BEASLEY BROADCAST GROUP INC
Form 10-Q
May 13, 2015
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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 March 31, 2015

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	**65-0960915**
(State of Incorporation)	**(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 x 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 x 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 x

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

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, 6,580,768 Shares Outstanding as of May 6, 2015

Class B Common Stock, $0.001 par value, 16,662,743 Shares Outstanding as of May 6, 2015

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2014	March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,259,441	$ 12,346,921
Accounts receivable, less allowance for doubtful accounts of $544,932 in 2014 and $544,549 in 2015	17,637,686	17,620,616
Prepaid expenses	636,552	2,131,209
Deferred tax assets	220,316	176,872
Other current assets	2,784,210	2,016,504
Total current assets	35,538,205	34,292,122
Notes receivable from related parties	1,748,092	1,655,527
Property and equipment, net	28,254,202	28,013,991
FCC broadcasting licenses	234,328,330	234,518,930
Goodwill	8,857,516	8,857,516
Other intangibles, net	1,358,026	949,962
Other assets	5,882,818	5,833,751
Total assets	$ 315,967,189	$ 314,121,799
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,112,500	$ 2,890,625
Accounts payable	1,120,434	853,527
Other current liabilities	9,794,234	8,546,196
Total current liabilities	14,027,168	12,290,348
Long-term debt, net of current portion	94,581,250	93,303,125
Deferred tax liabilities	75,996,813	76,918,423
Other long-term liabilities	819,670	789,275
Total liabilities	185,424,901	183,301,171
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; 9,275,746 issued and 6,444,842 outstanding in 2014; 9,460,822 issued and 6,582,443 outstanding in 2015	9,276	9,461
Class B common stock, $0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2014 and 2015	16,662	16,662

Additional paid-in capital	118,535,400	118,754,061
Treasury stock, Class A common stock; 2,830,904 in 2014; 2,878,379 shares in 2015	(15,107,464)	(15,345,044)
Retained earnings	27,066,481	27,333,708
Accumulated other comprehensive income	21,933	51,780
Total stockholders equity	130,542,288	130,820,628
Total liabilities and stockholders equity	$ 315,967,189	$ 314,121,799

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
Net revenue	$ 12,955,429	$ 24,250,839
Operating expenses:		
Station operating expenses (including stock-based compensation of $77,143 in 2014 and $41,791 in 2015 and excluding depreciation and amortization shown separately below)	9,607,617	17,813,948
Corporate general and administrative expenses (including stock-based compensation of $276,904 in 2014 and $328,091 in 2015)	2,275,004	2,439,147
Radio station exchange transaction costs		303,762
Depreciation and amortization	466,739	1,118,853
Total operating expenses	12,349,360	21,675,710
Operating income	606,069	2,575,129
Non-operating income (expense):		
Interest expense	(1,223,715)	(948,006)
Other income (expense), net	23,039	471,805
Income (loss) from continuing operations before income taxes	(594,607)	2,098,928
Income tax expense	921,110	800,544
Income (loss) from continuing operations	(1,515,717)	1,298,384
Income from discontinued operations (net of income taxes)	2,198,589	
Net income	682,872	1,298,384
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax benefit of $13,368 in 2014 and income tax expense of $18,441 in 2015)	(21,604)	29,847
Comprehensive income	$ 661,268	$ 1,328,231
Basic and diluted net income per share:		
Continuing operations	$ (0.07)	$ 0.06
Discontinued operations	$ 0.10	$
Net income per share	$ 0.03	$ 0.06
Dividends declared per common share	$ 0.045	$ 0.045
Weighted average shares outstanding:		
Basic	22,782,661	22,880,681

Diluted	22,843,287	22,906,828

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2014	2015
Cash flows from operating activities:		
Net income	$ 682,872	$ 1,298,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	356,502	369,882
Provision for bad debts	155,649	62,131
Depreciation and amortization	606,562	1,118,853
Amortization of loan fees	104,526	84,366
Deferred income taxes	2,216,473	994,901
Change in operating assets and liabilities:		
Accounts receivable	1,354,189	(45,061)
Prepaid expenses	(1,097,448)	(1,494,657)
Other assets	28,050	820,121
Accounts payable	(188,102)	(266,907)
Other liabilities	(133,513)	(1,398,719)
Other operating activities	128,581	21,022
Net cash provided by operating activities	4,214,341	1,564,316
Cash flows from investing activities:		
Capital expenditures	(1,188,683)	(462,557)
Payments for translator licenses	(65,000)	(190,600)
Repayment of notes receivable from related parties	98,461	92,565
Net cash used in investing activities	(1,155,222)	(560,592)
Cash flows from financing activities:		
Principal payments on indebtedness	(3,375,000)	(1,500,000)
Tax benefit from vesting of restricted stock	111,114	(151,036)
Dividends paid	(1,023,539)	(1,027,628)
Payments for treasury stock	(351,719)	(237,580)
Net cash used in financing activities	(4,639,144)	(2,916,244)
Net decrease in cash and cash equivalents	(1,580,025)	(1,912,520)
Cash and cash equivalents at beginning of period	14,299,013	14,259,441
Cash and cash equivalents at end of period	$ 12,718,988	$ 12,346,921
Cash paid for interest	$ 1,119,189	$ 863,640

Cash paid for income taxes	$	130,095	$	2,229,471
Supplement disclosure of non-cash investing and financing activities:				
Property and equipment acquired through placement of advertising airtime	$		$	8,021
Dividends declared but unpaid	$	1,026,637	$	1,031,157

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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, 2014. 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 April 2015, the FASB issued guidance to simplify presentation of debt issuance costs. The guidance requires debt issuance related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. Upon adoption of the guidance, the Company will present loan fees as a deduction from long-term debt in the balance sheet. Loan fees totaled $1.5 million as of March 31, 2015.

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. 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 new guidance was originally set to become effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early adoption was not permitted. However, on April 29, 2015, the FASB issued for public comment a proposed update that would defer the effective date of the new guidance to annual reporting periods beginning after December 15, 2017, but would allow early adoption for annual reporting periods beginning after December 15, 2016. The Company has not determined the impact of adoption on its financial statements.

In April 2014, the FASB issued guidance that changes the requirements for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results when any of the following occurs:

1. The component of an entity or group of components of an entity meets the criteria to be classified as held for sale.
2. The component of an entity or group of components of an entity is disposed of by sale.
3. The component of an entity or group of components of an entity is disposed of other than by sale.

The guidance also requires additional disclosures about discontinued operations. The new guidance is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company early adopted the new guidance in the third quarter of 2014. See Note 3 for discontinued operations reported under the new guidance.

(3) Asset Exchange

On December 1, 2014, the Company completed an asset exchange with CBS Radio Stations, Inc. (CBS Radio) under which the Company agreed to exchange all of the assets used or useful in the operations of WRDW-FM and WXTU-FM in Philadelphia, PA and WKIS-FM, WPOW-FM and WQAM-AM in Miami, FL previously owned and operated by the Company for all of the assets used or useful in the operations of WIP-AM in Philadelphia, PA, WHFS-AM, WHFS-FM, WLLD-FM, WQYK-FM, WRBQ-FM and WYUU-FM in Tampa, FL and WBAV-FM, WBCN-AM, WFNZ-AM, WKQC-FM, WNKS-FM, WPEG-FM and WSOC-FM in

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BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Charlotte, NC previously owned and operated by CBS Radio. The asset exchange substantially broadened and diversified the Company s local radio broadcasting platform and revenue base with fourteen new stations that are geographically complementary to the Company s ongoing operations, while also presenting financial and operating synergies with the Company s ongoing station portfolio and digital operations.

The following pro forma information for the three months ended March 31, 2014 assumes that the asset exchange had occurred on January 1, 2014. This pro forma information has been prepared based on estimates and assumptions, which management believes are reasonable, and is not necessarily indicative of what would have occurred had the asset exchange actually been completed on January 1, 2014 or of results that may occur in the future.

Net revenue	$ 27,033,560
Operating income	4,293,063
Net income	727,450
Basic and diluted net income per share	0.03

Discontinued Operations

After completion of the asset exchange, the Company has significantly decreased operations in the Philadelphia, PA radio market and no longer has any operations in the Miami-Fort Lauderdale, FL radio market. Therefore, the results of operations of WRDW-FM, WXTU-FM, WKIS-FM, WPOW-FM and WQAM-AM have been reported as discontinued operations for the three months ended March 31, 2014.

A summary of discontinued operations is as follows:

Net revenue	$ 11,263,840
Station operating expenses	7,494,523
Depreciation and amortization	139,823
Other (income) expense, net	(1,223)
Income from discontinued operations before income taxes	3,630,717
Income tax expense	1,432,128
Income from discontinued operations	$ 2,198,589

A summary of operating and investing cash flows of discontinued operations is as follows:

Cash flows from operating activities:	
Income from discontinued operations	$ 2,198,589
Adjustments to reconcile income from discontinued operations to net cash used in operating activities:	
Provision for bad debts	72,702
Depreciation and amortization	139,823
Change in operating assets and liabilities	
Accounts receivable	375,646
Prepaid expenses	(234,541)
Other assets	117,137
Accounts payable	(231,131)
Other liabilities	1,063,223
Other operating activities	(4,704,996)
Net cash used in operating activities	$ (1,203,548)
Cash flows from investing activities:	
Capital expenditures	$ (105,998)
Repayment of notes receivable from related parties	8,243
Net cash used in investing activities	$ (97,755)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(4) FCC Broadcasting Licenses

The change in the carrying amount of FCC broadcasting licenses for the three months ended March 31, 2015 is as follows:

Balance as of December 31, 2014	$ 234,328,330
Translator license	190,600
Balance as of March 31, 2015	$ 234,518,930

On February 27, 2015, the Company completed the acquisition of one FM translator license from Reach Communications, Inc. for $190,600. This translator license allows the Company to rebroadcast the programming of one of its radio stations in Boca Raton, FL 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.

(5) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2014	March 31, 2015
Term loan	$ 97,693,750	$ 96,193,750
Revolving credit facility		
	97,693,750	96,193,750
Less current installments	(3,112,500)	(2,890,625)
	$ 94,581,250	$ 93,303,125

As of December 31, 2014, the credit facility consisted of a term loan with a remaining balance of $97.7 million and a revolving credit facility with a maximum commitment of $20.0 million. The credit facility carried interest, based on adjusted LIBOR, at 3.4% as of December 31, 2014.

As of March 31, 2015, the credit facility consisted of a term loan with a remaining balance of $96.2 million and a revolving credit facility with a maximum commitment of $20.0 million. As of March 31, 2015, the Company had $16.6 million in available commitments under its revolving credit facility. At the Company s election, the credit facility may bear interest at either (i) adjusted LIBOR, as defined in the credit agreement, plus a margin ranging from 2.75% to 4.75% that is determined by the Company s consolidated total debt ratio, as defined in the credit agreement or (ii) the base rate, as defined in the credit agreement, plus a margin ranging from 1.75% to 3.75% that is determined by the Company s consolidated total debt ratio. Interest on adjusted LIBOR loans is payable at the end of each applicable interest period and, for those interest periods with a duration in excess of three months, the three month anniversary of the beginning of such interest period. Interest on base rate loans is payable quarterly in arrears. The credit facility carried interest, based on adjusted LIBOR, at 3.4% as of March 31, 2015 and matures on August 9, 2019.

The credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the credit agreement, when the Company s consolidated total debt is equal to or greater than three times its consolidated operating cash flow, as defined in the credit agreement. Prepayments of excess cash flow are not required when the Company s consolidated total debt is less than three times its consolidated operating cash flow. Mandatory prepayments of consolidated excess cash flow are due 120 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires the Company to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include:

Consolidated Total Debt Ratio. The Company s consolidated total debt on the last day of each fiscal quarter through June 30, 2015 must not exceed 4.25 times its consolidated operating cash flow for the four quarters then ended. The maximum ratio is 4.0 times for the period from July 1, 2015 through December 31, 2015, 3.75 times for 2016, 3.25 times for 2017, and 3.0 times thereafter.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Interest Coverage Ratio. The Company s consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 2.0 times its consolidated cash interest expense for the four quarters then ended.

The credit facility is secured by a first-priority lien on substantially all of the Company s assets and the assets of substantially all of its subsidiaries and is guaranteed jointly and severally by the Company and substantially all of its subsidiaries. The guarantees were issued to the Company