

Clear Channel Outdoor Holdings, Inc.

Form 10-Q

November 10, 2008

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

or

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

Commission file number 1-32663

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

Delaware
(State of Incorporation)

86-0812139
(I.R.S. Employer Identification No.)

200 East Basse Road

San Antonio, Texas 78209

(210) 832-3700

(Address and telephone number of principal executive offices)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 7, 2008
Class A Common Stock, \$.01 par value	40,697,642
Class B Common Stock, \$.01 par value	315,000,000

Table of Contents

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

INDEX

	Page No.
<u>Part I – Financial Information</u>	
<u>Item 1. Unaudited Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Operations</u>	5
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	7
<u>Condensed Consolidated Statements of Cash Flows</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	33
<u>Item 4. Controls and Procedures</u>	33
<u>Part II – Other Information</u>	
<u>Item 1. Legal Proceedings</u>	34
<u>Item 1A. Risk Factors</u>	34
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
<u>Item 6. Exhibits</u>	35
<u>Signatures</u>	36

Table of Contents**PART I****Item 1. UNAUDITED FINANCIAL STATEMENTS
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****ASSETS****(In thousands)**

	Post-Merger September 30, 2008 (Unaudited)	Pre-Merger December 31, 2007 (Audited)
Current Assets		
Cash and cash equivalents	\$ 82,129	\$ 134,897
Accounts receivable, less allowance of \$33,210 at September 30, 2008 and \$29,741 at December 31, 2007	881,121	927,694
Due from Clear Channel Communications	378,604	265,448
Prepaid expenses	87,929	85,519
Other current assets	164,575	193,549
Total Current Assets	1,594,358	1,607,107
Property, Plant and Equipment		
Land, buildings and improvements	172,253	368,321
Structures	2,319,904	3,901,940
Furniture and other equipment	58,887	258,536
Construction in progress	82,384	74,553
	2,633,428	4,603,350
Less accumulated depreciation	46,610	2,359,242
	2,586,818	2,244,108
Intangible Assets		
Definite-lived intangibles, net	830,509	254,487
Indefinite-lived intangibles permits	3,194,400	251,095
Goodwill	3,409,492	1,162,589
Other Assets		
Notes receivable	3,170	3,426
Investments in, and advances to, nonconsolidated affiliates	50,624	108,007
Deferred tax asset		186,167
Other assets	125,818	118,618
Other investments	63,660	
Total Assets	\$ 11,858,849	\$ 5,935,604

See Notes to Consolidated Financial Statements

Table of Contents**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****LIABILITIES AND SHAREHOLDERS EQUITY**

(In thousands)

	Post-Merger September 30, 2008 (Unaudited)	Pre-Merger December 31, 2007 (Audited)
Current Liabilities		
Accounts payable	\$ 92,024	\$ 138,290
Accrued expenses	483,885	536,022
Accrued interest	321	1,074
Accrued income taxes	2,252	33,154
Deferred income	148,969	121,558
Current portion of long-term debt	72,939	87,099
Deferred tax liabilities		4,095
Total Current Liabilities	800,390	921,292
Long-term debt	2,772	94,922
Debt with Clear Channel Communications	2,500,000	2,500,000
Other long-term liabilities	209,866	220,796
Deferred tax liability	1,536,568	
Minority interest	217,601	215,864
Commitments and contingent liabilities (Note 4)		
Shareholders Equity		
Class A common stock	407	405
Class B common stock	3,150	3,150
Additional paid-in capital	6,708,889	1,304,359
Retained earnings	10,814	427,391
Accumulated other comprehensive income (loss)	(131,608)	247,478
Cost of shares held in treasury		(53)
Total Shareholders Equity	6,591,652	1,982,730
Total Liabilities and Shareholders Equity	\$ 11,858,849	\$ 5,935,604

See Notes to Consolidated Financial Statements

Table of Contents**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except per share data)**

	Post-Merger	Pre-Merger	
	Period from	Period from	Nine Months
	July 31 through	January 1 through	Ended
	September 30,	July 30,	September 30,
	2008	2008	2007
Revenue	\$ 541,699	\$ 1,962,063	\$ 2,345,110
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	304,763	1,119,432	1,257,820
Selling, general and administrative expenses (excludes depreciation and amortization)	93,175	344,846	393,318
Depreciation and amortization	81,015	247,637	293,616
Corporate expenses (excludes depreciation and amortization)	11,231	39,364	44,936
Gain on disposition of assets net	1,528	10,978	8,710
Operating income	53,043	221,762	364,130
Interest expense on debt with Clear Channel Communications	29,440	87,464	116,467
Interest expense	966	3,913	5,900
Interest income on Due from Clear Channel Communications	766	2,590	2,181
Equity in earnings (loss) of nonconsolidated affiliates	(947)	70,842	2,109
Other income (expense) net	(977)	13,365	3,811
Income before income taxes and minority interest	21,479	217,182	249,864
Income tax benefit (expense):			
Current	(5,032)	(30,171)	(82,609)
Deferred	(82)	(21,405)	(16,378)
Income tax benefit (expense)	(5,114)	(51,576)	(98,987)
Minority interest income (expense), net of tax	(5,551)	1,948	(11,480)
Net income (loss)	10,814	167,554	139,397
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(110,923)	70,584	96,472
Foreign currency reclassification adjustment for sale of foreign subsidiary		2,588	
Unrealized loss on marketable securities	(20,685)	(27,496)	
Comprehensive income (loss)	\$ (120,794)	\$ 213,230	\$ 235,869
Net income per common share:			
Basic	\$.03	\$.47	\$.39
Weighted average common shares outstanding Basic	355,294	355,178	354,797
Diluted	\$.03	\$.47	\$.39
Weighted average common shares outstanding Diluted	355,655	355,741	355,754

See Notes to Consolidated Financial Statements

Table of Contents**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except per share data)**

	Post-Merger Period from	Pre-Merger	
	July 31 through September 30, 2008	Period from July 1 through July 30, 2008	Three Months Ended September 30, 2007
Revenue	\$ 541,699	\$ 271,676	\$ 817,541
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	304,763	158,354	434,472
Selling, general and administrative expenses (excludes depreciation and amortization)	93,175	49,202	131,228
Depreciation and amortization	81,015	37,783	99,793
Corporate expenses (excludes depreciation and amortization)	11,231	5,311	16,322
Gain on disposition of assets net	1,528	2,506	414
Operating income	53,043	23,532	136,140
Interest expense on debt with Clear Channel Communications	29,440	14,508	39,274
Interest expense	966	504	2,093
Interest income on Due from Clear Channel Communications	766	430	1,189
Equity in earnings (loss) of nonconsolidated affiliates	(947)	(8,867)	(836)
Other income (expense) net	(977)	3,067	2,815
Income before income taxes and minority interest	21,479	3,150	97,941
Income tax benefit (expense):			
Current	(5,032)	(4,808)	(31,663)
Deferred	(82)	1,119	(5,784)
Income tax benefit (expense)	(5,114)	(3,689)	(37,447)
Minority interest income (expense), net of tax	(5,551)	(1,160)	(5,778)
Net income (loss)	10,814	(1,699)	54,716
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(110,923)	(9,592)	52,345
Unrealized loss on marketable securities	(20,685)	(2,404)	
Comprehensive income (loss)	\$ (120,794)	\$	