

ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 08, 2007
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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 JUNE 30, 2007

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 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2425 Olympic Boulevard, Suite 6000 West

Santa Monica, California 90404

(Address of principal executive offices) (Zip Code)

(310) 447-3870

95-4783236
(I.R.S. Employer
Identification No.)

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(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 August 3, 2007, there were 63,234,038 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 24,087,433 shares, \$0.0001 par value per share, of the registrant's Class B common stock outstanding and 17,152,729 shares, \$0.0001 par value per share, of the registrant's Class U common stock outstanding.

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ENTRAVISION COMMUNICATIONS CORPORATION
FORM 10-Q FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2007

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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. 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 or 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 history of operating losses, our substantial indebtedness or our ability to raise capital;

provisions of the agreements governing our debt instruments that may restrict the operation of our business;

cancellations or reductions of advertising, whether due to a general economic downturn or otherwise;

our relationship with Univision Communications Inc.;

the overall success of our acquisition strategy, which includes developing media clusters in key U.S. Hispanic markets, and the integration of any acquired assets with our existing business;

the impact of rigorous competition in Spanish-language media and in the advertising industry generally; and

industry-wide market factors and regulatory and other developments affecting our operations.

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 27 of our Annual Report on Form 10-K for the year ended December 31, 2006.

Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 133,896	\$ 118,525
Trade receivables (including related parties of \$0 and \$4), net of allowance for doubtful accounts of \$5,421 and \$4,848	66,802	61,036
Deferred income taxes	6,735	6,735
Prepaid expenses and other current assets (including related parties of \$274 and \$274)	9,470	6,909
Total current assets	216,903	193,205
Property and equipment, net	140,806	145,975
Intangible assets subject to amortization, net (included related parties of \$33,641 and \$34,802)	81,041	90,172
Intangible assets not subject to amortization	748,677	746,048
Goodwill	229,210	229,210
Other assets	21,123	14,054
Total assets	\$ 1,437,760	\$ 1,418,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt (including related parties of \$1,000 and \$1,000)	\$ 6,094	\$ 3,697
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of \$3,960 and \$3,690)	35,410	33,770
Total current liabilities	41,622	37,585
Long-term debt, less current maturities (including related parties of \$3,000 and \$4,000)	490,530	494,073
Other long-term liabilities	11,290	4,522
Deferred income taxes	132,531	130,765
Total liabilities	675,973	666,945
Commitments and contingencies (note 4)		
Stockholders' equity		
Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2007 62,792,038; 2006 60,292,948	8	7
Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2007 24,437,433; 2006 26,548,033	3	3
Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2007 and 2006 17,152,729	2	2

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Additional paid-in capital	1,047,454	1,042,698
Accumulated deficit	(285,680)	(290,991)
	761,787	751,719
Treasury stock, Class A common stock, \$0.0001 par value, 2007 1,543,865; 2006 1,180,887 shares		
Total stockholders' equity	761,787	751,719
Total liabilities and stockholders' equity	\$ 1,437,760	\$ 1,418,664

See Notes to Consolidated Financial Statements

Table of Contents**ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(In thousands, except share and per share data)

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2007	2006	2007	2006
Net revenue (including related parties of \$150, \$150, \$300 and \$300)	\$ 76,044	\$ 79,289	\$ 139,972	\$ 139,208
Expenses:				
Direct operating expenses (including related parties of \$3,202, \$3,584, \$5,929 and \$6,037) (including non-cash stock-based compensation of \$97, \$60, \$251 and \$119)	31,447	31,386	61,844	60,043
Selling, general and administrative expenses (including non-cash stock-based compensation of \$135, \$(116), \$400 and \$659)	13,379	12,663	25,744	25,501
Corporate expenses (including non-cash stock-based compensation of \$370, \$181, \$1,018 and \$856)	4,720	4,387	9,718	9,294
(Gain) loss on sale of assets		1,656		(17,652)
Depreciation and amortization (includes direct operating of \$10,171, \$9,943, \$20,408 and \$19,709; selling, general and administrative of \$1,012, \$1,050, \$2,070 and \$2,102; and corporate of \$215, \$200, \$429 and \$408) (including related parties of \$580, \$580, \$1,160 and \$1,160)	11,398	11,195	22,907	22,218
Impairment charge		189,661		189,661
	60,944	250,948	120,213	289,065
Operating income (loss)	15,100	(171,659)	19,759	(149,857)
Interest expense (including related parties of \$68, \$83, \$141 and \$170)	(1,807)	(4,344)	(12,917)	(6,837)
Interest income	1,302	93	2,566	757
Income (loss) before income taxes	14,595	(175,910)	9,408	(155,937)
Income tax (expense) benefit	(6,157)	7,832	(4,257)	171
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	8,438	(168,078)	5,151	(155,766)
Equity in net income (loss) of nonconsolidated affiliate (including non-cash stock-based compensation of \$1, \$(27), \$3 and \$89)	160	80	160	(113)
Net income (loss) applicable to common stockholders	\$ 8,598	\$ (167,998)	\$ 5,311	\$ (155,879)
Basic and diluted earnings per share:				
Net income (loss) per share applicable to common stockholders, basic and diluted	\$ 0.08	\$ (1.60)	\$ 0.05	\$ (1.45)
Weighted average common shares outstanding, basic	104,174,725	105,080,809	104,018,118	107,279,346

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Weighted average common shares outstanding, diluted	105,124,162	105,080,809	104,705,891	107,279,346
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See Notes to Consolidated Financial Statements

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(In thousands)

	Six-Month Period Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	\$ 5,311	\$ (155,879)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,907	22,218
Impairment charge		189,661
Deferred income taxes	3,073	(2,431)
Amortization of debt issue costs	202	200
Amortization of syndication contracts	415	56
Payments on syndication contracts	(478)	(50)
Equity in net (income) loss of nonconsolidated affiliate	(160)	113
Non-cash stock-based compensation	1,669	1,635
Gain on sale of media properties and other assets		(17,661)
Change in fair value of interest rate swap agreements	(2,796)	(8,960)
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
Increase in accounts receivable	(5,416)	(3,820)
Increase in prepaid expenses and other assets	(139)	(856)
Decrease in accounts payable, accrued expenses and other liabilities	(621)	(4,679)
Net cash provided by operating activities	23,967	19,547
Cash flows from investing activities:		
Proceeds from sale of property and equipment and intangibles	59	13
Purchases of property and equipment and intangibles	(10,624)	(12,811)
Deposits on acquisitions		(4,573)
Proceeds from collection of note receivable		1,288
Net cash used in investing activities	(10,565)	(16,083)
Cash flows from financing activities:		
Proceeds from issuance of common stock	5,477	2,821
Payments on long-term debt	(1,144)	(11,644)
Repurchase of Class U common stock		(51,100)
Proceeds from borrowings on long-term debt		11,000
Excess tax benefits from exercise of stock options	476	107
Repurchase of Class A common stock	(2,840)	
Net cash provided by (used in) financing activities	1,969	(48,816)
Net increase (decrease) in cash and cash equivalents	15,371	(45,352)
Cash and cash equivalents:		
Beginning	118,525	65,610
Ending	\$ 133,896	\$