

SINCLAIR BROADCAST GROUP INC

Form 10-Q

May 10, 2017

Table of Contents

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, 2017

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: 000-26076

SINCLAIR BROADCAST GROUP, INC.
(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
Incorporation or organization) 52-1494660
(I.R.S. Employer Identification No.)

10706 Beaver Dam Road
Hunt Valley, Maryland 21030
(Address of principal executive office, zip code)

(410) 568-1500
(Registrant's telephone number, including area code)

None
(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 file).

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 definitions of "large accelerated filer", "accelerated filer" and "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
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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 the number of share outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Title of each class	Number of shares outstanding as of May 4, 2017
Class A Common Stock	76,973,826
Class B Common Stock	25,670,684

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2017

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	<u>3</u>
<u>CONSOLIDATED BALANCE SHEETS</u>	<u>4</u>
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	<u>5</u>
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>6</u>
<u>CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)</u>	<u>7</u>
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>9</u>
<u>NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>10</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>31</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>42</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>42</u>
<u>PART II. OTHER INFORMATION</u>	<u>43</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>43</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>43</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>43</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>43</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>43</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>43</u>
<u>ITEM 6. EXHIBITS</u>	<u>44</u>
<u>SIGNATURE</u>	<u>45</u>
<u>EXHIBIT INDEX</u>	<u>46</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

3

Table of ContentsSINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data) (Unaudited)

	As of March 31, 2017	As of December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$815,700	\$ 259,984
Restricted Cash	3,200	200
Accounts receivable, net of allowance for doubtful accounts of \$2,434 and \$2,124, respectively	510,079	513,954
Current portion of program contract costs	55,148	83,601
Income taxes receivable	5,500	5,500
Prepaid expenses and other current assets	41,049	36,067
Deferred barter costs	10,134	5,782
Total current assets	1,440,810	905,088
PROGRAM CONTRACT COSTS, less current portion	7,152	8,919
PROPERTY AND EQUIPMENT, net	712,467	717,576
RESTRICTED CASH	1,494	—
GOODWILL	1,998,135	1,990,746
INDEFINITE-LIVED INTANGIBLE ASSETS	157,106	156,306
DEFINITE-LIVED INTANGIBLE ASSETS, net	1,757,280	1,944,403
NOTES RECEIVABLE FROM AFFILIATES	19,500	19,500
OTHER ASSETS	223,379	220,630
Total assets (a)	\$6,317,323	\$ 5,963,168
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$245,987	\$ 322,505
Income taxes payable	56,004	23,491
Current portion of notes payable, capital leases and commercial bank financing	64,595	171,131
Current portion of notes and capital leases payable to affiliates	2,477	3,604
Current portion of program contracts payable	87,462	109,702
Deferred barter revenues	10,943	6,040
Total current liabilities	467,468	636,473
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	4,002,553	4,014,932
Notes payable and capital leases to affiliates, less current portion	14,405	14,181
Program contracts payable, less current portion	48,278	53,836
Deferred tax liabilities	605,167	609,317
Other long-term liabilities	82,553	76,493
Total liabilities (a)	5,220,424	5,405,232
COMMITMENTS AND CONTINGENCIES (See Note 4)		
EQUITY:		
SINCLAIR BROADCAST GROUP SHAREHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par value, 500,000,000 shares authorized, 76,934,469 and 64,558,207 shares issued and outstanding, respectively	769	646
Class B Common Stock, \$.01 par value, 140,000,000 shares authorized, 25,670,684 and 25,670,684 shares issued and outstanding, respectively, convertible into Class A Common	257	257

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Stock		
Additional paid-in capital	1,343,793	843,691
Accumulated deficit	(214,859)	(255,804)
Accumulated other comprehensive loss	(807)	(807)
Total Sinclair Broadcast Group shareholders' equity	1,129,153	587,983
Noncontrolling interests	(32,254)	(30,047)
Total equity	1,096,899	557,936
Total liabilities and equity	\$6,317,323	\$ 5,963,168

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

Our consolidated total assets as of March 31, 2017 and December 31, 2016 include total assets of variable interest entities (VIEs) of \$130.7 million and \$142.3 million, respectively, which can only be used to settle the obligations (a) of the VIEs. Our consolidated total liabilities as of March 31, 2017 and December 31, 2016 include total liabilities of the VIEs of \$34.1 million and \$40.9 million, respectively, for which the creditors of the VIEs have no recourse to us. See Note 1. Nature of Operations and Summary of Significant Accounting Policies.

Table of Contents

SINCLAIR BROADCAST GROUP, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data) (Unaudited)

	Three Months Ended March 31,	
	2017	2016
REVENUES:		
Media revenues	\$602,486	\$531,323
Revenues realized from station barter arrangements	27,570	26,510
Other non-media revenues	19,879	21,056
Total revenues	649,935	578,889
OPERATING EXPENSES:		
Media production expenses	258,155	