

ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
May 06, 2016

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 March 31, 2016

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 95-4783236
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 May 2, 2016, there were 64,743,187 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 14,927,613 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.

ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-Q FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

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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,” “anticipate” or other 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 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;
- rapid changes in digital media advertising;
- 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 and the integration of any acquired assets with our existing operations;
- 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, including the Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

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 28 of our Annual Report on Form 10-K for the year ended December 31, 2015.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$22,991	\$47,924
Short-term investments	30,000	—
Trade receivables, net of allowance for doubtful accounts of \$2,989 and \$3,040 (including related parties of \$10,208 and \$5,534)	60,709	66,399
Prepaid expenses and other current assets (including related parties of \$274 and \$274)	6,000	5,705
Total current assets	119,700	120,028
Property and equipment, net of accumulated depreciation of \$201,240 and \$198,282	56,963	57,874
Intangible assets subject to amortization, net of accumulated amortization of \$79,117 and \$78,234 (including related parties of \$13,338 and \$13,918)	15,774	16,656
Intangible assets not subject to amortization	220,701	220,701
Goodwill	50,081	50,081
Deferred income taxes	57,060	57,929
Other assets	1,611	1,693
Total assets	\$521,890	\$524,962
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$3,750	\$3,750
Accounts payable and accrued expenses (including related parties of \$4,017 and \$3,909)	26,271	29,787
Total current liabilities	30,021	33,537
Long-term debt, less current maturities, net of unamortized debt issuance costs of \$3,054 and \$3,226	308,821	309,587
Other long-term liabilities	15,572	14,565
Total liabilities	354,414	357,689
Commitments and contingencies (note 4)		
Stockholders' equity		
Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2016 64,755,921; 2015 64,477,171	6	6

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Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2016 and 2015 14,927,613	2	2
Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2016 and 2015 9,352,729	1	1
Additional paid-in capital	908,792	910,228
Accumulated deficit	(736,579)	(738,849)
Accumulated other comprehensive income (loss)	(4,746)	(4,115)
Total stockholders' equity	167,476	167,273
Total liabilities and stockholders' equity	\$521,890	\$524,962

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended March 31,	
	2016	2015
Net revenue	\$58,113	\$59,550
Expenses:		
Cost of revenue - digital media	1,839	1,360
Direct operating expenses (including related parties of \$2,311 and \$2,167) (including non-cash stock-based compensation of \$321 and \$358)	27,565	26,685
Selling, general and administrative expenses	11,435	10,501
Corporate expenses (including non-cash stock-based compensation of \$625 and \$509)	5,604	4,993
Depreciation and amortization (includes direct operating of \$2,455 and \$2,563; selling, general and administrative of \$1,199 and \$1,059 and corporate of \$373 and \$340) (including related parties of \$580 and \$581)	4,027	3,962
	50,470	47,501
Operating income	7,643	12,049
Interest expense	(3,866)	(3,227)
Interest income	7	8
Income before income taxes	3,784	8,830
Income tax (expense) benefit	(1,514)	(3,546)
Net income	\$2,270	\$5,284
Basic and diluted earnings per share:		
Net income per share, basic	\$0.03	\$0.06
Net income per share, diluted	\$0.02	\$0.06
Cash dividends declared per common share	\$0.03	\$0.03
Weighted average common shares outstanding, basic	88,897,456	87,531,375
Weighted average common shares outstanding, diluted	90,932,109	90,085,961

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended March 31,	
	2016	2015
Net income	\$2,270	\$5,284
Other comprehensive income (loss), net of tax:		
Change in fair value of interest rate swap agreements	(632)	(1,170)
Total other comprehensive income (loss)	(632)	(1,170)
Comprehensive income	\$1,638	\$4,114

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Three-Month Period Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$2,270	\$5,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,027	3,962
Deferred income taxes	1,264	2,959
Amortization of debt issue costs	191	194
Amortization of syndication contracts	89	86
Payments on syndication contracts	(94)	(122)
Non-cash stock-based compensation	946	867
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5,800	15,976
(Increase) decrease in prepaid expenses and other assets	(378)	(561)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,594)	(3,840)
Net cash provided by operating activities	10,521	24,805
Cash flows from investing activities:		
Purchases of short-term investments	(30,000)	—
Purchases of property and equipment and intangibles	(2,135)	(2,972)
Net cash used in investing activities	(32,135)	(2,972)
Cash flows from financing activities:		
Proceeds from stock option exercises	400	900
Payments on long-term debt	(938)	(938)
Dividends paid	(2,781)	(2,191)
Payment of contingent consideration	—	(1,000)
Net cash used in financing activities	(3,319)	(3,229)
Net increase (decrease) in cash and cash equivalents	(24,933)	18,604
Cash and cash equivalents:		
Beginning	47,924	31,260
Ending	\$22,991	\$49,864