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

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

For The Quarterly Period Ended June 25, 2023

OR

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

Commission File Number 1-6227
LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its Charter)

Delaware	42-0823980
(State or other jurisdiction of Company or organization)	(I.R.S. Employer Identification No.)

4600 E. 53rd Street, Davenport, Iowa 52807
(Address of principal executive offices)

(563) 383-2100
(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
Common Stock, par value $.01 per share	LEE	The 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 x No o

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 x No o

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
		Emerging growth company	o

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. o

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

As of July 31, 2023, 6,072,392 shares of Common Stock of the Registrant were outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars)	(Unaudited) June 25, 2023	September 25, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	16,955	16,185
Accounts receivable, net	69,182	69,522
Inventories	7,933	8,265
Prepaid and other current assets	15,098	15,151
Total current assets	109,168	109,123
Investments:		
Associated companies	29,654	27,378
Other	5,791	5,971
Total investments	35,445	33,349
Property and equipment:		
Land and improvements	13,098	14,505
Buildings and improvements	89,246	95,111
Equipment	216,872	215,731
Construction in process	2,570	1,449
	321,786	326,796
Less accumulated depreciation	255,693	253,083
Property and equipment, net	66,093	73,713
Operating lease right-of-use assets	43,543	47,490
Goodwill	329,504	329,504
Other intangible assets, net	107,111	121,373
Pension plan assets, net	105	528
Medical plan assets, net	19,593	19,066
Other	12,262	9,896
Total assets	722,824	744,042

The accompanying Notes are an integral part of the Consolidated Financial Statements.

(Thousands of Dollars and Shares, Except Per Share Data)	(Unaudited) June 25, 2023	September 25, 2022
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of lease liabilities	7,971	7,859
Current maturities of long-term debt	2,013	—
Accounts payable	38,466	28,608
Compensation and other accrued liabilities	32,332	44,740
Unearned revenue	43,875	49,929
Total current liabilities	124,657	131,136
Long-term debt, net of current maturities	457,981	462,554
Operating lease liabilities	39,421	46,003
Pension obligations	711	966
Postretirement and postemployment benefit obligations	9,465	9,221
Deferred income taxes	42,259	42,719
Income taxes payable	8,650	8,292
Withdrawal liabilities and other	25,081	25,914
Total liabilities	708,225	726,805
Equity:		
Stockholders' equity:		
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	—	—
Common Stock, $0.01 par value; authorized 12,000 shares; issued and outstanding:	61	60
June 25, 2023; 6,072 shares; $0.01 par value		
September 25, 2022; 5,979 shares; $0.01 par value		
Class B Common Stock, $2 par value; authorized 3,000 shares; none issued	—	—
Additional paid-in capital	260,425	259,521
Accumulated deficit	(264,512)	(261,229)
Accumulated other comprehensive income	16,233	16,653
Total stockholders' equity	12,207	15,005
Non-controlling interests	2,392	2,232
Total equity	14,599	17,237
Total liabilities and equity	722,824	744,042

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended		Nine months ended	
(Thousands of Dollars, Except Per Common Share Data)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Operating revenue:				
Advertising and marketing services	79,120	91,001	246,406	277,388
Subscription	77,557	89,048	235,838	263,915
Other	14,633	14,988	44,885	46,030
Total operating revenue	171,310	195,037	527,129	587,333
Operating expenses:				
Compensation	63,582	78,126	207,859	246,333
Newsprint and ink	6,346	7,542	20,244	22,254
Other operating expenses	80,010	88,004	249,353	258,665
Depreciation and amortization	7,478	8,818	23,097	27,445
Assets (gain) loss on sales, impairments and other, net	(900)	1,086	(4,255)	(11,340)
Restructuring costs and other	3,780	6,072	8,120	19,862
Total operating expenses	160,296	189,648	504,418	563,219
Equity in earnings of associated companies	1,194	1,050	3,534	4,211
Operating income	12,208	6,439	26,245	28,325
Non-operating (expense) income:				
Interest expense	(10,235)	(10,292)	(31,144)	(31,478)
Curtailment gain	—	—	—	1,027
Pension withdrawal cost	—	—	—	(2,335)
Pension and OPEB related benefit and other, net	555	4,205	2,255	13,525
Total non-operating expense, net	(9,680)	(6,087)	(28,889)	(19,261)
Income (loss) before income taxes	2,528	352	(2,644)	9,064
Income tax expense (benefit)	394	156	(1,237)	2,363
Net income (loss)	2,134	196	(1,407)	6,701
Net income attributable to non-controlling interests	(631)	(465)	(1,876)	(1,588)
(Loss) income attributable to Lee Enterprises, Incorporated	1,503	(269)	(3,283)	5,113
Other comprehensive loss, net of income taxes	(140)	(1,167)	(420)	(8,446)
Comprehensive income (loss) attributable to Lee Enterprises, Incorporated	1,363	(1,436)	(3,703)	(3,333)
Earnings (loss) per common share:				
Basic:	0.26	(0.05)	(0.56)	0.89
Diluted:	0.25	(0.05)	(0.56)	0.87

The accompanying Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

(Thousands of Dollars)	Accumulated Deficit	Common Stock	Additional paid-in capital	Accumulated Other Comprehensive Loss	Total
September 26, 2022	(261,229)	60	259,521	16,653	15,005
Shares issued (redeemed)	—	—	(383)	—	(383)
Income attributable to Lee Enterprises, Incorporated	1,099	—	—	—	1,099
Stock compensation	—	—	349	—	349
Other comprehensive loss	—	—	—	(200)	(200)
Deferred income taxes, net	—	—	—	60	60
December 25, 2022	(260,130)	60	259,487	16,513	15,930
Shares issued (redeemed)	—	—	(97)	—	(97)
Loss attributable to Lee Enterprises, Incorporated	(5,885)	—		—	(5,885)
Stock compensation	—	—	574	—	574
Other comprehensive loss	—	—		(200)	(200)
Deferred income taxes, net	—	—		60	60
March 26, 2023	(266,015)	60	259,964	16,373	10,382
Shares issued (redeemed)	—	1	—	—	1
Income attributable to Lee Enterprises, Incorporated	1,503	—	—	—	1,503
Stock compensation	—	—	461	—	461
Other comprehensive loss	—	—	—	(200)	(200)
Deferred income taxes, net	—	—	—	60	60
June 25, 2023	(264,512)	61	260,425	16,233	12,207

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

(Thousands of Dollars)	Accumulated Deficit	Common Stock	Additional paid-in capital	Accumulated Other Comprehensive Loss	Total
September 27, 2021	(259,212)	59	258,063	42,187	41,097
Shares issued (redeemed)	—	1	(386)	—	(385)
Income attributable to Lee Enterprises, Incorporated	12,658	—	—	—	12,658
Stock compensation	—	—	186	—	186
Other comprehensive loss	—	—	—	(8,174)	(8,174)
Deferred income taxes, net	—	—	—	2,062	2,062
December 26, 2021	(246,554)	60	257,863	36,075	47,444
Shares issued (redeemed)	—	—	(3)	—	(3)
Loss attributable to Lee Enterprises, Incorporated	(7,276)	—	—	—	(7,276)
Stock compensation	—	—	663	—	663
Other comprehensive loss	—	—	—	(1,667)	(1,667)
Deferred income taxes, net	—	—	—	500	500
March 27, 2022	(253,830)	60	258,523	34,908	39,661
Shares issued (redeemed)	—	—	371	—	371
Income attributable to Lee Enterprises, Incorporated	(269)	—	—	—	(269)
Stock compensation	—	—	327	—	327
Other comprehensive income	—	—	—	(1,667)	(1,667)
Deferred income taxes, net	—	—	—	500	500
June 26, 2022	(254,099)	60	259,221	33,741	38,923

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022
Cash provided by (required for) operating activities:		
Net (loss) income	(1,407)	6,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,097	27,445
Curtailment gain	—	(1,027)
Pension withdrawal cost	—	2,335
Stock compensation expense	1,384	1,026
Assets (gain) loss on sales, impairments and other, net	(4,255)	(11,340)
Gain on sale of investment	(1,736)	—
Deferred income taxes	(460)	62
Return of letters of credit collateral	778	2,451
Other, net	(1,705)	(1,492)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	124	(8,004)
Decrease in inventories and other	(348)	(2,369)
(Decrease) increase in accounts payable and other accrued liabilities	(14,435)	1,775
Decrease in pension and other postretirement and postemployment benefit obligations	(186)	(13,910)
Change in income taxes payable	358	(2,986)
Other, net	(2,693)	49
Net cash (required for) provided by operating activities	(1,484)	716
Cash provided by investing activities:		
Purchases of property and equipment	(3,791)	(5,738)
Proceeds from sales of assets	7,231	14,824
Distributions less than earnings of TNI and MNI	(234)	(276)
Other, net	1,873	(295)
Net cash provided by investing activities	5,079	8,515
Cash required for financing activities:		
Payments on long-term debt	(2,560)	(20,062)
Common stock transactions, net	(265)	380
Net cash required for financing activities	(2,825)	(19,682)
Net increase (decrease) in cash and cash equivalents	770	(10,451)
Cash and cash equivalents:		
Beginning of period	16,185	26,112
End of period	16,955	15,661

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the “Company”). References to “2023”, “2022" and the like refer to the fiscal years ended the last Sunday in September.

1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Lee Enterprises, Incorporated and its subsidiaries (the “Company”) as of June 25, 2023, and our results of operations and cash flows for the periods presented. The Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2022 Annual Report on Form 10-K.

The Company's fiscal year ends on the last Sunday in September. Fiscal year 2023 ends on September 24, 2023, and fiscal year 2022 ended September 25, 2022. Fiscal year 2023 and 2022 are 52-week years with 13 weeks in each quarter. Because of seasonal and other factors, the results of operations for the three and nine months ended June 25, 2023, are not necessarily indicative of the results to be expected for the full year.

The Consolidated Financial Statements include our accounts and those of our wholly owned subsidiaries, as well as our 82.5% interest in INN Partners, L.C. (“BLOX Digital", formerly "TownNews”).

Our 50% interest in TNI Partners ("TNI") and our 50% interest in Madison Newspapers, Inc. ("MNI") are accounted for using the equity method and are reported at cost, plus our share of undistributed earnings since acquisition less, for TNI, amortization of intangible assets.

2 REVENUE

The following table presents our revenue disaggregated by source:

	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Operating revenue:				
Print advertising revenue	29,216	44,814	102,503	145,032
Digital advertising revenue	49,904	46,187	143,903	132,356
Advertising and marketing services revenue	79,120	91,001	246,406	277,388
Print subscription revenue	61,842	78,079	193,799	234,962
Digital subscription revenue	15,715	10,969	42,039	28,953
Subscription revenue	77,557	89,048	235,838	263,915
Print other revenue	9,773	10,671	30,542	32,430
Digital other revenue	4,860	4,317	14,343	13,600
Other revenue	14,633	14,988	44,885	46,030
Total operating revenue	171,310	195,037	527,129	587,333

Recognition principles: Revenue is recognized when a performance obligation is satisfied by the transfer of control of the contracted goods or services to our customers, in an amount that reflects the consideration we expect to receive in exchange for those goods or services.

Arrangements with multiple performance obligations: We have various advertising and subscription agreements which include both print and digital performance obligations. Revenue from sales agreements that contain multiple performance obligations are allocated to each obligation based on the relative standalone selling price. We determine standalone selling prices based on observable prices charged to customers.

Contract Assets and Liabilities: The Company's primary source of contract liabilities is unearned revenue from subscriptions paid in advance of the service provided. The Company expects to recognize the revenue related to unsatisfied performance obligations over the next twelve months in accordance with the terms of the subscriptions and other contracts with customers. Revenue recognized in the nine months ended June 25, 2023, that was included in the contract liability as of September 25, 2022, was $45.5 million.

Accounts receivable, excluding allowance for credit losses were $74.2 million and $74.8 million as of June 25, 2023, and September 25, 2022, respectively. Allowance for credit losses was $5.0 million and $5.2 million as of June 25, 2023, and September 25, 2022, respectively.

Sales commissions are expensed as incurred as the associated contractual periods are one year or less. These costs are recorded within compensation. Most of our contracts have original expected lengths of one year or less and revenue is earned at a rate and amount that corresponds directly with the value to the customer.

3 INVESTMENTS IN ASSOCIATED COMPANIES

TNI Partners

In Tucson, Arizona, TNI, acting as agent for our subsidiary, Star Publishing Company ("Star Publishing"), and Gannets Co. Inc.'s subsidiary Citizen Publishing Company ("Citizen"), is responsible for printing, delivery, advertising, and subscription activities of the *Arizona Daily Star* as well as the related digital platforms and specialty publications. TNI collects all receipts and income and pays substantially all operating expenses incident to the partnership's operations and publication of the newspaper and other media.

Income or loss of TNI (before income taxes) is allocated equally to Star Publishing and Citizen.

Summarized results of TNI are as follows:

	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Operating revenue	7,244	8,229	23,954	25,805
Operating expenses	5,677	6,492	19,041	19,365
Operating income	1,567	1,737	4,913	6,440
Net Income	1,581	1,737	5,247	6,440
Equity in earnings of TNI	791	869	2,624	3,220

TNI makes periodic distributions of its earnings and for the three months ended June 25, 2023, and June 26, 2022, we received $0.4 million and $0.7 million in distributions, respectively. In the nine months ended June 25, 2023 and June 26, 2022, we received $2.8 million and $2.9 million in distributions, respectively.

Madison Newspapers, Inc.

We have a 50% ownership interest in MNI, which publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, and operates related digital platforms. Net income or loss of MNI (after income taxes) is allocated equally to us and The Capital Times Company ("TCT"). MNI conducts its business under the trade name Capital Newspapers.

Summarized results of MNI are as follows:

	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Operating revenue	10,963	11,921	33,470	35,677
Operating expenses, excluding restructuring costs, depreciation and amortization[(1)]	8,470	9,682	26,496	28,402
Restructuring costs	10	122	137	122
Depreciation and amortization	129	167	402	507
Operating income	2,354	1,950	6,435	6,646
Net income	807	362	1,821	1,982
Equity in earnings of MNI	404	181	911	991

(1) Amounts were reclassed to align with current year presentation

MNI makes periodic distributions of its earnings and in the three months ended June 25, 2023 and June 26, 2022, we received $0.2 million in distributions for both periods. In the nine months ended June 25, 2023 and June 26, 2022 we received distributions of $0.5 million and $1.0 million, respectively.

4 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and identified intangible assets consist of the following:

(Thousands of Dollars)	June 25, 2023	September 25, 2022
Goodwill, beginning of period	329,504	330,204
Impairment	—	(700)
Goodwill, end of period	329,504	329,504
Non-amortized intangible assets:		
Mastheads	26,346	26,346
Amortizable intangible assets:		
Customer and newspaper subscriber lists	321,804	323,568
Less accumulated amortization	(241,039)	(228,541)
	80,765	95,027
Total intangibles, net	436,615	450,877

The weighted average amortization period for amortizable assets is 11.70 years.

5 DEBT

The Company has debt consisting of a single 25-year term loan with BH Finance LLC, with an aggregate principal balance of $460.0 million at a 9% annual fixed rate and maturing on March 16, 2045 (referred to herein as "Credit Agreement" and "Term Loan"). On June 25, 2023, the fair value is $462.4 million. This represents a level 2 fair value measurement.

During the nine months ended June 25, 2023, we made principal debt payments of $2.6 million. Future payments are contingent on the Company's ability to generate future excess cash flow, as defined in the Credit Agreement. Subsequent to June 25, 2023, the Company will make a $2.0 million payment related to net proceeds received from the sale of non-core assets as required by our Credit Agreement.

6 PENSION, POSTRETIREMENT AND POSTEMPLOYMENT DEFINED BENEFIT PLANS

We have a defined benefit pension plan that covers certain employees, including plans established under collective bargaining agreements. Additionally, we provide retiree medical and life insurance benefits under postretirement plans at several of our operating locations. Through June 25, 2023, our liability and related expense for benefits under the plans are recorded over the service period of employees based upon annual actuarial calculations.

The net periodic pension and postretirement cost (benefit) components for our plans are as follows:

PENSION PLANS	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Service cost for benefits earned during the period	5	287	15	1,030
Interest cost on projected benefit obligation	2,592	2,001	7,776	5,939
Expected return on plan assets	(2,548)	(4,535)	(7,644)	(13,606)
Amortization of net (gain) loss	2	(687)	6	(2,633)
Amortization of prior service benefit	213	212	639	424
Curtailment gain		—	—	(1,027)
Pension cost (benefit)	264	(2,722)	792	(9,873)

POSTRETIREMENT MEDICAL PLANS	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Service cost for benefits earned during the period	17	27	51	81
Interest cost on projected benefit obligation	149	85	447	255
Expected return on plan assets	(295)	(263)	(885)	(789)
Amortization of net gain	(254)	(249)	(762)	(747)
Amortization of prior service benefit	(162)	(162)	(486)	(486)
Postretirement medical benefit	(545)	(562)	(1,635)	(1,686)

In the nine months ended June 25, 2023 and June 26, 2022, we made no contributions to our pension plans. We have no required contributions to our pension plans for 2023.

Multiemployer Pension Plans

In prior periods, the Company effectuated withdrawals from several multiemployer plans. As of June 25, 2023, and September 25, 2022, we had $23.1 million and $25.0 million of accrued withdrawal liabilities. The liabilities reflect the estimated value of payments to the fund, payable over 20 years.

7 INCOME TAXES

We recorded an income tax expense of $0.4 million related to income before taxes of $2.5 million for the three months ended June 25, 2023, and an income tax benefit of $1.2 million related to a loss before income taxes of $2.6 million for the nine months ended June 25, 2023. We recorded an income tax expense of $0.2 million related to income before taxes of $0.4 million for the three months ended June 26, 2022 and income tax expense of $2.4 million related to income before income taxes of $9.1 million for the nine months ended June 26, 2022. The effective income tax rate for the three and nine months ended June 25, 2023, were 15.6% and 46.8%, respectively. The effective income tax rate for the three and nine months ended June 26, 2022, were 44.3% and 26.1%, respectively.

The primary differences between these rates and the U.S. federal statutory rate of 21% are because of state taxes, non-deductible expenses and adjustments to reserves for uncertain tax positions, including any related interest.

We file a consolidated federal tax return, as well as combined and separate tax returns in approximately 27 state and local jurisdictions. We do not currently have any federal or material state income tax examinations in progress. Our income tax returns have generally been audited or closed to audit through 2015.

8 EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

	Three months ended		Nine months ended	
(Thousands of Dollars and Shares, Except Per Share Data)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Income (loss) attributable to Lee Enterprises, Incorporated:	1,503	(269)	(3,283)	5,113
Weighted average common shares	6,051	5,965	6,045	5,935
Less weighted average restricted Common Stock	(173)	(170)	(172)	(168)
Basic average common shares	5,878	5,795	5,873	5,767
Dilutive stock options and restricted Common Stock	30	—	—	93
Diluted average common shares	5,908	5,795	5,873	5,860
Earnings per common share:				
Basic	0.26	(0.05)	(0.56)	0.89
Diluted	0.25	(0.05)	(0.56)	0.87

For the three months ended June 25, 2023, 136,853 shares were excluded in the computation of diluted earnings per common share because their inclusion would result in an anti-dilutive effect on per share amounts. For the three months ended June 26, 2022, no shares were considered in the computation of diluted earnings per common share because the Company recorded net losses. For the nine months ended June 25, 2023, no shares were considered in the computation of diluted earnings per common share because the Company recorded net losses. For the nine months ended June 25, 2022, 74,804 shares were excluded in the computation of diluted earnings per common share because their inclusion would result in an anti-dilutive effect on per share amounts.

9 COMMITMENTS AND CONTINGENT LIABILITIES

Legal Proceedings

We are involved in a variety of legal actions that arise in the normal course of business. Insurance coverage mitigates potential loss for certain of these matters. While we are unable to predict the ultimate outcome of these legal actions, it is our opinion that the disposition of these matters will not have a material adverse effect on our Consolidated Financial Statements, taken as a whole.

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

The following discussion includes comments and analysis relating to our results of operations and financial condition as of and for the three and nine months ended June 25, 2023. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, included herein, and our 2022 Annual Report on Form 10-K. Statements that are not historical are forward-looking and involve risks and uncertainties. See "Forward-Looking Statements" at the end of this section for further information.

EXECUTIVE OVERVIEW

Lee Enterprises, Incorporated, together with its subsidiaries, is a digital-first subscription platform providing local markets with valuable, high quality, trusted, intensely local news, information, advertising and marketing services. We are a rapidly growing digital subscription platform with more than 606,000 digital subscribers serving 75 mid-sized local communities in 26 states. Our core strategy aims to grow digital audiences and engagement through continuous improvements to subscriber experience, while offering a full suite of omni-channel advertising and marketing solutions local advertisers desire.

Our product portfolio includes digital subscription platforms, daily, weekly and monthly newspapers and niche publications, all delivering original local news and information. Our products offer print and digital editions, and our content and advertising is available in real time through our websites and mobile apps. We operate in predominately mid-sized communities with products ranging from large daily newspapers and associated digital products, such as the St. Louis Post-Dispatch and The Buffalo News, to non-daily newspapers with news websites and digital platforms serving smaller communities.

We have made talent and technology investments to improve user experience, content, data visualization, and marketing to align with the shift in spending habits to digital products by both consumers and advertisers.
We aim to grow our business through three main categories: subscriptions to our product offerings, advertising and marketing solutions to local advertisers, and digital services to a diverse set of customers. Execution of this strategy is expected to transform Lee into a vibrant, digitally centric company.

- Our digital subscription platforms are the fastest growing digital subscription platforms in local media.
- Amplified Digital®, our digital marketing services agency, offers a full suite of digital marketing solutions to local advertisers.
- BLOX Digital (formerly known as TownNews), our software as a service (SaaS) content platform, is one of the largest web-hosting and content management SaaS providers in North America. BLOX Digital represents a powerful opportunity to drive additional digital revenue by providing state-of-the-art web hosting and content management services to more than 2,000 customers who rely on BLOX Digital for their web, over-the-top display, mobile, video and social media products.

We generate revenue primarily through advertising and marketing services, subscriptions to our digital and print products, and digital services, primarily through our majority-owned subsidiary, BLOX DIgital. Our operations also provide printing and distribution of third-party publications.

STRATEGY

We are a major subscription and advertising platform, a trusted local news provider and innovative, digitally-focused marketing solutions company. Our focus is on the local market - including local news and information, local advertising and marketing services to top local accounts, and digital services to local content curators. To align with the core strength of our Company, our operating strategy is locally focused around three pillars:

- Grow digital audiences by transforming the way we present local news and information
- Expand our digital subscription base and revenue through audience growth and continued conversion of our massive digital audiences.
- Diversify and expand offerings for advertisers by launching a portfolio of video advertising initiatives and e-commerce sales strategies through Amplified Digital® that will enable advertisers to leverage our vast data-rich digital audiences and reach consumers in new ways.

RESULTS OF OPERATIONS

Three Months Ended June 25, 2023

Operating results are summarized below.

(Thousands of Dollars, Except Per Common Share Data)	2023	2022	Percent Change
Operating revenue:			
Print advertising revenue	29,216	44,814	(34.8)%
Digital advertising revenue	49,904	46,187	8.0 %
Advertising and marketing services revenue	79,120	91,001	(13.1)%
Print subscription revenue	61,842	78,079	(20.8)%
Digital subscription revenue	15,715	10,969	43.3 %
Subscription revenue	77,557	89,048	(12.9)%
Print other revenue	9,773	10,671	(8.4)%
Digital other revenue	4,860	4,317	12.6 %
Other revenue	14,633	14,988	(2.4)%
Total operating revenue	171,310	195,037	(12.2)%
Operating expenses:			
Compensation	63,582	78,126	(18.6)%
Newsprint and ink	6,346	7,542	(15.9)%
Other operating expenses	80,010	88,004	(9.1)%
Depreciation and amortization	7,478	8,818	(15.2)%
Assets (gain) loss on sales, impairments and other, net	(900)	1,086	(182.9)%
Restructuring costs and other	3,780	6,072	(37.7)%
Total operating expenses	160,296	189,648	(15.5)%
Equity in earnings of associated companies	1,194	1,050	13.7 %
Operating income	12,208	6,439	89.6 %
Non-operating income (expense):			
Interest expense	(10,235)	(10,292)	(0.6)%
Pension and OPEB related benefit (cost) and other, net	555	4,205	(86.8)%
Total non-operating expense, net	(9,680)	(6,087)	59.0 %
Income before income taxes	2,528	352	618.2 %
Income tax expense	394	156	152.6 %
Net income	2,134	196	988.8 %
Earnings (loss) per common share:			
Basic	0.26	(0.05)	NM
Diluted	0.25	(0.05)	NM

References to the “2023 Quarter” refer to the three months ended June 25, 2023. Similarly, references to the “2022 Quarter” refer to the three months ended June 26, 2022.

Operating Revenue

Total operating revenue was $171.3 million in the 2023 Quarter, down $23.7 million, or 12.2%, compared to the prior year.

Advertising and marketing services revenue totaled $79.1 million in the 2023 Quarter, down 13.1% compared to the 2022 Quarter. Advertising revenue, print and digital, was adversely affected by a broader, industry-wide pull back in advertising spending. Print advertising revenues were $29.2 million in the 2023 Quarter, down 34.8% compared to the 2022 Quarter due to the soft advertising environment and a continued secular declines in demand for print advertising. Digital advertising and marketing services totaled $49.9 million in the 2023 Quarter, up 8.0% compared to the 2022 Quarter. These gains resulted from an increase in Amplified Digital® revenue of $3.2 million or 15% compared to the 2022 Quarter. Digital advertising and marketing services represented 63.1% of the 2023 Quarter total advertising and marketing services revenue, compared to 50.8% in the same period last year.

Subscription revenue totaled $77.6 million in the 2023 Quarter, down 12.9% compared to the 2022 Quarter. Decline in full access volume, consistent with historical and industry trends was partially offset by marketing efforts driving price yield on our full access subscriptions, growth in digital-only subscribers and price increases on digital subscriptions. Digital-only subscribers grew 21.0% since the 2022 Quarter and now total 606,000, and revenue from digital-only subscribers totaled $15.7 million, up 43.3% compared to the 2022 Quarter.

Other revenue, which primarily consists of commercial printing revenue and digital services from BLOX Digital, decreased $0.4 million, or 2.4%, in the 2023 Quarter compared to the 2022 Quarter. Digital services revenue totaled $4.9 million in the 2023 Quarter, a 12.6% increase compared to the 2022 Quarter. Commercial printing revenue totaled $5.1 million in the 2023 Quarter, a 5.0% decrease compared to the 2022 Quarter, primarily driven by reduction in print volumes from our partners.

Total Digital Revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled $70.5 million in the 2023 Quarter, an increase of 14.7% over the 2022 Quarter, and represented 41.1% of our total operating revenue in the 2023 Quarter.

Equity in earnings of TNI and MNI increased $0.1 million in the 2023 Quarter.

Operating Expenses

Total operating expenses were $160.3 million in the 2023 Quarter, a 15.5% decrease compared to the 2022 Quarter. Cash Costs, a non-GAAP financial measure used to summarize certain operating expense (see reconciliation of non-GAAP financial measures below), were down 13.7% in the 2023 Quarter.

Compensation expense decreased $14.5 million in the 2023 Quarter, or 18.6%, compared to the 2022 Quarter from reductions in headcount due to continued business transformation efforts, partially offset by investments in digital talent.

Newsprint and ink costs decreased $1.2 million in the 2023 Quarter, or 15.9%, compared to the 2022 Quarter. The decrease is attributable to declines in newsprint volumes offset by higher newsprint prices. See Item 3, “Commodities”, included herein, for further discussion and analysis of the impact of newsprint on our business.

Other operating expenses decreased $8.0 million in the 2023 Quarter, or 9.1%, compared to the 2022 Quarter. Other operating expenses include all operating costs not considered to be compensation, newsprint, depreciation and amortization, or restructuring costs and assets loss on sales, impairments, and other, net. The largest components are costs associated with printing and distribution of our printed products, digital costs of goods sold and facility expenses. The decrease is attributable to lower delivery and other print-related costs due to lower volumes of our print editions partially offset by investments to fund our digital growth strategy.

Restructuring costs and other totaled $3.8 million and $6.1 million in the 2023 Quarter and 2022 Quarter, respectively. Restructuring costs and other include severance costs, litigation expenses, restructuring expenses, and advisor expenses. Restructuring costs in the 2023 Quarter are predominately severance related to our ongoing business transformation tied to our Three Pillar digital growth strategy, while restructuring costs in the 2022 quarter also include costs associated with the unsolicited offer in November 2021.

Depreciation and amortization expense decreased $1.3 million, or 15.2%, in the 2023 Quarter. The decrease in both is attributable to assets becoming fully depreciated or amortized.

Assets gain on sales, impairments and other, was a net gain of $0.9 million in the 2023 Quarter compared to a net loss of $1.1 million in the 2022 Quarter. Assets gain on sales, impairments and other in the 2023 Quarter and in the 2022 Quarter were the result of the disposition of non-core assets, including real estate.

The factors noted above resulted in an operating income of $12.2 million in the 2023 Quarter compared to operating income of $6.4 million in the 2022 Quarter.

Non-operating Income and Expense

Interest expense was down 1.0% at $10.2 million in the 2023 Quarter, compared to the same period last year. Our weighted average cost of debt was 9.0% at the end of the 2023 Quarter and 2022 Quarter.

Other non-operating income and expense consists of benefits associated with our pension and other postretirement plans. We recorded $0.3 million periodic pension and other postretirement benefits in the 2023 Quarter compared to $3.6 million in the 2022 Quarter.

Income Tax Expense (Benefit)

We recorded an income tax expense of $0.4 million, or 15.6% of pretax income in the 2023 Quarter. In the 2022 Quarter, we recognized an income tax expense of $0.2 million, or 44.3% of pretax income.

Net Income (Loss) and Earnings (Losses) Per Share

Net income was $2.1 million and diluted earnings per share were $0.25 for the 2023 Quarter compared to net income of $0.2 million and diluted losses per share of $0.05 for the 2022 Quarter. The change reflects the various items discussed above.

Nine Months Ended June 25, 2023

Operating results, as reported in the Consolidated Financial Statements, are summarized below.

(Thousands of Dollars, Except Per Common Share Data)	June 25, 2023	June 26, 2022	Percent Change
Operating revenue:			
Print advertising revenue	102,503	145,032	(29.3)%
Digital advertising revenue	143,903	132,356	8.7 %
Advertising and marketing services revenue	246,406	277,388	(11.2)%
Print subscription revenue	193,799	234,962	(17.5)%
Digital subscription revenue	42,039	28,953	45.2 %
Subscription revenue	235,838	263,915	(10.6)%
Print other revenue	30,542	32,430	(5.8)%
Digital other revenue	14,343	13,600	5.5 %
Other revenue	44,885	46,030	(2.5)%
Total operating revenue	527,129	587,333	(10.3)%
Operating expenses:			
Compensation	207,859	246,333	(15.6)%
Newsprint and ink	20,244	22,254	(9.0)%
Other operating expenses	249,353	258,665	(3.6)%
Depreciation and amortization	23,097	27,445	(15.8)%
Assets gain on sales, impairments and other	(4,255)	(11,340)	(62.5)%
Restructuring costs and other	8,120	19,862	(59.1)%
Total operating expenses	504,418	563,219	(10.4)%
Equity in earnings of associated companies	3,534	4,211	(16.1)%
Operating income	26,245	28,325	(7.3)%
Non-operating income (expense):			
Interest expense	(31,144)	(31,478)	(1.1)%
Curtailment gain	—	1,027	(100.0)%
Pension withdrawal cost	—	(2,335)	(100.0)%
Pension and OPEB related benefit and other, net	2,255	13,525	(83.3)%
Total non-operating expense, net	(28,889)	(19,261)	50.0 %
(Loss) income before income taxes	(2,644)	9,064	(129.2)%
Income tax (benefit) expense	(1,237)	2,363	(152.3)%
Net (loss) income	(1,407)	6,701	(121.0)%
Earnings (loss) per common share:			
Basic	(0.56)	0.89	(162.8)%
Diluted	(0.56)	0.87	(164.3)%

References to the “2023 Period” refer to the nine months ended June 25, 2023. Similarly, references to the “2022 Period” refer to the nine months ended June 26, 2022.

Operating Revenue

Total operating revenue was $527.1 million in the 2023 Period, down $60.2 million, or 10.3%, compared to the 2022 Period.

Advertising and marketing services revenue totaled $246.4 million in the 2023 Period, down 11.2% compared to the prior year. Advertising revenue, print and digital, was adversely affected by a broader, industry-wide pull back in advertising spending. Print advertising revenues were $102.5 million in the 2023 Period, down 29.3% compared to the prior year due to the soft advertising environment and a continued secular decline in demand for print advertising. Digital advertising and marketing services totaled $143.9 million in the 2023 Period, up 8.7% compared to the prior year. These gains resulted from an 24.8% increase in Amplified Digital® revenue and an increase in advertising on our owned and operated sites. Digital advertising and marketing services represented 58.4% of the 2022 Period total advertising and marketing services revenue, compared to 47.7% in the same period last year.

Subscription revenue totaled $235.8 million in the 2023 Period, down 10.6% compared to the 2022 Period. The decline in full access volume, consistent with historical and industry trends were partially offset by growth in digital only subscribers and marketing efforts driving price yield on our full access subscriptions. Digital only subscribers grew 21.0% since the 2022 Period and now total 606,000.

Other revenue, which primarily consists of commercial printing revenue and digital services from BLOX Digital, decreased $1.1 million, or 2.5%, in the 2023 Period compared to the 2022 Period. Digital services revenue totaled $14.3 million in the 2023 Period, a 5.5% increase compared to the 2022 Period. Commercial printing revenue totaled $15.3 million in the 2023 Period, a 5.6% decrease compared to the 2022 Period primarily driven by reduction in print volumes from our partners.

Total digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled $200.3 million in the 2023 Period, an increase of 14.5% over the 2022 Period, and represented 38.0% of our total operating revenue in the 2023 Period.

Equity in earnings of TNI and MNI decreased $0.7 million in the 2023 Period.

Operating Expenses

Total operating expenses were $504.4 million in the 2023 Period, a 10.4% decrease compared to the 2022 Period. Cash Costs, a non-GAAP financial measure (see reconciliation of non-GAAP financial measures below), were $477.5 million, a 9.4% decrease compared to the 2022 Period.

Compensation expense decreased $38.5 million in the 2023 Period, or 15.6%, compared to the 2022 Period attributable to reductions in FTE's due to continued business transformation efforts partially offset by investments in digital talent and increasing average compensation levels.

Newsprint and ink costs decreased $2.0 million in the 2023 Period, or 9.0%, compared to the 2022 Period. The decrease is attributable to declines in newsprint volumes offset by higher newsprint prices. See Item 3, “Commodities”, included herein, for further discussion and analysis of the impact of newsprint on our business.

Other operating expenses decreased $9.3 million in the 2023 Period, or 3.6%, compared to the 2022 Period. Other operating expenses include all operating costs not considered to be compensation, newsprint, depreciation and amortization, or restructuring costs and assets loss on sales, impairments and other, net. The largest components are costs associated with printing and distribution of our printed products, digital cost of goods sold and facility expenses. The decrease is attributable to lower delivery and other print-related costs due to lower volumes of our print editions increases partially offset by increases to digital costs of goods sold from Amplified Digital® growth, higher input costs due to inflation and investments to fund our digital growth strategy.

Restructuring costs and other totaled $8.1 million and $19.9 million in the 2023 Period and 2022 Period, respectively. Restructuring costs and other include severance costs, litigation costs, restructuring expenses, and advisor expenses in the 2022 Period associated with an unsolicited takeover offer received in November 2021. Restructuring costs in the 2023 Period are predominately severance related to our ongoing business transformation.

Depreciation and amortization expense decreased $4.3 million, or 15.8%, in the 2023 Period. The decrease in both is attributable to assets becoming fully depreciated or amortized.

Assets (gain) loss on sales, impairments and other, was a net gain of $4.3 million in the 2023 Period compared to a net gain of $11.3 million in the 2022 Period. The gains and losses in the 2023 Period and 2022 Period were the result of the disposition of non-core assets, including real estate.

The factors noted above resulted in operating income of $26.2 million in the 2023 Period compared to $28.3 million in the 2022 Period.

Non-operating Income and Expense

Interest expense decreased $0.3 million, or 1.1%, to $31.1 million in the 2023 Period, compared to the same period last year. The decrease was due to a lower outstanding balance on our Term Loan. Our weighted average cost of debt was 9.0% at the end of the 2023 Period and 2022 Period.

Other non-operating income and expense consists of benefits associated with our pension and other postretirement plans. We recorded $0.9 million periodic pension and other postretirement benefits in the 2023 Period compared to $11.6 million in the 2022 Period.

We recognized a non-cash curtailment gain of $1.0 million in the 2022 Period as a result of freezing certain pension plans.

We recognized pension withdrawal costs in the 2022 Period of $2.3 million in connection with the withdrawal from a pension plan that covered certain employees. This withdrawal liability will be paid in equal quarterly installments over the next 20 years.

Income Tax Expense (Benefit)

We recorded an income tax benefit of $1.2 million or 46.8% of pretax loss, in the 2023 Period. In the 2022 Period, we recognized an income tax expense of $2.4 million or 26.1% of pretax income.

Net Income (Loss) and Earnings (Losses) Per Share

Net loss was $1.4 million and diluted losses per share were $0.56 for the 2023 Period, compared to net income of $6.7 million and diluted earnings per share of $0.87 for the 2022 Period. The change reflects the various items discussed above.

NON-GAAP FINANCIAL MEASURES

We use non-GAAP financial performance measures to supplement the financial information presented on a GAAP basis. These non-GAAP financial measures should not be considered in isolation or as a substitute for the relevant GAAP measures and should be read in conjunction with information presented on a GAAP basis.

In this report, we present Adjusted EBITDA and Cash Costs which are non-GAAP financial performance measures that exclude from our reported GAAP results the impact of certain items consisting primarily of restructuring charges and non-cash charges. We believe such expenses, charges and gains are not indicative of normal, ongoing operations, and their inclusion in results makes for more difficult comparisons between years and with peer group companies. In the future, however, we are likely to incur expenses, charges and gains similar to the items for which the applicable GAAP financial measures have been adjusted and to report non-GAAP financial measures excluding such items. Accordingly, exclusion of those or similar items in our non-GAAP presentations should not be interpreted as implying the items are non-recurring, infrequent, or unusual.

We define our non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, as follows:

Adjusted EBITDA is a non-GAAP financial performance measure that enhances financial statement users' overall understanding of the operating performance of the Company. The measure isolates unusual, infrequent, or non-cash transactions from the operating performance of the business. This allows users to easily compare operating performance among various fiscal periods and how management measures the performance of the business. This measure also provides users with a benchmark that can be used when forecasting future operating performance of the Company that excludes unusual, nonrecurring or one-time transactions. Adjusted EBITDA is also a component of the calculation used by stockholders and analysts to determine the value of our business when using the market approach, which applies a market multiple to financial metrics. It is also a measure used to calculate the leverage ratio of the Company, which is a key financial ratio monitored and used by the Company and its investors. Adjusted EBITDA is defined as net income (loss), plus non-operating expenses, income tax expense, depreciation and amortization, assets loss (gain) on sales, impairments and other, restructuring costs and other, stock compensation and our 50% share of EBITDA from TNI and MNI, minus equity in earnings of TNI and MNI.

Cash Costs represent a non-GAAP financial performance measure of operating expenses which are measured on an accrual basis and settled in cash. This measure is useful to investors in understanding the components of the Company’s cash-settled operating costs. Generally, the Company provides forward-looking guidance of Cash Costs, which can be used by financial statement users to assess the Company's ability to manage and control its operating cost structure. Cash Costs are defined as compensation, newsprint and ink and other operating expenses. Depreciation and amortization, assets loss (gain) on sales, impairments and other, other non-cash operating expenses and other expenses are excluded. Cash Costs also exclude restructuring costs and other, which are typically settled in cash.

Adjusted EBITDA and Cash Costs are reconciled to net income (loss) and operating expenses, below, the closest comparable numbers under GAAP.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

The table below reconciles the non-GAAP financial performance measure of Adjusted EBITDA to net income, the most directly comparable GAAP measure:

	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Net income (loss)	2,134	196	(1,407)	6,701
Adjusted to exclude				
Income tax expense (benefit)	394	156	(1,237)	2,363
Non-operating expenses, net	9,680	6,087	28,889	19,261
Equity in earnings of TNI and MNI	(1,194)	(1,050)	(3,534)	(4,211)
Depreciation and amortization	7,478	8,818	23,097	27,445
Restructuring costs and other	3,780	6,072	8,120	19,862
Assets (gain) loss on sales, impairments and other, net	(900)	1,086	(4,255)	(11,340)
Stock compensation	462	327	1,384	1,026
Add:				
Ownership share of TNI and MNI EBITDA (50%)	1,406	1,268	4,128	4,864
Adjusted EBITDA	23,240	22,960	55,185	65,971

The table below reconciles the non-GAAP financial performance measure of Cash Costs to Operating expenses, the most directly comparable GAAP measure:

	Three months ended		Nine months ended	
(Thousands of Dollars)	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Operating expenses	160,296	189,648	504,418	563,219
Adjustments				
Depreciation and amortization	7,478	8,818	23,097	27,445
Assets gain on sales, impairments and other, net	(900)	1,086	(4,255)	(11,340)
Restructuring costs and other	3,780	6,072	8,120	19,862
Cash Costs	149,938	173,672	477,456	527,252

LIQUIDITY AND CAPITAL RESOURCES

Our operations have historically generated strong positive cash flow and are expected to provide sufficient liquidity, together with cash on hand, to meet our requirements, primarily operating expenses, interest expense and capital expenditures. A summary of our cash flows is included in the narrative below.

Operating Activities

Cash required by operating activities totaled $1.5 million in 2023 compared to cash provided by operating activities of $0.7 million in 2022, a change of $2.2 million. The change was driven by a decrease in operating results of $10.5 million, (defined as net income (loss) adjusted for non-working capital items), partially offset by an increase in working capital of $8.3 million primarily related to favorable changes to accounts payable and other accrued liabilities.

Investing Activities

Cash provided by investing activities totaled $5.1 million in the 2023 Period compared to cash provided by investing activities of $8.5 million in the 2022 Period. 2023 and 2022 included $7.2 million and $14.8 million, respectively, in proceeds from the sale of assets as the Company divested non-core real estate.

We anticipate that funds necessary for capital expenditures, which are expected to total up to $5.0 million in 2023, and other requirements, will be available from internally generated funds.

Financing Activities

Cash required for financing activities totaled $2.8 million in the 2023 Period compared to $19.7 million in the 2022 Period. Debt reduction accounted for nearly all the usage of funds in both periods. We expect to make a $2.0 million principal payment in the 4th quarter related to disposition of non-core assets.

Additional Information on Liquidity

Our liquidity, consisting of cash on the balance sheet, totaled $17.0 million on June 25, 2023. This liquidity amount excludes any future cash flows from operations. We expect all interest and principal payments due in the next twelve months will be satisfied by existing cash and our cash flows, which will allow us to maintain an adequate level of liquidity.

CHANGES IN LAWS AND REGULATIONS

Wage Laws

The United States and various state and local governments are considering increasing their respective minimum wage rates. Most of our employees are paid more than the current United States or state minimum wage rates. However, until changes to such rates are enacted, the impact of the changes cannot be determined.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This report contains information that may be deemed forward-looking that is based largely on our current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties, which in some instances are beyond our control, are:

- The overall impact the COVID-19 pandemic has on the Company's revenues and costs;
- The long-term or permanent changes the COVID-19 pandemic may have on the publishing industry, which may result in permanent revenue reductions and other risks and uncertainties;
- We may be required to indemnify the previous owners of the BH Media or Buffalo News for unknown legal and other matters that may arise;
- Our ability to manage declining print revenue and circulation subscribers;
- The impact and duration of adverse conditions in certain aspects of the economy affecting our business;
- Changes in advertising and subscription demand;
- Changes in technology that impact our ability to deliver digital advertising;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Significant cyber security breaches or failure of our information technology systems;
- Our ability to achieve planned expense reductions and realize the expected benefit of our acquisitions;
- Our ability to maintain employee and customer relationships;
- Our ability to manage increased capital costs;
- Our ability to maintain our listing status on NASDAQ;
- Competition; and
- Other risks detailed from time to time in our publicly filed documents.

Any statements that are not statements of historical fact (including statements containing the words “may”, “will”, “would”, “could”, “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “considers” and similar expressions) generally should be considered forward-looking statements. Statements regarding our plans, strategies, prospects and expectations regarding our business and industry, including statements regarding the impacts that the COVID-19 pandemic and our responses thereto may have on our future operations, are forward-looking statements. They reflect our expectations, are not guarantees of performance and speak only as of the date the statement is made. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this report. We do not undertake to publicly update or revise our forward-looking statements, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk stemming from changes in interest rates and commodity prices. Changes in these factors could cause fluctuations in earnings and cash flows. In the normal course of business, exposure to certain of these market risks is managed as described below.

INTEREST RATES ON DEBT

Our debt structure, which is entirely fixed rate, eliminates the potential impact of an increase in interest rates. We have no interest rate hedging in place.

COMMODITIES

Newsprint prices declined in Q3 of 2023 from the increases in prices implemented throughout 2022 and further price reductions effective in Q4 of 2023 have been announced. Despite reduced consumption, the newsprint supply chain continues to be challenged due to capacity reductions taken in the last two years including paper machine permanent shutdowns, conversion to paper grades other than newsprint, and recovering demand, domestically and exports, for newsprint.

Our long-term supply strategy continues to align the Company with those cost-effective suppliers most likely to continue producing and supplying newsprint to the North American market and geographically aligned with our print locations. Where possible the Company will align supply with the lowest cost material, but may be restricted due to shipping expenses and paper production availability.

A $10 per tonne price increase on 27.7-pound newsprint would result in an annualized reduction in income before taxes of approximately $0.3 million based on current and anticipated consumption trends in 2023, excluding consumption of TNI and MNI and the impact of LIFO accounting.

Our fixed rate debt consists of $460.0 million principal amount of the Term Loan recorded at carrying value.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of September 25, 2022, under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation the Company has concluded that, because the material weaknesses in the Company's internal control that existed as of September 25, 2022 have not been remediated by the end of the period covered by this report, our disclosure controls and procedures were not effective.

The material weaknesses identified by the Company are described below:

- Management did not maintain appropriately designed information technology general controls in the areas of user access for certain of its information systems that are relevant to the preparation of the Company’s consolidated financial statements and system of internal control over financial reporting.
- Management did not maintain appropriately designed controls over data provided by third-party service organizations for which a System and Organization Controls (SOC) 1 Type 2 report is not available. Specifically, management did not design and implement controls over the validation of the completeness and accuracy of information received from these service organizations and correspondingly relied upon by the Company in the preparation of the Company’s consolidated financial statements.
- Management did not maintain appropriately designed controls to validate the accuracy of the tax basis associated with certain deferred tax assets and liabilities, which resulted in an immaterial error correction associated with the Company's previously issued consolidated financial statements.

Remediation Plans and Actions

Management is committed to remediating the material weaknesses that have been identified and maintaining an effective system of disclosure controls and procedures. These remediation efforts, summarized below, are intended to both address the identified material weaknesses and to enhance our overall financial control environment. In this regard, our initiatives include:

- Establishing a project team to review, evaluate, and remediate material weaknesses in internal controls over financial reporting. The Company's recently expanded Corporate Compliance function will lead management's efforts related to effective control design, documentation, and implementation, as well as remediate ineffective controls.
- Undergoing a complete user access review related to our information technology systems to refine user roles and establish appropriate user access to various systems that the Company relies upon in its internal controls over financial reporting, which includes enhancing user access provisioning and monitoring controls to enforce appropriate system access and segregation of duties.
- Providing training to relevant personnel reinforcing existing Company policies regarding user access and the steps and procedures required to perform the required reviews of access to Company systems.
- Enhancing the design of internal controls around evaluating data provided by third-party service organizations for which a SOC 1, Type 2 is not available to validate completeness and accuracy.

- Enhancing the design of internal controls to validate the accuracy of the tax basis for deferred tax assets and liabilities, including enhancing our record retention policy to include retaining documentation for complex tax items for as long as such tax items impact our consolidated financial statements.

The material weaknesses will be considered remediated when management concludes that, through testing, the applicable remedial controls are designed and implemented effectively.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in a variety of legal actions that arise in the normal course of business. Insurance coverage mitigates potential loss for certain of these matters. While we are unable to predict the ultimate outcome of these legal actions, it is our opinion that the disposition of these matters will not have a material adverse effect on our Consolidated Financial Statements, taken as a whole.

Item 1.A Risk Factors

Except as otherwise described herein, there have been no material changes in the risk factors previously disclosed in “Part I, Item 1A. Risk Factors” of our 2022 Form 10-K.

In addition, the Company may, from time to time, evaluate and pursue other opportunities for growth, including through strategic investments, joint ventures, and other acquisitions. These strategic initiatives involve various inherent risks, including, without limitation, general business risk, integration and synergy risk, market acceptance risk and risks associated with the potential distraction of management. Such transactions and initiatives may not ultimately create value for us or our stockholders and may harm our reputation and materially adversely affect our business, financial condition, and results of operations.

Item 6. Exhibits

Exhibits marked with an asterisk (*) are incorporated by reference to documents previously filed by us with the SEC, as indicated. Exhibits marked with a plus (+) are management contracts or compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K. All other documents listed are filed with this Quarterly Report on Form 10-Q.

Number	Description	
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	Attached
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	Attached
32.1	Section 1350 Certification of Chief Executive Officer	Attached
32.2	Section 1350 Certification of Chief Financial Officer	Attached
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)	Attached
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Attached
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Attached
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Attached
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Attached
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Attached
104	Cover Page Interactive Data File (formatted as Inline XBRL and embedded within the Inline XBRL document)	Attached

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.

LEE ENTERPRISES, INCORPORATED

/s/ Timothy R. Millage August 4, 2023

Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Kevin D. Mowbray, certify that:

1 I have reviewed this Quarterly report on Form 10-Q ("Quarterly Report") of Lee Enterprises, Incorporated ("Registrant");

2 Based on my knowledge, this Quarterly 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 Quarterly Report;

3 Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Quarterly 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 Quarterly 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Quarterly Report based on such evaluation; and

d) disclosed in this Quarterly 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 which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 4, 2023

/s/ Kevin D. Mowbray
Kevin D. Mowbray
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Timothy R. Millage, certify that:

1 I have reviewed this Quarterly report on Form 10-Q ("Quarterly Report") of Lee Enterprises, Incorporated ("Registrant");

2 Based on my knowledge, this Quarterly 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 Quarterly Report;

3 Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Quarterly 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 Quarterly 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Quarterly Report based on such evaluation; and

d) disclosed in this Quarterly 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 which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 4, 2023

/s/ Timothy R. Millage
Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

The following statement is being furnished to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Lee Enterprises, Incorporated

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), the undersigned hereby certifies that to his knowledge:

(i) this Quarterly report on Form 10-Q for the period ended June 25, 2023 ("Quarterly Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Lee Enterprises, Incorporated for the periods presented in the Quarterly Report.

Date: August 4, 2023

/s/ Kevin D. Mowbray

Kevin D. Mowbray
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Lee Enterprises, Incorporated and will be retained by Lee Enterprises, Incorporated and furnished to the Securities and Exchange Commission upon request.

Exhibit 32.2

The following statement is being furnished to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Lee Enterprises, Incorporated

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), the undersigned hereby certifies that to his knowledge:

(i) this Quarterly report on Form 10-Q for the period ended June 25, 2023 ("Quarterly Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Lee Enterprises, Incorporated for the periods presented in the Quarterly Report.

Date: August 4, 2023

/s/ Timothy R. Millage
Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Lee Enterprises, Incorporated and will be retained by Lee Enterprises, Incorporated and furnished to the Securities and Exchange Commission upon request.