

BEASLEY BROADCAST GROUP INC

Form 10-Q

August 01, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2014

OR

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

Commission File No. 0-29253

BEASLEY BROADCAST GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

65-0960915
(I.R.S. Employer

Identification Number)

3033 Riviera Drive, Suite 200

Naples, Florida 34103

(Address of Principal Executive Offices and Zip Code)

(239) 263-5000

(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$.001 par value, 6,451,092 Shares Outstanding as of July 25, 2014

Class B Common Stock, \$.001 par value, 16,662,743 Shares Outstanding as of July 25, 2014

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Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	December 31, 2013	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,299,013	\$ 12,091,451
Accounts receivable, less allowance for doubtful accounts of \$499,865 in 2013 and \$454,057 in 2014	17,195,453	16,570,897
Prepaid expenses	1,459,757	3,238,245
Deferred tax assets	374,660	128,937
Other current assets	2,522,797	2,974,920
Total current assets	35,851,680	35,004,450
Notes receivable from related parties	2,305,502	1,931,447
Property and equipment, net	20,136,777	20,923,758
FCC broadcasting licenses	186,174,864	186,329,864
Goodwill	13,629,364	13,629,364
Other assets	6,110,702	6,131,967
Total assets	\$ 264,208,889	\$ 263,950,850
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4,250,000	\$ 5,112,500
Accounts payable	1,675,130	1,238,140
Other current liabilities	8,391,168	7,997,569
Total current liabilities	14,316,298	14,348,209
Long-term debt, net of current portion	102,625,000	97,137,500
Deferred tax liabilities	52,771,252	55,912,979
Other long-term liabilities	870,245	811,369
Total liabilities	170,582,795	168,210,057
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued		
Class A common stock, \$0.001 par value; 150,000,000 shares authorized; 9,073,940 issued and 6,285,332 outstanding in 2013; 9,280,121 issued and 6,451,092 outstanding in 2014	9,074	9,280
Class B common stock, \$0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2013 and 2014	16,662	16,662
Additional paid-in capital	117,130,362	117,977,444

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Treasury stock, Class A common stock; 2,788,608 in 2013; 2,829,029 shares in 2014	(14,729,984)	(15,096,008)
Accumulated deficit	(8,824,642)	(7,173,981)
Accumulated other comprehensive income	24,622	7,396
Stockholders' equity	93,626,094	95,740,793
Total liabilities and stockholders' equity	\$ 264,208,889	\$ 263,950,850

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended June 30,	
	2013	2014
Net revenue	\$ 26,855,633	\$ 25,875,785
Operating expenses:		
Station operating expenses (including stock-based compensation of \$11,553 in 2013 and \$54,066 in 2014 and excluding depreciation and amortization shown separately below)	16,773,324	16,390,400
Corporate general and administrative expenses (including stock-based compensation of \$171,747 in 2013 and \$316,615 in 2014)	2,129,569	2,342,619
Depreciation and amortization	527,529	616,750
Total operating expenses	19,430,422	19,349,769
Operating income	7,425,211	6,526,016
Non-operating income (expense):		
Interest expense	(2,326,250)	(1,100,089)
Loss on extinguishment of long-term debt	(1,260,784)	(23,599)
Other income (expense), net	36,563	(313,655)
Income before income taxes	3,874,740	5,088,673
Income tax expense	1,516,771	2,067,384
Net income	2,357,969	3,021,289
Other comprehensive income:		
Unrealized gain on securities (net of income tax expense of \$3,558 in 2013 and \$2,814 in 2014)	5,718	4,372
Comprehensive income	\$ 2,363,687	\$ 3,025,661
Net income per share:		
Basic and diluted	\$ 0.10	\$ 0.13
Dividends declared per common share	\$	\$ 0.045
Weighted average shares outstanding:		
Basic	22,742,198	22,818,398
Diluted	22,798,418	22,879,408

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Six Months Ended June 30,	
	2013	2014
Net revenue	\$ 51,668,102	\$ 50,095,054
Operating expenses:		
Station operating expenses (including stock-based compensation of \$18,791 in 2013 and \$133,664 in 2014 and excluding depreciation and amortization shown separately below)	33,476,328	33,492,540
Corporate general and administrative expenses (including stock-based compensation of \$301,722 in 2013 and \$593,519 in 2014)	4,223,578	4,617,623
Depreciation and amortization	1,092,224	1,223,312
Total operating expenses	38,792,130	39,333,475
Operating income	12,875,972	10,761,579
Non-operating income (expense):		
Interest expense	(4,374,124)	(2,323,804)
Loss on extinguishment of long-term debt	(1,260,784)	(23,599)
Other income (expense), net	82,592	(289,393)
Income before income taxes	7,323,656	8,124,783
Income tax expense	2,545,200	4,420,622
Net income	4,778,456	3,704,161
Other comprehensive income:		
Unrealized loss on securities (net of income tax benefit of \$5,189 in 2013 and \$10,560 in 2014)	(8,184)	(17,226)
Comprehensive income	\$ 4,770,272	\$ 3,686,935
Net income per share:		
Basic and diluted	\$ 0.21	\$ 0.16
Dividends declared per common share	\$	\$ 0.09
Weighted average shares outstanding:		
Basic	22,726,954	22,800,628
Diluted	22,774,001	22,877,921

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Six Months Ended June 30,	
	2013	2014
Cash flows from operating activities:		
Net income	\$ 4,778,456	\$ 3,704,161
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	320,513	727,183
Provision for bad debts	408,421	232,763
Depreciation and amortization	1,092,224	1,223,312
Amortization of loan fees	254,659	205,254
Loss on notes receivable from related party		332,034
Loss on extinguishment of long-term debt	1,260,784	23,599
Deferred income taxes	1,860,094	3,376,251
Change in operating assets and liabilities:		
Accounts receivable	35,082	391,793
Prepaid expenses	(2,330,930)	(1,778,488)
Other assets	181,107	(454,283)
Accounts payable	(238,270)	(436,990)
Other liabilities	(219,618)	(502,130)
Other operating activities	10,455	(76,601)
Net cash provided by operating activities	7,412,977	6,967,858
Cash flows from investing activities:		
Capital expenditures	(852,349)	(1,789,927)
Payments for translator licenses	(30,000)	(155,000)
Payments for investments	(104,167)	(104,167)
Repayment of notes receivable from related parties	155,529	192,021
Net cash used in investing activities	(830,987)	(1,857,073)
Cash flows from financing activities:		
Principal payments on indebtedness	(4,500,000)	(4,625,000)
Payments of loan fees	(617,051)	(391,225)
Tax benefit from vesting of restricted stock	50,633	114,078
Dividends paid		(2,050,176)
Payments for treasury stock	(183,845)	(366,024)
Net cash used in financing activities	(5,250,263)	(7,318,347)
Net increase (decrease) in cash and cash equivalents	1,331,727	(2,207,562)
Cash and cash equivalents at beginning of period	11,660,648	14,299,013

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Cash and cash equivalents at end of period	\$ 12,992,375	\$ 12,091,451
Cash paid for interest	\$ 4,080,557	\$ 2,118,550
Cash paid for income taxes	\$ 2,274,395	\$ 2,003,445
Supplement disclosure of non-cash investing and financing activities:		
Property and equipment acquired through placement of advertising airtime	\$ 29,080	\$ 60,412
Property and equipment acquired through a logo agreement	\$	\$ 160,000
Dividends declared but unpaid	\$	\$ 1,026,863

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Beasley Broadcast Group, Inc. and its subsidiaries (the Company) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the financial statements reflect all adjustments necessary for a fair statement of the financial position and results of operations for the interim periods presented and all such adjustments are of a normal and recurring nature. The Company's results are subject to seasonal fluctuations therefore the results shown on an interim basis are not necessarily indicative of results for the full year.

(2) Recent Accounting Pronouncements

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a comprehensive framework for revenue recognition that supersedes current general revenue guidance and most industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. An entity should apply the guidance either retrospectively to each prior reporting period presented or retrospectively with the cumulative adjustment at the date of the initial application. The Company has not determined the impact of adoption on its financial statements.

(3) FCC Broadcasting Licenses

The change in the carrying amount of FCC broadcasting licenses for the six months ended June 30, 2014 is as follows:

Balance as of December 31, 2013	\$ 186,174,864
Translator licenses	155,000
Balance as of June 30, 2014	\$ 186,329,864

On May 1, 2014, the Company completed the acquisition of one FM translator license from Eastern Airwaves, LLC for \$75,000. This translator license allows the Company to rebroadcast the programming of one of its radio stations in Fayetteville, NC on the FM band over an expanded area of coverage.

On February 14, 2014, the Company completed the acquisition of one FM translator license from Starboard Media Foundation, Inc. for \$15,000 and on March 1, 2014, the Company placed in service one FM translator license acquired from CTC Media Group for \$65,000. These translator licenses allow the Company to rebroadcast the programming of two of its radio stations in Greenville-New Bern-Jacksonville, NC on the FM band over an expanded area of coverage.

Translator licenses are generally granted for renewable terms of eight years and are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

(4) Derivative Financial Instruments

The Company is a party to two interest rate cap agreements which limit its cost of variable rate debt on a portion of its term loans. The interest rate cap agreements have an aggregate notional amount of \$57.5 million and cap LIBOR at 1% on an equivalent amount of the Company's term loans. The interest rate cap agreements expire in the third quarter of 2014. The interest rate caps were not designated as hedging instruments. The fair value of the interest rate caps, reported in other assets, was approximately zero as of June 30, 2014. The fair values of the interest rate caps were determined using observable inputs (Level 2). The inputs were quotes from the counterparties to the interest rate cap agreements. The change in fair value, reported in interest expense, was approximately zero and \$1,000 for the three and six months ended June 30, 2014, respectively.

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Long-term debt is comprised of the following:

	December 31, 2013	June 30, 2014
Term loan	\$ 99,875,000	\$ 102,250,000
Revolving credit facility	7,000,000	
	106,875,000	102,250,000
Less current installments	(4,250,000)	(5,112,500)
	&	