

Global Eagle Entertainment Inc.
Form 10-Q
August 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2015

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 001-35176
GLOBAL EAGLE ENTERTAINMENT INC.
(Exact name of registrant as specified in its charter)

Delaware 27-4757800
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

4553 Glencoe Avenue 90292
Los Angeles, California (Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 437-6000

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 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 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 as of August 6, 2015)
COMMON STOCK, \$0.0001 PAR VALUE 77,150,607 SHARES*

* Excludes 3,053,634 shares held by Global Entertainment AG, a wholly owned subsidiary of the registrant.

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PART I — FINANCIAL INFORMATION

GLOBAL EAGLE ENTERTAINMENT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

| | June 30, 2015 (Unaudited) | December 31, 2014 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$282,452 | \$197,648 |
| Accounts receivable, net | 87,878 | 85,517 |
| Content library, current | 8,793 | 9,570 |
| Inventories | 17,546 | 13,626 |
| Prepaid and other current assets | 19,856 | 23,549 |
| TOTAL CURRENT ASSETS: | 416,525 | 329,910 |
| Property, plant & equipment, net | 25,668 | 23,651 |
| Goodwill | 52,861 | 53,014 |
| Intangible assets | 100,527 | 112,904 |
| Other non-current assets | 15,171 | 14,116 |
| TOTAL ASSETS | \$610,752 | \$533,595 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$99,477 | \$99,328 |
| Deferred revenue | 13,146 | 13,401 |
| Warrant liabilities | 36,871 | 52,671 |
| Notes payable | 753 | 752 |
| Deferred tax liabilities | 368 | 80 |
| Other current liabilities | 11,263 | 8,080 |
| TOTAL CURRENT LIABILITIES: | 161,878 | 174,312 |
| Deferred tax liabilities, non-current | 11,254 | 23,330 |
| Deferred revenue, non-current | 6,741 | 6,748 |
| Notes payable, non-current | 71,619 | 2,263 |
| Other non-current liabilities | 14,864 | 14,313 |
| TOTAL LIABILITIES | 266,356 | 220,966 |

COMMITMENTS AND CONTINGENCIES

EQUITY:

| | | |
|---|---------|-----------|
| Preferred stock, \$0.0001 par value; 1,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | — | — |
| Common stock, \$0.0001 par value; 375,000,000 shares authorized, 80,182,454 and 79,626,261 shares issued, 77,128,820 and 76,572,627 shares outstanding at June 30, 2015 and December 31, 2014, respectively | 8 | 8 |
| Non-voting common stock, \$0.0001 par value; 25,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | — | — |
| Treasury stock, 3,053,634 shares at June 30, 2015 and December 31, 2014 | (30,659 |) (30,659 |
| Additional paid-in capital | 667,523 | 645,110 |
| Subscriptions receivable | (516 |) (503 |

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| | | | |
|---|-----------|------------|---|
| Accumulated deficit | (291,775 |) (301,331 |) |
| Accumulated other comprehensive (loss) income | (185 |) 4 | |
| TOTAL GLOBAL EAGLE ENTERTAINMENT INC. EQUITY | 344,396 | 312,629 | |
| TOTAL LIABILITIES AND EQUITY | \$610,752 | \$533,595 | |

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

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GLOBAL EAGLE ENTERTAINMENT INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 (In thousands, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|------------|
| | June 30, | | June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | \$102,376 | \$98,145 | \$202,681 | \$184,113 |
| Operating expenses: | | | | |
| Cost of sales | 66,083 | 74,608 | 135,509 | 139,724 |
| Sales and marketing expenses | 4,964 | 3,322 | 8,239 | 6,161 |
| Product development | 6,451 | 4,465 | 13,681 | 8,387 |
| General and administrative | 18,326 | 17,143 | 36,445 | 34,209 |
| Amortization of intangible assets | 6,005 | 6,146 | 11,988 | 12,564 |
| Restructuring charges | — | — | 302 | — |
| Total operating expenses | 101,829 | 105,684 | 206,164 | 201,045 |
| Income (loss) from operations | 547 | (7,539) | (3,483) | (16,932) |
| Other income (expense): | | | | |
| Interest (expense) income, net | (583) | 42 | (828) | (119) |
| Change in fair value of derivatives | 14,789 | 21,326 | 15,743 | 5,808 |
| Other expense, net | (443) | (990) | (1,239) | (812) |
| Income (loss) before income taxes | 14,310 | 12,839 | 10,193 | (12,055) |
| Income tax expense | 1,323 | 843 | 637 | 2,098 |
| Net income (loss) | 12,987 | 11,996 | 9,556 | (14,153) |
| Net income attributable to non-controlling interests | — | — | — | 194 |
| Net income (loss) attributable to Global Eagle Entertainment Inc. common stockholders | \$12,987 | \$11,996 | \$9,556 | \$(14,347) |
| Net income (loss) per common share – basic | \$0.17 | \$0.17 | \$0.12 | \$(0.20) |
| Net loss per common share – diluted | \$(0.02) | \$(0.13) | \$(0.08) | \$(0.27) |
| Weighted average common shares – basic | 77,111 | 71,988 | 76,993 | 71,983 |
| Weighted average common shares – diluted | 78,518 | 72,468 | 78,623 | 74,925 |

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

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GLOBAL EAGLE ENTERTAINMENT INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
 (In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | | |
|---|--------------------------------|----------|------------------------------|------------|---|
| | 2015 | 2014 | 2015 | 2014 | |
| Net income (loss) | \$12,987 | \$11,996 | \$9,556 | \$(14,153) |) |
| Other comprehensive income (loss): | | | | | |
| Unrealized foreign currency translation gains (losses) | 39 | (95) | (189) | (95) |) |
| Unrealized gain on available for sale securities | | | | | |
| Unrealized gain on available for sale securities | — | 21 | — | 112 | |
| Less: reclassification adjustments for recognized gains included in net income | — | (112) | — | (112) |) |
| Unrealized gain on available for sale securities, net | — | (91) | — | — | |
| Other comprehensive income (loss) | 39 | (186) | (189) | (95) |) |
| Comprehensive income (loss) | 13,026 | 11,810 | 9,367 | (14,248) |) |
| Comprehensive income attributable to non-controlling interests | — | — | — | 194 | |
| Comprehensive income (loss) attributable to Global Eagle Entertainment Inc. common stockholders | \$13,026 | \$11,810 | \$9,367 | \$(14,442) |) |

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

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GLOBAL EAGLE ENTERTAINMENT INC.
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
 (In thousands)

| | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Subscription Receivable | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--|--------------|--------|----------------|------------|----------------------------------|----------------------------|------------------------|---|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance at December 31, 2014 | 79,626 | \$8 | (3,054) | \$(30,659) | \$645,110 | \$ (503) | \$ (301,331) | \$ 4 | \$ 312,629 |
| Exercise of stock options and warrants | 557 | — | — | — | 5,562 | — | — | — | 5,562 |
| Equity component of convertible senior notes | — | — | — | — | 12,674 | — | — | — | 12,674 |
| Stock-based compensation | — | — | — | — | 4,102 | — | — | — | 4,102 |