

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

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

**For The Quarterly Period Ended June 27, 2021**

OR

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  
(State or other jurisdiction of incorporation or organization)

42-0823980  
(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:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
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  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 31, 2021, 5,888,983 shares of Common Stock of the Registrant were outstanding.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the “Company”). References to “2021”, “2020” and the like refer to the fiscal years ended the last Sunday in September.

## **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:

- Revenues may continue to diminish or declines in revenue could accelerate as a result of the COVID-19 pandemic;
- Revenues may continue to be diminished longer than anticipated as a result of the COVID-19 pandemic;
- The COVID-19 pandemic may result in material long-term changes to the publishing industry which may result in permanent revenue reductions for the Company and other risks and uncertainties;
- We may experience increased costs, inefficiencies and other disruptions as a result of the COVID-19 pandemic;
- 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 warrants issued in our 2014 refinancing will not be exercised;
- 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.

**PART I  
FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**LEE ENTERPRISES, INCORPORATED  
CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
<i>(Thousands of Dollars)</i>	June 27, 2021	September 27, 2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	21,070	33,733
Accounts receivable and contract assets, net	62,085	52,598
Inventories	6,478	7,534
Prepays and other	15,952	14,888
<b>Total current assets</b>	<b>105,585</b>	<b>108,753</b>
<b>Investments:</b>		
Associated companies	27,172	27,624
Other	6,256	6,255
<b>Total investments</b>	<b>33,428</b>	<b>33,879</b>
<b>Property and equipment:</b>		
Land and improvements	16,853	18,711
Buildings and improvements	108,719	128,475
Equipment	231,662	245,117
Construction in process	4,569	2,323
	361,803	394,626
Less accumulated depreciation	275,375	289,017
<b>Property and equipment, net</b>	<b>86,428</b>	<b>105,609</b>
Operating lease right-of-use assets	67,260	70,933
Goodwill	330,204	328,445
Other intangible assets, net	163,064	182,680
Pension plan assets, net	6,831	4,147
Medical plan assets, net	16,116	15,912
Other	11,877	13,699
<b>Total assets</b>	<b>820,793</b>	<b>864,057</b>

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

	(Unaudited)	
<i>(Thousands of Dollars and Shares, Except Per Share Data)</i>	June 27, 2021	September 27, 2020
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of lease liabilities	8,803	8,577
Current maturities of long-term debt	1,070	13,733
Accounts payable	17,788	17,163
Compensation and other accrued liabilities	47,625	44,278
Unearned revenue	62,255	60,271
<b>Total current liabilities</b>	<b>137,541</b>	<b>144,022</b>
Long-term debt, net of current maturities	484,092	524,557
Operating lease liabilities	59,016	62,374
Pension obligations	70,622	75,656
Postretirement and postemployment benefit obligations	14,481	39,543
Deferred income taxes	14,625	15,208
Income taxes payable	19,921	18,048
Warrants and other	28,958	14,282
<b>Total liabilities</b>	<b>829,256</b>	<b>893,690</b>
<b>Equity (deficit):</b>		
<b>Stockholders' equity (deficit):</b>		
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:	59	58
June 27, 2021; 5,889 shares; \$0.01 par value		
September 27, 2020; 5,835 shares; \$0.01 par value		
Class B Common Stock, \$2 par value; authorized 3,000 shares; none issued	—	—
Additional paid-in capital	257,851	256,957
Accumulated deficit	(250,534)	(268,529)
Accumulated other comprehensive loss	(17,953)	(20,050)
<b>Total stockholders' deficit</b>	<b>(10,577)</b>	<b>(31,564)</b>
Non-controlling interests	2,114	1,931
<b>Total deficit</b>	<b>(8,463)</b>	<b>(29,633)</b>
<b>Total liabilities and deficit</b>	<b>820,793</b>	<b>864,057</b>

Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 for details.

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)

<i>(Thousands of Dollars, Except Per Common Share Data)</i>	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
<b>Operating revenue:</b>				
Advertising and marketing services	91,122	77,754	279,326	204,426
Subscription	88,792	89,115	269,905	178,234
Other	16,576	15,659	51,505	43,578
<b>Total operating revenue</b>	<b>196,490</b>	<b>182,528</b>	<b>600,736</b>	<b>426,238</b>
<b>Operating expenses:</b>				
Compensation	82,731	72,396	250,048	164,330
Newsprint and ink	7,051	7,572	22,222	16,629
Other operating expenses	82,117	77,440	243,749	178,744
Depreciation and amortization	10,836	11,201	33,794	25,196
Assets loss (gain) on sales, impairments and other, net	242	147	6,938	(5,153)
Restructuring costs and other	1,419	2,865	5,880	6,422
<b>Total operating expenses</b>	<b>184,396</b>	<b>171,621</b>	<b>562,631</b>	<b>386,168</b>
Equity in earnings of associated companies	1,689	842	4,902	3,773
<b>Operating income</b>	<b>13,783</b>	<b>11,749</b>	<b>43,007</b>	<b>43,843</b>
<b>Non-operating income (expense):</b>				
Interest expense	(11,010)	(13,135)	(34,129)	(35,377)
Debt financing and administrative costs	—	—	—	(11,865)
Curtailment gain	—	—	23,830	—
Pension withdrawal cost	—	—	(12,310)	—
Other, net	2,330	1,027	6,240	3,309
<b>Total non-operating expense, net</b>	<b>(8,680)</b>	<b>(12,108)</b>	<b>(16,369)</b>	<b>(43,933)</b>
<b>Income (loss) before income taxes</b>	<b>5,103</b>	<b>(359)</b>	<b>26,638</b>	<b>(90)</b>
Income tax (benefit) expense	1,366	368	7,106	(92)
<b>Net income (loss)</b>	<b>3,737</b>	<b>(727)</b>	<b>19,532</b>	<b>2</b>
Net income attributable to non-controlling interests	(510)	(548)	(1,537)	(1,322)
<b>Income (loss) attributable to Lee Enterprises, Incorporated</b>	<b>3,227</b>	<b>(1,275)</b>	<b>17,995</b>	<b>(1,320)</b>
Other comprehensive income, net of income taxes	477	317	2,097	950
<b>Comprehensive (loss) income attributable to Lee Enterprises, Incorporated</b>	<b>3,704</b>	<b>(958)</b>	<b>20,092</b>	<b>(370)</b>
<b>Earnings per common share:</b>				
Basic:	0.56	(0.23)	3.15	(0.23)
Diluted:	0.55	(0.23)	3.10	(0.23)

Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 for details.

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

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

<i>(Thousands of Dollars)</i>	Accumulated Deficit	Common Stock	Additional paid-in capital	Accumulated Other Comprehensive Loss	Total
September 28, 2020	(268,529)	58	256,957	(20,050)	(31,564)
Shares issued (redeemed)	—	1	(55)	—	(54)
Income attributable to Lee Enterprises, Incorporated	15,902	—	—	—	15,902
Stock compensation	—	—	220	—	220
Other comprehensive income	—	—	—	1,347	1,347
Deferred income taxes, net	—	—	—	(205)	(205)
December 27, 2020	(252,627)	59	257,122	(18,908)	(14,354)
Shares issued (redeemed)	—	—	(8)	—	(8)
Loss attributable to Lee Enterprises, Incorporated	(1,134)	—	—	—	(1,134)
Stock compensation	—	—	214	—	214
Other comprehensive loss	—	—	—	682	682
Deferred income taxes, net	—	—	—	(204)	(204)
March 28, 2021	(253,761)	59	257,328	(18,430)	(14,804)
Shares issued (redeemed)	—	—	318	—	318
Income attributable to Lee Enterprises, Incorporated	3,227	—	—	—	3,227
Stock compensation	—	—	205	—	205
Other comprehensive loss	—	—	—	682	682
Deferred income taxes, net	—	—	—	(205)	(205)
June 27, 2021	(250,534)	59	257,851	(17,953)	(10,577)

<i>(Thousands of Dollars)</i>	Accumulated Deficit	Common Stock	Additional paid-in capital	Accumulated Other Comprehensive Loss	Total
September 30, 2019	(265,423)	57	255,996	(29,114)	(38,484)
Shares issued (redeemed)	—	1	(376)	—	(375)
Income attributable to Lee Enterprises, Incorporated	5,320	—	—	—	5,320
Stock compensation	—	—	545	—	545
Other comprehensive income	—	—	—	452	452
Deferred income taxes, net	—	—	—	(135)	(135)
December 29, 2019	(260,103)	58	256,165	(28,797)	(32,677)
Shares issued (redeemed)	—	—	(199)	—	(199)
Loss attributable to Lee Enterprises, Incorporated	(5,367)	—	—	—	(5,367)
Stock compensation	—	—	269	—	269
Other comprehensive loss	—	—	—	451	451
Deferred income taxes, net	—	—	—	(135)	(135)
March 29, 2020	(265,470)	58	256,235	(28,481)	(37,658)
Shares issued (redeemed)	—	—	242	—	242
Loss attributable to Lee Enterprises, Incorporated	(1,275)	—	—	—	(1,275)
Stock compensation	—	—	228	—	228
Other comprehensive income	—	—	—	451	451
Deferred income taxes, net	—	—	—	(134)	(134)
June 28, 2020	(266,745)	58	256,705	(28,163)	(38,145)

Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 for details.

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

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

<i>(Thousands of Dollars)</i>	39 Weeks Ended	
	June 27, 2021	June 28, 2020
Cash provided by operating activities:		
Net income	19,532	2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,794	25,196
Curtailment gain	(23,830)	—
Pension withdrawal cost	12,310	—
Stock compensation expense	639	1,042
Assets loss (gain) on sales, impairments and other, net	6,938	(5,153)
Deferred income taxes	(398)	(8,377)
Debt financing and administrative costs	—	11,865
Pension contributions	(965)	—
Return of collateral on (Payments to collateralize) letters of credit	1,686	(6,105)
Other, net	(147)	(316)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables and contract assets	(8,720)	24,173
Decrease in inventories and other	1,080	855
Increase (decrease) in accounts payable and other accrued liabilities	2,494	(7,893)
Decrease in pension and other postretirement and postemployment benefit obligations	(4,807)	(3,947)
Change in income taxes payable	2,459	6,875
Other, including warrants	706	(207)
<b>Net cash provided by operating activities</b>	<b>42,771</b>	<b>38,010</b>
Cash required for investing activities:		
Purchases of property and equipment	(5,350)	(7,297)
Proceeds from sales of assets	3,095	17,649
Acquisitions, net of cash acquired	—	(130,985)
Distributions greater (less) than earnings of TNI and MNI	159	(154)
Other, net	(369)	(350)
<b>Net cash required for investing activities</b>	<b>(2,465)</b>	<b>(121,137)</b>
Cash provided by (required for) financing activities:		
Proceeds from long term debt	—	576,000
Payments on long-term debt	(53,128)	(443,627)
Debt financing and administrative costs paid	—	(609)
Common stock transactions, net	159	(572)
<b>Net cash (required for) provided by financing activities</b>	<b>(52,969)</b>	<b>131,192</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(12,663)</b>	<b>48,065</b>
Cash and cash equivalents:		
Beginning of period	33,733	8,645
End of period	21,070	56,710

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



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

**1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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 27, 2021, 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 2020 Annual Report on Form 10-K.

Because of seasonal and other factors, the results of operations for the 13 and 39 weeks ended June 27, 2021, are not necessarily indicative of the results to be expected for the full year.

References to "we", "our", "us" and the like throughout the Consolidated Financial Statements refer to the Company. References to "2021", "2020" and the like refer to the fiscal years ended the last Sunday in September.

The Consolidated Financial Statements include our accounts and those of our subsidiaries, all of which are wholly-owned, except for our 82.5% interest in INN Partners, L.C. ("TownNews.com"), 50% interest in TNI Partners ("TNI") and 50% interest in Madison Newspapers, Inc. ("MNI").

Investments in TNI and 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.

Certain amounts in prior period Consolidated Financial Statements have been reclassified to conform to the current year presentation. Pursuant to our acquisition of BH Media Group, Inc. a Delaware corporation, ("BHMGI") and The Buffalo News, Inc. a Delaware corporation ("Buffalo News"), we realigned the presentation of certain home delivery print revenue and certain other Subscription revenue from Other revenue to Subscription revenue on the Consolidated Statements of Income (loss) and Comprehensive Income (loss). As a result of this updated presentation, Subscription revenue increased and Other revenue decreased for the 13 weeks ended June 28, 2020 by \$598,000, the 39 weeks ended June 28, 2020 by \$1,579,000 and the 13 weeks ended December 27, 2020 by \$794,000. Operating revenues, net income (loss), accumulated deficit, and earnings per share remained unchanged.

On February 25, 2021, our Board of Directors declared a one-for-ten split of the Company's common stock effected (the "Reverse Stock Split"). Effective March 15, 2021 the Company's shares began trading on a post reverse split basis. Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. The split did not change the Company's Common Stock Par value but changed opening Common Stock and Additional Paid in Capital balances by offsetting amounts. Additionally, in March 29, 2020, we had outstanding shares of 58,135,910 which were adjusted to 5,813,591 to give effect to the Reverse Stock Split.

**Use of Estimates**

The preparation of the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates and judgments on an ongoing basis.

We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Business Combinations**

The Company accounts for acquisitions in accordance with the provisions of Accounting Standards Codification 805 "Business Combinations" ("ASC 805"), which provides guidance for recognition and measurement of identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree at fair value. In a business combination, the assets acquired, liabilities assumed and non-controlling interest in the acquiree are recorded as of the date of acquisition at their respective fair values with limited exceptions. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs are expensed as incurred. The operating results of the acquired business are reflected in the Company's Consolidated Financial Statements from the date of the acquisition.

**COVID-19 Pandemic**

The ongoing COVID-19 pandemic and related measures to contain its spread have resulted in significant volatility and economic uncertainty, which is expected to continue in the near term. The COVID-19 pandemic has had and the Company currently expects that it will continue to have a significant negative impact on the Company's business and operating results in the near term. While vaccines have become widely available in the United States, the long-term impact of the COVID-19 pandemic remains uncertain and unpredictable as it will depend on the pace of vaccine distribution, government responses to future outbreaks, the spread of variants, as well as changes in consumer behavior, all of which are highly uncertain. Despite the significant negative impacts on our operating results, we have operated uninterrupted in providing local news, information and advertising in our print and digital editions.

**Recently Issued Accounting Standards - Standards Adopted in 2021**

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a wider array of reasonable and supportable information to inform and develop credit loss estimates ("ASC 326"). We are required to use a forward-looking expected credit loss model for both accounts receivables and other financial instruments. The new standard was adopted on September 28, 2020, using a modified retrospective approach. This standard did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued new guidance that changes disclosure requirements related to fair value measurements as part of the disclosure framework project. The disclosure framework project aims to improve the effectiveness of disclosures in the notes to the financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements ("ASU 2018-13"). The new guidance was adopted on September 28, 2020, and did not have a material impact on our Consolidated Financial Statements.

In December 2019, the FASB issued new guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standards Codification ("ASC") 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition for deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This new guidance was adopted September 28, 2020 and did not have a material impact on our Consolidated Financial Statements.

**Recently Issued Accounting Standards - Standards Not Yet Adopted**

In August 2018, FASB issued a new standard to amend disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans ("ASU 2018-14"). The new standard will be adopted beginning September 27, 2021 using a retrospective approach. The Company is still evaluating the impacts to our financial statement disclosures.

In October 2020, FASB issued new guidance containing amendments that improve consistency of the Codification. Many of the amendments arose because the FASB provided an option to give certain information either on the face of the financial statements or in the notes to financial statements. The Company is still evaluating the impacts to our financial statement disclosures.

**2 REVENUE**

The following table presents our revenue disaggregated by source:

<i>(Thousands of Dollars)</i>	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Advertising and marketing services revenue	91,122	77,754	279,326	204,426
Subscription revenue	88,792	89,115	269,905	178,234
TownNews and other digital services revenue	4,713	5,010	14,363	14,544
Other revenue	11,863	10,649	37,142	29,034
<b>Total operating revenue</b>	<b>196,490</b>	<b>182,528</b>	<b>600,736</b>	<b>426,238</b>

*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. The unearned revenue balances described herein are the Company's only contract liability. Unearned revenue was \$62,255,000 as of June 27, 2021 and \$60,271,000 as of September 27, 2020. Revenue recognized in the 13 and 39 weeks ended June 27, 2021 that was included in the contract liability as of September 27, 2020 was \$5,489,000 and \$53,992,000, respectively.

Accounts receivable, excluding allowance for credit losses was \$70,558,000 and \$66,029,000 as of June 27, 2021 and September 27, 2020, respectively. Allowance for credit losses was \$8,473,000 and \$13,431,000 as of June 27, 2021 and September 27, 2020, respectively.

*Practical expedients:* Sales commissions are expensed as incurred as the associated contractual periods are one year or less. These costs are recorded within compensation. The vast majority 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 Citizen Publishing Company ("Citizen"), a subsidiary of Gannett Co. Inc., 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:

<i>(Thousands of Dollars)</i>	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Operating revenue	8,389	8,222	26,548	28,602
Operating expenses	6,077	6,645	19,506	22,576
Operating income	2,312	1,577	7,042	6,026
Company's 50% share of operating income	1,156	789	3,521	3,013
Less amortization of intangible assets	—	—	—	209
Equity in earnings of TNI	1,156	789	3,521	2,804

TNI makes weekly distributions of its earnings and for the 13 weeks ended June 27, 2021 and June 28, 2020 we received \$544,000 and \$959,000 in distributions, respectively. In the 39 weeks ended June 27, 2021 and June 28, 2020, we received \$3,161,000 and \$2,650,000 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 their 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:

<i>(Thousands of Dollars)</i>	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Operating revenue	11,479	10,875	34,425	37,125
Operating expenses, excluding restructuring costs, depreciation and amortization	8,657	10,542	29,324	34,222
Restructuring costs	—	—	106	—
Depreciation and amortization	188	172	480	514
Operating income	2,634	161	4,515	2,389
Net income	1,066	107	2,762	1,938
Equity in earnings of MNI	533	54	1,381	969

MNI makes quarterly distributions of its earnings and in the 13 weeks ended June 27, 2021 and June 28, 2020, we received dividends of \$750,000 and \$0, respectively. In the 39 weeks ended June 27, 2021 and June 28, 2020, we received dividends of \$1,900,000 and \$1,000,000 respectively.

### 4 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill are as follows:

<i>(Thousands of Dollars)</i>	39 Weeks Ended June 27, 2021
Goodwill, gross amount	1,617,174
Accumulated impairment losses	(1,288,729)
Goodwill, beginning of September 27, 2020	328,445
Measurement period adjustments	1,759
Goodwill, end of period	330,204

Identified intangible assets consist of the following:

<i>(Thousands of Dollars)</i>	June 27, 2021	September 27, 2020
<b>Non-amortized intangible assets:</b>		
Mastheads	40,459	40,459
<b>Amortizable intangible assets:</b>		
Customer and newspaper subscriber lists	774,291	774,604
Less accumulated amortization	651,704	632,457
	<b>122,587</b>	<b>142,147</b>
<b>Non-compete and consulting agreements</b>	<b>28,656</b>	<b>28,656</b>
Less accumulated amortization	28,638	28,582
	<b>18</b>	<b>74</b>
<b>Other intangible assets, net</b>	<b>163,064</b>	<b>182,680</b>

The Company recognized \$27,620,000 of advertiser relationships, \$27,850,000 of subscriber relationships, \$19,560,000 of commercial print relationships and \$20,390,000 of indefinite-lived masthead assets as part of the Transactions as defined in Note 7.

Annual amortization of intangible assets for the five years ending December 2022 to December 2026 is estimated to be \$21,494,000, \$20,081,000, \$18,043,000, \$12,707,000, and \$7,218,000, respectively. The weighted average amortization period for those amortizable assets acquired as part of the Transactions is 13.7 years.

The Company recognized \$79,896,000 of Goodwill as part of the Transactions as defined in Note 7. The value of the acquired Goodwill is primarily related to an assembled workforce and expected synergies from combining operations. For tax purposes, the amount of Goodwill that is expected to be deductible is \$42,442,000. Refer to Note 7 for more information regarding final purchase accounting for the Transactions.

## 5 DEBT

On March 16, 2020 in connection with the closing of the Transactions as defined in Note 7, the Company completed a comprehensive refinancing of its debt (the "2020 Refinancing"). The 2020 Refinancing consists of a 25-year term loan with BH Finance LLC ("BH Finance"), an affiliate of Berkshire, in an aggregate principal amount of \$576,000,000 at a 9% annual rate (referred to herein as "Credit Agreement" and "Term Loan"). The proceeds of the Term Loan were used, along with cash on hand, to repay the Company's \$431,502,000 in existing debt incurred in 2014 (the "2014 Refinancing") as well as to fund the acquisition of the BH Media Newspaper Business assets and the stock of the Buffalo News for \$140,000,000 in cash. With the closing of this refinancing, BH Finance became Lee's sole lender. The Credit Agreement documents the primary terms of the Term Loan. The Term Loan matures on March 16, 2045.

As of June 27, 2021, the Company had \$485,162,000 in aggregate principal outstanding under the Term Loan. The weighted average cost of debt at June 27, 2021 is 9.0%.

For the 13-weeks ended June 27, 2021 excess cash flow (as such term is defined in the Term Loan) totaled \$1,070,000 and was used to pay debt in July 2021. This balance was recognized in current maturities of long-term debt as of June 27, 2021 in the Consolidated Balance Sheets. Future payments are contingent on the Company's ability to generate future excess cash flow, as defined in the Credit Agreement.

The Credit Agreement contains certain customary representations and warranties, certain affirmative and negative covenants and certain conditions, including restrictions on incurring additional indebtedness, creating certain liens, making certain investments or acquisitions, issuing dividends, repurchasing shares of stock of the Company and certain other capital transactions. Certain existing and future direct and indirect material domestic subsidiaries of the Company are guarantors of the Company's obligations under the Credit Agreement.

The Credit Agreement restricts us from paying dividends on our Common Stock. This restriction does not apply to dividends issued with the Company's Equity Interests or from the proceeds of a sale of the Company's Equity Interests. Further, the Credit Agreement restricts or limits, among other things, subject to certain exceptions, the ability of the Company and its subsidiaries to: (i) incur additional indebtedness, (ii) make certain investments, (iii) enter into mergers, acquisitions and asset sales, (iv) incur or create liens and (v) enter into transactions with certain affiliates. The Credit Agreement contains various representations and warranties by the Company and may be terminated upon the occurrence of certain events of default, including non-payment. The Credit Agreement also contains cross-default provisions tied to other agreements with BH Finance entered into by the Company and its subsidiaries in connection with the 2020 Refinancing.

## Principal Payments

Voluntary payments under the Credit Agreement are not subject to call premiums and are payable at par.

There are no scheduled mandatory principal payments required under the Credit Agreement. The Company is required to make mandatory pre-payments of the Term Loan as follows:

- The Company must prepay the Term Loan in an aggregate amount equal to 100% of any Net Cash Proceeds received by the Company or any subsidiary from a sale, transfer, license, lease or other disposition of any property of the Company or any subsidiary in excess of \$500,000 in any ninety (90) day period.
- Beginning on June 28, 2020, the Company is required to prepay the Term Loan with excess cash flow, defined as cash on the balance sheet in excess of \$20,000,000 ("Excess Cash Flow"). Excess Cash Flow is used to prepay the Term Loan, at par, and is due within 50-days of quarter end.
- If there is a Change of Control (as defined in the Credit Agreement), BH Finance has the option to require the Company to prepay the Term Loan in cash equal to 105% of the unpaid principal balance, plus accrued and unpaid interest.

The Company may, upon notice to BH Finance, at any time or from time to time, voluntarily prepay the Term Loan in whole or in part, at par, provided that any voluntary prepayments of the Term Loan shall be accompanied by payment of all accrued interest on the amount of principal prepaid to the date of prepayment.

## Warrants

In connection with the 2<sup>nd</sup> Lien Term Loan, we entered into a Warrant Agreement dated as of March 31, 2014 (the "Warrant Agreement"). Under the Warrant Agreement, certain affiliates or designees of the 2<sup>nd</sup> Lien Lenders received on March 31, 2014 their pro rata share of warrants to purchase, in cash, an initial aggregate of 600,000 shares of Common Stock, subject to adjustment pursuant to anti-dilution provisions (the "Warrants"). The Warrants represent, when fully exercised, approximately 10.4% of shares of Common Stock outstanding at March 30, 2014 on a fully diluted basis. The exercise price of the Warrants is \$41.90 per share. The Warrants are set to expire in March 2022. Shares and exercise price have been adjusted to reflect the reverse stock split as described in Note 1.

The Warrant Agreement contains provisions requiring the Warrants to be measured at fair value and included in warrants and other liabilities in our Consolidated Balance Sheets. We re-measure the fair value of the liability each reporting period, with changes reported in other, net non-operating income (expense). The initial fair value of the Warrants was \$16,930,000. See Note 11.

In connection with the issuance of the Warrants entered into in the 2014 Refinancing, we entered into a Registration Rights Agreement dated as of March 31, 2014 (the "Registration Rights Agreement"). The Registration Rights Agreement requires, among other matters, that we use our commercially reasonable efforts to maintain the effectiveness for certain specified periods of a shelf registration statement related to the shares of Common Stock to be issued upon exercise of the Warrants.

## 6 PENSION, POSTRETIREMENT AND POSTEMPLOYMENT DEFINED BENEFIT PLANS

We have several noncontributory defined benefit pension plans that together cover selected employees, including plans established under collective bargaining agreements. Our liability and related expense for benefits under the plans are recorded over the service period of employees based upon annual actuarial calculations. Plan funding strategies are influenced by government regulations. Plan assets consist primarily of domestic and foreign corporate equity securities, government and corporate bonds, hedge fund investments and cash.

We provide retiree medical and life insurance benefits under postretirement plans at several of our operating locations. Our liability and related expense for benefits under the postretirement plans are recorded over the service period of active employees based upon annual actuarial calculations. We accrue postemployment disability benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid.

With the exception of defined benefit plans acquired in the Transactions as defined in Note 7, effective in 2012, substantially all benefits are frozen. Our liability and related expenses for benefits under the plans are recorded over the service period of employees based upon annual actuarial calculations. Plan funding strategies are influenced by government regulations. Plan assets consist primarily of domestic and foreign corporate equity securities, government and corporate bonds, hedge fund investments and cash.

During the 13 weeks ended December 27, 2020 we notified certain participants in our post-employment benefit plans of changes to be made to the plans, including elimination of coverage for certain participants. The changes resulted in a non-cash curtailment gain of \$23,830,000 and a reduction in our benefit obligation liability by \$23,830,000. This is recorded within Curtailment gain and Postretirement and postemployment benefit obligations.

We use a fiscal year end measurement date for all of our Pension and postretirement medical plan obligations.

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

PENSION PLANS	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
<i>(Thousands of Dollars)</i>				
Service cost for benefits earned during the period	633	626	1,899	737
Interest cost on projected benefit obligation	1,787	2,462	5,361	5,113
Expected return on plan assets	(4,672)	(4,356)	(14,016)	(8,628)
Amortization of net loss	1,004	792	3,013	2,376
Amortization of prior service benefit	—	(2)	(1)	(6)
Pension benefit	(1,248)	(478)	(3,744)	(408)
POSTRETIREMENT MEDICAL PLANS	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
<i>(Thousands of Dollars)</i>				
Service cost for benefits earned during the period	240	232	690	268
Interest cost on projected benefit obligation	239	346	601	523
Expected return on plan assets	(252)	(265)	(756)	(795)
Amortization of net gain	(172)	(186)	(516)	(558)
Amortization of prior service benefit	(162)	(161)	(485)	(483)
Curtailed gain	—	—	(23,830)	—
Postretirement medical benefit	(107)	(34)	(24,296)	(1,045)

In the 39 weeks ended June 27, 2021 we contributed \$965,000 to our pension plans. In March 2021, The American Rescue Plan Act was signed into law. Among other things, the law changed how companies compute minimum required pension contributions. As a result we expect to make no additional contributions to our pension trust during the remainder of fiscal 2021.

#### Multiemployer Pension Plans

During the 13 weeks ended December 27, 2020, we withdrew from a multiemployer pension plan and recorded a \$12,310,000 liability reflecting an estimate of the withdrawal from the fund. The withdrawal liability is recorded in Warrants and other and the expense is included within Pension withdrawal cost. The liability will be paid over 20 years.

## 7 ACQUISITIONS

On March 16, 2020, the Company completed the Asset and Stock Purchase Agreement dated as of January 29, 2020 with Berkshire Hathaway Inc., a Delaware corporation (“Berkshire”) and BH Media Group, Inc., a Delaware corporation (“BH Media Group”) (“Purchase Agreement”). As part of the Purchase Agreement, the Company purchased certain assets and assumed certain liabilities of BH Media’s newspapers and related community publications business (“BH Media Newspaper Business”), excluding real estate and fixtures such as production equipment, and all of the issued and outstanding capital stock of The Buffalo News, Inc., a Delaware corporation (“Buffalo News”) for a combined purchase price of \$140,000,000 (collectively, the “Transactions”). BHMG includes 30 daily newspapers and digital operations, in addition to 49 paid weekly newspapers with websites and 32 other print products. Buffalo News is a provider of local print and digital news to the Buffalo, NY area. The rationale for the acquisition was primarily the attractive nature of the various publications, businesses, and digital platforms as well as the revenue growth and operating expense synergy opportunities. The fair values of the assets and liabilities for the Transactions were finalized during the second quarter of 2021.

In connection with the Transactions, the Company entered into a lease agreement between BH Media, as Landlord, and the Company, as Tenant, providing for the leasing of 68 properties and related fixtures (including production equipment) used in the BH Media Newspaper Business (the “BH Lease”). The BH Lease was signed and commenced on March 16, 2020. The BH Lease requires the Company to pay annual rent of \$8,000,000, payable in equal monthly payments, as well as all operating costs relating to the properties (including maintenance, repairs, property taxes and insurance). Rent payments will be subject to a Rent Credit (as defined in the BH Lease) equal to 8.00% of the net consideration for any leased real estate sold by BH Media during the term of the BH Lease.

**Pro Forma Information**

The following table sets forth unaudited pro forma results of operations assuming the Transactions, along with the credit arrangements necessary to finance the Transactions, occurred on September 30, 2019, the first day of fiscal year 2020.

	Unaudited 13 Weeks Ended	Unaudited 39 Weeks Ended
	June 28, 2020	June 28, 2020
<i>(Thousands of Dollars, Except Per Share Data)</i>		
Total revenues	182,528	630,027
Income (loss) attributable to Lee Enterprises, Incorporated	(1,275)	19,334
Earnings per share - diluted	(0.20)	3.40

Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 for details.

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments. This pro forma information is not necessarily indicative of what our results would have been had we operated the businesses since the beginning of the periods presented. The pro forma adjustments reflect the income statement effects of depreciation expense and amortization of intangibles related to the fair value adjustments of the assets acquired, acquisition-related costs, incremental interest expense related to the financing of the Transactions and 2020 Refinancing, the BH Lease entered into as part of the Transactions, the elimination of certain intercompany activity and the related tax effects of the adjustments.

The only material, nonrecurring adjustment made relates to the write-off of previously unamortized debt-issuance costs as of October 1, 2019 which resulted in an \$8,900,000 increase to net income for the 39 weeks ended June 28, 2020.

**8 INCOME TAXES**

We recorded an income tax expense of \$1,366,000 related to income before taxes of \$5,103,000 for the 13 weeks ended June 27, 2021, and income tax expense of \$7,106,000 related to income before taxes of \$26,636,000 for the 39 weeks ended June 27, 2021. We recorded an income tax expense of \$368,000 related to a loss before taxes of \$359,000 for the 13 weeks ended June 27, 2020, and income tax benefit of \$92,000 related to a loss before taxes of \$90,000 for the 39 weeks ended June 28, 2020. The effective income tax rates for the 13 weeks and 39 weeks ended June 27, 2021 was 26.8% and 26.7%, respectively. The effective income tax rate for the 13 and 39 weeks ended June 28, 2020 was negative 102.5% and 102.2%, respectively.

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

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 2013.

At September 27, 2020, we had approximately \$46,066,000 of state net operating loss benefits.

## 9 EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share as adjusted to give effect to the reverse stock split:

<i>(Thousands of Dollars and Shares, Except Per Share Data)</i>	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Income (loss) attributable to Lee Enterprises, Incorporated:	3,227	(1,275)	17,995	(1,320)
Weighted average common shares	5,881	5,820	5,867	5,823
Less weighted average restricted Common Stock	(156)	(156)	(155)	(153)
Basic average common shares	5,725	5,664	5,712	5,670
Dilutive stock options and restricted Common Stock	123	—	102	—
Diluted average common shares	5,848	5,664	5,814	5,670
Earnings per common share:				
Basic	0.56	(0.23)	3.15	(0.23)
Diluted	0.55	(0.23)	3.10	(0.23)

For the 13 and 39 weeks ended June 27, 2021, 600,000 shares were not considered in the computation of diluted earnings per common share because the exercise prices of the related stock options and Warrants were in excess of the fair market value of our Common Stock. For the 13 and 39 weeks ended June 28, 2020, 813,497 and 737,200 shares, respectively, were not considered in the computation of diluted earnings per common share because the Company recorded net losses.

Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 for details.

## 10 STOCK OWNERSHIP PLANS

A summary of stock option activity during the 39 weeks ended June 27, 2021 follows, as adjusted to give effect to the reverse stock split:

<i>(Thousands of Dollars and Shares, Except Per Share Data)</i>	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, September 27, 2020	41	11.40		
Exercised	(2)	11.30		
Cancelled	(3)	11.30		
Outstanding, June 27, 2021	36	11.40	0.95	604
Exercisable, June 27, 2021	36	11.40	0.95	604

### Restricted Common Stock

The table below summarizes restricted Common Stock activity during the 39 weeks ended June 27, 2021, as adjusted to give effect to the reverse stock split:

<i>(Thousands of Shares, Except Per Share Data)</i>	Shares	Weighted Average Grant Date Fair Value
Outstanding, September 27, 2020	155	21.50
Vested	(45)	27.70
Granted	46	11.20
Cancelled	—	—
Outstanding, June 27, 2021	156	16.70

Total unrecognized compensation expense for unvested restricted Common Stock at June 27, 2021 is \$1,115,000, which will be recognized over a weighted average period of 1.4 years.



## 11 FAIR VALUE MEASUREMENTS

We utilize FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, to measure and report fair value. FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC Topic 820 establishes a three-level hierarchy of fair value measurements based on whether the inputs to those measurements are observable or unobservable, which consists of the following levels:

*Level 1* - Quoted prices for identical instruments in active markets.

*Level 2* - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate value.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. Investments totaling \$4,226,000, including our 17% ownership of the non-voting common stock of TCT, are carried at cost. Fair value of the remaining investments are carried at cost.

Our fixed rate debt consists of \$485,162,000 principal amount of the Term Loan recorded at carrying value. At June 27, 2021, based on market quotations, the fair value approximates carrying value. This represents a level 2 fair value measurement.

As discussed more fully in Note 5, we recorded a liability for the Warrants issued in connection with the Warrant Agreement. The liability was initially measured at its fair value and we measure the liability to fair value each reporting period, with changes reported in other non-operating income (expense). The initial fair value of the Warrants was \$16,930,000. The fair value of Warrants at June 27, 2021, and September 27, 2020, are \$1,317,000 and \$363,000, respectively. Fair value is determined using the Black-Scholes option pricing model. These represent level 2 fair value measurements.

## 12 COMMITMENTS AND CONTINGENT LIABILITIES

### Income Taxes

Commitments exclude unrecognized tax benefits to be recorded in accordance with FASB ASC Topic 740, *Income Taxes*. We are unable to reasonably estimate the ultimate amount or timing of cash settlements with the respective taxing authorities for such matters. See Note 8.

We file income tax returns with the Internal Revenue Service ("IRS") and various state tax jurisdictions. From time to time, we are subject to routine audits by those agencies and those audits may result in proposed adjustments. We have considered the alternative interpretations that may be assumed by the various taxing agencies, believe our positions taken regarding our filings are valid, and that adequate tax liabilities have been recorded to resolve such matters. However, the actual outcome cannot be determined with certainty and the difference could be material, either positively or negatively, to the Consolidated Statements of Operations and Comprehensive Income in the periods in which such matters are ultimately determined. We do not believe the final resolution of such matters will be material to our consolidated financial position or cash flows.

We have various income tax examinations ongoing and at various stages of completion, but generally our income tax returns have been audited or closed to audit through 2013.

### 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.

### Restructuring Costs and Other

We have recognized \$1,419,000 and \$5,880,000, respectively of expense related to restructuring costs and other for the 13 and 39 weeks ended June 27, 2021 and \$2,865,000 and \$6,422,000 for the 13 and 39 weeks ended June 28, 2020. The amounts consist of \$907,000 and \$4,074,000 for June 27, 2021 and \$1,484,000 and \$2,534,000 for June 28, 2020, respectively of severance expense. We did not have a significant restructuring liability as of June 27, 2021 or June 28, 2020.

### Subsequent events

We have evaluated subsequent events through August 6, 2021. No events have occurred subsequent to June 27, 2021 that require disclosure or recognition in these financial statements.

## 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 13 and 39 weeks ended June 27, 2021. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, included herein, and our 2020 Annual Report on Form 10-K.

### 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, Cash Costs, and Total Operating Revenue Less 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.

*Total Operating Revenue Less Cash Costs*, or "margin", represents a non-GAAP financial performance measure of revenue less total Cash Costs, also a non-GAAP financial measure. This measure is useful to investors in understanding the profitability of the Company after direct Cash Costs related to the production and delivery of products are paid. Margin is also useful in developing opinions and expectations about the Company's ability to manage and control its operating cost structure in relation to its peers.

The subtotals of operating expenses representing Cash Costs and Total Operating Revenue Less Cash Costs can be found in tables included herein, under the caption "Continuing Operations". Adjusted EBITDA is reconciled to net income, below, its closest comparable number 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:

(Thousands of Dollars)	13 Weeks Ended		39 Weeks Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Net income (loss)	3,737	(727)	19,532	2
Adjusted to exclude				
Income tax expense (benefit)	1,366	368	7,106	(92)
Non-operating expenses, net	8,680	12,108	16,369	43,933
Equity in earnings of TNI and MNI	(1,689)	(842)	(4,902)	(3,773)
Loss (gain) on sale of assets and other, net	242	147	6,938	(5,153)
Depreciation and amortization	10,836	11,201	33,794	25,196
Restructuring costs and other	1,419	2,865	5,880	6,422
Stock compensation	205	228	639	799
Add:				
Ownership share of TNI and MNI EBITDA (50%)	1,923	955	5,421	4,464
Adjusted EBITDA	26,719	26,303	90,777	71,798

## EXECUTIVE OVERVIEW

Lee Enterprises, Incorporated is a major subscription and advertising platform and a leading provider of high quality, trusted, local news and information in the markets we serve.

We operate 77 principally mid-sized local media operations.

We reach nearly 70% of all adults in our larger markets through a combination of our print and digital content offerings.

- Our web and mobile sites are the number one digital source of local news in most of our markets, reaching more than 49 million unique visitors, in the month of June 2021 with 400 million page views and 91 million visits.
- We have approximately one million paid subscribers to our print and digital products, with estimated readership totaling three million. Digital only subscribers totaled approximately 337,000, a 50.5% increase over the prior year.

Our products include daily newspapers, websites and mobile applications, mobile news and advertising, video products, a digital marketing agency, digital services including web hosting and content management, niche publications and community newspapers. Our local media operations range from large daily newspapers and their 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 also operate TownNews, through our 82.5% owned subsidiary INN Partners, L.C. TownNews provides state-of-the-art web hosting, content management services and video management services to nearly 2,200 other media organizations including broadcast.

## 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 SMBs, and digital services to local content curators. To align with the core strength of our Company, our post-pandemic operating strategy is locally focused around three pillars:

- Transform the presentation of local news and information by providing best-in-class reader and user experiences with digital presentations that emphasize video and other multimedia formats and rich, high-value content.
- Accelerate overall subscription growth by converting more of our vast addressable market to subscribers leveraging cutting-edge data and technology and expanded offerings for paid, niche, content on topics where we have expertise and unique selling positions.
- Diversify and expand offerings for advertisers by launching a portfolio of video advertising initiatives and e-commerce sales strategies through Lee's in-house Amplified Digital Agency that will enable advertisers to leverage our vast data-rich digital audiences and reach consumers in new ways.

### **Purchase Agreement with Berkshire Hathaway**

On March 16, 2020, the Company completed the Asset and Stock Purchase Agreement dated as of January 29, 2020 with Berkshire Hathaway Inc., a Delaware corporation (“Berkshire”) and BH Media Group, Inc., a Delaware corporation (“BHMGM”) (the “Purchase Agreement”). As part of the Purchase Agreement, the Company purchased certain assets and assumed certain liabilities of BHMGM’s newspapers and related community publications business (“BH Media Newspaper Business”), excluding real estate and fixtures such as production equipment, and all of the issued and outstanding capital stock of The Buffalo News, Inc., a Delaware corporation (“Buffalo News”), for a combined purchase price of \$140,000,000 (collectively, the “Transactions”). The Transactions were financed pursuant to a credit agreement dated as of January 29, 2020 between the Company and BH Finance LLC, a Delaware limited liability company affiliated with Berkshire (the “Credit Agreement”).

BHMGM includes 30 daily newspapers and digital operations, in addition to 49 paid weekly newspapers with websites and 32 other print products. Buffalo News is a provider of local print and digital news to the Buffalo, NY area. Between July 2, 2018 and March 16, 2020, the Company managed the BH Media Newspaper Business pursuant to a Management Agreement between BHMGM and the Company dated June 26, 2018 (the “Management Agreement”).

In connection with the Transactions, the Management Agreement terminated on March 16, 2020. As part of the settlement of the preexisting relationship, the Company received \$5,425,000 at closing. This amount represented \$1,245,000 in fixed fees pro-rated under the contract and \$4,180,000 in variable fees based upon the pro-rated annual target. The Company did not recognize a gain or loss as a result of the settlement of this preexisting relationship.

In connection with the Transactions, the Company entered into a lease agreement between BHMGM, as Landlord, and the Company, as Tenant, providing for the leasing of 68 properties and related fixtures (including production equipment) used in the BH Media Newspaper Business (the “BH Lease”). The BH Lease was signed and commenced on March 16, 2020. The BH Lease requires the Company to pay annual rent of \$8,000,000, payable in equal monthly payments, as well as all operating costs relating to the properties (including maintenance, repairs, property taxes and insurance). Rent payments will be subject to a Rent Credit (as defined in the BH Lease) equal to 8.00% of the net consideration for any leased real estate sold by BHMGM during the term of the BH Lease.

### **IMPAIRMENT OF GOODWILL AND OTHER ASSETS**

We have significant amounts of goodwill and identified intangible assets. Since 2007 we have recorded impairment charges totaling almost \$1.3 billion to reduce the value of certain of these assets. Future decreases in our market value, or significant differences in revenue, expenses or cash flows from estimates used to determine fair value, could result in additional impairment charges in the future.

### **CERTAIN MATTERS AFFECTING CURRENT AND FUTURE OPERATING RESULTS**

The following items affect period-over-period comparisons from 2021 to 2020 and will continue to affect period-over-period comparisons for future results:

#### *Acquisitions and Divestitures*

- In March 2020, we completed the acquisition of BHMGM and *Buffalo News* for a purchase price of \$140,000,000. The acquisition was funded by the Term Loan, as part of a broader comprehensive refinancing of all of our then outstanding debt, as well as cash on our balance sheet.
- In the 13 weeks ended March 2020, we disposed of substantially all of the assets of certain of our smaller properties, including four daily newspapers and related print and digital publications, for an aggregate sales price of \$3,950,000.

#### *Impacts of COVID-19*

The ongoing COVID-19 pandemic and related measures to contain its spread have resulted in significant volatility and economic uncertainty, which is expected to continue in the near term. The COVID-19 pandemic has had and the Company currently expects that it will continue to have a significant negative impact on the Company’s business and operating results in the near term. While vaccines have become widely available in the United States, the long-term impact of the COVID-19 pandemic remains uncertain and unpredictable as it will depend on the pace of vaccine distribution, government responses to future outbreaks, the spread of variants, as well as changes in consumer behavior, all of which are highly uncertain. Despite the significant negative impacts on our operating results, we have operated uninterrupted in providing local news, information and advertising in our print and digital editions.

We have evaluated the current economic environment as of June 27, 2021, and have concluded that there is no event or circumstance that has occurred to trigger an impairment assessment of our long-lived or indefinite-lived assets.

**13 WEEKS ENDED JUNE 27, 2021**

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

<i>(Thousands of Dollars, Except Per Share Data)</i>	June 27, 2021	June 28, 2020	Percent Change
Advertising and marketing services	91,122	77,754	17.2
Subscription	88,792	89,115	(0.4)
Other	16,576	15,659	5.9
<b>Total operating revenue</b>	<b>196,490</b>	<b>182,528</b>	<b>7.6</b>
Operating expenses:			
Compensation	82,731	72,396	14.3
Newsprint and ink	7,051	7,572	(6.9)
Other operating expenses	82,117	77,440	6.0
Cash costs	171,899	157,408	9.2
<b>Total operating revenue less cash costs</b>	<b>24,591</b>	<b>25,120</b>	<b>(2.1)</b>
Depreciation and amortization	10,836	11,201	(3.3)
Assets loss (gain) on sales, impairments and other, net	242	147	64.6
Restructuring costs and other	1,419	2,865	(50.5)
<b>Operating expenses</b>	<b>184,396</b>	<b>171,621</b>	<b>7.4</b>
Equity in earnings of associated companies	1,689	842	NM
<b>Operating income</b>	<b>13,783</b>	<b>11,749</b>	<b>17.3</b>
Non-operating income (expense):			
Interest expense	(11,010)	(13,135)	(16.2)
Other, net	2,330	1,027	NM
<b>Non-operating expenses, net</b>	<b>(8,680)</b>	<b>(12,108)</b>	<b>(28.3)</b>
Income (loss) before income taxes	5,103	(359)	NM
Income tax expense (benefit)	1,366	368	NM
Net income (loss)	3,737	(727)	NM
Net income attributable to non-controlling interests	(510)	(548)	(6.9)
Income (loss) attributable to Lee Enterprises, Incorporated	3,227	(1,275)	NM
Other comprehensive income, net of income taxes	477	317	50.5
<b>Comprehensive income (loss) attributable to Lee Enterprises, Incorporated</b>	<b>3,704</b>	<b>(958)</b>	<b>NM</b>
Earnings per common share:			
Basic	0.56	(0.23)	NM
Diluted	0.55	(0.23)	NM

References to the "2021 Quarter" refer to the 13 weeks ended June 27, 2021. Similarly, references to the "2020 Quarter" refer to the 13 weeks ended June 28, 2020. Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 to the financial statements for details.

### Operating Revenue

Total operating revenue was \$196,490,000 in the 2021 Quarter, up \$13,962,000, or 7.6%, compared to the prior year.

Advertising and marketing services revenue totaled \$91,122,000 in the 2021 Quarter, up 17.2% compared to the prior year. The increase is due to rapid growth at Amplified Digital Agency ("Amplified") and stabilization of our legacy business as we emerge from the pandemic. Print advertising revenues were \$55,401,000 in the 2021 Quarter, up 10.3% compared to the prior year. Digital advertising and marketing services totaled \$35,719,000 in the 2021 Quarter, up 30.8% compared to the prior year. The majority of these gains come from an increase in Amplified revenue and an increase in advertising on our owned and operated sites. Digital advertising and marketing services represented 39.2% of the 2021 Quarter total advertising and marketing services revenue, compared to 35% in the same period last year.

Subscription revenue totaled \$88,792,000 in the 2021 Quarter, down 0.4% compared to the 2020 Quarter. The growth in digital only subscribers, digital only revenue, and selective price increases on our full access subscriptions, were partially offset by a decline in full access volume, consistent with historical and industry trends. Digital only subscribers grew 50.5% since the 2020 Quarter and now total 337,000.

Other revenue, which primarily consists of digital services revenue from TownNews and commercial printing revenue, increased \$917,000, or 5.9%, in the 2021 Quarter compared to the 2020 Quarter. Digital services revenue totaled \$4,713,000 in the 2021 Quarter, a 5.9% decrease compared to the 2020 Quarter. On a stand-alone basis, revenue at TownNews increased 8.7% compared to the prior year. Commercial printing revenue totaled \$6,333,000 in the 2021 Quarter, a 16.8% increase compared to the 2020 Quarter primarily driven by new customers and improved spending post pandemic.

Total digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled \$65,627,000 in the 2021 Quarter, an increase of 48.3% over the 2020 Quarter, and represented 33.4% of our total operating revenue in the 2021 Quarter.

Equity in earnings of TNI and MNI increased \$847,000 in the 2021 Quarter.

## Operating Expenses

Total operating expenses were \$184,396,000 in the 2021 Quarter, a 7.4% increase compared to the 2020 Quarter. Operating expenses include compensation expense, newsprint and ink, other operating expenses, depreciation, amortization, restructuring and other expenses, assets loss (gain) on sales, and impairments. Cash Costs were \$171,899,000, a 9.2% increase compared to the 2020 Quarter.

Compensation expense increased \$10,335,000 in the 2021 Quarter, or 14.3%, compared to the 2020 Quarter. The 2020 Quarter experienced a one-time furlough and compensation reduction for all employees driving cost reductions in response to COVID-19.

Newsprint and ink costs decreased \$521,000 in the 2021 Quarter, or 6.9%, compared to the 2020 Quarter. The decrease is attributable to declines in newsprint volumes partially 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 increased \$4,677,000 in the 2021 Quarter, or 6.0%, compared to the 2020 Quarter. Other operating expenses include all operating costs not considered to be compensation, newsprint, depreciation and amortization, or restructuring costs and other. The largest components are costs associated with printing and distribution of our printed products, digital cost of goods sold and facility expenses. The increase is attributable to increases in investments to fund our digital growth strategy partially offset by lower delivery and other print-related costs due to lower volumes of our print editions.

Restructuring costs and other totaled \$1,419,000 and \$2,865,000 in the 2021 Quarter and 2020 Quarter, respectively. Restructuring costs in the 2021 and 2020 Quarters are predominately severance related to our ongoing business transformation.

Depreciation expense increased \$420,000, or 9.7%, and amortization expense decreased \$785,000, or 11.5%, in the 2021 Quarter.

Assets loss (gain) on sales, impairments and other, was a net loss of \$242,000 in the 2021 Quarter compared to a net loss of \$147,000 in the 2020 Quarter. The losses in the 2021 Quarter and in the 2020 Quarter were the result of the disposition of non-core assets, including real estate.

The factors noted above resulted in operating income of \$13,783,000 in the 2021 Quarter compared to \$11,749,000 in the 2020 Quarter.

## Non-operating Income and Expense

Interest expense decreased \$2,125,000, or 16.2%, to \$11,010,000 in the 2021 Quarter, compared to the same period last year. The decrease was due to a lower outstanding balance on our Term Loan. Debt has been reduced by \$90.8 million since our refinancing in March 2020. Our weighted average cost of debt, excluding amortization of debt financing costs, was 9.0% at the end of the 2021 Quarter.

Other non-operating income and expense consists of benefits associated with our pension and other postretirement plans and the fair value adjustment of our Warrants. We recorded \$2,228,000 periodic pension and other postretirement benefits in the 2021 Quarter and \$1,370,000 in the 2020 Quarter. We recorded non-operating expense of \$237,000 in the 2021 Quarter and non-operating expense of \$271,000 in the 2020 Quarter, related to the changes in the value of the Warrants.

## Income Tax Expense

We recorded an income tax expense of \$1,366,000, or 26.8% of pretax income in the 2021 Quarter. In the 2020 Quarter, we recognized an income tax expense of \$368,000, or 102.5% of pretax income.

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

Net income was \$3,737,000 and diluted earnings per share were \$0.55 for the 2021 Quarter compared to net loss of \$727,000 and diluted losses per share of \$0.23 for the 2020 Quarter as adjusted for the reverse stock split, described in Note 1 to the financial statements. The change reflects the various items discussed above.

**39 WEEKS ENDED JUNE 27, 2021**

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

<i>(Thousands of Dollars, Except Per Share Data)</i>	June 27, 2021	June 28, 2020	Percent Change
Advertising and marketing services	279,326	204,426	36.6
Subscription	269,905	178,234	51.4
Other	51,505	43,578	18.2
Total operating revenue	600,736	426,238	40.9
Operating expenses:			
Compensation	250,048	164,330	52.2
Newsprint and ink	22,222	16,629	33.6
Other operating expenses	243,749	178,744	36.4
Cash costs	516,019	359,703	43.5
Total operating revenue less cash costs	84,717	66,535	27.3
Depreciation and amortization	33,794	25,196	34.1
Assets loss (gain) on sales, impairments and other, net	6,938	(5,153)	NM
Restructuring costs and other	5,880	6,422	(8.4)
Operating expenses	562,631	386,168	45.7
Equity in earnings of associated companies	4,902	3,773	29.9
Operating income	43,007	43,843	(1.9)
Non-operating income (expense):			
Interest expense	(34,129)	(35,377)	(3.5)
Debt financing and administrative cost	—	(11,865)	NM
Curtailed Gain	23,830	—	NM
Pension withdrawal cost	(12,310)	—	NM
Other, net	6,240	3,309	88.6
Non-operating expenses, net	(16,369)	(43,933)	(62.7)
Income (loss) before income taxes	26,638	(90)	NM
Income tax expense (benefit)	7,106	(92)	NM
Net income	19,532	2	NM
Net income attributable to non-controlling interests	(1,537)	(1,322)	16.3
Income (loss) attributable to Lee Enterprises, Incorporated	17,995	(1,320)	NM
Other comprehensive income, net of income taxes	2,097	950	NM
Comprehensive income (loss) attributable to Lee Enterprises, Incorporated	20,092	(370)	NM
Earnings per common share:			
Basic	3.15	(0.23)	NM
Diluted	3.10	(0.23)	NM

References to the "2021 Period" refer to the 39 weeks ended June 27, 2021. Similarly, references to the "2020 Period" refer to the 39 weeks ended June 28, 2020. Prior period results have been adjusted to reflect the one-for-ten reverse stock split in March 2021. See Note 1 to the financial statements for details.

Included in the analysis below are impacts from the Transactions.. The impacts include the revenue and expenses generated from the acquisition in the current year from September 28, 2020 through March 16, 2021.

### Operating Revenue

Total operating revenue was \$600,736,000 in the 2021 Period, up \$174,498,000, or 40.9%, which included \$207,936,000 in revenue from the Transactions. Total operating revenue on a pro forma basis was down 4.7% compared to the 2020 Period.

Advertising and marketing services revenue totaled \$279,326,000 in the 2021 Period, up 36.6% compared to the prior year with \$87,274,000 attributable to acquisitions. Print advertising revenues were \$177,212,000 in the 2021 Period, up \$49,188,000 or 38.4% compared to the prior year, with \$65,402,000 attributable to acquired print advertising revenue. Digital advertising and marketing services totaled \$102,114,000 in the 2021 Period, up 33.7% compared to the prior year, with \$21,854,000 attributable to acquired digital advertising and marketing services revenue. Digital advertising and marketing services represented 36.6% of the 2021 Period total advertising and marketing services revenue compared to 37.4% in the 2020 Period. On a pro forma basis, Advertising and marketing services revenue was down 9.3% in the 2021 Period. The decline is due to the secular downward trend in print advertising, partially offset by growth in digital marketing services revenue at Amplified.

Subscription revenue totaled \$269,905,000 in the 2021 Period, up 51.4% compared to the 2020 Period, including \$102,601,000 of acquired subscription revenue. The acquired subscription revenue, growth in digital-only subscribers and digital-only revenue and selective price increases on our full access subscriptions, were partially offset by a decline in full access volume, consistent with historical and industry trends.

Other revenue, which primarily consists of digital services revenue from TownNews and commercial printing revenue, increased \$7,927,000, or 18.2%, in the 2021 Period compared to the 2020 Period. Other revenue in the 2021 Period included \$18,061,000 of acquired other revenue, primarily from commercial printing. Digital services revenue totaled \$14,363,000 in the 2021 Period, a 1.2% decrease compared to the 2020 Period. Commercial printing revenue totaled \$19,332,000 in the 2021 Period, a 104.9% increase compared to the 2020 Period, due to \$11,060,000 of acquired commercial printing revenue. Prior to the termination of the Management Agreement in connection with the Transactions in March 2020, we earned \$5,814,000 in management agreement revenue.

Total digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled \$187,011,000 in the 2021 Period, an increase of 60.8% over the 2020 Period, and represented 31.1% of our total operating revenue in the 2021 Period.

Equity in earnings of TNI and MNI increased \$1,129,000 in the 2021 Period.





## Operating Expenses

Total operating expenses were \$562,631,000, a 45.7% increase compared to the 2020 Period, which included \$185,729,000 in acquired operating expenses. Operating expenses include compensation expense, newsprint and ink, other operating expenses, depreciation, amortization, restructuring and other expenses, assets loss (gain) on sales, and impairments. Cash Costs were \$516,019,000, a 43.5% increase compared to the 2020 Period, which included \$172,657,000 of acquired Cash Costs. Cash Costs on a pro forma basis were down 4.2% compared to the 2020 Period.

Compensation expense increased \$85,718,000 in the 2021 Period, or 52.2%, compared to the 2020 Period. This increase was primarily attributable to \$87,934,000 of acquired compensation expense, partially offset by a reduction in FTEs on a proforma basis and one-time furlough and compensation reduction for all employees driving cost reductions in response to COVID-19 in the 2020 Period.

Newsprint and ink costs increased \$5,593,000 in the 2021 Period, or 33.6%, compared to the 2020 Period. The increase is attributable to acquired newsprint and ink expenses of \$10,103,000 offset by declines in newsprint volumes and prices. See Item 3, "Commodities", included herein, for further discussion and analysis of the impact of newsprint on our business.

Other operating expenses increased \$65,005,000 in the 2021 Period, or 36.4%, compared to the 2020 Period. Other operating expenses include all operating costs not considered to be compensation, newsprint, depreciation and amortization, or restructuring costs and other. The largest components are costs associated with printing and distribution of our printed products, digital cost of goods sold and facility expenses. The increase is attributable to \$84,812,000 of acquired other operating expenses and increases in investments to fund our digital growth strategy, partially offset by lower delivery and other print-related costs due to lower volumes of our print editions.

Restructuring costs and other totaled \$5,880,000 and \$6,422,000 in the 2021 Period and 2020 Period, respectively. Restructuring costs in the 2021 and 2020 Periods is predominately severance related to our ongoing business transformation.

Depreciation expense increased \$4,845,000 or 50.2%, and amortization expense increased \$3,753,000, or 24.1%, in the 2021 Period. Increases in both are due to the acquired assets from BHMG and Buffalo News.

Assets loss (gain) on sales, impairments and other, was a net loss of \$6,938,000 in the 2021 Period compared to a net gain of \$5,153,000 in the 2020 Period. The loss in the 2021 Period and the gains in the 2020 Period were the result of the disposition of non-core assets, including real estate.

The factors noted above resulted in operating income of \$43,007,000 in the 2021 Period compared to \$43,843,000 in the 2020 Period.

## Non-operating Income and Expense

Interest expense decreased \$1,248,000, or 3.5%, to \$34,129,000 in the 2021 Period, compared to the same period last year due to lower debt balances and a reduction in the weighted average interest rates on our debt during the 2021 period. Our weighted average cost of debt, excluding amortization of debt financing costs, was 9.0% at the end of the 2021 Period.

We recognized no debt financing and administrative expense in the 2021 Period compared to \$11,865,000 in the 2020 Period. Expenses in the prior year are due to writing off unamortized financing costs paid in conjunction with a prior refinancing.

Other non-operating income and expense consists of benefits associated with our pension and other postretirement plans and the fair value adjustment of our Warrants. We recorded \$6,799,000 in periodic pension and other postretirement benefits in the 2021 Period and \$2,458,000 in the 2020 Period. We recorded non-operating expense of \$954,000 in the 2021 Period and non-operating income of \$765,000 in the 2020 Period, related to the changes in the value of the Warrants.

We recognized a non-cash curtailment gain of \$23,830,000 and a reduction in our benefit obligation in the 2021 Period by eliminating post-retirement medical coverage for certain employees.

We recognized pension withdrawal costs in the Period of \$12,310,000 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 expense of \$7,106,000, or 26.7% of pretax income in the 2021 Period. In the 2020 Period, we recognized an income tax benefit of \$92,000, or 102.2% of pretax income.

## Net Income and Earnings (Losses) Per Share

Net income was \$19,532,000 and diluted earnings per share were \$3.10 for the 2021 Period compared to net income of \$2,000 and diluted losses per share of \$0.23 for 2020 Period as adjusted for the reverse stock split, described in Note 1 to the financial statements. The change reflects the various items discussed above.

## 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 provided by operating activities was \$42,771,000 in the 2021 Period compared to \$38,010,000 in the 2020 Period. Net income for the 2021 Period totaled \$19,532,000 compared to \$2,000 in the 2020 Period. The increase in cash provided by operating activities in the 2021 Period is mainly attributed to the acquired operations of BHMG and Buffalo News and growth in our digital business.



## Investing Activities

Cash required by investing activities totaled \$2,465,000 in the 2021 Period compared to cash required by investing activities of \$121,137,000 in the 2020 Period. Capital spending totaled \$5,350,000 in the 2021 Period compared to \$7,297,000 in the 2020 Period. Cash proceeds from asset sales, mainly real estate, totaled \$3,095,000 in the 2021 Period compared to \$17,649,000 in the 2020 Period. In the 2020 Period we spent \$130,985,000 on the acquisitions, substantially all of which was related to the Transactions.

## Financing Activities

Cash required for financing activities totaled \$52,969,000 in the 2021 Period compared to cash provided by financing activities of \$131,192,000 in the 2020 Period. Debt reduction accounted for nearly all of the usage of funds in the 2021 Period and the 2020 Refinancing provided the majority of funds in the 2020 Period.

## Term Loan

In March 2020, in connection with the Transactions, the Company completed a comprehensive refinancing of its debt, which consists of a 25-year term loan with BH Finance in an aggregate principal amount of \$576,000,000. The Term Loan, which matures March 16, 2045, bears interest at an annual rate of 9.0%.

Debt is summarized as follows:

<i>(Thousands of Dollars)</i>	June 27, 2021	September 27, 2020	Interest Rates (%)
Term Loan	485,162	538,290	9.0
Less current maturities of long-term debt	1,070	13,733	
<b>Total long-term debt</b>	<b>484,092</b>	<b>524,557</b>	

Excluding payments required from the Company's future excess cash flow (as defined in the Credit Agreement), the only required principal payments include payments from net cash proceeds from asset sales (as defined in the Credit Agreement) and payments upon certain instances of change in control. There are no other scheduled mandatory principal payments required under the Credit Agreement.

Excess cash flow for the 13 weeks ended June 27, 2021 totaled \$1,070,000, which was used to repay debt in July 2021.

The Credit Agreement contains certain customary representations and warranties, certain affirmative and negative covenants and certain conditions, including restrictions on incurring additional indebtedness, creating certain liens, making certain investments or acquisitions, issuing dividends, repurchasing shares of stock of the Company and certain other capital transactions. Certain existing and future direct and indirect material domestic subsidiaries of the Company are guarantors of the Company's obligations under the Credit Agreement. There are no financial performance covenants under our Credit Agreement.

In connection with closing of the transactions, we no longer have access to a Revolving Facility.

In February 2020, we filed a Form S-3 registration statement ("Shelf"), that gave us the flexibility to issue and publicly distribute various types of securities, including preferred stock, common stock, warrants, secured or unsecured debt securities, purchase contracts and units consisting of any combination of such securities, from time to time, in one or more offerings, up to an aggregate amount of \$750,000,000. SEC issuer eligibility rules require us to have a public float of at least \$75,000,000 in order to use the Shelf. Subject to maintenance of the minimum equity market float and the conditions of our existing debt agreements, the Shelf may enable us to sell securities quickly and efficiently when market conditions are favorable or financing needs arise.

## Additional Information on Liquidity

We continue to evaluate the effects of the COVID-19 pandemic on our results of operations and cash flows. To combat the negative impacts, we took significant and immediate action to manage cash flow by implementing various initiatives including reductions in force, compensation reductions, furloughs, and reductions in capital investments.

While we currently forecast sufficient near-term liquidity, the ultimate impact of the COVID-19 pandemic could have a material impact on the Company's liquidity and its ability to meet its ongoing obligations.

## 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 earn an amount in excess of 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. Among other provisions, the CARES Act allows the Company to defer payments of the employer's share of social security taxes which shall be paid between December 31, 2021 and December 31, 2022. The CARES Act also provides for an Employee Retention Credit which can be applied to the employer's share of payroll taxes. The Company has elected to defer the employer's share of social security tax payments and is currently determining the applicability of the Employee Retention Credit.

## INFLATION

Price increases (or decreases) for our products or services are implemented when deemed appropriate by us. We continuously evaluate price increases, productivity improvements, sourcing efficiencies and other cost reductions to mitigate the impact of inflation.

### **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**

All North American newsprint producers announced and implemented price increases in January 2021, February 2021, April 2021, May 2021, and July 2021. An additional August 2021 price increase announcement is expected to also be implemented. Supply capacity utilization has recently been reaching very high levels due to paper machine permanent shutdowns, conversion to paper grades other than newsprint, and improving demand, domestically and exports, for newsprint.

Our long-term supply strategy is 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 for 27.7 pound newsprint would result in an annualized reduction in income before taxes of approximately \$514,000 annualized based on anticipated consumption in 2021, excluding consumption of TNI and MNI and the impact of LIFO accounting.

#### **SENSITIVITY TO CHANGES IN VALUE**

Our fixed rate debt consists of \$485,162,000 principal amount of the Term Loan recorded at carrying value. At June 27, 2021, based on market price quotations, the fair value approximates carrying value.

### **Item 4. Controls and Procedures**

#### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

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, as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the Evaluation Date, our disclosure controls and procedures were effective.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

On March 16, 2020, we concluded the Transactions. The internal controls related to the acquired businesses are now considered in our assessment over internal control over financial reporting following the completion of the 12-month period of evaluation as permitted by the SEC. Other than the internal controls related to the acquired businesses, there have been no changes in our internal control over financial reporting that occurred during the 13 weeks ended June 27, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**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 2020 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	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer</a>	Attached
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer</a>	Attached
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer</a>	Attached
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer</a>	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  
Timothy R. Millage  
Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

August 6, 2021

## 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 6, 2021

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

## 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 6, 2021

/s/ Timothy R. Millage

Timothy R. Millage

Vice President, Chief Financial Officer and Treasurer



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 27, 2021 ("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 6, 2021

/s/ Kevin D. Mowbray

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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.

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 27, 2021 ("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 6, 2021

/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.