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 December 27, 2020**

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

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

(563) 383-2100
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $.01 per share | LEE | New York Stock Exchange |

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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

As of January 31, 2021, 58,764,532 shares of Common Stock of the Registrant were outstanding.

Table Of Contents


| | | | PAGE |
|---|---|---|---|
| FORWARD LOOKING STATEMENTS | | | 1 |
| PART I | FINANCIAL INFORMATION | | 2 |
| | Item 1. | Financial Statements (Unaudited) | 2 |
| | | Consolidated Balance Sheets - December 27, 2020 and September 27, 2020 | 2 |
| | | Consolidated Statements of Income and Comprehensive Income - 13 weeks ended December 27, 2020 and December 29, 2019 | 4 |
| | | Consolidated Statements of Stockholder's Equity (Deficit) - 13 weeks ended December 27, 2020 and December 29, 2019 | 5 |
| | | Consolidated Statements of Cash Flows - 13 weeks ended December 27, 2020 and December 29, 2019 | 6 |
| | | Notes to Consolidated Financial Statements | 7 |
| | Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16 |
| | Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 22 |
| | Item 4. | Controls and Procedures | 22 |
| PART II | OTHER INFORMATION | | 23 |
| | Item 1. | Legal Proceedings | 23 |
| | Item 1.A. | Risk Factors | 23 |
| | Item 6. | Exhibits | 23 |
| SIGNATURES | | | 24 |


Table of Contents

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 Newspaper Business or the Buffalo News for unknown legal and other matters that may arise;
- Our ability to manage declining print revenue and circulation subscribers;
- That 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 the NYSE;
- 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.



Table of Contents

## PART I
## FINANCIAL INFORMATION

### Item 1. Financial Statements

### LEE ENTERPRISES, INCORPORATED
### CONSOLIDATED BALANCE SHEETS

| *(Thousands of Dollars)* | (Unaudited) December 27, 2020 | September 27, 2020 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 37,142 | 33,733 |
| Accounts receivable and contract assets, net | 68,031 | 52,598 |
| Inventories | 6,957 | 7,534 |
| Prepaids and other | 13,690 | 14,888 |
| Total current assets | 125,820 | 108,753 |
| Investments: | | |
| Associated companies | 28,204 | 27,624 |
| Other | 6,424 | 6,255 |
| Total investments | 34,628 | 33,879 |
| Property and equipment: | | |
| Land and improvements | 17,964 | 18,711 |
| Buildings and improvements | 116,397 | 128,475 |
| Equipment | 236,332 | 245,117 |
| Construction in process | 3,526 | 2,323 |
| | 374,219 | 394,626 |
| Less accumulated depreciation | 278,643 | 289,017 |
| Property and equipment, net | 95,576 | 105,609 |
| Operating lease right-of-use assets | 71,579 | 70,933 |
| Goodwill | 328,848 | 328,445 |
| Other intangible assets, net | 176,887 | 182,680 |
| Pension plan assets, net | 5,042 | 4,147 |
| Medical plan assets, net | 15,803 | 15,912 |
| Other | 13,132 | 13,699 |
| Total assets | 867,315 | 864,057 |

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



Table of Contents

| *(Thousands of Dollars and Shares, Except Per Share Data)* | (Unaudited) December 27, 2020 | September 27, 2020 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current portion of lease liabilities | 8,465 | 8,577 |
| Current maturities of long-term debt | 17,142 | 13,733 |
| Accounts payable | 18,011 | 17,163 |
| Compensation and other accrued liabilities | 54,798 | 44,278 |

| | | |
|---|---|---|
| Income taxes payable | 2,940 | — |
| Unearned revenue | 60,176 | 60,271 |
| Total current liabilities | 161,532 | 144,022 |
| Long-term debt, net of current maturities | 506,414 | 524,557 |
| Operating lease liabilities | 63,124 | 62,374 |
| Pension obligations | 73,880 | 75,656 |
| Postretirement and postemployment benefit obligations | 15,222 | 39,543 |
| Deferred income taxes | 15,155 | 15,208 |
| Income taxes payable | 18,778 | 18,048 |
| Warrants and other | 25,613 | 14,282 |
| Total liabilities | 879,718 | 893,690 |
| Equity (deficit): | | |
| Stockholders' equity (deficit): | | |
| Serial convertible preferred stock, no par value; authorized 500 shares; none issued | — | — |
| Common Stock, $0.01 par value; authorized 120,000 shares; issued and outstanding: | 588 | 584 |
| December 27, 2020; 58,765 shares; $0.01 par value | | |
| September 27, 2020; 58,353 shares; $0.01 par value | | |
| Class B Common Stock, $2 par value; authorized 30,000 shares; none issued | — | — |
| Additional paid-in capital | 256,593 | 256,431 |
| Accumulated deficit | (252,627) | (268,529) |
| Accumulated other comprehensive loss | (18,908) | (20,050) |
| Total stockholders' deficit | (14,354) | (31,564) |
| Non-controlling interests | 1,951 | 1,931 |
| Total deficit | (12,403) | (29,633) |
| Total liabilities and deficit | 867,315 | 864,057 |

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



Table of Contents

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

| | 13 Weeks Ended | |
|---|---|---|
| *(Thousands of Dollars, Except Per Common Share Data)* | December 27, 2020 | December 29, 2019 |
| Operating revenue: | | |
| Advertising and marketing services | 102,629 | 65,727 |
| Subscription | 90,508 | 41,694 |
| Other | 18,680 | 14,922 |
| Total operating revenue | 211,817 | 122,343 |
| Operating expenses: | | |
| Compensation | 84,163 | 43,243 |
| Newsprint and ink | 7,992 | 4,736 |
| Other operating expenses | 81,767 | 48,462 |
| Depreciation and amortization | 10,441 | 6,719 |
| Assets loss on sales, impairments and other, net | 5,222 | 814 |
| Restructuring costs and other | 3,167 | 1,632 |
| Total operating expenses | 192,752 | 105,606 |
| Equity in earnings of associated companies | 1,743 | 1,569 |
| Operating income | 20,808 | 18,306 |
| Non-operating income (expense): | | |
| Interest expense | (11,882) | (11,115) |
| Debt financing and administrative costs | — | (1,196) |
| Curtailment Gain | 23,830 | — |
| Pension withdrawal cost | (12,310) | — |
| Other, net | 2,268 | 1,593 |
| Total non-operating income (expense), net | 1,906 | (10,718) |
| Income before income taxes | 22,714 | 7,588 |
| Income tax expense | 6,311 | 1,871 |
| Net income | 16,403 | 5,717 |
| Net income attributable to non-controlling interests | (501) | (397) |
| Income attributable to Lee Enterprises, Incorporated | 15,902 | 5,320 |
| Other comprehensive income, net of income taxes | 1,142 | 317 |
| Comprehensive income attributable to Lee Enterprises, Incorporated | 17,044 | 5,637 |
| Earnings per common share: | | |
| Basic: | 0.28 | 0.09 |
| Diluted: | 0.28 | 0.09 |

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

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

| *(Thousands of Dollars)* | Accumulated Deficit | Common Stock | Additional paid-in capital | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|
| September 28, 2020 | (268,529) | 584 | 256,431 | (20,050) | (31,564) |
| Shares issued (redeemed) | — | 4 | (58) | — | (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) | 588 | 256,593 | (18,908) | (14,354) |

| *(Thousands of Dollars)* | Accumulated Deficit | Common Stock | Additional paid-in capital | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|
| September 30, 2019 | (265,423) | 577 | 255,476 | (29,114) | (38,484) |
| Shares issued (redeemed) | — | 4 | (379) | — | (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) | 581 | 255,642 | (28,797) | (32,677) |

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





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

| | 13 Weeks Ended | |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Cash provided by operating activities: | | |
| Net income | 16,403 | 5,717 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,441 | 6,719 |
| Curtailment gain | (23,830) | — |
| Pension withdrawal cost | 12,310 | — |
| Stock compensation expense | 220 | 302 |
| Assets loss on sales, impairments and other, net | 5,222 | 814 |
| Distributions (less) than earnings of MNI | (545) | (658) |
| Deferred income taxes | (353) | (8,328) |
| Debt financing and administrative costs | — | 1,196 |
| Pension contributions | (400) | — |
| Payments to collateralize letters of credit | (14) | — |
| Other, net | (184) | (101) |
| Changes in operating assets and liabilities: | | |
| Increase in receivables and contract assets | (14,662) | (8,137) |
| Decrease in inventories and other | 602 | 280 |
| Increase in accounts payable and other accrued liabilities | 7,205 | 4,016 |
| Decrease in pension and other postretirement and postemployment benefit obligations | (1,523) | (709) |
| Change in income taxes payable | 6,643 | 10,189 |
| Other, including warrants | 836 | (939) |
| Net cash provided by operating activities | 18,371 | 10,361 |
| Cash required for investing activities: | | |
| Purchases of property and equipment | (1,738) | (2,458) |
| Proceeds from sales of assets | 2,236 | 12 |
| Acquisitions, net of cash acquired | — | (1,121) |
| Distributions (less) than earnings of TNI | (142) | (173) |
| Other, net | (430) | — |

| | | |
|---|---|---|
| Net cash required for investing activities | (74) | (3,740) |
| Cash required for financing activities: | | |
| Payments on long-term debt | (14,734) | (10,233) |
| Debt financing and administrative costs paid | — | (193) |
| Common stock transactions, net | (154) | (372) |
| Net cash required for financing activities | (14,888) | (10,798) |
| Net increase (decrease) in cash and cash equivalents | 3,409 | (4,177) |
| Cash and cash equivalents: | | |
| Beginning of period | 33,733 | 8,645 |
| End of period | 37,142 | 4,468 |

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



Table of Contents

**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 December 27, 2020 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 weeks ended December 27, 2020 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.

### COVID-19 Pandemic

With the outbreak of COVID-19 and the declaration of a pandemic by the World Health Organization on March 11, 2020, governments implemented a combination of shelter-in-place orders and other recommendations severely limiting or restricting economic activity in our local markets. Certain aspects of our operations have experienced lower revenue and profitability over the last several years and these trends are expected to continue in the future; however, the pandemic and government restrictions caused significant and immediate declines in demand for certain of our products and services, particularly in advertising revenue.

The COVID-19 pandemic has had, and the Company expects that it will continue to have, a significant negative near term impact on the Company’s business and operating results. The long-term impact of the COVID-19 pandemic will depend on the length, severity and recurrence of the pandemic, the availability of antiviral medications and vaccinations, the duration and extent of government actions designed to combat the pandemic, 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.

### Purchase Agreement with Berkshire Hathaway

On March 16, 2020, the Company completed the Asset and Stock Purchase Agreement (Purchase Agreement) dated as of January 29, 2020 with Berkshire Hathaway Inc., a Delaware corporation (“Berkshire”) and BH Media Group, Inc., a Delaware corporation (“BHMG”) (the “Purchase Agreement”). As part of the Purchase Agreement, the Company purchased certain assets and assumed certain liabilities of BHMG’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 Transactions were funded 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”), as described further in Note 5.

Between July 2, 2018 and March 16, 2020, the Company managed the BHMG newspaper business pursuant to a Management Agreement between BHMG 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 represents $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 amount we received settled our existing contract assets balance, which totaled $3,589,000 as of December 29, 2019, and the remaining amount was reflected in Other Revenue for the 13 weeks ended March 29, 2020. The amount of variable fees was estimated based on expected BHMG financial performance through March 16, 2020. Actual financial performance through March 16, 2020 did not vary materially from the estimated amount. As such, 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 also entered into a 10-year term lease with BHMG.

### 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.

### 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. 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.

### 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. 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.

## 2 REVENUE

The following table presents our revenue disaggregated by source:

| | | 13 Weeks Ended |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Advertising and marketing services revenue | 102,629 | 65,727 |
| Subscription revenue | 90,508 | 41,694 |
| TownNews and other digital services revenue | 5,622 | 5,218 |
| Other revenue | 13,058 | 9,704 |
| Total operating revenue | 211,817 | 122,343 |

*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 $60,176,000 as of December 27, 2020 and $60,271,000 as of September 27, 2020. Revenue recognized in the 13 weeks ended December 27, 2020 that was included in the contract liability as of September 27, 2020 was $35,955,000.

Accounts receivable, excluding allowance for credit losses was $79,013,000 and $66,029,000 as of December 27, 2020 and September 27, 2020, respectively. Allowance for credit losses was $10,982,000 and $13,431,000 as of December 27, 2020 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:

| | | 13 Weeks Ended |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Operating revenue | 9,400 | 10,195 |
| Operating expenses | 7,005 | 8,165 |
| Operating income | 2,395 | 2,030 |
| Company's 50% share of operating income | 1,198 | 1,015 |
| Less amortization of intangible assets | — | 104 |
| Equity in earnings of TNI | 1,198 | 911 |

TNI makes weekly distributions of its earnings and for the 13 weeks ended December 27, 2020 and December 29, 2019, we received $1,056,000 and $738,000 in distributions.

**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:

| | | 13 Weeks Ended |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Operating revenue | 11,922 | 13,925 |
| Operating expenses, excluding restructuring costs, depreciation and amortization | 10,430 | 12,120 |
| Restructuring costs | 106 | — |
| Depreciation and amortization | 110 | 145 |
| Operating income | 1,276 | 1,660 |
| Net income | 1,089 | 1,316 |
| Equity in earnings of MNI | 545 | 658 |

MNI generally makes quarterly distributions of its earnings, however no distributions were made in the 13 weeks ended December 27, 2020 and December 29, 2019, respectively.

## 4 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill are as follows:

| | 13 Weeks Ended |
|---|---|
| *(Thousands of Dollars)* | December 27, 2020 |
| Goodwill, gross amount | 1,617,174 |
| Accumulated impairment losses | (1,288,729) |
| Goodwill, beginning of period | 328,445 |
| Measurement period adjustments | 403 |
| Goodwill, end of period | 328,848 |

Identified intangible assets consist of the following:

| (Thousands of Dollars) | December 27, 2020 | September 27, 2020 |
|---|---|---|
| Non-amortized intangible assets: | | |
| Mastheads | 40,459 | 40,459 |
| Amortizable intangible assets: | | |
| Customer and newspaper subscriber lists | 774,722 | 774,604 |
| Less accumulated amortization | 638,349 | 632,457 |
| | 136,373 | 142,147 |
| Non-compete and consulting agreements | 28,656 | 28,656 |
| Less accumulated amortization | 28,601 | 28,582 |
| | 55 | 74 |
| Other intangible assets, net | 176,887 | 182,680 |

The Company recognized $27,960,000 of advertiser relationships, $28,200,000 of subscriber relationships, $19,580,000 of commercial print relationships and $20,390,000 of indefinite-lived masthead assets as part of the Transactions.

Annual amortization of intangible assets for the five years ending December 2021 to December 2025 is estimated to be $21,262,000 $19,688,000, $18,893,000, $16,460,000 and $10,783,000 , respectively. The weighted average amortization period for those amortizable assets acquired as part of the Transactions is 10.5 years.

The Company recognized $78,539,000 of Goodwill as part of the Transactions. 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 $41,734,000. Refer to Note 7 for more information regarding preliminary purchase accounting for the Transactions.

## 5 DEBT

On March 16, 2020 in connection with the closing of the Transactions, 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 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 matter, BH Finance became Lee's sole lender.

Proceeds of the Term Loan were used to finance the Transactions and repay all of the Company's outstanding debt at par, including:

- To redeem the 9.5% senior secured notes ("Notes") pursuant to an indenture dated as of March 31, 2014 (the "Indenture"); and
- To repay the 12.0% second lien term loan pursuant to a Second Lien Term Loan Agreement dated as of March 31, 2014, as amended (the "2nd Lien Term Loan").

There was no gain or loss recognized upon extinguishment of the Indenture and the 2nd Lien Term Loan.

The Credit Agreement documents the primary terms of the Term Loan. The Term Loan matures on March 16, 2045.

Debt is summarized as follows:

| (Thousands of Dollars) | December 27, 2020 | September 27, 2020 | Interest Rates (%) |
|---|---|---|---|
| Term Loan | 523,556 | 538,290 | 9.0 |
| Less current maturities of long-term debt | 17,142 | 13,733 | |
| Total long-term debt | 506,414 | 524,557 | |

Our weighted average cost of debt at December 27, 2020 is 9.0%.

For the 13-weeks ended December 27, 2020 excess cash flow totaled $17,142,000 and an additional $1,000,000 from asset sales was used to pay debt in January 2021. This balance was recognized in Current maturities of long-term debt as of December 27, 2020. Future payments are contingent on the Company's ability to generate future excess cash flow, as defined in the Credit Agreement.

### Interest

Interest on the Term Loan bears interest at a fixed annual rate of 9.0%, payable monthly.

### Principal Payments

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

Excluding the Excess Cash Flow payments described below, 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 prepayment of the Term Loan shall be accompanied by payment of all accrued interest on the amount of principal prepaid to the date of prepayment.

### Covenants and Other Matters

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.

### Security

The Term Loan is fully and unconditionally guaranteed on a joint and several first-priority basis by the Company's material domestic subsidiaries (excluding MNI and TNI, the "Subsidiary Guarantors"), pursuant to a Guarantee and Collateral agreement dated as of March 16, 2020 (the "Guarantee and Collateral Agreement"). The Term Loan and the subsidiary guarantees are secured, subject to certain exceptions, priorities and limitations, by perfected security interests in substantially all property and assets, including certain real estate, of the Company and the Subsidiary Guarantors.

Also, the Term Loan is secured, subject to certain exceptions, priorities and limitations in the various agreements, by first-priority security interests in the capital stock of, and other equity interests owned by, the Company and the Subsidiary Guarantors (excluding the capital stock of MNI and TNI).

**Liquidity**

Pursuant to the terms of the Credit Agreement, our new debt does not include a revolver.

Our liquidity, consisting of cash on the balance sheet, totals $37,142,000 at December 27, 2020. This liquidity amount excludes any future cash flows. We expect all interest and principal payments due in the next twelve months will be satisfied by existing cash and our cash flows, which will allow us to maintain an adequate level of liquidity. The Warrants, as defined below, if and when exercised, would provide additional liquidity in an amount up to $25,140,000, which is not considered in the calculation of Excess Cash Flow.

There are numerous potential consequences under the Term Loan if an event of default, as defined, occurs and is not remedied. Many of those consequences are beyond our control. The occurrence of one or more events of default would give rise to the right of BH Finance to exercise their remedies under the Credit Agreement including, without limitation, the right to accelerate all outstanding debt and take actions authorized in such circumstances under applicable collateral security documents.

Our ability to operate as a going concern is dependent on our ability to remain in compliance with debt covenants and to repay, refinance or amend our debt agreement as it becomes due. The Credit Agreement (as defined above) has only limited affirmative covenants with which we are required to maintain compliance and there are no leverage or financial performance covenants. We are in compliance with our debt covenants at December 27, 2020.

**Warrants**

In connection with the 2nd 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 2nd Lien Lenders received on March 31, 2014 their pro rata share of warrants to purchase, in cash, an initial aggregate of 6,000,000 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 $4.19 per share. The Warrants are set to expire in March 2022.

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, 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. Benefits under the plans were generally based on salary and years of service. With the exception of defined benefit plans acquired in the Transactions, effective in 2012, substantially all benefits are frozen. 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. The level and adjustment of participant contributions vary depending on the specific plan. In addition, St. Louis Post-Dispatch LLC, provides postemployment disability benefits to certain employee groups prior to retirement. 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.

As part of the Transactions, the Company assumed several non-contributory defined benefit pension plans that together cover selected employees. Benefits under the plans are generally based on salary and years of service. The 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 corporate equity securities, government and corporate bonds, money markets and deposits with insurance companies. The amount of net pension obligations for those plans as of March 16, 2020, the initial measurement date, was $43,503,000.

Additionally, as part of the Transactions, the Company assumed certain unfunded postemployment benefit plans which provide coverage to retirees for portions of premiums associated with medical, dental, life, and vision insurance benefits in eight collective bargaining units. The amount of premiums paid in five bargaining units are capped at specific dollar amounts per month. The amount of premiums paid in three bargaining units are uncapped. The plan groups consist of capped retirees, uncapped retirees, capped active employees, and uncapped active employees. New participants in the uncapped plans are eligible for Medicare supplemental medical insurance. The total postemployment benefit obligation recognized for these plans as of March 16, 2020, the initial measurement date, was $36,800,000.

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.

### Multiemployer Pension Plans

During the 13 weeks ended December 27, 2020, we withdrew from a multiemployer pension plan and recorded a $12,310,000 million 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 estimate will be finalized upon receipt of the final assessment. The liability will be paid over 20 years.

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 |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Service cost for benefits earned during the period | 633 | 8 |
| Interest cost on projected benefit obligation | 1,787 | 1,231 |
| Expected return on plan assets | (4,672) | (1,951) |
| Amortization of net loss | 1,004 | 792 |
| Amortization of prior service benefit | — | (2) |
| Pension benefit | (1,248) | 78 |

| POSTRETIREMENT MEDICAL PLANS | | 13 Weeks Ended |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Service cost for benefits earned during the period | 210 | — |
| Interest cost on projected benefit obligation | 123 | 67 |
| Expected return on plan assets | (252) | (265) |
| Amortization of net gain | (172) | (186) |
| Amortization of prior service benefit | (161) | (161) |
| Curtailment gain | (23,830) | — |
| Postretirement medical benefit | (24,082) | (545) |

In the 13 weeks ended December 27, 2020 we contributed $400,000 to our pension plans. Based on our forecast at December 27, 2020, we expect to make contributions of $2,790,000 to our pension trust during the remainder of fiscal 2021.

## 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 (“BHMG”) (“Purchase Agreement”).

The allocation of the purchase price is preliminary. The valuation of property and equipment, intangibles, deferred income taxes, and residual goodwill is not complete, pending completion of the final valuation report. These amounts are subject to adjustment as additional information is obtained within the measurement period (not to exceed 12 months from the acquisition date). As part of the Transactions, the Company also entered into the Credit Agreement and the BH Lease, as described above. The Company concluded that these agreements were not separate from the Transactions and evaluated these agreements for off-market terms and no such terms were identified. As such, the consideration for the acquisitions was limited to cash consideration, as shown below. The accounting for the Credit Agreement and the BH Lease are described in Notes 5 and 6.

The following table summarizes the preliminary determination of fair values of the assets and liabilities for the Transactions.

| (in Thousands) | **Estimated fair value as previously reported** | **Measurement period adjustments** | **Fair value as adjusted** |
|---|---|---|---|
| Cash and Cash equivalents | 22,293 | — | 22,293 |
| Current assets | 52,559 | (1,199) | 51,361 |
| Other assets | 12,167 | 3,448 | 15,619 |
| Property and equipment | 42,952 | 33 | 42,985 |
| Operating lease assets | 7,445 | 101 | 7,546 |
| Advertiser relationships | 38,780 | (10,820) | 27,960 |
| Subscriber relationships | 36,060 | (7,860) | 28,200 |
| Commercial print relationships | 17,130 | 2,450 | 19,580 |
| Mastheads | 21,680 | (1,290) | 20,390 |
| Goodwill | 63,559 | 14,984 | 78,539 |
| Total assets | 314,625 | (152) | 314,473 |
| Current liabilities assumed | (73,451) | 1,074 | (72,377) |
| Operating lease liabilities | (6,625) | (921) | (7,546) |
| Other liabilities assumed | (2,246) | (1) | (2,247) |
| Pension obligations | (43,503) | — | (43,503) |
| Postemployment benefit obligations | (36,800) | — | (36,800) |
| Total liabilities | (162,625) | 152 | (162,474) |
| Net assets | 152,000 | — | 152,000 |
| Less: acquired cash | (22,293) | — | (22,293) |
| Total consideration less acquired cash | 129,707 | — | 129,707 |

The Company had one material measurement period adjustment since September 27, 2020, the last reported preliminary determination of fair values of the assets and liabilities. The significant adjustment included $403,000 net increase to Goodwill through adjustments to liabilities assumed as more information was obtained.

For the 13 weeks ended December 27, 2020, the revenue and net income included in the Consolidated Income Statement related to the acquirees was $109,061,000 and $23,132,000, respectively.

### 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 |
| *(Thousands of Dollars, Except Per Share Data)* | December 29, 2019 |
| Total revenues | 237,618 |
| Income (loss) attributable to Lee Enterprises, Incorporated | 16,554 |
| Earnings per share - diluted | 0.29 |

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, 2018 which resulted in a $897,000 increase to net income for the 13 weeks ended December 29, 2019.

## 8 INCOME TAXES

We recorded an income tax expense of $6,311,000 related to income before taxes of $22,714,000 for the13 weeks ended December 27, 2020, resulting in an effective tax rate of 27.8%. For the 13 weeks ended December 29, 2019, we recorded an income tax expense of $1,871,000 related to income before taxes of $7,588,000 resulting in an effective tax rate of 24.7%.

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 including interest, and adjustments to reserves for uncertain tax positions, including any related interest.

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

| | 13 Weeks Ended | |
|---|---|---|
| *(Thousands of Dollars and Shares, Except Per Share Data)* | December 27, 2020 | December 29, 2019 |
| Income attributable to Lee Enterprises, Incorporated: | 15,902 | 5,320 |
| Weighted average common shares | 58,449 | 57,729 |
| Less weighted average restricted Common Stock | (1,545) | (1,459) |
| Basic average common shares | 56,904 | 56,270 |
| Dilutive stock options and restricted Common Stock | 418 | 783 |
| Diluted average common shares | 57,322 | 57,053 |
| Earnings per common share: | | |
| Basic | 0.28 | 0.09 |
| Diluted | 0.28 | 0.09 |

For the 13 weeks ended December 27, 2020 and December 29, 2019, 6,413,000 and 6,384,000 shares, respectively, 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.

## 10 STOCK OWNERSHIP PLANS

A summary of stock option activity during the 13 weeks ended December 27, 2020 follows:

| *(Thousands of Dollars and Shares, Except Per Share Data)* | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding, September 27, 2020 | 413 | 1.14 | | |
| Exercised | — | — | | |
| Cancelled | — | — | | |
| Outstanding, December 27, 2020 | 413 | 1.14 | 1.4 | 50 |
| Exercisable, December 27, 2020 | 413 | 1.14 | 1.4 | 50 |

### Restricted Common Stock

The table below summarizes restricted Common Stock activity during the 13 weeks ended December 27, 2020:

| *(Thousands of Shares, Except Per Share Data)* | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding, September 27, 2020 | 1,550 | 2.15 |
| Vested | (447) | 2.77 |
| Granted | 458 | 1.12 |
| Cancelled | — | — |
| Outstanding, December 27, 2020 | 1,561 | 1.67 |

Total unrecognized compensation expense for unvested restricted Common Stock at December 27, 2020 is $1,534,000, which will be recognized over a weighted average period of 1.9 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 $523,556,000 principal amount of the Term Loan recorded at carrying value. At December 27, 2020, based on market price quotations, the fair value is $532,456,000. 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 December 27, 2020 and September 27, 2020 are $247,000 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 $3,167,000 of expense related to restructuring costs and other. This amount consists of severance expense of $3,167,000. We did not have a significant restructuring liability as of December 27, 2020.

**Subsequent events**

We have evaluated subsequent events through February 5, 2021. No events have occurred subsequent to December 27, 2020 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 weeks ended December 27, 2020. 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:

| | 13 Weeks Ended | |
|---|---|---|
| *(Thousands of Dollars)* | December 27, 2020 | December 29, 2019 |
| Net income | 16,403 | 5,717 |
| Adjusted to exclude | | |
| Income tax expense | 6,311 | 1,871 |
| Non-operating (income) expenses, net | (1,906) | 10,718 |
| Equity in earnings of TNI and MNI | (1,743) | (1,569) |
| Loss on sale of assets and other, net | 5,222 | 814 |
| Depreciation and amortization | 10,441 | 6,719 |
| Restructuring costs and other | 3,167 | 1,632 |
| Stock compensation | 220 | 302 |
| Add: | | |
| Ownership share of TNI and MNI EBITDA (50%) | 1,890 | 1,918 |
| Adjusted EBITDA | 40,005 | 28,122 |





### CRITICAL ACCOUNTING POLICIES

Our critical accounting policies include the following:

- Intangible assets, other than goodwill;
- Pension, postretirement and postemployment benefit plans;
- Income taxes; and
- Business combinations

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date, with respect to tangible and intangible assets acquired and liabilities assumed. We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date as well as the useful lives of those acquired intangible assets. The Company prepared its initial estimates of the fair values of intangible assets utilizing the multi-period excess earnings method for customer-related amortizable intangible assets and the relief from royalty method for indefinite lived masthead assets. Examples of critical estimates in valuing certain of the intangible assets and goodwill we have acquired include but are not limited to:

- future expected cash flows from subscription, advertising and commercial print relationships and related assumptions about future revenue growth and customer retention;
- discount rates; and
- royalty rates used to value acquired mastheads.

Additional information regarding our accounting for business combinations can be found in Note 1. Additional information regarding all other critical accounting policies can be found under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 Annual Report on Form 10-K.

**EXECUTIVE OVERVIEW**

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

Including the recently completed acquisition of BHMG and Buffalo News, we operate 77 principally mid-sized local media operations.

We reach 72.5% 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 than55 million unique visitors, in the month of December 2020 with 489 million page views and 114 million visits.

- We have approximately 1.2 million subscribers to our print and digital products, with estimated readership totaling three million. Digital only subscribers totaled approximately 286,000, with a 69.2% 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*, 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"). TownNews provides state-of-the-art web hosting, content management services and video management services to nearly 2,200 other media organizations including broadcast.

***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 ("BHMG") (the "Purchase Agreement"). As part of the Purchase Agreement, the Company purchased certain assets and assumed certain liabilities of BHMG'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").

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. Between July 2, 2018 and March 16, 2020, the Company managed the BH Media Newspaper Business pursuant to a Management Agreement between BHMG 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 BHMG, 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.





**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 BHMG and *The 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*

With the outbreak of COVID-19 and the declaration of a pandemic by the World Health Organization on March 11, 2020, governments implemented a combination of shelter-in-place orders and other recommendations severely limiting or restricting economic activity in our local markets. Certain aspects of our operating results have experienced lower revenue and profitability over the last several years and these trends are expected to continue in the future; however, the pandemic and government restrictions caused significant and immediate declines in demand for certain of our products and services, and ultimately in advertising revenue.

The COVID-19 pandemic has had and the Company currently expects that it will continue to have a significant negative impact, in the near term, on the Company's business and operating results. The long-term impact of the COVID-19 pandemic will depend on the length, severity and recurrence of the pandemic, the availability of antiviral medications and vaccinations, the duration and extent of government actions designed to combat the pandemic, 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.

In combination with our acquisition integration, ongoing business transformation and addressing the continued effects of COVID-19 on our operating results, we continued to implement measures to solidify our relationship with our local advertisers, reduce our cost structure and preserve liquidity, and as a result we achieved $100 million in cost reductions from December 2019 through December 2020 on a proforma basis. These reductions were achieved by centralizing certain business functions and systems and reducing duplicate cost structures across the combined organization. The Company believes these initiatives will allow us to meet our commitments; however, they may not be sufficient to fully offset the negative impact of the COVID-19 pandemic on the Company's business and results of operations.

We have evaluated the current economic environment as of December 27, 2020 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. We will continue to monitor the environment to determine whether the impacts to the Company represent an event or change in circumstances that may trigger a need to reassess for useful life revision or impairment.



Table of Contents

**13 WEEKS ENDED DECEMBER 27, 2020**

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

| *(Thousands of Dollars, Except Per Share Data)* | December 27, 2020 | December 29, 2019 | Percent Change |
|---|---|---|---|
| Advertising and marketing services revenue | 102,629 | 65,727 | 56.1 |
| Subscription | 90,508 | 41,694 | NM |
| Other | 18,680 | 14,922 | 25.2 |
| Total operating revenue | 211,817 | 122,343 | 73.1 |
| Operating expenses: | | | |
| Compensation | 84,163 | 43,243 | 94.6 |
| Newsprint and ink | 7,992 | 4,736 | 68.8 |
| Other operating expenses | 81,767 | 48,462 | 68.7 |
| Cash costs | 173,922 | 96,441 | 80.3 |
| Total operating revenue less cash costs | 37,895 | 25,902 | 46.3 |
| Depreciation and amortization | 10,441 | 6,719 | 55.4 |
| Assets loss on sales, impairments and other, net | 5,222 | 814 | NM |
| Restructuring costs and other | 3,167 | 1,632 | 94.1 |
| Operating expenses | 192,752 | 105,606 | 82.5 |
| Equity in earnings of associated companies | 1,743 | 1,569 | 11.1 |
| Operating income | 20,808 | 18,306 | 13.7 |
| Non-operating income (expense): | | | |
| Interest expense | (11,882) | (11,115) | 6.9 |
| Debt financing and administrative cost | — | (1,196) | NM |
| Curtailment Gain | 23,830 | — | NM |
| Pension withdrawal cost | (12,310) | — | NM |
| Other, net | 2,268 | 1,593 | NM |
| Non-operating expenses, net | 1,906 | (12,311) | NM |

| | | | |
|---|---|---|---|
| Income before income taxes | 22,714 | 7,588 | NM |
| Income tax expense | 6,311 | 1,871 | NM |
| Net income | 16,403 | 5,717 | NM |
| Net income attributable to non-controlling interests | (501) | (397) | 26.2 |
| Income attributable to Lee Enterprises, Incorporated | 15,902 | 5,320 | NM |
| Other comprehensive income, net of income taxes | 1,142 | 317 | NM |
| Comprehensive income attributable to Lee Enterprises, Incorporated | 17,044 | 5,637 | NM |
| Earnings per common share: | | | |
| Basic | 0.28 | 0.09 | NM |
| Diluted | 0.28 | 0.09 | NM |

References to the “2021 Quarter” refer to the 13 weeks ended December 27, 2020. Similarly, references to the “2020 Quarter” refer to the 13 weeks ended December 29, 2019.

**Operating Revenue**

Total operating revenue was $211,817,000 in the 2021 Quarter, up $89,474,000, or 73.1%, which included $109,061,000 in revenue from the acquisitions. Total operating revenue on a proforma basis was down 10.9%.

Advertising and marketing services revenue totaled $102,629,000 in the 2021 Quarter, up 56.1% compared to the prior year with $47,850,000 attributable to acquisitions. Print advertising revenues were $67,616,000 in the 2021 Quarter, up 54.7% compared to the prior year, with $34,869,000 attributable to acquired print advertising revenue. Digital advertising and marketing services totaled $35,013,000 in the 2021 Quarter, up 58.9% compared to the prior year, with $12,981,000 attributable to acquired digital advertising and marketing services revenue. Digital advertising and marketing services represented 34.1% of the 2021 Quarter total advertising and marketing services revenue. Increases in the 2021 Quarter are attributed to acquired revenue, increases in Amplified Agency revenue, and incremental political revenue, partially offset by the continued downward trend in print advertising demand in the 2021 Quarter.

Subscription revenue totaled $90,508,000 in the 2021 Quarter, up 117.1% compared to the 2020 Quarter. The increase is attributed to $51,603,000 of acquired subscription revenue and an increase in digital-only subscription revenue partially offset by lower print circulation units, consistent with industry trends and timing of price increases. As of December 27, 2020, we now have nearly 286,000 digital only subscribers.

Other revenue, which primarily consists of digital services revenue from TownNews and commercial printing revenue, increased $3,758,000, or 25.2%, in the 2021 Quarter compared to the 2020 Quarter. Other revenue in the 2021 Quarter included $9,603,000 of acquired other revenue, primarily from commercial printing. Digital services revenue totaled $4,991,000 in the 2021 Quarter, a 6.6% increase compared to the 2020 Quarter. On a stand-alone basis, revenue at TownNews totaled $6,704,000, an increase of 8.5%. Commercial printing revenue totaled $6,749,000 in the 2021 Quarter, a 304.6% increase compared to the 2020 Quarter, due to $6,093,000 of acquired commercial printing revenue. Management Agreement revenue was $0 in the 2021 Quarter compared to $3,978,000 in the 2020 Quarter, due to the cessation of the agreement in conjunction with the Transactions.

Total digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled $62,534,000 in the 2021 Quarter, an increase of 57.9% over the 2020 Quarter, and represented 29.5% of our total operating revenue in the 2021 Quarter.

Equity in earnings of TNI and MNI increased $174,000 in the 2021 Quarter.





**Operating Expenses**

Total operating expenses were $192,752,000, a 82.5% increase compared to the 2020 Quarter, which included $99,081,000 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 $173,922,000, an 80.3% increase compared to the 2020 Quarter, which included $92,719,000 of acquired Cash Costs. Cash costs on a proforma basis were down 10.1%.

Compensation expense increased $40,920,000 in the 2021 Quarter, or 94.6%, compared to the 2020 Quarter. This increase was attributable to $44,268,000 of acquired compensation expense, partially offset by a reduction in FTEs on a proforma basis.

Newsprint and ink costs increased $3,256,000 in the 2021 Quarter, or 68.8%, compared to the 2020 Quarter. The increase is attributable to acquired newsprint and ink expenses of $5,156,000 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 $33,305,000 in the 2021 Quarter, or 68.7%, 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 $43,294,000 of acquired other operating expenses and increases in digital investments, partially offset by lower delivery and other print-related costs due to lower volumes of our print editions.

Restructuring costs and other totaled $3,167,000 and $1,632,000 in the 2021 Quarter and 2020 Quarter, respectively. Restructuring costs in the 2021 and 2020 Quarters is predominately severance.

Depreciation expense increased $1,931,000, or 74.3%, and amortization expense increased $1,791,000, or 43.5%, in the 2021 Quarter. 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 $5,222,000 in the 2021 Quarter compared to a net loss of $814,000 in the 2020 Quarter.

The factors noted above resulted in operating income of $20,808,000 in the 2021 Quarter compared to $18,306,000 in the 2020 Quarter.

### Non-operating Income and Expense

Interest expense increased $767,000, or 6.9%, to $11,882,000 in the 2021 Quarter, compared to the same period last year. Our weighted average cost of debt, excluding amortization of debt financing costs, was 9.0% at the end of the 2021 Quarter and 9.9% at the end of the 2020 Quarter. The reduction of the weighted average cost of debt is due to the 2020 Refinancing.

We recognized no debt financing and administrative expense in the 2021 Quarter compared to $1,196,000 in the 2020 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 $2,343,000 periodic pension and other postretirement benefits in the 2021 Quarter and $475,000 in the 2020 Quarter. We recorded non-operating income of $116,000 and $1,017,000 in the 2021 and 2020 Quarter, 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 Quarter by eliminating post-retirement medical coverage for certain employees.

We recognized pension withdrawal costs in the quarter 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 $6,311,000, or 27.8% of pretax income in the 2021 Quarter. In the 2020 Quarter, we recognized an income tax expense of $1,871,000, or 24.7% of pretax income.

### Net Income and Earnings Per Share

Net income was $16,403,000 and diluted earnings per share was $0.28 for the 2021 Quarter compared to net income of $5,717,000 and diluted earnings per share of $0.09 for 2020 Quarter. 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 $18,371,000 in the 2021 Period compared to $10,361,000 in the 2020 Period. Net income for the 2021 Period totaled $16,403,000 compared to $5,717,000 in the 2020 Period. The increase in cash provided by operating activities in the 2021 Period is mainly attributed to the acquired operations of BH Media and Buffalo.

### Investing Activities

Cash required for investing activities totaled $74,000 in the 2021 Period compared to $3,740,000 in the 2020 Period. Capital spending totaled $1,738,000 in the 2021 Period compared to $2,458,000 in the 2020 Period. Cash proceeds from asset sales, mainly real estate, totaled $2,235,000 in the 2021 Period compared to $20,000 in the 2020 Period.



Table of Contents

### Financing Activities

Cash required for financing activities totaled $14,888,000 in the 2021 period compared to cash required for financing activities of $10,798,000 in the 2020 Period. Debt reduction accounted for all of the remaining usage of funds in both the 2021 Period and 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:

| *(Thousands of Dollars)* | December 27, 2020 | September 27, 2020 | Interest Rates (%) |
|---|---|---|---|
| Term Loan | 523,556 | 538,290 | 9.0 |
| Less current maturities of long-term debt | 17,142 | 13,733 | |
| Total long-term debt | 506,414 | 524,557 | |

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 December 27, 2020 totaled $17,142,000, which was used to repay debt in January 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. Upon the filing of our Annual Report on Form 10-K, however, as a result of SEC issuer eligibility rules, we were not eligible to utilize an S-3 registration statement or the Shelf. We expect to be eligible to use the Shelf on and after June 1, 2021.

**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 have taken significant and immediate action to manage cash flow by implementing various initiatives including reductions in force, compensation reductions, furloughs, and reductions in capital investments. We are also working with our large vendors to evaluate the amount and timing of significant expenses.

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.



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## Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

### INTEREST RATES ON DEBT

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

### COMMODITIES

Newsprint prices driven by declining demand decreased during the December Quarter reaching what maybe a bottom on the price cycle. All North American newsprint producers have announced price increases for implementation in January 2021 and February 2021 based on a slowdown of domestic demand, forecasted improvements in export demand, a declining favorable exchange rate between the U.S. dollar and the Canadian dollar, and reduced available North American production capacity.

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 $505,000 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 $523,556,000 principal amount of the Term Loan recorded at carrying value. At December 27, 2020, based on market price quotations, the fair value is $532,456,000.

## 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 have not been considered in our assessment over internal control over financial reporting. Other than the Transactions, there have been no changes in our internal control over financial reporting that occurred during the 13 weeks ended December 27, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



Table of Contents

## 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.

Although our newspapers have not experienced a union strike in the recent past nor do we anticipate a union strike to occur, we cannot preclude the possibility that a strike may occur at one or more of our newspapers at some point in the future. This could disrupt the normal operations of the Company.

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

### Item 6. Exhibits

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

| Number | Description | |
|---|---|---|
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer | Attached |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer | Attached |
| 32.1 | Section 1350 Certification of Chief Executive Officer | Attached |
| 32.2 | Section 1350 Certification of Chief Financial Officer | Attached |
| 101.INS | Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) | Attached |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | Attached |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | Attached |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | Attached |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | Attached |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | Attached |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and embedded within the Inline XBRL document) | Attached |



Table of Contents

## 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 — February 5, 2021
Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

**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: February 5, 2021

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

**Exhibit 31.2**

**CERTIFICATION**

I, Timothy R. Millage, certify that:

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

2 Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3 Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;

4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Quarterly Report based on such evaluation; and

d) disclosed in this Quarterly Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an Annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of Registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

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

Date: February 5, 2021

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

**Exhibit 32.1**

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

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

Re: Lee Enterprises, Incorporated

Ladies and Gentlemen:

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

(i) this Quarterly report on Form 10-Q for the period ended December 27, 2020 ("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: February 5, 2021

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

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

**Exhibit 32.2**

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

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

Re: Lee Enterprises, Incorporated

Ladies and Gentlemen:

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

(i) this Quarterly report on Form 10-Q for the period ended December 27, 2020 ("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: February 5, 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.