

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
August 06, 2010
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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, 2010

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period to

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

76-0470458

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(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

1220 Augusta Drive, Suite 500, Houston, Texas 77057-2261

(Address of principal executives office) (Zip Code)

(713) 570-3000

(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

Smaller reporting company

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

Number of shares of common stock outstanding at July 31, 2010: 290,290,470

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the SEC. Statements that are not historical facts are identified as forward-looking statements. Such statements include plans, projections and estimates contained in *Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Part I Item 3. Quantitative and Qualitative Disclosures About Market Risk* herein. Words such as estimate, anticipate, project, plan, intend, believe, expect, likely and similar expressions are intended to identify forward-looking statements.

Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described under *Part II Item 1A. Risk Factors* herein and in *Item 1A. Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (2009 Form 10-K) and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET****(In thousands of dollars, except share amounts)**

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 242,087	\$ 766,146
Restricted cash	204,308	213,514
Receivables, net of allowance of \$5,558 and \$5,497, respectively	49,054	44,431
Prepaid expenses	68,352	68,551
Deferred income tax assets	83,286	76,089
Other current assets	25,132	27,302
Total current assets	672,219	1,196,033
Restricted cash	5,000	5,000
Property and equipment, net of accumulated depreciation of \$3,210,311 and \$3,040,572, respectively	4,786,553	4,895,983
Goodwill	1,984,779	1,984,804
Other intangible assets, net of accumulated amortization of \$554,530 and \$476,895, respectively	2,351,513	2,405,422
Other assets, net	552,350	469,364
Total assets	\$ 10,352,414	\$ 10,956,606
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 26,074	\$ 33,053
Accrued interest	64,702	69,476
Deferred revenues	180,925	179,649
Interest rate swaps	207,751	160,121
Other accrued liabilities	72,240	94,610
Short-term debt, current maturities of debt and other obligations	20,775	217,196
Total current liabilities	572,467	754,105
Debt and other long-term obligations	6,368,156	6,361,954
Deferred ground lease payables	251,394	236,444
Deferred income tax liabilities	76,579	74,117
Interest rate swaps	151,965	140,481
Other liabilities	133,866	137,766
Total liabilities	7,554,427	7,704,867
Commitments and contingencies (<u>note 7</u>)		
Redeemable preferred stock, \$0.1 par value; 20,000,000 shares authorized; shares issued and outstanding: June 30, 2010 and December 31, 2009 6,361,000; stated net of unamortized issue costs; mandatory redemption and aggregate liquidation value of \$318,050	316,117	315,654
CCIC stockholders' equity:	2,903	2,927

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Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding: June 30, 2010 290,250,963 and December 31, 2009 292,729,684

Additional paid-in capital	5,565,554	5,685,874
Accumulated other comprehensive income (loss)	(230,843)	(124,224)
Accumulated deficit	(2,855,543)	(2,628,336)
Total CCIC stockholders' equity	2,482,071	2,936,241
Noncontrolling interest	(201)	(156)
Total equity	2,481,870	2,936,085
Total liabilities and equity	\$ 10,352,414	\$ 10,956,606

See condensed notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In thousands of dollars, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net revenues:				
Site rental	\$ 409,631	\$ 376,444	\$ 816,503	\$ 744,111
Network services and other	46,496	33,430	83,951	68,673
Net revenues	456,127	409,874	900,454	812,784
Operating expenses:				
Costs of operations(a):				
Site rental	115,465	113,382	229,220	223,080
Network services and other	29,927	21,009	56,223	43,070
General and administrative	40,556	38,102	80,029	74,739
Asset write-down charges	2,597	7,295	4,159	11,386
Acquisition and integration costs	272		272	
Depreciation, amortization and accretion	134,426	131,597	267,294	264,773
Total operating expenses	323,243	311,385	637,197	617,048
Operating income (loss)	132,884	98,489	263,257	195,736
Interest expense and amortization of deferred financing costs	(120,345)	(110,250)	(241,126)	(215,837)
Gains (losses) on purchases and redemptions of debt		(98,676)	(66,434)	(85,326)
Net gain (loss) on interest rate swaps	(114,598)	(59,528)	(187,874)	(55,733)
Interest and other income (expense)	(241)	3,249	138	3,003
Income (loss) before income taxes	(102,300)	(166,716)	(232,039)	(158,157)
Benefit (provision) for income taxes	4,686	54,949	15,025	56,440
Net income (loss)	(97,614)	(111,767)	(217,014)	(101,717)
Less: Net income (loss) attributable to the noncontrolling interest	(85)	(349)	(210)	(876)
Net income (loss) attributable to CCIC stockholders	(97,529)	(111,418)	(216,804)	(100,841)
Dividends on preferred stock	(5,202)	(5,201)	(10,403)	(10,402)
Net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock	\$ (102,731)	\$ (116,619)	\$ (227,207)	\$ (111,243)
Net income (loss)	\$ (97,614)	\$ (111,767)	\$ (217,014)	\$ (101,717)
Other comprehensive income (loss):				
Available-for-sale securities, net of tax of \$0, \$0, \$0 and \$0, respectively:				
Unrealized gains (losses) on available-for-sale securities, net of taxes	184	8,038	1,423	8,960
Derivative instruments net of taxes of \$(866), \$52,635, \$(13,215), and \$47,528, respectively:				
Net change in fair value of cash flow hedging instruments, net of taxes	(72,613)	78,432	(121,546)	126,666

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Amounts reclassified into results of operations, net of taxes	11,484	137,916	22,680	138,809
Foreign currency translation adjustments	(14,772)	26,889	(9,011)	21,877
Comprehensive income (loss)	(173,331)	139,508	(323,468)	194,595
Less: Comprehensive income (loss) attributable to the noncontrolling interest	(71)	(369)	(45)	(908)
Comprehensive income (loss) attributable to CCIC stockholders	\$ (173,260)	\$ 139,877	\$ (323,423)	\$ 195,503
Net income (loss) attributable to CCIC common stockholders, after deduction of dividends on preferred stock, per common share basic and diluted	\$ (0.36)	\$ (0.41)	\$ (0.79)	\$ (0.39)
Weighted-average common shares outstanding (in thousands) basic and diluted	286,080	286,449	287,266	286,181