

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

Form 10-Q

(Mark One)

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

For the Quarterly Period ended March 31, 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 1-11588

Saga Communications, Inc.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

73 Kercheval Avenue

Grosse Pointe Farms, Michigan

(Address of principal executive offices)

38-3042953

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

48236

(Zip Code)

(313) 886-7070

(Registrant's telephone number, including area code)

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 \$.01 per share	SGA	NASDAQ

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company Emerging growth company

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

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

The number of shares of the registrant's Class A Common Stock, \$.01 par value, and Class B Common Stock, \$.01 par value, outstanding as of May 5, 2021 was 5,042,752 and 937,641, respectively.

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PART I — FINANCIAL INFORMATION

Item 1. Financial StatementsSAGA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2021	December 31, 2020
	(Unaudited)	(Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,313	\$ 51,353
Accounts receivable, net	12,670	15,732
Prepaid expenses and other current assets	2,750	2,988
Barter transactions	1,152	895
Total current assets	<u>72,885</u>	<u>70,968</u>
Property and equipment	142,299	142,680
Less accumulated depreciation	88,277	87,795
Net property and equipment	<u>54,022</u>	<u>54,885</u>
Other assets:		
Broadcast licenses, net	90,277	90,208
Goodwill	19,209	19,106
Other intangibles, right of use assets, deferred costs and investments, net	11,014	11,321
	<u>\$ 247,407</u>	<u>\$ 246,488</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,341	\$ 2,212
Accrued payroll and payroll taxes	5,730	5,660
Other accrued expenses	4,780	5,267
Barter transactions	1,005	795
Total current liabilities	<u>13,856</u>	<u>13,934</u>
Deferred income taxes	24,637	24,607
Long-term debt	10,000	10,000
Other liabilities	7,050	7,405
Total liabilities	<u>55,543</u>	<u>55,946</u>
Commitments and contingencies		
	—	—
Stockholders' equity:		
Common stock	77	77
Additional paid-in capital	69,043	68,900
Retained earnings	159,748	158,990
Treasury stock	(37,004)	(37,425)
Total stockholders' equity	<u>191,864</u>	<u>190,542</u>
	<u>\$ 247,407</u>	<u>\$ 246,488</u>

Note: The balance sheet at December 31, 2020 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2021	2020
	(Unaudited)	
	(In thousands, except per share data)	
Net operating revenue	\$ 22,301	\$ 26,051
Station operating expenses	18,923	22,199
Corporate general and administrative	2,438	3,015
Other operating expense (income), net	57	(1,330)
Operating income	883	2,167
Interest expense	73	108
Interest income	(6)	(108)
Other income	(272)	(213)
Income before income tax expense	1,088	2,380
Income tax expense	330	700
Net income	\$ 758	\$ 1,680
Earnings per share:		
Basic	\$ 0.13	\$ 0.28
Diluted	\$ 0.13	\$ 0.28
Weighted average common shares	5,913	5,866
Weighted average common and common equivalent shares	5,913	5,866
Dividends declared per share	\$ —	\$ 0.32

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital (In thousands)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount (unaudited)				
Balance at December 31, 2019	6,771	\$ 68	954	\$ 9	\$ 66,811	\$ 162,822	\$ (37,358)	\$ 192,352
Net income, three months ended March 31, 2020	—	—	—	—	—	1,680	—	1,680
Dividends declared per common share	—	—	—	—	—	(1,919)	—	(1,919)
Compensation expense related to restricted stock awards	—	—	—	—	569	—	—	569
Purchase of shares held in treasury	—	—	—	—	—	—	(20)	(20)
401(k) plan contribution	—	—	—	—	(131)	—	382	251
Balance at March 31, 2020	<u>6,771</u>	<u>\$ 68</u>	<u>954</u>	<u>\$ 9</u>	<u>\$ 67,249</u>	<u>\$ 162,583</u>	<u>\$ (36,996)</u>	<u>\$ 192,913</u>

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital (In thousands)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount (unaudited)				
Balance at December 31, 2020	6,785	\$ 68	938	\$ 9	\$ 68,900	\$ 158,990	\$ (37,425)	\$ 190,542
Net income, three months ended March 31, 2021	—	—	—	—	—	758	—	758
Compensation expense related to restricted stock awards	—	—	—	—	343	—	—	343
401(k) plan contribution	—	—	—	—	(200)	—	421	221
Balance at March 31, 2021	<u>6,785</u>	<u>\$ 68</u>	<u>938</u>	<u>\$ 9</u>	<u>\$ 69,043</u>	<u>\$ 159,748</u>	<u>\$ (37,004)</u>	<u>\$ 191,864</u>

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31,	
	2021	2020
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net cash provided by operating activities	\$ 5,352	\$ 5,065
Cash flows from investing activities:		
Acquisition of property and equipment	(534)	(1,021)
Acquisition of broadcast properties	(150)	(190)
Proceeds from sale and disposal of assets	22	—
Proceeds from insurance claims	272	213
Other investing activities	(2)	8
Net cash used in investing activities	(392)	(990)
Cash flows from financing activities:		
Cash dividends paid	—	(1,797)
Purchase of treasury shares	—	(20)
Net cash used in financing activities	—	(1,817)
Net increase in cash and cash equivalents	4,960	2,258
Cash and cash equivalents, beginning of period	51,353	44,034
Cash and cash equivalents, end of period	<u>\$ 56,313</u>	<u>\$ 46,292</u>

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of March 31, 2021 and the results of operations for the three months ended March 31, 2021 and 2020. Results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

We own or operate broadcast properties in 27 markets, including 79 FM and 35 AM radio stations and 79 metro signals.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2020.

We have evaluated events and transactions occurring subsequent to the balance sheet date of March 31, 2021, for items that should potentially be recognized in these financial statements or discussed within the notes to the financial statements.

Earnings Per Share Information

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company's Second Amended and Restated 2005 Incentive Compensation Plan, that earn dividends on an equal basis with common shares. In applying the two-class method, earnings are allocated to both common shares and participating securities.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three Months Ended March 31,	
	2021	2020
(In thousands, except per share data)		
Numerator:		
Net income	\$ 758	\$ 1,680
Less: Income allocated to unvested participating securities	8	37
Net income available to common stockholders	<u>\$ 750</u>	<u>\$ 1,643</u>
Denominator:		
Denominator for basic earnings per share — weighted average shares	5,913	5,866
Effect of dilutive securities:		
Common stock equivalents	—	—
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	<u>5,913</u>	<u>5,866</u>
Earnings per share:		
Basic	<u>\$ 0.13</u>	<u>\$ 0.28</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.28</u>

There were no stock options outstanding that had an antidilutive effect on our earnings per share calculation for the three months ended March 31, 2021 and 2020, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.

Financial Instruments

Our financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The carrying value of long-term debt approximates fair value as it carries interest rates that either fluctuate with the euro-dollar rate, prime rate or have been reset at the prevailing market rate at March 31, 2021.

Allowance for Doubtful Accounts

A provision for doubtful accounts is recorded based on our judgment of collectability of receivables. Amounts are written off when determined to be fully uncollectible. Delinquent accounts are based on contractual terms. We have included in our calculation of our allowance for doubtful accounts, the potential impact of the COVID-19 pandemic on our customers' businesses and their ability to pay their accounts receivable. We maintain a specific allowance for estimated losses resulting from the inability of certain customers to make required payments. We also consider factors external to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit loss. Our allowance for doubtful accounts was \$528,000 and \$648,000 at March 31, 2021 and December 31, 2020, respectively.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Income Taxes

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount. We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period.

Segments

We serve twenty-seven radio markets (reporting units) that aggregate into one operating segment (Radio), which also qualifies as a reportable segment. We operate under one reportable business segment for which segment disclosure is consistent with the management decision-making process that determines the allocation of resources and the measuring of performance. The Chief Operating Decision Maker (“CODM”) evaluates the results of the radio operating segment and makes operating and capital investment decisions based at the Company level. Furthermore, technological enhancements and system integration decisions are reached at the Company level and applied to all markets rather than to specific or individual markets to ensure that each market has the same tools and opportunities as every other market. Managers at the market level do not report to the CODM and instead report to other senior management, who are responsible for the operational oversight of radio markets and for communication of results to the CODM. We continually review our operating segment classification to align with operational changes in our business and may make changes as necessary.

Time Brokerage Agreements/Local Marketing Agreements

We have entered into Time Brokerage Agreements (“TBAs”) or Local Marketing Agreements (“LMAs”) in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Statements of Income. Assets and liabilities related to the TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Balance Sheets.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes (Topic 740): Simplifying the Accounting for Incomes Taxes*” (“ASU 2019-12”) which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance regarding the tax treatment of certain franchise taxes, goodwill and nontaxable entities, among other items to improve consistent application. ASU 2019-12 is effective for fiscal years and interim periods beginning after December 15, 2020. The Company adopted this standard on January 1, 2021 and there was no material impact as a result of adoption.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

3. Revenue*Nature of goods and services*

The following is a description of principal activities from which we generate our revenue:

Broadcast Advertising Revenue

Our primary source of revenue is from the sale of advertising for broadcast on our stations. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory placed by an agency and are reported as a reduction of advertising revenue.

Digital Advertising Revenue

We recognize revenue from our digital initiatives across multiple platforms such as targeted digital advertising, online promotions, advertising on our websites, mobile messaging, email marketing and other e-commerce. Revenue is recorded when each specific performance obligation in the digital advertising campaign takes place, typically within a one month period.

Other Revenue

Other revenue includes revenue from concerts, promotional events, tower rent and other miscellaneous items. Revenue is generally recognized when the event is completed, as the promotional events are completed or as each performance obligation is satisfied.

Disaggregation of Revenue

Revenues from contracts with customers comprised the following for the three months ended March 31, 2021 and 2020:

	Three Months Ended	
	March 31,	
	2021	2020
	(in thousands)	
Types of Revenue		
Broadcast Advertising Revenue, net	\$ 20,007	\$ 23,754
Digital Advertising Revenue	1,000	858
Other Revenue	1,294	1,439
Net Revenue	<u>\$ 22,301</u>	<u>\$ 26,051</u>

Contract Liabilities

Payments from our advertisers are generally due within 30 days although certain advertisers are required to pay in advance. When an advertiser pays for the services in advance of the performance obligations these prepayments are recorded as contract liabilities. Typical contract liabilities relate to prepayments for advertising spots not yet run; prepayments from sponsors for events that have not yet been held; and gift cards sold on our websites used to finance a broadcast advertising campaign. Generally all contract liabilities are expected to be recognized within one year and are included in accounts payable in the Company's Condensed Consolidated Financial Statements and are immaterial.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Transaction Price Allocated to the Remaining Performance Obligations

As the majority of our sales contracts are one year or less, we have utilized the optional exemption under ASC 606-10-50-14 and will not disclose information about the remaining performance obligations for sales contracts which have original expected durations of one year or less.

4. Broadcast License, Goodwill and Other Intangible Assets

We evaluate our FCC licenses for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. We operate our broadcast licenses in each market as a single asset and determine the fair value by relying on a discounted cash flow approach assuming a start-up scenario in which the only assets held by an investor are broadcast licenses. The fair value calculation contains assumptions incorporating variables that are based on past experiences and judgments about future operating performance using industry normalized information for an average station within a market. These variables include, but are not limited to: (1) the forecasted growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) the estimated available advertising revenue within the market and the related market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. If the carrying amount of FCC licenses is greater than their estimated fair value in a given market, the carrying amount of FCC licenses in that market is reduced to its estimated fair value.

We also evaluate goodwill for impairment annually, or more frequently if certain circumstances are present. If the carrying amount of goodwill in a reporting unit is greater than the implied value of goodwill determined by completing a hypothetical purchase price allocation using estimated fair value of the reporting unit, the carrying amount of goodwill in that reporting unit is reduced to its implied value.

As of March 31, 2021 we performed a high-level qualitative assessment and determined it was not necessary to complete an interim impairment test. After our low point in Q2 2020, our revenue has been increasing and our analysis as of September 30, 2020 is still our best estimate of future revenues. During the first quarter of 2021, we have had no further triggering events and therefore did not perform any additional impairment calculations for goodwill or our broadcast licenses. We will continue to monitor potential triggering events and perform the appropriate analysis when deemed necessary.

If actual market conditions are less favorable than those estimated by us or if events occur or circumstances change that would reduce the fair value of our broadcast licenses below the carrying value, we may be required to recognize impairment charges in future periods. Such a charge could have a material effect on our consolidated financial statements.

We evaluate amortizable intangible assets for recoverability when circumstances indicate impairment may have occurred, using an undiscounted cash flow methodology. If the future undiscounted cash flows for the intangible asset are less than net book value, then the net book value is reduced to the estimated fair value. Amortizable intangible assets are included in other intangibles, deferred costs and investments in the consolidated balance sheets. Intangible assets that have finite lives are amortized over their useful lives using the straight-line method. Favorable lease agreements are amortized over the lives of the leases ranging from five to twenty-six years. Other intangibles are amortized over one to fifteen years. Customer relationships are amortized over three years.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

5. Common Stock and Treasury Stock

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through March 31, 2021:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2020	6,771	954
Conversion of shares	16	(16)
Issuance of restricted stock	—	—
Forfeiture of restricted stock	(2)	—
Balance, December 31, 2020	6,785	938
Balance, March 31, 2021	6,785	938

We have a Stock Buy-Back Program to allow us to purchase up to \$75.8 million of our Class A Common Stock. As of March 31, 2021, we have remaining authorization of \$18.8 million for future repurchases of our Class A Common Stock. On September 14, 2017, the Board of Directors authorized the repurchase of our Class A Common Stock under our trading plan adopted pursuant to Securities and Exchange Commission Rule 10b5-1. The Rule 10b5-1 repurchase plan allows us to repurchase our shares during periods when we would normally not be active in the market due to our internal trading blackout periods. Under the plan, we may repurchase our Class A Common Stock in any combination of open market, block transactions and privately negotiated transactions subject to market conditions, legal requirements including applicable SEC regulations (which include certain price, market, volume and timing constraints), specific repurchase instructions and other corporate considerations. Purchases under the plan are funded by cash on our balance sheet. The plan does not obligate us to acquire any particular amount of Class A Common Stock. Our original purchase authorization was effective until September 1, 2018 and has been extended several times, with the most recent extension being through May 28, 2020. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan. During the three months ended March 31, 2021 and 2020, approximately 0 and 800 shares, respectively, were repurchased for \$0 and \$20,000 respectively, related to the Stock Buy-Back Program.

6. Leases

We lease certain land, buildings and equipment for use in our operations. We recognize lease expense for these leases on a straight-line basis over the lease term and combine lease and non-lease components for all leases. Right-of-use (“ROU”) assets and lease liabilities are recorded on the balance sheet for all leases with an expected term of at least one year. Some leases include one or more options to renew. The exercise of lease renewal options is generally at our discretion. The depreciable lives of ROU assets are limited to the expected lease term. Our lease agreements do not contain any residual value guarantees or material restrictive covenants. As of March 31, 2021, we do not have any non-cancellable operating lease commitments that have not yet commenced.

ROU assets are classified within other intangibles, deferred costs and investments, net on the condensed consolidated balance sheet while current lease liabilities are classified within other accrued expenses and long-term lease liabilities are classified within other liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. ROU assets were \$6.3 million and \$6.6 million at March 31, 2021 and December 31, 2020 respectively. Lease liabilities were \$6.6 million and \$6.9 million at March 31, 2021 and December 31, 2020, respectively. During the three months ended March 31, 2021, we recorded additional ROU assets under operating leases of \$35,000. Payments on lease liabilities during the three months ended March 31, 2021 and 2020 totaled \$469,000, and \$457,000, respectively.

Lease expense includes cost for leases with terms in excess of one year. For the three months ended March 31, 2021 and 2020, our total lease expense was \$440,000, and \$433,000, respectively. Short-term lease costs are de minimus.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We have no financing leases and minimum annual rental commitments under non-cancellable operating leases consisted of the following at March 31, 2021 (in thousands):

Years Ending December 31,	
2021 (a)	\$ 1,309
2022	1,692
2023	1,368
2024	1,054
2025	657
Thereafter	1,572
Total lease payments (b)	7,652
Less: Interest (c)	1,065
Present value of lease liabilities (d)	<u>\$ 6,587</u>

- (a) Remaining payments are for the nine-months ending December 31, 2021
- (b) Lease payments include options to extend lease terms that are reasonably certain of being exercised. There were no legally binding minimum lease payments for leases signed but not yet commenced at March 31, 2021.
- (c) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.
- (d) The weighted average remaining lease term and weighted average discount rate used in calculating our lease liabilities were 6.3 years and 4.3%, respectively, at March 31, 2021.

7. Acquisitions and Dispositions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. The consolidated statements of income include the operating results of the acquired stations from their respective dates of acquisition. All acquisitions were accounted for as purchases and, accordingly, the total purchase consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition dates. The excess of the consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill. The Company accounts for acquisitions under the provisions of FASB ASC Topic 805, *Business Combinations*.

Management assigned fair values to the acquired property and equipment through a combination of cost and market approaches based upon each specific asset's replacement cost, with a provision for depreciation, and to the acquired intangibles, primarily an FCC license, based on the Greenfield valuation methodology, a discounted cash flow approach.

2021 Acquisitions

On January 8, 2021, the Company closed on an agreement to purchase WBQL and W288DQ from Consolidated Media, LLC, for an aggregate purchase price of \$175,000, of which \$25,000 was paid in 2020 and the remaining \$150,000 paid in 2021. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Clarksville, Tennessee market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The translators are start-up stations and therefore, have no pro forma revenue and expenses.

2020 Acquisitions

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of \$200,000, of which \$10,000 was paid in 2019 and the remaining \$190,000 paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The translators are start-up stations and therefore, have no pro forma revenue and expenses.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Condensed Consolidated Balance Sheet of 2021 and 2020 Acquisitions:

The following unaudited condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2021 and 2020 acquisitions.

Saga Communications, Inc.**Condensed Consolidated Balance Sheet of 2021 and 2020 Acquisitions**

	Acquisitions in	
	2021	2020
	(In thousands)	
Assets Acquired:		
Property and equipment	\$ 3	\$ 11
Other assets:		
Broadcast licenses	69	46
Goodwill	103	143
Total other assets	172	189
Total assets acquired	175	200
Liabilities Assumed:		
Current liabilities	—	—
Total liabilities assumed	—	—
Net assets acquired	\$ 175	\$ 200

8. Income taxes

On March 18, 2020, the Families First Coronavirus Response Act ("FFCR Act"), and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") were each enacted in response to the COVID-19 pandemic. The FFCR Act and the CARES Act contain numerous tax provisions, such as deferring payroll payments, establishing a credit for the retention of certain employees, relaxing limitations on the deductibility of interest, and updating the definition of qualified improvement property. This legislation currently has no material impact to the Company's financial statements.

An income tax expense of \$330,000 was recorded for the three months ended March 31, 2021 compared to income tax expense of \$700,000 for the three months ended March 31, 2020. The effective tax rate was approximately 30.3% for the three months ended March 31, 2021 compared to 29.4% for the three months ended March 31, 2020. Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates and are adjusted for the effects of significant, infrequent or unusual items (i.e. discrete items) occurring during the interim period.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

9. Stock-Based Compensation*2005 Incentive Compensation Plan*

On October 16, 2013 our stockholders approved the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan, which was amended in 2018 after approval of the amendment by our stockholders at our 2018 annual meeting (as amended, the “Second Restated 2005 Plan”). The 2005 Incentive Compensation Plan, which replaced our 2003 Stock Option Plan, was first approved by stockholders in 2005 and subsequently this plan was re-approved by stockholders in 2010. The changes made in 2013 in the Second Restated 2005 Plan (i) increased the number of authorized shares by 233,334 shares of Common Stock, (ii) extended the date for making awards to September 6, 2018, (iii) included directors as participants, (iv) targeted awards according to groupings of participants based on ranges of base salary of employees and/or retainers of directors, (v) required participants to retain 50 % of their net annual restricted stock awards during their employment or service as a director, and (vi) included a clawback provision. The 2018 amendment to the Second Restated 2005 Plan (i) extended the date for making awards to September 6, 2023 and (ii) increased the number of authorized shares under the Plan by 90,000 shares of Class B Common Stock. The Second Restated 2005 Plan allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to eligible employees and non-employee directors.

The number of shares of Common Stock that may be issued under the Second Restated 2005 Plan may not exceed 370,000 shares of Class B Common Stock, 990,000 shares of Class A Common Stock of which up to 620,000 shares of Class A Common Stock may be issued pursuant to incentive stock options and 370,000 Class A Common Stock issuable upon conversion of Class B Common Stock. Awards denominated in Class A Common Stock may be granted to any employee or director under the Second Restated 2005 Plan. However, awards denominated in Class B Common Stock may only be granted to Edward K. Christian, President, Chief Executive Officer, Chairman of the Board of Directors, and the holder of 100% of the outstanding Class B Common Stock of the Company. Stock options granted under the Second Restated 2005 Plan may be for terms not exceeding ten years from the date of grant and may not be exercised at a price which is less than 100% of the fair market value of shares at the date of grant.

Stock-Based Compensation

All stock options granted were fully vested and expensed at December 31, 2012, therefore there was no compensation expense related to stock options for the three months ended March 31, 2021 and 2020, respectively.

There were no options granted during 2021 and 2020 and there were no stock options outstanding as of March 31, 2021. All outstanding stock options were exercised in 2017.

The following summarizes the restricted stock transactions for the three months ended March 31, 2021:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	63,755	\$ 32.90
Vested	—	—
Forfeited	—	—
Non-vested and outstanding at March 31, 2021	<u>63,755</u>	<u>\$ 32.90</u>

For the three months ended March 31, 2021 and 2020, we had \$343,000 and \$569,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements. This expense is included in corporate general and administrative expenses in our results of operations. The associated tax benefit recognized for the three months ended March 31, 2021 and 2020 was \$30,000 and \$58,000, respectively.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

10. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2021	December 31, 2020
	(In thousands)	
Revolving credit facility	\$ 10,000	\$ 10,000
Amounts payable within one year	—	—
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. The Credit Facility consists of a \$100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, (the “Second Amendment”), which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to \$70 million. On May 11, 2020 we entered into an assumption agreement and amendment of loan documents as part of our reincorporation as a Florida corporation. The amendment also included an alternative benchmark rate as a replacement to LIBOR.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional \$120,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (0.1250% at March 31, 2021), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative benchmark to LIBOR in the event LIBOR is no longer available. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at March 31, 2021) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We had approximately \$60 million of unused borrowing capacity under the Revolving Credit Facility at March 31, 2021.

11. Litigation

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which may arise out of or with respect to these matters, will not materially affect the Company’s financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

12. Dividends

On June 18, 2020, the Company's Board of Directors announced that it was temporarily suspending the quarterly cash dividend in response to the continued uncertainty of the ongoing impact of COVID-19.

On March 4, 2020, the Company's Board of Directors declared a regular cash dividend of \$0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020.

13. Other Income

During the first quarter of 2021, there was weather-related damage to an antenna in our Des Moines, Iowa market. The Company's insurance policy provided coverage for removal and replacement of the antenna and related equipment. As part of the initial insurance settlement during the first quarter of 2021, the Company received cash proceeds of \$250,000, resulting in a gain of \$250,000. The gain is recorded in other (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

During the first quarter of 2020, there was weather related damage to an antenna in our Keene, New Hampshire market. The Company's insurance policy provided coverage for removal and replacement of the antenna and related equipment. The insurance settlement was finalized during the first quarter and the Company received cash proceeds of \$208,000, resulting in a gain of \$208,000. The gain is recorded in other (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

During the first quarter of 2020, the Company sold land and a building on one of its tower sites in its Bellingham, Washington market for approximately \$1,700,000 to Talbot Real Estate, LLC, resulting in a \$1,400,000 gain on the sale of assets. The gain is recorded in the other operating (income) expense, net in the Company's Condensed Consolidated Statements of Income.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2020. The following discussion is presented on a consolidated basis.

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on "station operating income" (operating income plus corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

COVID-19 Impact and Response

During the first quarter of 2021, the effects of the COVID-19 pandemic and the related actions by governments to attempt to contain the spread of the virus have continued to impact our business. Despite the development of vaccines and more effective treatments for the physical impacts of COVID-19, there are no reliable estimates of how long the COVID-19 pandemic, and its negative effect on our business, will last. Therefore, the unpredictability of the current economic and public health conditions continues. However, all of our markets are functioning at effectively full capacity, subject to ongoing health and safety protocols, which vary from state-to-state, and we remain optimistic about future advertising revenue and the ability to start events soon. Additional information regarding all actions taken by the Company since the onset of the pandemic can be found in our audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Results of Operations

General

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties. We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. We review acquisition opportunities on an ongoing basis. For additional information with respect to acquisitions, see "Liquidity and Capital Resources" below. We own or operate broadcast properties in 27 markets, including 79 FM and 35 AM radio stations and 79 metro signals.

Radio Stations

Our radio stations' primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the three months ended March 31, 2021 and 2020, approximately 90% and 87%, respectively, of our radio station's gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We expect a decrease in political advertising for 2021 due to the decreased number of national, state and local elections in most of our markets as compared to the prior year.

Our net operating revenue, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

The broadcasting industry and advertising in general, is influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. Our stations primarily broadcast in small to midsize markets. Historically, these markets have been more stable than major metropolitan markets during downturns in advertising spending, but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media and signal strength.

When we acquire and/or begin to operate a station or group of stations we generally increase programming and advertising and promotion expenses to increase our share of our target demographic audience. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations is increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired station or group of stations.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

The primary operating expenses involved in owning and operating radio stations are employee salaries, sales commissions, programming expenses, depreciation, and advertising and promotion expenses.

The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies and services. These new technologies and media are gaining advertising share against radio and other traditional media.

We are continuing to expand our digital initiative to provide a seamless experience across multiple platforms. Our goal is to allow our listeners to connect with our brands on demand, wherever, however and whenever they choose. We continue to create opportunities through targeted digital advertising and an array of digital services that include online promotions, mobile messaging, and email marketing.

During the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020 and 2019, our Charleston, South Carolina; Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 39%, 39%, 39% and 39%, respectively, of our consolidated net operating revenue. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

The following tables describe the percentage of our consolidated net operating revenue represented by each of these markets:

Market:	Percentage of Consolidated Net Operating Revenue for the Three Months Ended March 31,		Percentage of Consolidated Net Operating Revenue for the Years Ended December 31,	
	2021	2020	2020	2019
	Charleston, South Carolina	5 %	5 %	5 %
Columbus, Ohio	10 %	11 %	10 %	11 %
Des Moines, Iowa	6 %	6 %	7 %	6 %
Milwaukee, Wisconsin	11 %	11 %	11 %	11 %
Norfolk, Virginia	7 %	6 %	6 %	6 %

During the three months ended March 31, 2021 and 2020 and the years ended December 31, 2021 and 2020, the radio stations in our five largest markets, when combined, represented approximately 41%, 53%, 49% and 43%, respectively, of our consolidated station operating income. We note that the percent of consolidated station operating income at March 31, 2020 and December 31, 2020 is higher than normal due to the impact of the COVID-19 pandemic on our markets. If the pandemic is resolved, we would anticipate results by market to be back to normalized amounts in future years. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

Market:	Percentage of Consolidated Station Operating Income (*) for the Three Months Ended March 31,		Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31,	
	2021	2020	2020	2019
	Charleston, South Carolina	4 %	4 %	5 %
Columbus, Ohio	14 %	21 %	16 %	15 %
Des Moines, Iowa	4 %	4 %	7 %	6 %
Milwaukee, Wisconsin	11 %	16 %	15 %	12 %
Norfolk, Virginia	8 %	8 %	6 %	6 %

* Operating income adjusted for corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets.

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Results of Operations

The following tables summarize our results of operations for the three months ended March 31, 2021 and 2020.

Consolidated Results of Operations

	Three Months Ended		<u>\$ Increase</u>	<u>% Increase</u>
	March 31,			
	2021	2020	<u>(Decrease)</u>	<u>(Decrease)</u>
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 22,301	\$ 26,051	\$ (3,750)	(14.4)%
Station operating expense	18,923	22,199	(3,276)	(14.8)%
Corporate general and administrative	2,438	3,015	(577)	(19.1)%
Other operating (income) expense, net	57	(1,330)	1,387	N/M
Operating income	883	2,167	(1,284)	(59.3)%
Interest expense	73	108	(35)	(32.4)%
Interest income	(6)	(108)	102	(94.4)%
Other income	(272)	(213)	(59)	N/M
Income before income tax expense	1,088	2,380	(1,292)	(54.3)%
Income tax expense	330	700	(370)	(52.9)%
Net income	\$ 758	\$ 1,680	\$ (922)	(54.9)%
Earnings per share (diluted)	\$ 0.13	\$ 0.28	(0.15)	(53.6)%

N/M = Not Meaningful

For the three months ended March 31, 2021, consolidated net operating revenue was \$22,301,000 compared with \$26,051,000 for the three months ended March 31, 2020, a decrease of \$3,750,000 or 14.4%. The decrease in revenue was attributable to the COVID-19 pandemic. We had decreases in gross local revenue of \$2,907,000, gross political revenue of \$818,000, gross national revenue of \$266,000, gross barter revenue of \$194,000, and non-spot gross revenue of \$156,000, partially offset by an increase in gross interactive revenue of \$139,000 and a decrease in agency commissions of \$416,000, from the first quarter of 2020. The decrease in gross local, national, barter revenue and agency commissions was at the majority of our markets as a result of the impact of the COVID-19 pandemic and the disruption to our advertisers' businesses. The decrease in non-spot gross revenue is primarily due to decreases in the number of events being held due to the COVID-19 pandemic. The decrease in gross political revenue was attributable to fewer national, local and state elections in 2021 versus 2020. The increase in gross interactive revenue is primarily due to an increase in our streaming revenue.

Station operating expense was \$18,923,000 for the three months ended March 31, 2021, compared with \$22,199,000 for the three months ended March 31, 2020, a decrease of \$3,276,000 or 14.8%. The decrease in operating expense was primarily a result of decreases in compensation related expenses, bad debt expense, commission expense, healthcare costs, depreciation and amortization expenses, barter expenses, tower lease expense, and music licensing fees, of \$1,100,000, \$676,000, \$503,000, \$341,000, \$265,000, \$218,000, \$149,000 and \$127,000 respectively partially offset by an increase in sales rating survey expenses of \$287,000 from the first quarter of 2020.

We had operating income for the three months ended March 31, 2021 of \$883,000 compared to \$2,167,000 for the three months ended March 31, 2020, a decrease of \$1,284,000. The decrease was a result of the decrease in net operating revenue partially offset by the decrease in station operating expense, noted above, a decrease in corporate general and administrative expenses of \$577,000 partially offset by a decrease in other operating income of \$1,387,000. The decrease in corporate general and administrative expenses was primarily attributable to decreases in non cash compensation expenses of \$226,000, compensation related expenses of \$188,000 and overall expense reductions of \$166,000, respectively, from first quarter of 2020. In the first quarter of 2020 we recorded the gain on the sale of a tower and a building on one of our tower sites in our Bellingham, Washington market of \$1,400,000 in other operating (income) expense.

We generated net income of \$758,000 (\$0.13 per share on a fully diluted basis) during the three months ended March 31, 2021, compared to net income of \$1,680,000 (\$0.28 per share on a fully diluted basis) for the three months ended March 31, 2020, a decrease of \$922,000. The decrease in net income is primarily due to the decrease in operating income, described above and a decrease in interest income of \$102,000 partially offset by a decrease in income tax expense of \$370,000. The decrease in our income tax expense is due to the decrease in income before income tax.

Forward-Looking Statements

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as “believes,” “anticipates,” “estimates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. We undertake no obligation to update this information. A number of important factors could cause our actual results for 2021 and beyond to differ materially from those expressed in any forward-looking statements made by us or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters, terrorist attacks, and the effects of the ongoing COVID-19 pandemic. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

For a more complete description of the prominent risks and uncertainties inherent in our business, see Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 and in this Report.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. The Credit Facility consists of a \$100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, (the “Second Amendment”), which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to \$70 million. On May 11, 2020 we entered into an assumption agreement and amendment of loan documents as part of our reincorporation as a Florida corporation.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional \$120,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (0.1250% at March 31, 2021), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative to LIBOR in the event LIBOR is no longer available. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at March 31, 2021) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We had approximately \$60 million of unused borrowing capacity under the Revolving Credit Facility at March 31, 2021.

Sources and Uses of Cash

During the three months ended March 31, 2021 and 2020, we had net cash flows from operating activities of \$5,352,000 and \$5,065,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and payments of principal under our Credit Facility. However, if such cash flow is not sufficient we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

In March 2013, our board of directors authorized an increase to our Stock Buy-Back Program (the “Buy-Back Program”) to allow us to purchase up to \$75.8 million of our Class A Common Stock. From its inception in 1998 through March 31, 2021, we have repurchased 2.2 million shares of our Class A Common Stock for \$57 million. During the three months ended March 31, 2021, approximately 0 and 800 shares were repurchased for \$0 and \$20,000, respectively, related to the Buy-Back Program. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan.

Our capital expenditures, exclusive of acquisitions, for the three months ended March 31, 2021 were \$534,000 (\$1,021,000 in 2020). We anticipate capital expenditures in 2021 to be approximately \$4.5 million to \$5.5 million, which we expect to finance through funds generated from operations.

On January 8, 2021, the Company closed on an agreement to purchase WBQL and W288DQ from Consolidated Media, LLC, for an aggregate purchase price of \$175,000, of which \$25,000 was paid in 2020 and the remaining \$150,000 paid in 2021. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Clarksville, Tennessee market as well as synergies and growth opportunities expected through the combination with the Company’s existing stations.

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of \$200,000, of which \$10,000 was paid in 2019 and the remaining \$190,000 paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company’s existing stations.

On March 4, 2020, the Company’s Board of Directors declared a regular cash dividend of \$0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020 and was recorded in dividends payable on the Company’s Condensed Consolidated Balance sheet at March 31, 2020. On June 18, 2020, the Company’s Board of Directors announced that it was temporarily suspending the quarterly cash dividend in response to the continued uncertainty of the ongoing impact of COVID-19.

We continue to actively seek and explore opportunities for expansion through the acquisitions of additional broadcast properties.

We anticipate that any future acquisitions of radio and television stations and dividend payments will be financed through funds generated from operations, borrowings under the Credit Agreement, additional debt or equity financing, cash on hand, or a combination thereof. However, there can be no assurances that any such financing will be available on acceptable terms, if at all.

Summary Disclosures About Contractual Obligations and Commercial Commitments

We have future cash obligations under various types of contracts, including the terms of our Credit Facility, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation — Summary Disclosures About Contractual Obligations” in our Annual Report on Form 10-K for the year ended December 31, 2020.

We anticipate that our contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Facility, or a combination thereof.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

Inflation

The impact of inflation on our operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk and Risk Management Policies” in our Annual Report on Form 10-K for the year ended December 31, 2020 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2020 Annual Report on Form 10-K except as noted below in “Part II – Other Information; Item 1A. Risk Factors”.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which arise out of or with respect to these matters, will not materially affect the Company's financial statements.

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

The following table summarizes our repurchases of our Class A Common Stock during the three months ended March 31, 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program(a)
January 1 - January 31, 2021	—	\$ —	—	\$ 18,785,315
February 1 - February 28, 2021	—	\$ —	—	\$ 18,785,315
March 1 - March 31, 2021	—	\$ —	—	\$ 18,785,315
Total	—	\$ —	—	\$ 18,785,315

- (a) We have a Stock Buy-Back Program which allows us to purchase our Class A Common Stock. In February 2013, our Board of Directors authorized an increase in the amount committed to the Buy-Back Program from \$60 million to approximately \$75.8 million.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
(104)	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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.

SAGA COMMUNICATIONS, INC.

Date: May 10, 2021

/s/ SAMUEL D. BUSH

Samuel D. Bush
Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Date: May 10, 2021

/s/ CATHERINE A. BOBINSKI

Catherine A. Bobinski
Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Edward K. Christian, Chief Executive Officer of Saga Communications, Inc., certify that:

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

Date: May 10, 2021

/s/ Edward K. Christian

Edward K. Christian
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Samuel D. Bush, Chief Financial Officer of Saga Communications, Inc., certify that:

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

Date: May 10, 2021

/s/ Samuel D. Bush

Samuel D. Bush
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Saga Communications, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Edward K. Christian, Chief Executive Officer of the Company, and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

1. The Report 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.

Dated: May 10, 2021

/s/ Edward K. Christian

Edward K. Christian
Chief Executive Officer

Dated: May 10, 2021

/s/ Samuel D. Bush

Samuel D. Bush
Chief Financial Officer
