

ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 05, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2013

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 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4783236
(I.R.S. Employer
Identification No.)

2425 Olympic Boulevard, Suite 6000 West
Santa Monica, California 90404
(Address of principal executive offices) (Zip Code)

(310) 447-3870
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 or a non-accelerated filer. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act). Yes No

As of July 31, 2013, there were 56,827,664 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 21,688,161 shares, \$0.0001 par value per share, of the registrant's Class B common stock outstanding and 9,352,729 shares, \$0.0001 par value per share, of the registrant's Class U common stock outstanding.

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ENTRAVISION COMMUNICATIONS CORPORATION
FORM 10-Q FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

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Forward-Looking Statements

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, will, estimate, intend, continue, believe, expect or anticipate or similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

risks related to our history of operating losses, our substantial indebtedness or our ability to raise capital;

provisions of our debt instruments, including the agreement dated as of May 31, 2013, or the 2013 Credit Agreement, which governs our current credit facility, or the 2013 Credit Facility, the terms of which restrict certain aspects of the operation of our business;

our continued compliance with all of our obligations, including financial covenants and ratios, under the 2013 Credit Agreement;

cancellations or reductions of advertising due to the then current economic environment or otherwise;

advertising rates remaining constant or decreasing;

the impact of rigorous competition in Spanish-language media and in the advertising industry generally;

the impact on our business, if any, as a result of changes in the way market share is measured by third parties;

our relationship with Univision Communications Inc., or Univision;

the extent to which we continue to generate revenue under retransmission consent agreements;

subject to restrictions contained in the 2013 Credit Agreement, the overall success of our acquisition strategy, which historically has included developing media clusters in key U.S. Hispanic markets, and the integration of any acquired assets with our existing business;

industry-wide market factors and regulatory and other developments affecting our operations;

economic uncertainty;

the impact of any potential future impairment of our assets;

risks related to changes in accounting interpretations; and

the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws.

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For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled Risk Factors, beginning on page 26 of our Annual Report on Form 10-K for the year ended December 31, 2012.

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	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 41,066	\$ 36,130
Trade receivables, net of allowance for doubtful accounts of \$3,432 and \$4,396 (including related parties of \$8,771 and \$4,916)	52,417	48,030
Prepaid expenses and other current assets (including related parties of \$274 and \$274)	4,473	4,245
Total current assets	97,956	88,405
Property and equipment, net	59,170	61,435
Intangible assets subject to amortization, net (including related parties of \$19,719 and \$20,880)	21,080	22,349
Intangible assets not subject to amortization	220,701	220,701
Goodwill	36,647	36,647
Other assets	13,002	8,514
Total assets	\$ 448,556	\$ 438,051
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 200	\$ 150
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of \$3,907 and \$3,576)	37,824	39,158
Total current liabilities	38,142	39,426
Long-term debt, less current maturities (net of bond discount of \$2,711 and \$2,982)	340,835	340,664
Other long-term liabilities	6,934	7,359
Deferred income taxes	48,495	45,201
Total liabilities	434,406	432,650
Commitments and contingencies (note 4)		
Stockholders' equity (deficit)		
Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2013 56,791,409; 2012 54,404,226	6	5
Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2013 21,688,121; 2012 22,188,161	2	2
Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2013 and 2012 9,352,729	1	1
Additional paid-in capital	935,446	930,814

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Accumulated deficit	(921,305)	(925,421)
Total stockholders' equity (deficit)	14,150	5,401
Total liabilities and stockholders' equity (deficit)	\$ 448,556	\$ 438,051

See Notes to Consolidated Financial Statements

Table of Contents**ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(In thousands, except share and per share data)**

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2013	2012	2013	2012
Net revenue	\$ 56,950	\$ 54,491	\$ 106,037	\$ 101,015
Expenses:				
Direct operating expenses (including related parties of \$2,649, \$2,461, \$4,942 and \$4,705) (including non-cash stock-based compensation of \$295, \$43, \$479 and \$56)	25,988	22,876	50,213	44,510
Selling, general and administrative expenses (including non-cash stock-based compensation of \$0, \$215, \$0 and \$324)	7,424	9,635	15,107	19,007
Corporate expenses (including non-cash stock-based compensation of \$1,074, \$479, \$1,762 and \$618)	4,736	4,181	9,233	8,062
Depreciation and amortization (includes direct operating of \$2,899, \$3,076, \$5,931 and \$6,217 selling, general and administrative of \$714, \$720, \$1,427 and \$1,437 and corporate of \$207, \$280, \$417 and \$769 (including related parties of \$580, \$580, \$1,161 and \$1,473))	3,820	4,076	7,775	8,423
	41,968	40,768	82,328	80,002
Operating income (loss)	14,982	13,723	23,709	21,013
Interest expense	(7,881)	(8,959)	(15,665)	(18,059)
Interest income	9	9	16	13
Gain (loss) on debt extinguishment	(130)	(1,230)	(130)	(1,230)
Income (loss) before income taxes	6,980	3,543	7,930	1,737
Income tax (expense) benefit	(1,907)	(1,477)	(3,814)	(3,066)
Net income (loss) applicable to common stockholders	\$ 5,073	\$ 2,066	\$ 4,116	\$ (1,329)
Basic and diluted earnings per share:				
Net income (loss) per share applicable to common stockholders, basic and diluted	\$ 0.06	\$ 0.02	\$ 0.05	\$ (0.02)
Weighted average common shares outstanding, basic	87,074,952	85,837,846	86,768,686	85,821,963
Weighted average common shares outstanding, diluted	89,228,790	86,178,331	88,147,914	85,821,963

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six-Month Period Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 4,116	\$ (1,329)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,775	8,423
Deferred income taxes	3,294	2,405
Amortization of debt issue costs	1,030	1,137
Amortization of syndication contracts	302	381
Payments on syndication contracts	(651)	(934)
Non-cash stock-based compensation	2,241	998
(Gain) loss on debt extinguishment	130	1,230
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	(4,327)	(3,771)
(Increase) decrease in prepaid expenses and other assets	(454)	(177)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(637)	(1,998)
Net cash provided by (used in) operating activities	12,819	6,365
Cash flows from investing activities:		
Purchases of property and equipment and intangibles	(4,605)	(3,647)
Net cash provided by (used in) investing activities	(4,605)	(3,647)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,392	
Payments on long-term debt		