

BEASLEY BROADCAST GROUP INC

Form 10-Q

August 05, 2016

[Table of Contents](#)

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, 2016

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, \$0.001 par value, 6,654,024 Shares Outstanding as of July 29, 2016

Class B Common Stock, \$0.001 par value, 16,662,743 Shares Outstanding as of July 29, 2016

Table of Contents

INDEX

	Page No.
PART I	
FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements.</u>	3
<u>Notes to Condensed Consolidated Financial Statements.</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	12
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	19
Item 4. <u>Controls and Procedures.</u>	19
PART II	
<u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings.</u>	20
Item 1A. <u>Risk Factors.</u>	20
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	23
Item 3. <u>Defaults Upon Senior Securities.</u>	23
Item 4. <u>Mine Safety Disclosures.</u>	23
Item 5. <u>Other Information.</u>	23
Item 6. <u>Exhibits.</u>	23
<u>SIGNATURES</u>	25

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

	December 31, 2015	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,318,494	\$ 14,121,452
Accounts receivable, less allowance for doubtful accounts of \$596,380 in 2015 and \$593,084 in 2016	19,847,536	18,945,682
Prepaid expenses	1,896,491	3,762,425
Other current assets	1,017,059	895,772
Total current assets	37,079,580	37,725,331
Restricted cash	743,195	
Property and equipment, net	27,523,353	27,335,806
FCC broadcasting licenses	234,719,505	234,719,505
Goodwill	5,336,583	5,336,583
Other intangibles, net	544,238	405,822
Other assets	5,455,441	5,793,120
Total assets	\$ 311,401,895	\$ 311,316,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 1,484,048	\$ 59,671
Accounts payable	1,827,003	2,120,646
Other current liabilities	7,588,106	9,321,712
Total current liabilities	10,899,157	11,502,029
Due to related parties	952,465	904,109
Long-term debt, net of current installments and unamortized debt issuance costs	86,461,778	82,040,520
Deferred tax liabilities	77,739,201	79,147,682
Other long-term liabilities	1,812,219	1,727,491
Total liabilities	177,864,820	175,321,831
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; 9,449,956 issued and 6,567,777 outstanding in 2015; 9,584,286 issued and 6,654,024 outstanding in 2016	9,450	9,584
Class B common stock, \$0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2015 and 2016	16,662	16,662
Additional paid-in capital	119,495,619	119,936,165

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Treasury stock, Class A common stock; 2,882,179 in 2015; 2,930,262 shares in 2016	(15,361,869)	(15,514,082)
Retained earnings	29,302,054	31,520,335
Accumulated other comprehensive income	75,159	25,672
Total stockholders equity	133,537,075	135,994,336
Total liabilities and stockholders equity	\$ 311,401,895	\$ 311,316,167

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

	Three Months Ended June 30,	
	2015	2016
Net revenue	\$ 27,024,338	\$ 27,777,381
Operating expenses:		
Station operating expenses (including stock-based compensation of \$41,791 in 2015 and \$36,412 in 2016 and excluding depreciation and amortization shown separately below)	18,741,666	19,729,821
Corporate general and administrative expenses (including stock-based compensation of \$230,207 in 2015 and \$168,962 in 2016)	2,302,888	2,443,661
Radio station exchange transaction costs	46,155	
Depreciation and amortization	839,874	830,581
Total operating expenses	21,930,583	23,004,063
Operating income	5,093,755	4,773,318
Non-operating income (expense):		
Interest expense	(941,003)	(898,560)
Other income (expense), net	18,694	269,052
Income before income taxes	4,171,446	4,143,810
Income tax expense	1,639,404	1,674,332
Net income	2,532,042	2,469,478
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax expense of \$22,772 in 2015 and income tax benefit of \$8,626 in 2016)	36,857	(14,080)
Comprehensive income	\$ 2,568,899	\$ 2,455,398
Net income per share:		
Basic and diluted	\$ 0.11	\$ 0.11
Dividends declared per common share	\$ 0.045	\$ 0.045
Weighted average shares outstanding:		
Basic	22,918,837	23,023,401
Diluted	22,967,632	23,119,431

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

	Six Months Ended June 30,	
	2015	2016
Net revenue	\$ 51,275,177	\$ 55,232,328
Operating expenses:		
Station operating expenses (including stock-based compensation of \$83,582 in 2015 and \$72,824 in 2016 and excluding depreciation and amortization shown separately below)	36,555,614	39,716,112
Corporate general and administrative expenses (including stock-based compensation of \$558,298 in 2015 and \$367,856 in 2016)	4,742,035	4,944,618
Radio station exchange transaction costs	349,917	
Depreciation and amortization	1,958,727	1,669,987
Total operating expenses	43,606,293	46,330,717
Operating income	7,668,884	8,901,611
Non-operating income (expense):		
Interest expense	(1,889,009)	(1,887,084)
Other income (expense), net	490,499	229,411
Income before income taxes	6,270,374	7,243,938
Income tax expense	2,439,948	2,953,707
Net income	3,830,426	4,290,231
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax expense of \$41,213 in 2015 and income tax benefit of \$30,318 in 2016)	66,704	(49,487)
Comprehensive income	\$ 3,897,130	\$ 4,240,744
Net income per share:		
Basic and diluted	\$ 0.17	\$ 0.19
Dividends declared per common share	\$ 0.09	\$ 0.09
Weighted average shares outstanding:		
Basic	22,899,865	23,003,436
Diluted	22,953,927	23,089,039

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

	Six Months Ended June 30,	
	2015	2016
Cash flows from operating activities:		
Net income	\$ 3,830,426	\$ 4,290,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	641,880	440,680
Provision for bad debts	247,311	452,528
Depreciation and amortization	1,958,727	1,669,987
Amortization of loan fees	168,732	183,498
Deferred income taxes	2,152,567	1,358,994
Change in operating assets and liabilities:		
Accounts receivable	(2,395,267)	449,326
Prepaid expenses	(2,468,250)	(1,865,934)
Other assets	1,313,072	(30,394)
Accounts payable	1,140,399	293,643
Other liabilities	(1,081,048)	1,569,439
Other operating activities	(23,849)	33,053
Net cash provided by operating activities	5,484,700	8,845,051
Cash flows from investing activities:		
Change in restricted cash		743,195
Capital expenditures	(845,178)	(1,368,840)
Payments for translator licenses	(391,175)	
Payments for investments	(166,667)	(166,667)
Repayment of notes receivable from related parties	185,726	
Net cash used in investing activities	(1,217,294)	(792,312)
Cash flows from financing activities:		
Principal payments on indebtedness	(4,500,000)	(6,029,133)
Tax shortfall from vesting of restricted stock	(151,036)	
Dividends paid	(2,058,785)	(2,068,435)
Payments for treasury stock	(246,022)	(152,213)
Net cash used in financing activities	(6,955,843)	(8,249,781)
Net decrease in cash and cash equivalents	(2,688,437)	(197,042)
Cash and cash equivalents at beginning of period	14,259,441	14,318,494
Cash and cash equivalents at end of period	\$ 11,571,004	\$ 14,121,452

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Cash paid for interest	\$ 1,720,277	\$ 1,721,457
Cash paid for income taxes	\$ 4,287,595	\$ 2,555,650
Supplement disclosure of non-cash investing and financing activities:		
Property and equipment acquired through placement of advertising airtime	\$ 26,829	\$ 39,702
Dividends declared but unpaid	\$ 1,031,383	\$ 1,036,088

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, 2015. 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 March 2016, the Financial Accounting Standards Board (FASB) issued guidance to improve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company has not determined the impact of adoption on its financial statements.

In February 2016, the FASB issued guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. There continues to be a differentiation between finance leases and operating leases, however lease assets and lease liabilities arising from operating leases should now be recognized in the statement of financial position. New disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has not determined the impact of adoption on its financial statements.

In January 2016, the FASB issued guidance that changes how entities measure equity investments and present changes in the fair value of financial liabilities. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value, and as such, these investments may be measured at cost. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has not determined the impact of adoption on its financial statements.

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. In 2016, the FASB issued several updates to address implementation issues and to clarify guidance for principal versus agent considerations and identifying performance obligations and licensing. 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. In August 2015, the FASB delayed the effective date of the new guidance to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is now permitted after the original effective date of December 15, 2016. The Company has not determined the impact of adoption on its financial statements.

(3) FCC Broadcasting Licenses

On July 25, 2016, the Company entered into an agreement to acquire one FM translator license from Radio One of Boston, Inc. for \$0.4 million. This translator license will allow the Company to rebroadcast the programming of its radio station in Boston, MA on the FM band over an expanded area of coverage.

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

The acquisitions are subject to certain closing conditions, including FCC approval. 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) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2015	June 30, 2016
Term loan	\$ 89,000,000	\$ 83,000,000
Revolving credit facility		
Capital lease obligations	750,216	721,083
	89,750,216	83,721,083
Less unamortized debt issuance costs	(1,804,390)	(1,620,892)