\$ 242,357
Scripps Networks	83,327	3,493	282,847	15,615
Other	(2,227)	3,846	513	13,073
Shared services and corporate	(17,768)	(12,128)	(55,827)	(43,705)
Acquisition and related integration costs	(251)	(10,928)	(35,582)	(16,059)
Restructuring costs	(1,872)	—	(9,436)	—
Depreciation and amortization of intangible assets	(42,086)	(26,856)	(122,344)	(80,846)
Gains (losses), net on disposal of property and equipment	31,109	2,012	30,954	(728)
Interest expense	(41,013)	(21,387)	(126,905)	(70,184)
Loss on extinguishment of debt	—	—	(13,775)	—
Defined benefit pension plan expense	(264)	(1,261)	(250)	(3,313)
Gains on sale of business	—	—	81,784	—
Losses on stock warrants	—	—	(99,118)	—
Miscellaneous, net	674	1,488	(6,884)	1,050
Income from continuing operations before income taxes	\$ 75,020	\$ 86,073	\$ 111,948	\$ 57,260
Depreciation:				
Local Media	\$ 9,877	\$ 10,455	\$ 29,416	\$ 32,719
Scripps Networks	4,645	1,522	12,463	3,856
Other	44	245	338	626
Shared services and corporate	373	346	1,092	1,114
Total depreciation	\$ 14,939	\$ 12,568	\$ 43,309	\$ 38,315
Amortization of intangible assets:				
Local Media	\$ 12,016	\$ 9,133	\$ 30,698	\$ 28,453
Scripps Networks	14,503	2,739	44,390	7,095
Other	—	2,077	2,147	5,968
Shared services and corporate	628	339	1,800	1,015
Total amortization of intangible assets	\$ 27,147	\$ 14,288	\$ 79,035	\$ 42,531
Additions to property and equipment:				
Local Media	\$ 8,317	\$ 9,134	\$ 27,066	\$ 35,351
Scripps Networks	6,960	1,049	17,372	2,640
Other	—	377	430	832
Shared services and corporate	869	78	1,329	294
Total additions to property and equipment	\$ 16,146	\$ 10,638	\$ 46,197	\$ 39,117

A disaggregation of the principal activities from which we generate revenue is as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenues:				
Core advertising	\$ 387,643	\$ 221,713	\$ 1,142,405	\$ 638,275
Political	7,087	98,313	11,591	131,749
Retransmission and carriage fees	151,828	153,888	464,746	437,121
Other	8,685	19,348	42,499	59,223
Total operating revenues	\$ 555,243	\$ 493,262	\$ 1,661,241	\$ 1,266,368

14. Capital Stock

Capital Stock — We have two classes of common shares, Common Voting shares and Class A Common shares. The Class A Common shares are only entitled to vote on the election of the greater of three or one-third of the directors and other matters as required by Ohio law.

In connection with the January 7, 2021 closing of the ION acquisition, we entered into a Securities Purchase Agreement with Berkshire Hathaway Inc., ("Berkshire Hathaway"), pursuant to which Berkshire Hathaway provided \$600 million of financing in exchange for 6,000 Series A Preferred Shares of the Company. The Preferred Shares, having a face value of \$100,000 per share, are perpetual and will be redeemable at the option of the Company beginning on the fifth anniversary of issuance, and redeemable at the option of the holders in the event of a Change of Control (as defined in the terms of the Preferred Shares), in each case at a redemption price of 105% of the face value, plus accrued and unpaid dividends (whether or not declared). As long as the Company pays quarterly dividends in cash on the Preferred Shares, the dividend rate will be 8% per annum. If dividends on the Preferred Shares, which compound quarterly, are not paid in full in cash, the rate will increase to 9% per annum for the remaining period of time that the Preferred Shares are outstanding. Preferred stock dividends, effective through September 15, 2021, have been paid in 2021 totaling \$33.1 million.

Class A Common Shares Stock Warrant — In connection with the Preferred Shares issuance, Berkshire Hathaway also received a warrant to purchase up to 23.1 million Class A shares, at an exercise price of \$13 per share. The warrant is exercisable at the holder's option at any time or from time to time, in whole or in part, until the first anniversary of the date on which no Preferred Shares remain outstanding. Since the holder had the option to settle the warrant through cash payment of the exercise price and/or through surrendering portions of their Preferred Shares for the stated par value, a liability was recognized for the fair value of the warrant. The valuation model, classified within Level 3 of the fair value hierarchy, included inputs for the estimated term of the warrant, the historical volatility rate of Scripps common stock and the exercise price for the warrant. At time of issuance, the fair value of the warrant totaled \$181 million and was being remeasured each reporting period with the changes in fair value of the warrant captured in the gains/ losses on stock warrants caption in the Condensed Consolidated Statements of Operations.

On May 14, 2021, the warrant agreement was amended to only permit settlement of the warrant through cash payment of the exercise price. Following the warrant amendment, the warrant is no longer accounted for as a liability award where mark-to-market changes in the fair value of the warrant are captured as gains or losses in our operating results. The fair value of the warrant was remeasured on May 14, 2021 at \$280 million resulting in non-cash charges totaling \$99.1 million for the year-to-date period of 2021. The increase in our stock price during 2021 was the primary contributor to the increase in the fair value of the warrant. The value of the liability on the amendment date was reclassified to equity within the caption Additional Paid-in Capital.

Share Repurchase Plan — Shares may be repurchased from time to time at management's discretion. Shares can be repurchased under an authorization via open market purchases or privately negotiated transactions, including accelerated stock repurchase transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 of the Securities Exchange Act of 1934. In February 2020, our Board of Directors authorized a new share repurchase program of up to \$100 million of our Class A Common shares through March 1, 2022. No shares were repurchased under any authorizations during the first nine months of 2021 or 2020. Under the terms of the Preferred Shares, we are prohibited from paying dividends on and repurchasing our common shares until all Preferred Shares are redeemed.

15. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) ("AOCI") by component, including items reclassified out of AOCI, were as follows:

(in thousands)	Three Months Ended September 30, 2021		
	Defined Benefit Pension Items	Other	Total
Beginning balance, June 30, 2021	\$ (97,416)	\$ (292)	\$ (97,708)
Other comprehensive income (loss) before reclassifications	—	—	—
Amounts reclassified from AOCI, net of tax of \$421 ^(a)	1,337	19	1,356
Net current-period other comprehensive income (loss)	1,337	19	1,356
Ending balance, September 30, 2021	\$ (96,079)	\$ (273)	\$ (96,352)

(in thousands)	Three Months Ended September 30, 2020		
	Defined Benefit Pension Items	Other	Total
Beginning balance, June 30, 2020	\$ (96,933)	\$ (243)	\$ (97,176)
Other comprehensive income (loss) before reclassifications	—	—	—
Amounts reclassified from AOCI, net of tax of \$317 ^(a)	1,002	6	1,008
Net current-period other comprehensive income (loss)	1,002	6	1,008
Ending balance, September 30, 2020	\$ (95,931)	\$ (237)	\$ (96,168)

(in thousands)	Nine Months Ended September 30, 2021		
	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2020	\$ (99,789)	\$ (330)	\$ (100,119)
Other comprehensive income (loss) before reclassifications	—	—	—
Amounts reclassified from AOCI, net of tax of \$1,170 ^(a)	3,710	57	3,767
Net current-period other comprehensive income (loss)	3,710	57	3,767
Ending balance, September 30, 2021	\$ (96,079)	\$ (273)	\$ (96,352)

(in thousands)	Nine Months Ended September 30, 2020		
	Defined Benefit Pension Items	Other	Total
Beginning balance, December 31, 2019	\$ (98,734)	\$ (255)	\$ (98,989)
Other comprehensive income (loss) before reclassifications	—	—	—
Amounts reclassified from AOCI, net of tax of \$891 ^(a)	2,803	18	2,821
Net current-period other comprehensive income (loss)	2,803	18	2,821
Ending balance, September 30, 2020	\$ (95,931)	\$ (237)	\$ (96,168)

^(a) Actuarial gain (loss) is included in defined benefit pension plan expense in the Condensed Consolidated Statements of Operations

16. Assets Held for Sale and Discontinued Operations

Stitcher

During the second quarter of 2020, our Board of Directors approved the sale of our Stitcher podcasting business. On July 10, 2020, we signed a definitive agreement to sell the business for \$325 million, with \$265 million of cash upfront; earnout of up to \$30 million based on 2020 financial results and paid in 2021; and earnout of up to \$30 million based on 2021 financial results and paid in 2022. The transaction closed on October 16, 2020. Stitcher is classified as discontinued operations in our condensed consolidated financial statements for all periods presented.

Operating results of our discontinued Stitcher operations were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenues	\$ —	\$ 19,956	\$ —	\$ 53,652
Total costs and expenses	—	(27,043)	(600)	(72,106)
Depreciation and amortization of intangible assets	—	—	—	(1,157)
Other, net	—	(33)	—	(139)
Loss from operations	—	(7,120)	(600)	(19,750)
Pretax gain (loss) on disposal	520	—	9,572	—
Gain (loss) from discontinued operations before income taxes	520	(7,120)	8,972	(19,750)
Income tax provision (benefit)	188	(1,665)	2,145	(5,153)
Income (loss) from discontinued operations, net of tax	\$ 332	\$ (5,455)	\$ 6,827	\$ (14,597)

During the first nine months of 2021, the estimate for the contingent earnout consideration was increased by \$9.1 million. In the third quarter of 2021, we received payment of \$19.1 million for the 2020 earnout period. No value is currently assigned to the 2021 contingent earnout consideration.

Triton Digital

During the first quarter of 2021, our Board of Directors approved the sale of our Triton Digital business. On February 16, 2021, we signed a definitive agreement to sell the business and the transaction closed on March 31, 2021. The sale generated total net proceeds of \$225 million and we recognized a pre-tax gain from disposition totaling \$81.8 million.

WPIX

When we acquired the Nexstar-Tribune television stations in 2019, we granted Nexstar the option to repurchase WPIX, the CW-affiliated station in New York City. The option was exercisable from March 31, 2020, through the end of 2021, and was assignable by Nexstar to a third party. In July 2020, Nexstar assigned their option to repurchase WPIX to Mission Broadcasting, Inc., and Mission immediately exercised the option. The option price was \$75 million plus accrued interest, to be calculated on the period between September 19, 2019, the purchase date of WPIX, and the option sale closing date. The transaction closed on December 30, 2020 for cash consideration of \$83.7 million. Including interest income of \$7.6 million, we recognized gains from the WPIX disposition totaling \$6.5 million in the fourth quarter of 2020.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis of financial condition and results of operations is based upon the Condensed Consolidated Financial Statements and the Notes to Condensed Consolidated Financial Statements. You should read this discussion in conjunction with those financial statements.

Forward-Looking Statements

This document contains certain forward-looking statements related to the Company's businesses that are based on management's current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties, including changes in advertising demand and other economic conditions that could cause actual results to differ materially from the expectations expressed in forward-looking statements. Such forward-looking statements are made as of the date of this document and should be evaluated with the understanding of their inherent uncertainty. A detailed discussion of principal risks and uncertainties that may cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors." Such Risk Factors include the potential materially adverse impact of the COVID-19 pandemic on the Company's financial results or condition as a result of financial market volatility, government and regulatory actions, and disruptions to the Company's businesses. The Company undertakes no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

Executive Overview

The E.W. Scripps Company ("Scripps") is a diverse media enterprise, serving audiences and businesses through a portfolio of local and national media brands. We are one of the nation's largest independent owners of local television stations, with 61 stations in 41 markets that reach about 25% of U.S. television households. We have affiliations with all of the "Big Four" television networks as well as the CW network. In our Scripps Networks division, we operate nine news and entertainment networks - ION, Bounce, Grit, Laff, Court TV, Court TV Mystery, Newsy, Defy TV and TrueReal. We also operate an award-winning investigative reporting newsroom in Washington, D.C., and serve as the longtime steward of one of the nation's largest, most successful and longest-running educational programs, the Scripps National Spelling Bee.

We completed the acquisition of ION Media Networks, Inc. ("ION") on January 7, 2021, for \$2.65 billion. ION is a national broadcast television network that delivers popular crime and justice procedural programming to more than 100 million U.S. homes through its over-the-air broadcast and pay TV platforms. To comply with ownership rules of the Federal Communications Commission, we simultaneously divested 23 of ION's television stations, which were purchased by INYO Broadcast Holdings, LLC upon completion of the acquisition. These divested stations became independent affiliates of ION pursuant to long-term affiliation agreements. As a result of the acquisition and related divestitures, ION's programming is delivered through 48 owned and operated stations and 63 independent ION affiliated stations.

The acquisition of ION enabled us to create a full-scale national television networks business. By combining ION with our other news and entertainment networks, Scripps Networks reaches nearly every American through free over-the-air broadcast, cable/satellite, over-the-top and digital distribution, with multiple advertising-supported programming streams. The ION network airs on primary channels in its owned and operated markets and on digital subchannels in its affiliates' markets. Our other multicast networks air on digital subchannels on our and other broadcast stations.

The ION transaction was financed with a combination of cash, debt financing and preferred equity financing, including Berkshire Hathaway's \$600 million preferred equity investment in Scripps. Berkshire Hathaway did not receive any board seats or other governance rights with the preferred equity investment. Berkshire Hathaway also received a warrant to purchase up to 23.1 million Class A shares, at an exercise price of \$13 per share.

On July 1, 2021, we launched two previously announced national television networks. The two networks, which are distributed for free to viewers over-the-air and reached 92% of U.S. television homes at launch, are demo-specific and reality-based. TrueReal targets women in the 25-54 demographic and features off-network shows such as "Storage Wars," "Married at First Sight," "Hoarders," and "Little Women: LA." Defy TV targets men ages 25-54 with programming that includes off-network series such as "Pawn Stars," "Forged in Fire," "American Pickers," and "The Curse of Oak Island."

During the first quarter of 2021, the Company began notifying MVPDs carrying Newsy of our intent to exit cable and satellite distribution of the network. In October 2021, the network launched as an over-the-air television station. Newsy became the nation's only free 24/7 broadcast news network, available to more than 90% of U.S. television homes. The network is headquartered in Atlanta and is carried primarily on the Scripps-owned ION stations and select Scripps local television stations and those of other station groups. In connection with this Newsy restructuring plan, we incurred costs related to relocating certain employees, exiting certain contractual agreements and writing down assets associated with existing cable and satellite

provider relationships. For the nine months ended September 30, 2021, we have incurred restructuring charges totaling \$9.4 million, including \$7.1 million of charges for the write-downs of both capitalized carriage agreement payments and certain Newsy intangible assets.

On May 15, 2021, we redeemed the \$400 million outstanding principal amount of our 2025 Senior Notes for a redemption price equal to 102.563% of the aggregate principal amount plus accrued and unpaid interest. The notes were redeemed with cash on hand.

Our Board of Directors approved the sale of our Triton business in the first quarter of 2021 and we signed a definitive agreement to sell the business on February 16, 2021. The transaction closed on March 31, 2021 for total net proceeds of \$225 million.

Results of Operations

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, you should read the following discussion of our consolidated results of operations in conjunction with the discussion of the operating performance of our business segments that follows.

Consolidated Results of Operations

Consolidated results of operations were as follows:

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	Change	2020	2021	Change	2020
Operating revenues	\$ 555,243	12.6 %	\$ 493,262	\$ 1,661,241	31.2 %	\$ 1,266,368
Cost of revenues, excluding depreciation and amortization	(285,775)	25.6 %	(227,520)	(818,853)	20.0 %	(682,455)
Selling, general and administrative expenses, excluding depreciation and amortization	(140,745)	14.7 %	(122,737)	(428,884)	20.3 %	(356,573)
Acquisition and related integration costs	(251)		(10,928)	(35,582)		(16,059)
Restructuring costs	(1,872)		—	(9,436)		—
Depreciation and amortization of intangible assets	(42,086)		(26,856)	(122,344)		(80,846)
Gains (losses), net on disposal of property and equipment	31,109		2,012	30,954		(728)
Operating income	115,623		107,233	277,096		129,707
Interest expense	(41,013)		(21,387)	(126,905)		(70,184)
Loss on extinguishment of debt	—		—	(13,775)		—
Defined benefit pension plan expense	(264)		(1,261)	(250)		(3,313)
Gains on sale of business	—		—	81,784		—
Losses on stock warrants	—		—	(99,118)		—
Miscellaneous, net	674		1,488	(6,884)		1,050
Income from continuing operations before income taxes	75,020		86,073	111,948		57,260
Provision for income taxes	(16,654)		(22,100)	(48,866)		(17,997)
Income from continuing operations, net of tax	58,366		63,973	63,082		39,263
Income (loss) from discontinued operations, net of tax	332		(5,455)	6,827		(14,597)
Net income	\$ 58,698		\$ 58,518	\$ 69,909		\$ 24,666

On January 7, 2021, we acquired the national broadcast network ION. The inclusion of operating results from this business for the periods subsequent to the acquisition impacts the comparability of our consolidated and segment operating results.

Operating revenues increased \$62.0 million or 13% in the third quarter of 2021 and \$395 million or 31% for the first nine months of 2021 when compared to prior periods. Excluding the impact of ION, as well as the impact of the WPIX television station that was sold in the fourth quarter of 2020, operating revenues decreased \$51.1 million or 11% in the third quarter of

2021 and increased \$48.8 million or 4.0% for the first nine months of 2021 when compared to prior periods. Quarter and year-to-date revenues both benefited from higher retransmission revenues in our Local Media group and overall growth in our legacy Scripps Networks operations. Additionally, Local Media same-station core advertising revenue increased \$26.1 million and \$81.5 million in the quarter and year-to-date periods, respectively. The COVID-19 pandemic particularly had an impact on our 2020 results. Beginning with stay at home and similar orders, we began to see cancellations late in the first quarter, which we believe reduced our first quarter 2020 consolidated advertising revenue by about \$10 million. Second quarter 2020 results were significantly impacted by the economic downturn caused by the outbreak, with the greatest impact in April. We saw improvements in the advertising markets starting in May 2020 as economies began to reopen. In this non-election year, there was a decline in same-station political revenue of \$89.3 million and \$116 million in the quarter and year-to-date periods, respectively, which more than offset the quarterly revenue increases, but only partially offset year-to-date increases discussed above.

Costs of revenues, which are comprised of programming costs and costs associated with distributing our content, increased \$58.3 million or 26% in the third quarter of 2021 and \$136 million or 20% for the first nine months of 2021 when compared to prior periods. Programming costs, which represent the primary driver of fluctuation in costs of revenues, increased \$51.6 million in the third quarter of 2021 and \$128 million for the first nine months of 2021 when compared to prior periods. Excluding the impacts of the ION acquisition and the WPIX disposition, programming costs increased \$23.5 million or 18% in the third quarter of 2021 and \$55.2 million or 14% for the first nine months of 2021 when compared to prior periods, attributed to higher network affiliation fees at our Local Media and Scripps Networks stations, reflecting contractual rate increases, as well as an increase in programming costs associated with our legacy Scripps Networks operations.

Selling, general and administrative expenses are primarily comprised of sales, marketing and advertising expenses, research costs and costs related to corporate administrative functions. Selling, general and administrative expenses increased \$18.0 million or 15% in the third quarter of 2021 and \$72.3 million or 20% for the first nine months of 2021 when compared to prior periods, primarily attributed to incremental costs incurred related to the ION acquisition, as well as increases in employee compensation and the return of marketing and advertising costs across our businesses.

Acquisition and related integration costs of \$35.6 million incurred in the first nine months of 2021 primarily reflect investment banking, legal and professional service costs incurred to complete and integrate the ION acquisition, which closed on January 7, 2021.

Restructuring costs totaled \$9.4 million in the first nine months of 2021. In connection with the Newsy restructuring plan, we incurred charges in the first quarter totaling \$7.1 million for the write-downs of both capitalized carriage agreement payments and certain Newsy intangible assets. The additional Newsy restructuring charges for the year were primarily attributed to employee severance, relocation costs and Nielson contract costs.

Depreciation and amortization of intangible assets increased from \$80.8 million in 2020 to \$122 million in 2021 primarily due to the acquisition of ION.

Gains from the disposal of property and equipment in the third quarter of 2021 reflect a \$32.6 million gain from the sale of our KMGH Denver station's building.

Interest expense increased in the first nine months of 2021 due to the issuance of new debt to finance the ION acquisition, which included \$550 million of senior secured notes, \$500 million of senior unsecured notes and an \$800 million term loan issued upon the close of the acquisition.

We redeemed the outstanding principal amount of our 2025 Senior Notes during the second quarter of 2021. The redemption resulted in a loss on extinguishment of debt of \$13.8 million, representing the premium paid to retire the notes and write-off of unamortized debt financing costs.

In the first quarter of 2021, we recognized an \$81.8 million pre-tax gain from the disposition of the Triton business. The transaction closed on March 31, 2021 for total net proceeds of \$225 million.

The first nine months of 2021 included a \$99.1 million non-cash charge related to our outstanding common stock warrant. The warrant obligation was being marked-to-market each reporting period with the increase in our common stock price being the significant contributor to a higher valuation. Following an amendment to the common stock warrant agreement on May 14, 2021, the fair value of the warrant was reclassified to equity and is longer marked-to-market each reporting period.

The effective income tax rate was 44% and 31% for the nine months ended September 30, 2021 and 2020, respectively. Differences between our effective income tax rate and the U.S. federal statutory rate are the impact of state taxes, foreign taxes, non-deductible expenses, changes in reserves for uncertain tax positions, excess tax benefits or expense from the exercise and vesting of share-based compensation awards (\$1.8 million benefit in 2021 and \$1.2 million expense in 2020), state deferred rate changes and state NOL valuation allowance changes (\$1.2 million benefit in 2021 and \$3.5 million expense in 2020). Additionally, a non-deductible expense of \$102.6 million was recorded in 2021 related to issuance costs and unrealized losses on mark-to-market adjustments recorded on the common stock warrants issued in connection with the ION acquisition.

Discontinued Operations

Discontinued operations reflect the historical results of our Stitcher operations. During the second quarter of 2020, our Board of Directors approved the sale of our Stitcher podcasting business and we signed a definitive agreement for its sale on July 10, 2020. The transaction closed on October 16, 2020.

Business Segment Results — As discussed in the Notes to Condensed Consolidated Financial Statements, our chief operating decision maker evaluates the operating performance of our business segments using a measure called segment profit. Segment profit excludes interest, defined benefit pension plan amounts, income taxes, depreciation and amortization, impairment charges, divested operating units, restructuring activities, investment results and certain other items that are included in net income (loss) determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profit generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are, therefore, excluded from the measure. Generally, our corporate executives make financing, tax structure and divestiture decisions. Excluding these items from measurement of our business segment performance enables us to evaluate business segment operating performance based upon current economic conditions and decisions made by the managers of those business segments in the current period.

Our respective business segment results reflect the impact of intercompany carriage agreements between our local broadcast television stations and our national networks. We also allocate a portion of certain corporate costs and expenses, including information technology, certain employee benefits and shared services to our business segments. These intercompany agreements and allocations are generally amounts agreed upon by management, which may differ from an arms-length amount. Corporate assets are primarily cash and cash equivalents, restricted cash, property and equipment primarily used for corporate purposes and deferred income taxes.

Effective with the January 7, 2021 close of the ION acquisition, we realigned our internal reporting structure and changed the reporting of our businesses' operating results to reflect this new structure. Under the new structure, our operating results are reported under Local Media, Scripps Networks and Other segment captions. The Scripps Networks segment is comprised of nine national television networks that reach nearly every U.S. television home through free over-the-air broadcast, cable/satellite, over-the-top and digital distribution. The operating results of our recently sold Triton business, and the other national businesses that were previously reported in our National Media segment, are aggregated with our remaining business activities in the Other segment caption.

Information regarding the operating performance of our business segments and a reconciliation of such information to the condensed consolidated financial statements is as follows:

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	Change	2020	2021	Change	2020
Segment operating revenues:						
Local Media	\$ 331,316	(18.6)%	\$ 407,002	\$ 968,734	(4.3)%	\$ 1,011,879
Scripps Networks	226,550		72,825	678,945		216,232
Other	1,207	(92.8)%	16,668	24,378	(49.0)%	47,816
Intersegment eliminations	(3,830)	18.5 %	(3,233)	(10,816)	13.1 %	(9,559)
Total operating revenues	<u>\$ 555,243</u>	<u>12.6 %</u>	<u>\$ 493,262</u>	<u>\$ 1,661,241</u>	<u>31.2 %</u>	<u>\$ 1,266,368</u>
Segment profit (loss):						
Local Media	\$ 65,391	(55.8)%	\$ 147,794	\$ 185,971	(23.3)%	\$ 242,357
Scripps Networks	83,327		3,493	282,847		15,615
Other	(2,227)		3,846	513	(96.1)%	13,073
Shared services and corporate	(17,768)	46.5 %	(12,128)	(55,827)	27.7 %	(43,705)
Acquisition and related integration costs	(251)		(10,928)	(35,582)		(16,059)
Restructuring costs	(1,872)		—	(9,436)		—
Depreciation and amortization of intangible assets	(42,086)		(26,856)	(122,344)		(80,846)
Gains (losses), net on disposal of property and equipment	31,109		2,012	30,954		(728)
Interest expense	(41,013)		(21,387)	(126,905)		(70,184)
Loss on extinguishment of debt	—		—	(13,775)		—
Defined benefit pension plan expense	(264)		(1,261)	(250)		(3,313)
Gains on sale of business	—		—	81,784		—
Losses on stock warrants	—		—	(99,118)		—
Miscellaneous, net	674		1,488	(6,884)		1,050
Income from continuing operations before income taxes	<u>\$ 75,020</u>		<u>\$ 86,073</u>	<u>\$ 111,948</u>		<u>\$ 57,260</u>

Local Media — Our Local Media segment includes our 61 local broadcast stations and their related digital operations. It is comprised of 18 ABC affiliates, 11 NBC affiliates, nine CBS affiliates and four FOX affiliates. We also have 12 CW affiliates - four on full power stations and eight on multicast; five independent stations and 10 additional low power stations. Our Local Media segment earns revenue primarily from the sale of advertising to local, national and political advertisers and retransmission fees received from cable operators, telecommunications companies, satellite carriers and over-the-top virtual MVPDs.

National television networks offer affiliates a variety of programming and sell the majority of advertising within those programs. In addition to network programs, we broadcast internally produced local and national programs, syndicated programs, sporting events and other programs of interest in each station's market. News is the primary focus of our locally produced programming.

The operating performance of our Local Media group is most affected by local and national economic conditions, particularly conditions within the automotive and services categories, and by the volume of advertising purchased by campaigns for elective office and political issues. The demand for political advertising is significantly higher in the third and fourth quarters of even-numbered years.

Operating results for our Local Media segment were as follows:

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	Change	2020	2021	Change	2020
Segment operating revenues:						
Core advertising	\$ 167,294	10.4 %	\$ 151,488	\$ 480,388	12.0 %	\$ 428,759
Political	7,087	(92.6)%	96,375	11,591	(91.0)%	128,463
Retransmission and carriage fees	153,466	(1.2)%	155,302	465,486	5.5 %	441,094
Other	3,469	(9.6)%	3,837	11,269	(16.9)%	13,563
Total operating revenues	331,316	(18.6)%	407,002	968,734	(4.3)%	1,011,879
Segment costs and expenses:						
Employee compensation and benefits	109,557	(1.8)%	111,551	323,846	(0.7)%	326,071
Programming	110,376	10.4 %	99,991	330,304	8.8 %	303,514
Other expenses	45,992	(3.5)%	47,666	128,613	(8.1)%	139,937
Total costs and expenses	265,925	2.6 %	259,208	782,763	1.7 %	769,522
Segment profit	\$ 65,391	(55.8)%	\$ 147,794	\$ 185,971	(23.3)%	\$ 242,357

On December 30, 2020, we completed the sale of our WPIX television station. The exclusion of the station's operating results for the periods subsequent to the disposition impacts the comparability of our Local Media operating results.

Revenues

Total Local Media revenues decreased \$75.7 million or 19% in the third quarter of 2021 and \$43.1 million or 4.3% for the first nine months of 2021 when compared to prior periods. Excluding the impact of the WPIX disposition, Local Media revenues decreased \$60.1 million or 15% in the third quarter of 2021 and increased \$5.0 million or 0.5% for the first nine months of 2021 when compared to prior periods. Both the quarter and year-to-date periods of 2021 reflect decreases in political revenues during this non-election year. Retransmission revenues on a same-station basis increased \$2.2 million and \$37.4 million for the quarter and year-to-date periods, respectively. While retransmission revenues have been affected by subscriber losses by the MVPDs, particularly among satellite providers, rate increases have more than offset those subscriber declines. The year-to-date increase in retransmission revenues reflects the impact of renegotiated retransmission consent contracts, covering more than 30% of our subscriber households, that were completed in the first half of 2020. Core advertising revenues on a same-station basis increased \$26.1 million or 19% in the third quarter of 2021 and \$81.5 million or 20% for the first nine months of 2021 when compared to prior periods. Political advertising displacement as well as weakness in economic conditions attributed to the COVID-19 pandemic had an impact on our 2020 results. We began to see cancellations late in the first quarter and estimate that the impact of the pandemic reduced our core advertising revenues by at least \$8 million in the first quarter of 2020. Second quarter 2020 results were significantly impacted by the economic downturn caused by the outbreak, with the greatest impact in April. We saw improvements in the advertising markets starting in May 2020 as economies began to reopen.

Costs and expenses

Employee compensation and benefits decreased \$2.0 million or 1.8% in the third quarter of 2021 and decreased \$2.2 million or 0.7% for the first nine months of 2021 when compared to prior periods. Excluding the impact of the WPIX disposition, employee compensation and benefits increased \$6.1 million or 5.9% in the third quarter of 2021 and \$22.2 million or 7.4% for the first nine months of 2021. The increase in employee compensation and benefits is primarily attributed to annual merit increases, higher bonus compensation year-over-year, and increases in commissions as a result of higher advertising revenue.

Programming expense increased \$10.4 million or 10% in the third quarter of 2021 and \$26.8 million or 8.8% for the first nine months of 2021 when compared to prior periods. Excluding the impact of the WPIX disposition, the expense increased \$13.2 million or 14% in the third quarter of 2021 and \$35.4 million or 12% for the first nine months of 2021 reflecting the impact of higher network affiliation fees. Network affiliation fees have been increasing industry-wide due to higher rates on renewals, as well as contractual rate increases during the terms of the affiliation agreements.

Excluding the impact of the WPIX disposition, other expenses increased \$4.4 million or 11% in the third quarter of 2021 and \$3.8 million or 3.1% in the first nine months of 2021 when compared to prior periods. In response to the weakened economic conditions created by COVID-19, we implemented various cost saving initiatives through general expense reductions in areas of travel, entertainment and marketing toward the end of the first quarter of 2020. The increases in the quarter and year-to-date periods reflect an increase in both national representation commissions and marketing and advertising costs.

Scripps Networks — Our Scripps Networks segment is comprised of nine national television networks - ION, Bounce, Grit, Laff, Court TV, Court TV Mystery, Newsy, and recently launched, Defy TV and TrueReal. The networks reach nearly every U.S. television home through free over-the-air broadcast, cable/satellite, over-the-top and digital distribution. Our Scripps Networks group earns revenue primarily through the sale of advertising.

Operating results for our Scripps Networks segment were as follows:

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	Change	2020	2021	Change	2020
Total operating revenues	\$ 226,550		\$ 72,825	\$ 678,945		\$ 216,232
Segment costs and expenses:						
Employee compensation and benefits	26,361	92.4 %	13,699	73,160	84.6 %	39,637
Programming	76,398		34,485	202,676		100,394
Other expenses	40,464		21,148	120,262		60,586
Total costs and expenses	143,223		69,332	396,098	97.4 %	200,617
Segment profit	\$ 83,327		\$ 3,493	\$ 282,847		\$ 15,615

On January 7, 2021, we acquired the national broadcast network ION. The inclusion of operating results from this business for the periods subsequent to the acquisition impacts the comparability of our consolidated and segment operating results.

Revenues

Scripps Networks revenues, which are primarily comprised of advertising revenues, increased \$154 million in the third quarter of 2021 and \$463 million for the first nine months of 2021 when compared to prior periods. The amount of advertising revenue we earn is a function of the pricing negotiated with advertisers, the number of advertising spots sold and the audience impressions delivered. Weakness in economic conditions that began toward the end of the 2020 first quarter, reflecting the impact of the COVID-19 pandemic, negatively affected 2020 year-to-date and particularly second quarter 2020 advertising spending and rates for our Scripps Networks' businesses. The impact of the ION acquisition and significant year-over-year increases in advertising rates for our legacy Scripps Networks businesses, particularly direct response rates, were the primary drivers of revenue increases in the quarter and year-to-date periods.

Costs and expenses

Employee compensation and benefits increased \$12.7 million or 92% in the third quarter of 2021 and \$33.5 million or 85% for the first nine months of 2021 when compared to prior periods. When compared to the prior year, our average for full-time equivalent employees has increased over 80%, reflecting the impact of the ION acquisition and continued investment to support the growth of our legacy Scripps Networks' businesses. Higher year-over-year bonus compensation also contributed to the increase in employee compensation and benefits.

Programming expense increased \$41.9 million in the third quarter of 2021 and \$102 million for the first nine months of 2021 when compared to prior periods. Costs attributed to acquired ION programming and ION affiliation fees totaled \$31 million for the third quarter of 2021 and \$81.1 million for the first nine months of 2021. The remaining increase is driven by the launch of two new networks and higher affiliate fees reflecting both contractual rate increases and increased distribution across the legacy Scripps Networks' businesses.

Other expenses increased \$19.3 million in the third quarter of 2021 and \$59.7 million for the first nine months of 2021 when compared to prior periods. The increase primarily reflects incremental occupancy, marketing and other administrative costs related to the ION acquisition. Additionally, marketing, advertising and rating services costs attributed to our legacy Scripps Networks' businesses increased \$4 million in the third quarter of 2021 and \$15.2 million for the first nine months of 2021.

Shared services and corporate

We centrally provide certain services to our business segments. Such services include accounting, tax, cash management, procurement, human resources, employee benefits and information technology. The business segments are allocated costs for such services at amounts agreed upon by management. Such allocated costs may differ from amounts that might be negotiated at arms-length. Costs for such services that are not allocated to the business segments are included in shared services and corporate costs. Shared services and corporate also includes unallocated corporate costs, such as costs associated with being a public company.

Liquidity and Capital Resources

Our primary source of liquidity is our available cash and borrowing capacity under our revolving credit facility. Our primary source of cash is generated from our ongoing operations. Cash from operations can be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic. At the end of September 30, 2021, we had approximately \$72.2 million of unrestricted cash on hand and \$393 million of additional borrowing capacity under our revolving credit facility. Based on our current business plan, we believe our cash flow from operations will provide sufficient liquidity to meet the Company's operating needs for the next 12 months.

Debt Covenants

Our term loans and our unsecured notes do not have maintenance covenants. The earliest maturity of our term loans and unsecured notes is the fourth quarter of 2024. Our revolving credit facility permits maximum leverage of 4.75 times the two-year average earnings before interest, taxes, depreciation and amortization (EBITDA) as defined by our credit agreement, through second quarter of 2022, at which point it steps down to 4.5 times. Based upon our current outlook, we expect to be in compliance with that covenant.

Cash Flows - Operating Activities

Cash flows from operating activities for the nine months ended September 30 are as follows:

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Income from continuing operations, net of tax	\$ 63,082	\$ 39,263
Adjustments to reconcile net income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	122,344	80,846
Losses (gains), net on disposal of property and equipment	(30,954)	728
Loss on extinguishment of debt	13,775	—
Gains on sale of business	(81,784)	—
Losses on stock warrants	99,118	—
Programming assets and liabilities	(53,811)	(31,960)
Restructuring impairment charges	7,050	—
Deferred income taxes	13,287	32,019
Stock and deferred compensation plans	21,091	12,233
Pension contributions, net of income/expense	(24,652)	(27,218)
Other changes in certain working capital accounts, net	(13,109)	58,416
Miscellaneous, net	15,038	14,000
Net cash provided by operating activities from continuing operations	150,475	178,327
Net cash provided by (used in) operating activities from discontinued operations	6,077	(18,528)
Net operating activities	<u>\$ 156,552</u>	<u>\$ 159,799</u>

In 2021 and 2020, cash provided by operating activities from continuing operations was \$150 million and \$178 million, respectively. The \$27.9 million decrease in cash provided by operating activities from continuing operations was attributable to a \$186 million year-over-year increase in segment profit offset by a \$45.2 million increase in interest paid, \$73.9 million increase in income taxes paid, \$19.5 million increase in acquisition and integration costs and year-over-year cash outlay increase of \$21.9 million for programming investments in excess of programming amortization. The increase in interest payments reflects the impact of the issuance of new debt related to the financing of the ION acquisition. Additionally, changes in accounts payable and unearned revenue working capital accounts decreased cash provided by operating activities by \$48.4 million. In the third quarter of 2020, we received advance payments for fourth quarter political advertising campaigns, which increased prior year cash provided by operating activities by \$26 million. Timing of payments made on accounts payable decreased year-over-year cash provided by operating activities by \$22.4 million, mainly attributable to the slower timing of payments made to vendors in the prior year as a way to control liquidity during the economic conditions created by the COVID-19 pandemic.

Cash Flows - Investing Activities

Cash flows from investing activities for the nine months ended September 30 are as follows:

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Investing Activities:		
Acquisitions, net of cash acquired	\$ (2,679,798)	\$ 2,500
Proceeds from sale of Triton Digital, net of cash disposed	224,990	—
Acquisition of intangible assets	(430)	(1,480)
Additions to property and equipment	(45,026)	(38,086)
Purchase of investments	(11,785)	(5,453)
Proceeds from FCC repack	18,198	19,164
Miscellaneous, net	33,686	3,980
Net cash used in investing activities from continuing operations	(2,460,165)	(19,375)
Net cash provided by (used in) investing activities from discontinued operations	10,000	(333)
Net investing activities	<u>\$ (2,450,165)</u>	<u>\$ (19,708)</u>

In 2021 and 2020, we used \$2.5 billion and \$19.4 million, respectively, in cash for investing activities from continuing operations. The primary factors affecting these cash flows for the periods presented are described below.

- In 2021, we acquired ION for \$2.7 billion, net of cash acquired.
- In March 2021, we completed the sale of our Triton business for a total net proceeds of \$225 million.
- Capital expenditures increased \$6.9 million year-over-year.
- In 2021, we contributed \$11.8 million in cash to our investments, including a \$10 million investment in Misfits Gaming Group, which is a premier eSports platform and Millennial/Gen-Z focused media and content engine.
- In 2021 and 2020, we received \$18.2 million and \$19.2 million, respectively, in reimbursement proceeds from the FCC repacking process. The remaining FCC repack receivable balance is \$1.0 million as of September 30, 2021.
- We completed the building sale for our Denver KMGH television station in the third quarter of 2021 for proceeds of \$34.3 million, which is included in the miscellaneous, net investing activities total.

Cash Flows - Financing Activities

Cash flows from financing activities for the nine months ended September 30 are as follows:

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Financing Activities:		
Net borrowings under revolving credit facility	\$ —	\$ —
Proceeds from issuance of long-term debt	800,000	—
Proceeds from issuance of preferred stock	600,000	—
Payments on long-term debt	(513,959)	(7,959)
Premium paid on debt extinguishment	(10,252)	—
Payments on financing costs	(50,597)	—
Payments for capitalized preferred stock issuance costs	(11,526)	—
Dividends paid on common and preferred stock	(33,067)	(12,415)
Tax payments related to shares withheld for vested stock and RSUs	(6,725)	(2,323)
Miscellaneous, net	203	(21,837)
Net cash provided by (used in) financing activities from continuing operations	<u>\$ 774,077</u>	<u>\$ (44,534)</u>

In 2021, cash provided by financing activities from continuing operations was \$774 million while in 2020, cash used by financing activities from continuing operations was \$44.5 million. As of September 30, 2021, we had no outstanding borrowings under our revolving credit facility. Other factors impacting our cash flows from financing activities from continuing operations are described below.

On January 7, 2021, we issued an \$800 million term loan B, maturing in 2028, in connection with the closing of the ION acquisition. Additionally, we entered into a Securities Purchase Agreement with Berkshire Hathaway Inc., ("Berkshire Hathaway"), pursuant to which Berkshire Hathaway provided \$600 million of financing in exchange for 6,000 Series A Preferred Shares of the Company. The Preferred Shares, having a face value of \$100,000 per share, are perpetual and will be redeemable at the option of the Company beginning on the fifth anniversary of issuance, and redeemable at the option of the holders in the event of a Change of Control (as defined in the terms of the Preferred Shares), in each case at a redemption price of 105% of the face value, plus accrued and unpaid dividends (whether or not declared). Preferred stock dividends, effective through September 15, 2021, were paid in 2021 totaling \$33.1 million.

During the second quarter of 2021, we redeemed the \$400 million outstanding principal amount of our 2025 Senior Notes for a redemption price equal to 102.563% of the aggregate principal amount. Additionally, during 2021 we made additional principal payments on the 2028 term loan totaling \$100 million. The debt was redeemed with cash on hand.

As of September 30, 2021, we have \$1.55 billion of senior notes and \$1.73 billion outstanding balance on our term loans. Our debt has required annual principal payments of \$18.6 million.

In May 2021, our Board of Directors provided additional debt repurchase program authorization pursuant to which we may reduce, through redemptions or open market purchases and retirement, a combination of the outstanding principal balance of our senior secured and senior unsecured notes. The authorization currently permits an aggregate principal amount reduction of up to \$600 million and expires on March 1, 2023.

In February 2020, our Board of Directors authorized a new share repurchase program of up to \$100 million of our Class A Common shares through March 1, 2022. Shares can be repurchased under the authorization via open market purchases or privately negotiated transactions, including accelerated stock repurchase transactions, block trades, or pursuant to trades intended to comply with Rule 10b5-1 of the Securities Exchange Act of 1934. No shares were repurchased under any authorizations during the first nine months of 2021 or 2020. Under the terms of the Preferred Shares, we are prohibited from paying dividends on and repurchasing our common shares until all Preferred Shares are redeemed.

Other

During the remainder of 2021, we anticipate contributing an additional \$0.6 million to fund the SERPs' benefit payments. As of September 30, 2021, we have met our 2021 funding requirements under the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. We do not expect to make any contributions to our defined pension plan the remainder of the year.

Off-Balance Sheet Arrangements and Contractual Obligations***Off-Balance Sheet Arrangements***

There have been no material changes to the off-balance sheet arrangements disclosed in our 2020 Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires us to make a variety of decisions that affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements included in our 2020 Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used or changes in estimates that are likely to occur could materially change the financial statements. We believe the accounting for acquisitions, goodwill and indefinite-lived intangible assets and pension plans to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2020 Annual Report on Form 10-K.

Recent Accounting Guidance

Refer to Note 2. Recently Adopted and Issued Accounting Standards of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

Quantitative and Qualitative Disclosures About Market Risk

Earnings and cash flow can be affected by, among other things, economic conditions and interest rate changes. We are also exposed to changes in the market value of our investments.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows and to reduce overall borrowing costs. We may use derivative financial instruments to modify exposure to risks from fluctuations in interest rates. In accordance with our policy, we do not use derivative instruments unless there is an underlying exposure, and we do not hold or enter into financial instruments for speculative trading purposes.

We are subject to interest rate risk associated with our credit agreement, as borrowings bear interest at LIBOR plus respective fixed margin spreads or spreads determined relative to our Company's leverage ratio. Accordingly, the interest we pay on our borrowings is dependent on interest rate conditions and the timing of our financing needs. With consideration for the LIBOR floor that is present in our term loans due in 2026 and 2028, a 100 basis point increase in LIBOR would increase annual interest expense on our variable rate borrowings by approximately \$7.7 million.

The following table presents additional information about market-risk-sensitive financial instruments:

(in thousands)	As of September 30, 2021		As of December 31, 2020	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk:				
Revolving credit facility	\$ —	\$ —	\$ —	\$ —
Senior secured notes, due in 2029	550,000	551,920	550,000	573,375
Senior unsecured notes, due in 2025	—	—	400,000	409,000
Senior unsecured notes, due in 2027	500,000	513,125	500,000	522,500
Senior unsecured notes, due in 2031	500,000	491,575	500,000	525,800
Term loan, due in 2024	288,000	286,200	290,250	288,436
Term loan, due in 2026	745,952	745,019	751,660	745,083
Term loan, due in 2028	694,000	696,169	—	—
Long-term debt, including current portion	<u>\$ 3,277,952</u>	<u>\$ 3,284,008</u>	<u>\$ 2,991,910</u>	<u>\$ 3,064,194</u>
Financial instruments subject to market value risk:				
Investments held at cost	<u>\$ 15,267</u>	<u>(a)</u>	<u>\$ 4,564</u>	<u>(a)</u>

(a) Includes securities that do not trade in public markets, thus the securities do not have readily determinable fair values. We estimate the fair value of these securities approximates their carrying value.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Scripps management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company’s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective.

There were no changes to the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. On January 7, 2021, we completed the acquisition of the ION Media Networks, Inc., and have excluded the business from management's reporting on internal control over financial reporting, as permitted by SEC guidance, for the quarter ended September 30, 2021. ION has total assets of approximately \$3.4 billion, or 52% of our total assets as of September 30, 2021, and revenues of \$394 million, or 24% of our total revenues for the nine months ended September 30, 2021.

Certification

I, Adam P. Symson, certify that:

1. I have reviewed this report on Form 10-Q of The E.W. Scripps Company;
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 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 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 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 that 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: November 5, 2021

BY: /s/ Adam P. Symson

Adam P. Symson

President and Chief Executive Officer

Certification

I, Jason Combs, certify that:

1. I have reviewed this report on Form 10-Q of The E.W. Scripps Company;
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 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 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 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 that 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: November 5, 2021

BY: /s/ Jason Combs

Jason Combs

Executive Vice President and Chief Financial Officer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002

I, Adam P. Symson, President and Chief Executive Officer of The E.W. Scripps Company (the “Company”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the “Report”), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

BY: /s/ Adam P. Symson

Adam P. Symson
President and Chief Executive Officer
November 5, 2021

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002

I, Jason Combs, Executive Vice President and Chief Financial Officer of The E.W. Scripps Company (the “Company”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the “Report”), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

BY: /s/ Jason Combs

Jason Combs

Executive Vice President and Chief Financial Officer

November 5, 2021