

Edgar Filing: ENTRAVISION COMMUNICATIONS CORP - Form 10-Q

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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 5, 2018, there were 64,576,497 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- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

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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 November 30, 2017, or (the “2017 Credit Agreement”), which governs our current credit facility, or (the “2017 Credit Facility”), the terms of which restrict certain aspects of the operation of our business;
- our continued compliance with all of our obligations under the 2017 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 of changing preferences, if any, among Hispanic audiences in the United States (“U.S.”) for Spanish-language programming, especially among younger age groups;
- 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. (“Univision”);
- the extent to which we continue to generate revenue under retransmission consent agreements;
- subject to restrictions contained in the 2017 Credit Agreement, the overall success of our acquisition and disposition strategy and the integration of any acquired assets with our existing operations;
- our ability to implement effective internal controls to address a material weakness discussed in this report;
- industry-wide market factors and regulatory and other developments affecting our operations;
- the ability to manage our growth effectively, including having adequate personnel and other resources for both operational and administrative functions;
- economic uncertainty;
- the impact of any potential future impairment of our assets;
- risks related to changes in accounting interpretations;
- the impact of provisions of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”), including, among other things, our ability to fully account for all effects of the 2017 Tax Act, reasonably estimate the income tax effect of the 2017 Tax Act on our financial statements and utilize provisional amounts during an interim period that in no circumstances will extend beyond one year after the enactment date of the 2017 Tax Act;
-

consequences of, and uncertainties regarding, foreign currency exchange including fluctuations thereto from time to time;

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- legal, political and other risks associated with our operations located outside the United States;
- the effect of changes in broadcast transmission standards by the Advanced Television Systems Committee's 3.0 standard ("ATSC 3.0") that may impact our ability to monetize our spectrum assets; and
- the uncertainty and impact, including additional and/or changing costs, of mandates and other obligations that may be imposed upon us as a result of federal healthcare laws, including the Affordable Care Act, the rules and regulations promulgated thereunder, any executive action with respect thereto, and any changes with respect to any of the foregoing in Congress.

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 30 of our Annual Report on Form 10-K for the year ended December 31, 2017.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 101,789	39,560
Marketable securities	132,410	-
Restricted cash	769	222,294
Trade receivables, (including related parties of \$4,253 and \$4,653) net of allowance for doubtful accounts of \$3,131 and \$2,566	78,092	84,348
Assets held for sale	1,179	-
Prepaid expenses and other current assets (including related parties of \$274 and \$274)	13,217	6,260
Total current assets	327,456	352,462
Property and equipment, net of accumulated depreciation of \$185,229 and \$179,869	63,204	60,337
Intangible assets subject to amortization, net of accumulated amortization of \$92,194 and \$87,632 (including related parties of \$8,633 and \$9,555)	24,196	26,758
Intangible assets not subject to amortization	254,506	251,163
Goodwill	74,149	70,557
Other assets	5,087	4,690
Total assets	\$ 748,598	\$ 765,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 3,000	\$ 3,000
Accounts payable and accrued expenses (including related parties of \$2,392 and \$2,548)	52,795	57,563
Deferred revenue	4,351	1,959
Total current liabilities	60,146	62,522
Long-term debt, less current maturities, net of unamortized debt issuance costs of \$3,386 and \$3,761	290,614	292,489
Other long-term liabilities	19,237	21,447
Deferred income taxes	43,172	40,639
Total liabilities	413,169	417,097
Commitments and contingencies (note 5)		

Stockholders' equity

Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2018 64,576,497; 2017 66,069,325	6	7
Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2018 and 2017 14,927,613	2	2
Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2018 and 2017 9,352,729	1	1
Additional paid-in capital	871,321	888,650
Accumulated deficit	(534,482)	(539,730)
Accumulated other comprehensive income (loss)	(1,419)	(60)
Total stockholders' equity	335,429	348,870
Total liabilities and stockholders' equity	\$748,598	\$765,967

See Notes to Consolidated Financial Statements

ENTRA VISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2018	2017	2018	2017
Net revenue:				
Revenue from advertising and retransmission consent	\$73,397	\$70,612	\$213,933	\$198,631
Revenue from spectrum usage rights	1,178	263,943	1,809	263,943
Total net revenue	\$74,575	\$334,555	\$215,742	\$462,574
Expenses:				
Cost of revenue - television (spectrum usage rights)	-	12,131	-	12,131
Cost of revenue - digital	13,240	9,910	35,249	20,424
Direct operating expenses (including related parties of \$2,175, \$2,404, \$6,431 and \$7,116) (including non-cash stock-based compensation of \$156, \$276, \$448 and \$806)	31,694	30,231	93,844	87,238
Selling, general and administrative expenses	12,398	12,813	38,365	36,043
Corporate expenses (including non-cash stock-based compensation of \$1,130, \$813, \$3,263 and \$2,343)	6,913	8,209	19,154	19,695
Depreciation and amortization (includes direct operating of \$2,504, \$2,221, \$7,606 and \$6,825; selling, general and administrative of \$1,434, \$1,798, \$4,048 and \$4,663; and corporate of \$156, \$318, \$398 and \$972) (including related parties of \$308, \$580, \$922 and \$1,741)	4,094	4,337	12,052	12,460
Change in fair value of contingent consideration	(114)	-	1,073	-
Foreign currency (gain) loss	335	(58)	531	293
	68,560	77,573	200,268	188,284
Operating income (loss)	6,015	256,982	15,474	274,290
Interest expense	(3,995)	(3,756)	(11,394)	(11,084)
Interest income	933	256	2,885	475
Dividend income	457	-	1,002	-
Other income (loss)	327	-	622	-
Income (loss) before income taxes	3,737	253,482	8,589	263,681
Income tax benefit (expense)	(1,443)	(96,167)	(3,164)	(100,185)
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	2,294	157,315	5,425	163,496
Equity in net income (loss) of nonconsolidated affiliate, net of tax	(79)	(107)	(177)	(175)
Net income (loss)	\$2,215	\$157,208	\$5,248	\$163,321
Basic and diluted earnings per share:				
Net income per share, basic	\$0.02	\$1.74	\$0.06	\$1.81
Net income per share, diluted	\$0.02	\$1.71	\$0.06	\$1.78

Cash dividends declared per common share	\$0.05	\$0.05	\$0.15	\$0.11
Weighted average common shares outstanding, basic	88,852,342	90,517,492	89,371,750	90,370,679
Weighted average common shares outstanding, diluted	90,122,425	92,161,108	90,574,663	91,985,946

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$2,215	\$157,208	\$5,248	\$163,321
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation	40	4	(220)	65
Change in fair value of available for sale securities	103	-	(1,139)	-
Change in fair value of interest rate swap agreements	-	451	-	1,287
Total other comprehensive income (loss)	143	455	(1,359)	1,352
Comprehensive income (loss)	\$2,358	\$157,663	\$3,889	\$164,673

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine-Month Period Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$5,248	\$163,321
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	12,052	12,460
Cost of revenue - television (spectrum usage rights)	-	12,131
Deferred income taxes	1,942	