

SBA COMMUNICATIONS CORP  
Form 10-Q  
November 04, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2010

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: 000-30110

**SBA COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

<b>Florida</b> (State or other jurisdiction of incorporation or organization)	<b>65-0716501</b> (I.R.S. Employer Identification No.)
<b>5900 Broken Sound Parkway NW</b> <b>Boca Raton, Florida</b> (Address of principal executive offices)	<b>33487</b> (Zip code)
<b>(561) 995-7670</b> (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.

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 114,964,560 shares of Class A common stock outstanding as of October 28, 2010.

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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except par values)

	September 30, 2010 (unaudited)	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 197,236	\$ 161,317
Restricted cash	30,118	30,285
Short-term investments	3,560	5,352
Accounts receivable, net of allowance of \$443 and \$350 at September 30, 2010 and December 31, 2009, respectively	19,007	19,644
Costs and estimated earnings in excess of billings on uncompleted contracts	15,231	10,392
Prepaid and other current assets	13,023	9,848
<b>Total current assets</b>	<b>278,175</b>	<b>236,838</b>
Property and equipment, net	1,498,165	1,496,938
Intangible assets, net	1,437,615	1,435,591
Deferred financing fees, net	47,231	37,902
Other assets	162,750	106,377
<b>Total assets</b>	<b>\$ 3,423,936</b>	<b>\$ 3,313,646</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 30,076	\$ 28,648
Accounts payable	15,170	9,219
Accrued expenses	24,366	28,110
Deferred revenue	57,373	54,013
Accrued interest	24,671	35,551
Other current liabilities	3,497	3,184
<b>Total current liabilities</b>	<b>155,153</b>	<b>158,725</b>
Long-term liabilities:		
Long-term debt	2,792,443	2,460,402
Other long-term liabilities	104,413	94,570
<b>Total long-term liabilities</b>	<b>2,896,856</b>	<b>2,554,972</b>

Commitments and contingencies

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Shareholders' equity:		
Preferred stock - par value \$.01, 30,000 shares authorized, none issued or outstanding		
Common stock - Class A, par value \$.01, 400,000 and 200,000 shares authorized, 114,926 and 117,082 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively		
	1,149	1,171
Additional paid-in capital	2,248,596	2,228,268
Accumulated deficit	(1,880,167)	(1,627,602)
Accumulated other comprehensive income (loss), net	1,735	(2,803)
SBA Communications Corporation shareholders' equity	371,313	599,034
Noncontrolling interests	614	915
Total shareholders' equity	371,927	599,949
Total liabilities and shareholders' equity	\$ 3,423,936	\$ 3,313,646

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited) (in thousands, except per share amounts)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>				
Site leasing	\$ 135,684	\$ 120,551	\$ 395,390	\$ 353,371
Site development	22,958	18,738	65,732	57,162
<b>Total revenues</b>	<b>158,642</b>	<b>139,289</b>	<b>461,122</b>	<b>410,533</b>
<b>Operating expenses:</b>				
Cost of revenues (exclusive of depreciation, accretion and amortization shown below):				
Cost of site leasing	30,326	28,645	89,513	83,727
Cost of site development	20,275	16,643	58,118	49,972
Selling, general and administrative	14,417	13,204	43,231	38,440
Acquisition related expenses	3,229	899	6,678	2,646
Depreciation, accretion and amortization	69,727	64,946	206,004	192,850
<b>Total operating expenses</b>	<b>137,974</b>	<b>124,337</b>	<b>403,544</b>	<b>367,635</b>
<b>Operating income</b>	<b>20,668</b>	<b>14,952</b>	<b>57,578</b>	<b>42,898</b>
<b>Other income (expense):</b>				
Interest income	112	334	369	917
Interest expense	(37,568)	(36,421)	(112,397)	(93,316)
Non-cash interest expense	(15,089)	(14,035)	(44,736)	(35,427)
Amortization of deferred financing fees	(2,186)	(2,603)	(6,892)	(7,991)
Loss from extinguishment of debt, net	(10)	(12,518)	(49,054)	(4,189)
Other income	217	120	102	89
<b>Total other expense</b>	<b>(54,524)</b>	<b>(65,123)</b>	<b>(212,608)</b>	<b>(139,917)</b>
<b>Loss before provision for income taxes</b>	<b>(33,856)</b>	<b>(50,171)</b>	<b>(155,030)</b>	<b>(97,019)</b>
<b>Provision for income taxes</b>	<b>(719)</b>	<b>(18)</b>	<b>(810)</b>	<b>(490)</b>
<b>Net loss</b>	<b>(34,575)</b>	<b>(50,189)</b>	<b>(155,840)</b>	<b>(97,509)</b>
<b>Net loss attributable to the noncontrolling interest</b>	<b>87</b>	<b>80</b>	<b>327</b>	<b>148</b>
<b>Net loss attributable to SBA Communications Corporation</b>	<b>\$ (34,488)</b>	<b>\$ (50,109)</b>	<b>\$ (155,513)</b>	<b>\$ (97,361)</b>
<b>Net loss per common share attributable to SBA Communications Corporation:</b>				
<b>Basic and diluted</b>	<b>\$ (0.30)</b>	<b>\$ (0.43)</b>	<b>\$ (1.34)</b>	<b>\$ (0.83)</b>

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Basic and diluted weighted average number of common shares	114,748	116,686	115,835	117,245
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The accompanying condensed notes are an integral part of these consolidated financial statements.



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**SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

(unaudited) (in thousands)

	Class A Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount					
BALANCE, December 31, 2009	117,082	\$ 1,171	\$ 2,228,268	\$ (1,627,602)	\$ (2,803)	\$ 915	\$ 599,949
Net loss				(155,513)		(327)	(155,840)
Amortization of deferred loss from settlement of derivative financial instruments					632		632
Write-off of deferred loss from derivative instruments related to repurchase of debt					3,645		3,645
Foreign currency translation adjustments					261	26	287
Non-cash compensation			7,849				7,849
Common stock issued in connection with stock purchase/option plans	740	7	12,479				12,486
Repurchase and retirement of common stock	(2,896)	(29)		(97,052)			(97,081)
BALANCE, September 30, 2010	114,926	\$ 1,149	\$ 2,248,596	\$ (1,880,167)	\$ 1,735	\$ 614	\$ 371,927

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(unaudited) (in thousands)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net loss	\$ (34,575)	\$ (50,189)	\$ (155,840)	\$ (97,509)
Other comprehensive loss associated with derivative instruments:				
Amortization of net deferred loss from settlement of derivative financial instruments		355	632	75
Write-off of net deferred (gain) loss from derivative instruments related to repurchase of debt		(3,343)	3,645	(3,513)
Foreign currency translation adjustments	473	1,156	287	1,210
Comprehensive loss	(34,102)	(52,021)	(151,276)	(99,737)
Comprehensive loss (gain) attributable to the noncontrolling interest	44	(31)	301	32
Comprehensive loss attributable to SBA Communications Corporation	\$ (34,058)	\$ (52,052)	\$ (150,975)	\$ (99,705)

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

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (155,840)	\$ (97,509)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, accretion and amortization	206,004	192,850
Deferred tax benefit	(328)	(100)
Non-cash interest expense	44,736	35,427
Non-cash compensation expense	7,805	5,873
Amortization of deferred financing fees	6,892	7,991
Provision for doubtful accounts	630	235
Loss from extinguishment of debt, net	49,054	4,189
Other non-cash items reflected in the Statements of Operations	(476)	(109)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	(4,327)	844
Prepaid and other assets	(11,555)	(10,121)
Accounts payable and accrued expenses	3,855	203
Accrued interest	(10,880)	20,850
Other liabilities	6,786	9,178
Net cash provided by operating activities	142,356	169,801
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions and related earn-outs	(171,415)	(54,619)
Capital expenditures	(47,968)	(34,106)
Purchase of investments	(35,926)	(6,164)
(Payment) proceeds of restricted cash relating to tower removal obligations	(667)	6,073
Proceeds from sales and maturities of investments	6,447	
Proceeds from disposition of fixed assets	38	518
Net cash used in investing activities	(249,491)	(88,298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of 2010 Tower Securities, net of fees paid	1,212,256	
Payments on extinguishment of CMBS Certificates	(979,368)	(523,015)
Repurchase and retirement of common stock	(97,081)	(50,000)
Proceeds from employee stock purchase/stock option plans	12,486	2,968
Payments of deferred financing fees	(5,098)	(371)
(Payment) release of restricted cash relating to CMBS Certificates	(141)	10,823
Proceeds from issuance of senior notes, net of original issue discount and fees paid		728,717
Proceeds from issuance of 4.0% convertible senior notes, net of fees paid		488,195
Payments on Senior Credit Facility		(239,060)
Purchase of convertible note hedges		(160,100)

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Payments on Optasite Credit Facility		(149,117)
Payments on extinguishment of convertible debt		(90,554)
Proceeds from issuance of common stock warrants		98,491
Borrowings under Senior Credit Facility		8,507
Net cash provided by financing activities	143,054	125,484
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>35,919</b>	<b>206,987</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	161,317	78,856
End of period	\$ 197,236	\$ 285,843

(continued)

**Table of Contents****SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited) (in thousands)**

	<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 123,629	\$ 72,555
Income taxes	\$ 987	\$ 860
<b>SUPPLEMENTAL CASH FLOW INFORMATION OF NON-CASH ACTIVITIES:</b>		
Assets acquired through capital leases	\$ 734	\$ 92
Contribution of DAS networks in exchange for equity investment	\$ 11,000	\$
Class A common stock issued relating to acquisitions and earn-outs	\$	\$ 20,312
Class A common stock issued in connection with early extinguishment of debt	\$	\$ 11,199

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

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## SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for SBA Communications Corporation and its subsidiaries (the Company). The December 31, 2009 Condensed Consolidated Balance Sheet has been derived from the Company's audited consolidated financial statements. These financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. The results of operations for an interim period may not give a true indication of the results for the year. Certain reclassifications have been made to prior year amounts or balances to conform to the presentation adopted in the current year.

**2. CURRENT ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06) which requires new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The FASB also clarified existing fair value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. ASU 2010-06 is effective for fiscal years beginning after December 15, 2009. The adoption of this accounting guidance did not have any impact on the Company's disclosures.

**3. FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments** The carrying values of the Company's financial instruments, with the exception of debt instruments, reasonably estimate the related fair values as of September 30, 2010 and December 31, 2009 due to the short maturity of those instruments.

The Company determines fair value of its debt instruments utilizing various sources including quoted prices and indicative quotes (that is non-binding quotes) from brokers that require judgment to interpret market information including implied credit spreads for similar borrowings on recent trades or bid/ask prices. The following table reflects fair values, principal values and carrying values of the Company's debt instruments (see Note 9).

	As of September 30, 2010			As of December 31, 2009		
	Fair Value	Principal Value	Carrying Value	Fair Value	Principal Value	Carrying Value
	(in millions)					
0.375% Convertible Senior Notes due 2010	\$ 36.5	\$ 30.4	\$ 30.1	\$ 34.2	\$ 30.4	\$ 28.6
1.875% Convertible Senior Notes due 2013	\$ 619.4	\$ 550.0	\$ 455.8	\$ 564.4	\$ 550.0	\$ 432.5
4.0% Convertible Senior Notes due 2014	\$ 736.6	\$ 500.0	\$ 361.7	\$ 652.5	\$ 500.0	\$ 342.8
8.0% Senior Notes due 2016	\$ 401.3	\$ 375.0	\$ 372.8	\$ 388.1	\$ 375.0	\$ 372.6
8.25% Senior Notes due 2019	\$ 405.0	\$ 375.0	\$ 372.1	\$ 393.8	\$ 375.0	\$ 371.9
4.254% 2010-1 Tower Securities	\$ 720.3	\$ 680.0	\$ 680.0	\$	\$	\$
5.101% 2010-2 Tower Securities	\$ 588.9	\$ 550.0	\$ 550.0	\$	\$	\$
2006 CMBS Certificates	\$	\$	\$	\$ 961.5	\$ 940.6	\$ 940.6



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SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

*Items Measured at Fair Value on a Nonrecurring Basis* The Company's earnouts related to acquisitions, intangibles, certain long-lived assets, and asset retirement obligations are measured at fair value on a nonrecurring basis. The fair value of the earnouts is reviewed quarterly and is based on the payments the Company expects to make based on the anticipated performance of the underlying assets. The fair value of the intangibles, long-lived assets, and asset retirement obligations are calculated using a discounted cash flow model.

**4. RESTRICTED CASH**

Restricted cash consists of the following:

As of September 30, 2010	As of December 31, 2009	Included on Balance Sheet
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