DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
SUPPLEMENTAL FINANCIAL DISCUSSION

Overview

Diamond Sports Intermediate Holdings LLC (the Company) was formed on April 29, 2019. Diamond Sports Group, LLC (DSG) is a wholly owned subsidiary of the Company and was formed for the purpose of completing the acquisition of 21 Regional Sports Network brands and Fox College Sports (collectively the Acquired RSNs) from the Walt Disney Company (Disney). This acquisition closed on August 23, 2019. The financial results and operations of the Company prior to the closing of the acquisition of the Acquired RSNs were not material.

The Company began consolidating the Acquired RSNs upon the closing of the acquisition on August 23, 2019. This change in control results in a lack of comparability between the pre and post combination periods. The financial information prior to August 23, 2019 presented below was derived from the unaudited (and unreviewed) financial records of the Acquired RSNs. This financial information includes certain corporate allocations of expense related to support functions that were historically provided on a centralized basis and not recorded at the business unit level. These corporate allocations were allocated to the Acquired RSNs on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of combined revenues, headcount or other relevant measures of the Company.

The following financial discussion compares the unaudited (and unreviewed) historical revenue and media expenses of the Acquired RSNs for the year ended December 31, 2019 to the comparable prior year period. The year ended December 31, 2019 was derived by adding the financial results of the Company for the period April 29, 2019 through December 31, 2019 to the financial results of the Acquired RSNs for the period January 1, 2019 through August 22, 2019. The supplemental financial information is unaudited (and unreviewed) and has been included for informational purposes only. It does not purport to represent the actual results of operations that the Company would have achieved had the Acquired RSNs been combined during the periods presented and is not intended to project the future results of operations that the combined company may achieve after the acquisition.

Results of Operations

The following table sets forth certain revenue and media expenses, on a historical basis as discussed above (in millions):

	For the year ended December 31,				Percent Change Increase / (Decrease)
	2019 (c) (d)		2018 (d)		‘19 vs.‘18
Revenue (a)	$	3,586	$	3,819	(6)%
Media expenses (b)	$	2,435	$	2,249	8%

(a) Revenues are defined as advertising revenue, distribution revenue and other revenues.
(b) Media expenses combines media programming and production and media selling, general, and administrative expenses. Among the expenses included are sports rights amortization and management and incentive fees.
(c) The financial information for the year ended December 31, 2019 was derived as discussed within *2019 Combined Financial Information* below.
(d) The operating results are usually subject to cyclical fluctuations based on the timing and overlap of the seasons for professional baseball, basketball, and hockey. Usually, the second and third quarter operating results are higher than first and fourth quarters.

*Revenue. R*evenue decreased $233 million for the twelve months ended December 31, 2019 primarily as a result of an $181 million decrease in revenue from DISH and Sling TV mostly as a result of DISH dropping carriage of the Acquired RSNs in July 2019 and a $190 million decrease in revenue from a key MVPD partially related to a contract renewal in late 2018 that we assumed at closing of the Acquired RSNs, as well as additional subscriber churn by that MVPD. These decreases in revenue were partially offset by $135 million in increases in revenue from other MVPDs.

Media expenses. Media expenses increased $186 million for the twelve months ended December 31, 2019 when compared to the same period in 2018. The increase is primarily related to an increase in our sports rights amortization due to renewals, contractual increases, and higher carrying value due to fair value adjustments made in accordance with accounting for business combinations.

2019 Combined Financial Information. The unaudited (and unreviewed) financial information for the year ended December 31, 2019 was derived by combining the revenue and media expenses of the Acquired RSNs from January 1, 2019 to August 22, 2019 and the revenue and media expenses of the Company from April 29, 2019 to December 31, 2019, as follows (in million):

	(Acquired RSNs)		(Company)		(Combined)	
	January 1, 2019 to August 22, 2019		April 29, 2019 to December 31, 2019		Year ended December 31, 2019	
Revenue	$	2,448	$	1,139	$	3,587
Media expenses	$	1,576	$	859	$	2,435

Sources and Uses of Cash

The following table sets forth our cash flows for the period April 29, 2019 to December 31, 2019 and does not include the activity of the Acquired RSNs prior to their acquisition on August 23, 2019 (in millions):

	The Period April 29, 2019 to December 31, 2019	
Net cash flows from operating activities	$	323
Net cash flows used in investing activities	$	(9,348)
Net cash flows from financing activities	$	9,974

Operating Activities. Net cash from operating activities for the period April 29, 2019 to December 31, 2019 was $323 million which primarily related to cash collections from MVPDs, offset by payments for sports rights, production and overhead costs, and interest on our term loan.

Investing and Financing Activities. Net cash from investing and financing activities for the period April 29, 2019 to December 31, 2019 was $626 million which primarily related to the issuance of debt under our Senior Notes and Bank Credit Agreement and contributions received from our parent, which were used to purchase the Acquired RSNs, our equity interest in the YES Network, and to increase cash on hand.

Nonguarantor and Unrestricted Subsidiary Information - Bank Credit Agreement and Senior Notes

For the year ended December 31, 2019, EBITDA of nonguarantor restricted subsidiaries was 32% of Consolidated EBITDA, as defined in DSG's bank credit agreement and indentures. As of December 31, 2019, 42% of total assets and 3% of total liabilities were attributable to nonguarantor restricted subsidiaries, and the Company did not have any unrestricted subsidiaries. These calculations are based on the preliminary purchase price allocation pending a final determination of the fair value of the assets and liabilities.