

CITADEL BROADCASTING CORP

Form 10-Q

August 15, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2011

OR

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

Commission file number: 001-31740

CITADEL BROADCASTING CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

51-0405729
(I.R.S. Employer
Identification No.)

Cheyenne Corporate Center, Suite 220

7690 West Cheyenne Avenue

Las Vegas, Nevada 89129

(Address of principal executive offices and zip code)

(702) 804-5200

(Registrant's telephone number, including area code)

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, a non-accelerated filer or a smaller reporting company. (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 (Do not check if a smaller reporting company)

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 by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 1, 2011, there were 4,406,008 shares of class A common stock, par value \$0.001 per share, and 19,059,409 shares of class B common stock, par value \$0.001 per share, outstanding.

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Citadel Broadcasting Corporation

Form 10-Q

June 30, 2011

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters in this report, including, without limitation, certain matters discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Quantitative and Qualitative Disclosures about Market Risk, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are typically identified by the words believes, expects, anticipates, continues, intends, likely, may, potential, should, will, and similar expressions, whether in the negative or the affirmative. These statements include statements regarding the intent, belief or current expectations of Citadel Broadcasting Corporation and its subsidiaries (collectively, the Company), its directors or its officers with respect to, among other things, future events, including the Cumulus Merger (as defined at Part I, Item 1. Financial Statements (unaudited), Note 1) and the transactions contemplated by the merger agreement, and financial trends affecting the Company.

All statements other than the statements of historical fact are forward-looking statements for the purposes of federal and state securities laws and may be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect the Company's current views with respect to current events and financial performance as of the date they were made. Such forward-looking statements are and will be, as the case may be, subject to change and subject to many risks, uncertainties and factors relating to the Company's operations and business environment, which may cause the actual results of the Company to be materially different from any future results, expressed or implied, by such forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following:

the impact of decreased spending by advertisers and changes in the economy;

our ability to maintain contracts and leases that are critical to our operations;

our ability to execute our business plans and strategy;

our ability to attract, motivate and/or retain key executives and employees;

general economic or business conditions affecting the radio broadcasting industry being less favorable than expected, including the impact of decreased spending by advertisers;

increased competition in the radio broadcasting industry;

our ability to renew our licenses with the Federal Communications Commission (FCC) and comply with FCC regulations and policies;

the impact of current or pending legislation and regulation, antitrust considerations, and pending or future litigation or claims;

the outcome of any legal proceedings that have been or may be instituted against us relating to the merger agreement;

the possibility that the Cumulus Merger or the related financing is not consummated;

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the failure to realize the expected benefits of the Cumulus Merger;

general economic and business conditions that may affect the companies before or following the Cumulus merger;

the impact of the Chapter 11 Proceedings, and any claims not discharged in the Chapter 11 Proceedings, on our future operations;

the financial performance of the Company through the date of the completion of the Cumulus Merger;

the inability to satisfy any of the closing conditions set forth in the merger agreement, including the possibility that Cumulus and/or the Company may be unable to obtain stockholder or regulatory approvals required for the Cumulus Merger, or that any regulatory approval is conditioned on factors that could materially adversely affect the expected benefits to be derived from the Cumulus Merger;

the occurrence of an event, change or other circumstance that could give rise to termination of the merger agreement, including a termination under circumstances that could require payment of a termination fee;

the amount of the actual costs, fees, expenses and charges related to the Cumulus Merger and the final terms of the financings that will be obtained for the Cumulus Merger;

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the possibility that the Cumulus Merger may involve unexpected costs;

diversion of the attention of management of the Company from its ongoing business concerns;

the effect of the announcement of the Cumulus Merger on customer relationships, operating results and the business of the Company generally;

any significant delay in the expected completion of the Cumulus Merger;

the possibility that problems may arise in successfully integrating the businesses of Cumulus and the Company;

the possibility that the combined company may be unable to achieve cost-cutting synergies or achieve them within the expected time period;

the possibility that the combined company may be unable to achieve certain expected revenue results, including as a result of unexpected factors or events;

the possibility that the business of the Company may suffer as a result of uncertainty surrounding the Cumulus Merger;

changes in the financial markets;

fluctuations in interest rates;

changes in market conditions that could impair our goodwill or intangible assets;

changes in governmental regulations;

changes in policies or actions or in regulatory bodies;

changes in uncertain tax positions and tax rates;

changes in capital expenditure requirements;

other risks and uncertainties; and

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those matters described in Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and Part I, Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report on Form 10-Q. All forward-looking statements in this report are qualified by these cautionary statements and speak only as of the date on which they were made. In addition, factors that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The Company undertakes no obligation to publicly update or revise these forward-looking statements because of new information, future events or otherwise, except as may be required by law.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (unaudited)
CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Balance Sheets****(in thousands, except warrants, share and per share amounts)****(unaudited)**

	June 30, 2011	Successor December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 104,803	\$ 111,624
Accounts receivable, net	142,401	138,751
Prepaid expenses and other current assets (including deferred income tax assets of \$12,049 and \$23,023 as of June 30, 2011 and December 31, 2010, respectively)	31,937	37,418
Total current assets	279,141	287,793
Long-term assets		
Property and equipment, net	196,008	200,121
FCC licenses	887,975	893,610
Goodwill	763,849	763,849
Customer and affiliate relationships, net	162,085	195,080
Other assets, net	63,296	67,661
Total assets	\$ 2,352,354	\$ 2,408,114
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities	\$ 49,850	\$ 56,661
Senior debt, current		3,500
Total current liabilities	49,850	60,161
Long-term liabilities		
Senior debt, less current portion	296,500	346,500
Senior notes	400,000	400,000
Other long-term liabilities, less current portion	54,068	58,342
Deferred income tax liabilities	255,756	268,454
Total liabilities	1,056,174	1,133,457
Commitments and contingencies		
Stockholders equity		
Preferred stock, \$.001 par value authorized, 50,000,000 shares at June 30, 2011 and December 31, 2010; no shares issued or outstanding at June 30, 2011 and December 31, 2010		
Class A common stock, \$.001 par value authorized, 100,000,000 shares as of June 30, 2011 and December 31, 2010; issued, 4,592,506 and 4,539,601 as of June 30, 2011 and December 31, 2010, respectively; outstanding, 4,394,758 and 4,539,601 shares as of June 30, 2011 and December 31, 2010, respectively	5	5

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Class B common stock, \$.001 par value authorized, 100,000,000 shares as of June 30, 2011 and December 31, 2010; issued and outstanding, 19,059,409 and 18,131,638 shares as of June 30, 2011 and December 31, 2010, respectively	19	18
Treasury stock, at cost, 197,748 shares at June 30, 2011	(6,575)	
Equity held in reserve	7,887	13,182
Additional paid-in capital (including 22,933,523 and 23,682,484 special warrants as of June 30, 2011 and December 31, 2010, respectively)	1,294,526	1,263,235
Retained earnings (accumulated deficit)	318	(1,783)
Total stockholders equity	1,296,180	1,274,657
Total liabilities and stockholders equity	\$ 2,352,354	\$ 2,408,114

See accompanying notes to consolidated condensed financial statements.

Table of Contents**CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Statements of Operations**

(in thousands, except per share amounts)

(unaudited)

	Successor Three Months Ended June 30, 2011	Period from June 1, 2010 through June 30, 2010	Predecessor Period from April 1, 2010 through May 31, 2010
Net revenue	\$ 184,996	\$ 64,027	\$ 130,396
Operating expenses:			
Cost of revenue, exclusive of depreciation and amortization shown separately below, and including non-cash compensation expense and related taxes of \$748, \$0 and \$330, respectively	69,006	22,631	47,124
Selling, general and administrative, including non-cash compensation expense and related taxes of \$2,553, \$0 and \$664, respectively	49,312	15,915	31,952
Corporate general and administrative, including non-cash compensation expense and related taxes of \$9,161, \$106 and \$242, respectively	13,366	1,792	3,769
Local marketing agreement fees	109	100	186
Depreciation and amortization	23,074	8,592	4,510
Other, net	1,794	1,013	856
Operating expenses	156,661	50,043	88,397
Operating income	28,335	13,984	41,999
Reorganization items, net			(1,027,557)
Interest expense, net	12,085	6,314	7,251
Write-off of deferred financing costs	1,048		
Income before income taxes	15,202	7,670	1,062,305
Income tax expense	6,463	4,540	4,078
Net income	\$ 8,739	\$ 3,130	\$ 1,058,227
Net income per share - basic	\$ 0.19	\$ 0.07	\$ 3.98
Net income per share - diluted	\$ 0.19	\$ 0.07	\$ 3.95

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Weighted average common shares outstanding - basic	46,775	45,625	265,977
Weighted average common shares outstanding - diluted	46,775	45,625	267,897

See accompanying notes to consolidated condensed financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Operations (Continued)

(in thousands, except per share amounts)

(unaudited)

	Successor	Predecessor
	Six Months	Period from
	Ended	June 1, 2010
	June 30, 2011	through
		January 1, 2010
		through
		May 31, 2010
Net revenue	\$ 345,018	\$ 64,027
		\$ 295,424