

SBA COMMUNICATIONS CORP
Form 10-Q
May 07, 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 March 31, 2010

or

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

For the transition period from to

Commission File Number: 000-30110

SBA COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

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Florida
(State or other jurisdiction of
incorporation or organization)

65-0716501
(I.R.S. Employer
Identification No.)

5900 Broken Sound Parkway NW

Boca Raton, Florida
(Address of principal executive offices)

(561) 995-7670
(Registrant's telephone number, including area code)

33487
(Zip 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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 117,007,456 shares of Class A common stock outstanding as of May 3, 2010.

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SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(unaudited) (in thousands, except par values)**

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,274	\$ 161,317
Short-term investments	3,560	5,352
Restricted cash	27,100	30,285
Accounts receivable, net of allowance of \$167 and \$350 in 2010 and 2009, respectively	14,825	19,644
Costs and estimated earnings in excess of billings on uncompleted contracts	10,977	10,392
Prepaid and other current assets	9,778	9,848
Total current assets	184,514	236,838
Property and equipment, net	1,472,668	1,496,938
Intangible assets, net	1,420,547	1,435,591
Deferred financing fees, net	40,346	37,902
Other assets	152,566	106,377
Total assets	\$ 3,270,641	\$ 3,313,646
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 29,116	\$ 28,648
Accounts payable	10,703	9,219
Accrued expenses	22,741	28,110
Deferred revenue	49,200	54,013
Accrued interest	24,362	35,551
Other current liabilities	3,116	3,184
Total current liabilities	139,238	158,725
Long-term liabilities:		
Long-term debt	2,472,235	2,460,402
Other long-term liabilities	96,861	94,570
Total long-term liabilities	2,569,096	2,554,972
Commitments and contingencies		
Shareholders equity:		
Preferred stock par value \$.01, 30,000 shares authorized, none issued or outstanding	1,171	1,171

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Common stock Class A, par value \$.01, 200,000 shares authorized, 117,124 and 117,082 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively		
Additional paid-in capital	2,235,672	2,228,268
Accumulated deficit	(1,673,606)	(1,627,602)
Accumulated other comprehensive loss, net	(1,805)	(2,803)
SBA Communications Corporation shareholders equity	561,432	599,034
Noncontrolling interests	875	915
Total shareholders equity	562,307	599,949
Total liabilities and shareholders equity	\$ 3,270,641	\$ 3,313,646

The accompanying condensed notes are an integral part of these consolidated financial statements.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited) (in thousands, except per share amounts)**

	For the three months ended March 31,	
	2010	2009
Revenues:		
Site leasing	\$ 127,967	\$ 115,478
Site development	19,998	19,572
Total revenues	147,965	135,050
Operating expenses:		
Cost of revenues (exclusive of depreciation, accretion and amortization shown below):		
Cost of site leasing	29,183	27,565
Cost of site development	17,889	16,973
Selling, general and administrative	14,506	12,075
Acquisition related expenses	2,055	434
Depreciation, accretion and amortization	67,446	63,653
Total operating expenses	131,079	120,700
Operating income	16,886	14,350
Other income (expense):		
Interest income	82	288
Interest expense	(37,118)	(26,822)
Non-cash interest expense	(14,867)	(8,849)
Amortization of deferred financing fees	(2,492)	(2,576)
(Loss) gain from extinguishment of debt, net	(112)	5,948
Other income	319	13
Total other expense	(54,188)	(31,998)
Loss before provision for income taxes	(37,302)	(17,648)
Provision for income taxes	(109)	(242)
Net loss	(37,411)	(17,890)
Net loss attributable to the noncontrolling interest	85	
Net loss attributable to SBA Communications Corporation	\$ (37,326)	\$ (17,890)
Basic and diluted loss per common share amounts:		
Net loss per common share	\$ (0.32)	\$ (0.15)

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Basic and diluted weighted average number of common shares	117,118	117,984
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The accompanying condensed notes are an integral part of these consolidated financial statements.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY****FOR THE THREE MONTHS ENDED MARCH 31, 2010****(unaudited) (in thousands)**

	Class A Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount					
BALANCE, December 31, 2009	117,082	\$ 1,171	\$ 2,228,268	\$ (1,627,602)	\$ (2,803)	\$ 915	\$ 599,949
Net loss				(37,326)		(85)	(37,411)
Amortization of deferred loss from settlement of derivative financial instruments					541		541
Write-off of deferred loss from derivative instruments related to repurchase of debt					9		9
Foreign currency translation adjustments					448	45	493
Total comprehensive loss							
Non-cash compensation			2,582				2,582
Common stock issued in connection with stock purchase/option plans	307	3	4,822				4,825
Repurchase and retirement of common stock	(265)	(3)		(8,678)			(8,681)
BALANCE, March 31, 2010	117,124	\$ 1,171	\$ 2,235,672	\$ (1,673,606)	\$ (1,805)	\$ 875	\$ 562,307

The accompanying condensed notes are an integral part of these consolidated financial statements.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(unaudited) (in thousands)**

	For the three months ended March 31,	
	2010	2009
Net loss	\$ (37,411)	\$ (17,890)
Other comprehensive loss associated with derivative instruments:		
Amortization of net deferred loss (gain) from settlement of derivative financial instruments	541	(150)
Write-off of net deferred loss (gain) from derivative instruments related to repurchase of debt	9	(100)
Foreign currency translation adjustments	493	
Comprehensive loss	(36,368)	(18,140)
Comprehensive loss attributable to the noncontrolling interest	40	
Comprehensive loss attributable to SBA Communications Corporation	\$ (36,328)	\$ (18,140)

The accompanying condensed notes are an integral part of these consolidated financial statements.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	For the three months ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (37,411)	\$ (17,890)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization	67,446	63,653
Deferred tax benefit	(114)	
Non-cash interest expense	14,867	8,849
Non-cash compensation expense	2,572	1,626
Amortization of deferred financing fees	2,492	2,576
Provision for doubtful accounts	150	235
Loss (gain) from extinguishment of debt, net	112	(5,948)
Other non-cash items reflected in the Statements of Operations	(337)	7
Changes in operating assets and liabilities:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	4,184	1,384
Prepaid and other assets	(2,093)	(4,155)
Accounts payable and accrued expenses	509	(5,519)
Accrued interest	(11,189)	2,226
Other liabilities	(3,770)	2,240
Net cash provided by operating activities	37,418	49,284
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions and related earn-outs	(30,345)	(4,119)
Capital expenditures	(12,161)	(7,562)
Purchase of long-term investments	(32,300)	
Maturity of investments	2,017	
Proceeds of restricted cash relating to tower removal obligations	24	6,200
Proceeds from disposition of fixed assets	13	10
Net cash used in investing activities	(72,752)	(5,471)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase and retirement of common stock	(8,681)	
Payments of deferred financing fees	(4,952)	(40)
Payments on extinguishment of CMBS Certificates	(2,086)	(5,886)
Proceeds from employee stock purchase/stock option plans	4,825	1,365
Release of restricted cash relating to CMBS Certificates	3,185	787
Payments on extinguishment of convertible debt		(36,118)
Borrowings under Senior Credit Facility		8,507
Repayment of Optasite Credit Facility		(1,500)
Net cash used in financing activities	(7,709)	(32,885)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,043)	10,928

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CASH AND CASH EQUIVALENTS:

Beginning of period	161,317	78,856
End of period	\$ 118,274	\$ 89,784

(continued)

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	For the three months ended March 31,	
	2010	2009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 48,415	\$ 24,602
Income taxes	\$ 84	\$ 388
SUPPLEMENTAL CASH FLOW INFORMATION OF NON-CASH ACTIVITIES:		
Assets acquired through capital leases	\$ 238	\$ 9
Contribution of DAS networks in exchange for equity investment	\$ 11,000	\$
Class A common stock issued relating to acquisitions and earn-outs	\$	\$ 9,064
Class A common stock issued in connection with early extinguishment of debt	\$	\$ 5,711

The accompanying condensed notes are an integral part of these consolidated financial statements.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for SBA Communications Corporation and subsidiaries (the Company). The December 31, 2009 Condensed Consolidated Balance Sheet has been derived from the Company's audited consolidated financial statements. These financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. The results of operations for an interim period may not give a true indication of the results for the year. Certain reclassifications have been made to prior year amounts or balances to conform to the presentation adopted in the current year.

2. CURRENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06) which requires new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The FASB also clarified existing fair value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. ASU 2010-06 is effective for fiscal years beginning after December 15, 2009. The Company adopted this accounting guidance effective January 1, 2010.

3. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments The carrying value of the Company's financial instruments, with the exception of long-term debt including current portion, reasonably estimate the related fair values as of March 31, 2010 and December 31, 2009 due to the short maturity of those instruments.

The Company determines fair value of its debt securities utilizing various sources including quoted prices and indicative quotes (that is non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices. The following table reflects fair values, principal values and carrying values of the Company's debt instruments (see Note 9).

	At March 31, 2010			At December 31, 2009		
	Fair Value	Principal Value	Carrying Value	Fair Value	Principal Value	Carrying Value
	(in millions)					
8.0% Senior Notes due 2016	\$ 394.7	\$ 375.0	\$ 372.7	\$ 388.1	\$ 375.0	\$ 372.6
8.25% Senior Notes due 2019	\$ 399.4	\$ 375.0	\$ 372.0	\$ 393.8	\$ 375.0	\$ 371.9
0.375% Convertible Senior Notes	\$ 34.7	\$ 30.4	\$ 29.1	\$ 34.2	\$ 30.4	\$ 28.6
1.875% Convertible Senior Notes	\$ 583.7	\$ 550.0	\$ 440.1	\$ 564.4	\$ 550.0	\$ 432.5
4.0% Convertible Senior Notes	\$ 680.0	\$ 500.0	\$ 348.9	\$ 652.5	\$ 500.0	\$ 342.8
2006 CMBS Certificates	\$ 980.8	\$ 938.6	\$ 938.6	\$ 961.5	\$ 940.6	\$ 940.6

Items Measured at Fair Value on a Nonrecurring Basis The Company's earnouts related to acquisitions, intangibles, certain long-lived assets, and asset retirement obligations are measured at fair value on a nonrecurring basis. The fair value of the earnouts is reviewed quarterly and is based on the estimated payments the Company expects to make based on the expected performance of the underlying assets. The fair value of the intangibles, long-lived assets, and asset retirement obligations are calculated using a discounted cash flow model.

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Restricted cash consists of the following:

	As of March 31, 2010	As of December 31, 2009	Included on Balance Sheet
	(in thousands)		
2006 CMBS Certificates	\$ 25,923	\$ 29,108	Restricted cash - current asset
Payment and performance bonds	1,177	1,177	Restricted cash - current asset
Surety bonds and workers compensation	10,324	11,097	Other assets - noncurrent
Total restricted cash	\$ 37,424	\$ 41,382	

In connection with the issuance of the 2006 CMBS Certificates, the Company entered into the Trust and Servicing Agreement, dated as of November 18, 2005 (see Note 9), that requires the Company to fund restricted cash reserve accounts, which are held in escrow pursuant to the mortgage loan agreement underlying the 2006 CMBS Certificates. Pursuant to the terms of the mortgage loan agreement, all rents and other sums due on the towers that secure the 2006 CMBS Certificates are directly deposited by the lessees into a controlled deposit account and are held by the indenture trustee. The restricted cash amount is used to fund reserve accounts for the payment of (1) debt service costs, (2) ground rents, real estate and personal property taxes and insurance premiums related to tower sites, (3) trustee and servicing expenses, (4) management fees and (5) to reserve a portion of advance rents from tenants. The restricted cash held by the indenture trustee in excess of required reserve balances is subsequently released to the Borrowers monthly, provided that the Borrowers are in compliance with their debt service coverage ratio and that no Event of Default has occurred. All monies held by the indenture trustee are classified as restricted cash on the Company's Consolidated Balance Sheets.

Payment and performance bonds relate primarily to collateral requirements for tower construction currently in process by the Company. Cash is pledged as collateral related to surety bonds issued for the benefit of the Company or its affiliates in the ordinary course of business and primarily related to the Company's tower removal obligations. As of March 31, 2010, the Company had \$19.2 million in removal bonds for which it is only required to post \$9.7 million in collateral. As of March 31, 2010 and December 31, 2009, the Company had pledged \$1.7 million and \$2.4 million, respectively, as collateral related to its workers compensation policy. Restricted cash for surety bonds and workers compensation are included in other assets on the Company's Consolidated Balance Sheets.

5. ACQUISITIONS

During the first quarter of 2010, the Company acquired an equity interest in DAS provider Extenet Systems, Inc. for approximately \$32.3 million in cash and the contribution of our existing DAS business. The investment in Extenet Systems, Inc. is accounted for under the cost method of accounting.

During the first quarter of 2010, the Company acquired 36 completed towers and related assets and liabilities from various sellers. The aggregate consideration paid for these towers and related assets was approximately \$23.5 million (excluding working capital adjustments), which was paid in cash. In addition, in the first quarter of 2010, as part of the ground lease purchase program, the Company paid \$1.2 million in cash for long-term lease extensions and \$3.6 million in cash for land and perpetual easement purchases.

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

assets above was \$28.6 million and \$26.5 million for the three months ended March 31, 2010 and 2009, respectively. These amounts are subject to changes in estimates until the preliminary allocation of the purchase price is finalized for all acquisitions.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net (including assets held under capital leases) consists of the following:

	As of March 31, 2010	As of December 31, 2009
	(in thousands)	
Towers and related components	\$ 2,266,870	\$ 2,259,405
Construction-in-process	12,266	11,477
Furniture, equipment and vehicles	23,363	22,804
Land, buildings and improvements	121,553	117,926
	2,424,052	2,411,612
Less: accumulated depreciation	(951,384)	(914,674)
Property and equipment, net	\$ 1,472,668	\$ 1,496,938

Construction-in-process represents costs incurred related to towers that are under development and will be used in the Company's operations. Depreciation expense was \$38.8 million and \$37.0 million for the three months ended March 31, 2010 and 2009, respectively. At March 31, 2010 and December 31, 2009, non-cash capital expenditures that are included in accounts payable and accrued expenses were \$3.1 million and \$1.9 million, respectively.

The amounts applicable to capital leases for vehicles included in property and equipment, net was:

	As of March 31, 2010	As of December 31, 2009
	(in thousands)	
Vehicles	\$ 2,218	\$ 1,980
Less: accumulated depreciation	(861)	(758)
Vehicles, net	\$ 1,357	\$ 1,222

8. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts consist of the following:

	As of March 31, 2010	As of December 31, 2009
	(in thousands)	
Costs incurred on uncompleted contracts	\$ 33,340	\$ 32,567

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Estimated earnings	11,501	11,282
Billings to date	(34,259)	(33,800)
	\$ 10,582	\$ 10,049

Table of Contents**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

These amounts are included on the accompanying Consolidated Balance Sheets under the following captions:

	As of March 31, 2010	As of December 31, 2009
	(in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 10,977	\$ 10,392
Billings in excess of costs and estimated earnings on uncompleted contracts	(395)	(343)
	\$ 10,582	\$ 10,049

At March 31, 2010, five significant customers comprised 81.0% of the costs and estimated earnings in excess of billings on uncompleted contracts, net of billings in excess of costs and estimated earnings, while at December 31, 2009, five significant customers comprised 83.2% of the costs and estimated earnings in excess of billings on uncompleted contracts, net of billings in excess of costs and estimated earnings.

9. DEBT

Debt consists of the following:

As