

BEASLEY BROADCAST GROUP INC

Form 10-Q

November 04, 2011

[Table of Contents](#)

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, 2011

OR

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

Commission File No. 0-29253

BEASLEY BROADCAST GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Delaware
(State of Incorporation)

65-0960915
(I.R.S. Employer Identification Number)

3033 Riviera Drive, Suite 200

Naples, Florida 34103

(Address of Principal Executive Offices and Zip Code)

(239) 263-5000

(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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$.001 par value, 6,107,732 Shares Outstanding as of October 28, 2011

Class B Common Stock, \$.001 par value, 16,662,743 Shares Outstanding as of October 28, 2011

Table of Contents

INDEX

	Page No.
PART I	
FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements.	3
<u>Notes to Condensed Consolidated Financial Statements.</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	18
Item 4. <u>Controls and Procedures.</u>	18
PART II	
OTHER INFORMATION	
Item 1. <u>Legal Proceedings.</u>	19
Item 1A. <u>Risk Factors.</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	19
Item 3. <u>Defaults Upon Senior Securities.</u>	19
Item 5. <u>Other Information.</u>	19
Item 6. <u>Exhibits.</u>	20
<u>SIGNATURES</u>	21

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	December 31, 2010	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,659,663	\$ 15,089,709
Accounts receivable, less allowance for doubtful accounts of \$907,819 in 2010 and \$432,638 in 2011	18,376,987	16,714,024
Prepaid expenses	1,461,107	1,609,829
Other current assets	1,742,118	2,800,363
Total current assets	32,239,875	36,213,925
Notes receivable from related parties	3,206,768	3,007,939
Property and equipment, net	20,575,250	19,893,382
FCC broadcasting licenses	178,913,816	178,913,816
Goodwill	13,629,364	13,629,364
Other assets	4,446,441	4,834,082
Total assets	\$ 253,011,514	\$ 256,492,508
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 6,925,283	\$ 7,233,801
Accounts payable	688,710	1,313,085
Deferred tax liabilities	18,240	6,985
Derivative financial instruments	1,554,516	
Other current liabilities	6,091,013	7,282,041
Total current liabilities	15,277,762	15,835,912
Long-term debt, net of current portion	135,064,472	125,356,276
Deferred tax liabilities	39,292,192	43,997,729
Other long-term liabilities	1,150,751	1,131,511
Total liabilities	190,785,177	186,321,428
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued		
Class A common stock, \$.001 par value, 150,000,000 shares authorized, 8,708,806 issued in 2010 and 8,827,390 issued in 2011	8,709	8,827
Class B common stock, \$.001 par value, 75,000,000 shares authorized, 16,662,743 issued in 2010 and 2011	16,662	16,662
Additional paid-in capital	115,784,129	116,372,000
Treasury stock, Class A common stock, 2,685,675 in 2010 and 2,719,658 shares in 2011	(14,213,542)	(14,427,679)
Accumulated deficit	(38,551,397)	(31,840,469)
Accumulated other comprehensive income (loss)	(818,224)	41,739
Stockholders' equity	62,226,337	70,171,080
Total liabilities and stockholders' equity	\$ 253,011,514	\$ 256,492,508

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended September 30,	
	2010	2011
Net revenue	\$ 24,206,727	\$ 23,975,117
Operating expenses:		
Station operating expenses (including stock-based compensation of \$15,776 in 2010 and \$12,310 in 2011 and excluding depreciation and amortization shown separately below)	15,794,914	15,753,836
Corporate general and administrative expenses (including stock-based compensation of \$105,860 in 2010 and \$162,392 in 2011)	1,830,230	2,008,008
Depreciation and amortization	654,207	573,154
Total operating expenses	18,279,351	18,334,998
Operating income	5,927,376	5,640,119
Non-operating income (expense):		
Interest expense	(2,520,826)	(1,753,352)
Other income (expense), net	66,194	53,024
Income before income taxes	3,472,744	3,939,791
Income tax expense	1,386,916	1,591,078
Net income	\$ 2,085,828	\$ 2,348,713
Basic and diluted net income per share	\$ 0.09	\$ 0.10
Basic common shares outstanding	22,528,612	22,602,665
Diluted common shares outstanding	22,593,426	22,667,422

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Nine Months Ended September 30,	
	2010	2011
Net revenue	\$ 70,985,024	\$ 72,541,406
Operating expenses:		
Station operating expenses (including stock-based compensation of \$66,209 in 2010 and \$34,960 in 2011 and excluding depreciation and amortization shown separately below)	48,026,225	47,603,394
Corporate general and administrative expenses (including stock-based compensation of \$581,937 in 2010 and \$465,302 in 2011)	5,900,180	6,107,011
Depreciation and amortization	1,989,791	1,808,407
Total operating expenses	55,916,196	55,518,812
Operating income	15,068,828	17,022,594
Non-operating income (expense):		
Interest expense	(7,572,443)	(5,967,924)
Other income (expense), net	323,822	167,617
Income before income taxes	7,820,207	11,222,287
Income tax expense	3,167,183	4,511,359
Net income	\$ 4,653,024	\$ 6,710,928
Basic and diluted net income per share	\$ 0.21	\$ 0.30
Basic common shares outstanding	22,481,181	22,589,550
Diluted common shares outstanding	22,544,755	22,663,664

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended September 30,	
	2010	2011
Net income	\$ 2,085,828	\$ 2,348,713
Other comprehensive income:		
Unrealized income on available-for-sale investments (net of income tax expense of \$13,079 in 2010 and income tax benefit of \$17,868 in 2011)	20,788	(28,399)
Change in fair value of derivative financial instruments designated as cash flow hedges (net of income tax benefit of \$116,106 in 2010 and income tax expense of \$106 in 2011)	(184,531)	167
Reclassification of unrealized losses on derivative financial instruments to interest expense (net of income tax expense of \$294,968 in 2010 and \$155,830 in 2011)	468,802	247,666
	284,271	247,833
Other comprehensive income	305,059	219,434
Comprehensive income	\$ 2,390,887	\$ 2,568,147

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Nine Months Ended September 30,	
	2010	2011
Net income	\$ 4,653,024	\$ 6,710,928
Other comprehensive income:		
Unrealized income on available-for-sale investments (net of income tax expense of \$21,576 in 2010 and income tax benefit of \$59,269 in 2011)	34,291	(94,198)
Change in fair value of derivative financial instruments designated as cash flow hedges (net of income tax benefit of \$426,761 in 2010 and \$14,053 in 2011)	(678,264)	(22,336)
Reclassification of unrealized losses on derivative financial instruments to interest expense (net of income tax expense of \$910,745 in 2010 and \$614,408 in 2011)	1,447,476	976,497
	769,212	954,161
Other comprehensive income	803,503	859,963
Comprehensive income	\$ 5,456,527	\$ 7,570,891

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended September 30,	
	2010	2011
Cash flows from operating activities:		
Net income	\$ 4,653,024	\$ 6,710,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	648,146	500,262
Provision for bad debts	1,247,016	867,209
Depreciation and amortization	1,989,791	1,808,407
Amortization of loan fees	226,230	274,719
Deferred income taxes	3,920,993	3,999,729
Change in operating assets and liabilities:		
Accounts receivable	(52,655)	643,302
Prepaid expenses	(255,089)	(148,722)
Other assets	(94,888)	(522,813)
Accounts payable	(1,210,457)	624,375
Other liabilities	651,199	1,117,635
Other operating activities	(40,394)	(239,272)
Net cash provided by operating activities	11,682,916	15,635,759
Cash flows from investing activities:		
Capital expenditures	(689,500)	(1,028,454)
Payments for investments	-	(850,000)
Repayment of notes receivable from related parties	187,278	198,829
Net cash used in investing activities	(502,222)	(1,679,625)
Cash flows from financing activities:		
Principal payments on indebtedness	(6,545,323)	(9,399,678)
Payments of loan fees	(610,165)	-
Tax benefit from vesting of restricted stock	-	87,727
Payments for treasury stock	(291,730)	(214,137)
Net cash used in financing activities	(7,447,218)	(9,526,088)
Net increase in cash and cash equivalents	3,733,476	4,430,046
Cash and cash equivalents at beginning of period	5,892,777	10,659,663
Cash and cash equivalents at end of period	\$ 9,626,253	\$ 15,089,709
Cash paid for interest	\$ 7,360,842	\$ 5,737,676
Cash paid (refunded) for income taxes	\$ (779,205)	\$ 900,000
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment acquired through placement of advertising airtime	\$ 111,721	\$ 98,085

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Beasley Broadcast Group, Inc. (the Company) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the financial statements reflect all adjustments necessary for a fair statement of the financial position and results of operations for the interim periods presented and all such adjustments are of a normal and recurring nature. The Company's results are subject to seasonal fluctuations therefore the results shown on an interim basis are not necessarily indicative of results for the full year. Certain amounts previously reported in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

(2) Recent Accounting Pronouncements

In June 2011, the FASB issued guidance for comprehensive income which requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. Also, the entity is required to present reclassification adjustments for items that are reclassified from other comprehensive income to net income on the face of the financial statements. The new guidance should be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. Adoption of the guidance is not expected to have a material impact on the Company's financial statements.

In September 2011, the FASB issued guidance to simplify how entities test goodwill for impairment. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying value. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. Adoption of the guidance is not expected to have a material impact on the Company's financial statements.

(3) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2010	September 30, 2011
Credit facility:		
Revolving credit loan	\$ 54,826,716	\$ 54,826,716
Term loan	87,163,039	77,763,361
	141,989,755	132,590,077
Less current installments	(6,925,283)	(7,233,801)
	\$ 135,064,472	\$ 125,356,276

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

As of September 30, 2011, the credit facility consists of a revolving credit loan with a maximum commitment of \$65.0 million and a term loan with a remaining balance of \$77.8 million. As of September 30, 2011, the Company had \$10.2 million in remaining commitments available under the revolving credit loan of its credit facility. The revolving credit loan includes a \$5.0 million sub-limit for letters of credit which may not be increased. At the Company's election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR plus a margin that is determined by the Company's debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate, the federal funds effective rate, or the one month LIBOR quoted rate plus 1.0%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 4.0625% and 3.75% as of December 31, 2010 and September 30, 2011, respectively, and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan.

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As of September 30, 2011, the scheduled repayments of the credit facility for the remainder of 2011 and the next four years are as follows:

	Revolving credit loan	Term loan	Total credit facility
2011	\$	\$ 1,808,450	\$ 1,808,450
2012		7,233,801	7,233,801
2013	5,146,508	8,590,139	13,736,647
2014	20,426,389	9,042,251	29,468,640
2015	29,253,819	51,088,720	80,342,539
Total	\$ 54,826,716	\$ 77,763,361	\$ 132,590,077

The credit agreement requires the Company to comply with certain financial covenants which are defined in the credit agreement. As of September 30, 2011, these financial covenants included:

Consolidated Total Debt Ratio. On September 30, 2011, the Company's consolidated total debt must not have exceeded 6.75 times its consolidated operating cash flow for the four quarters then ended. On December 31, 2011, the maximum ratio is 6.5 times. For the period from January 1, 2012 through June 30, 2015, the maximum ratio is 4.75 times.

Consolidated Interest Coverage Ratio. The Company's consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through September 30, 2011 must not have been less than 1.875 times its consolidated cash interest expense for the four quarters then ending. For the period from October 1, 2011 through June 30, 2015, the minimum ratio is 2.0 times.

Consolidated Fixed Charge Coverage Ratio. The Company's consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through December 31, 2011 must not be less than 1.05 times its consolidated fixed charges for the four quarters then ending. For the period from January 1, 2012 through June 30, 2015, the minimum ratio is 1.1 times. Consolidated fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, and agency and commitment fees.

Failure to comply with these financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of its credit agreement could result in the acceleration of the maturity of its outstanding debt. The Company believes that it will have sufficient liquidity and capital resources to permit it to meet its financial obligations for at least the next twelve months. As of September 30, 2011, the Company was in compliance with all applicable financial covenants under its credit agreement.

The credit facility is secured by substantially all of the Company's assets and is guaranteed jointly and severally by all of the Company's subsidiaries. The guarantees were issued to the Company's lenders for repayment of the outstanding balance of the credit facility. If the Company defaults under the terms of the credit agreement, the subsidiaries may be required to perform under their guarantees. As of September 30, 2011, the maximum amount of undiscounted payments the subsidiaries would have had to make in the event of default was \$132.6 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

(4) Derivative Financial Instruments

The Company's remaining interest rate swap agreements expired during the third quarter of 2011 therefore it is no longer a party to any derivative financial instruments. Prior to these expirations, the Company used interest rate swap agreements as part of its interest rate risk management strategy to fix its cost of variable rate debt and designated those swap agreements as cash flow hedges of its variable rate debt. The fair values of the expired interest rate swap agreements were determined using observable inputs. The inputs were quotes from the counterparties to the interest rate swap agreements.

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

A summary of the expired interest rate swap agreements designated as cash flow hedges is as follows:

	December 31, 2010	September 30, 2011
Notional amounts	\$ 110,000,000	\$
Weighted average pay rates (fixed)	6.89%	
Weighted average receive rates (LIBOR indexed)	4.06%	
Weighted average maturity	0.6 years	
Fair value reported in current liabilities	\$ 1,554,516	\$

A summary of activity relating to the expired interest rate swap agreements designated as cash flow hedges is as follows:

	\$0,000,000 Three months ended September 30, 2010	\$0,000,000 September 30, 2011
Gain (loss) recognized in other comprehensive income	\$ (300,637)	\$ 273
Loss reclassified from other comprehensive income to interest expense	763,770	403,496

	\$0,000,000 Nine months ended September 30, 2010	\$0,000,000 September 30, 2011
Loss recognized in other comprehensive income	\$ (1,105,025)	\$ (36,389)
Loss reclassified from other comprehensive income to interest expense	2,358,221	1,590,905

(5) Stock-Based Compensation

The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan) permits the Company to issue up to 4.0 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive shares of restricted stock, stock options or other stock-based awards. The restricted stock awards that have been granted under the 2007 Plan generally vest over three to five years of service.

A summary of restricted stock activity under the 2007 Plan is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of July 1, 2011	160,083	\$ 4.82
Granted	3,500	3.94
Vested	(3,333)	4.51
Forfeited		

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Unvested as of September 30, 2011	160,250	\$	4.81
-----------------------------------	---------	----	------

As of September 30, 2011, there was \$0.5 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 1.3 years.

The 2000 Equity Plan of Beasley Broadcast Group, Inc. (the 2000 Plan) was terminated upon adoption of the 2007 Plan, except with respect to outstanding awards. The restricted stock and stock option awards that have been granted under the 2000 Plan generally vest over three to five years of service. However, some stock option awards contain performance-related provisions that may delay vesting beyond five years but no longer than seven years after the date of grant. Stock options expire ten years from the date of grant. No new awards will be granted under the 2000 Plan.

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

A summary of restricted stock activity under the 2000 Plan is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of July 1, 2011	5,767	\$ 5.99
Granted		
Vested		
Forfeited		
Unvested as of September 30, 2011	5,767	\$ 5.99

As of September 30, 2011, there was approximately \$9,000 of total unrecognized compensation cost related to restricted stock granted under the 2000 Plan. That cost is expected to be recognized over a weighted-average period of 0.3 years.

A summary of stock option activity under the 2000 Plan is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of July 1, 2011	178,084	\$ 13.92		
Granted				
Exercised				
Forfeited				
Outstanding as of September 30, 2011	178,084	\$ 13.92	2.2	
Exercisable as of September 30, 2011	167,384	\$ 13.69	2.1	

(6) Income Taxes

The Company's effective tax rate was approximately 40% for the three and nine months ended September 30, 2010 and 2011, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain of the Company's expenses that are not deductible for tax purposes.

(7) Related Party Transaction

On March 25, 2011, the Company contributed \$250,000 to Digital PowerRadio, LLC in exchange for 25,000 units or approximately 20% of the outstanding units. Digital PowerRadio, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of the Company.

(8) Financial Instruments

The carrying amount of notes receivable from related parties with a fixed rate of interest of 6.0% was \$3.0 million as of September 30, 2011, compared with a fair value of \$3.4 million based on current market interest rates. The carrying amount of notes receivable from related parties was \$3.2 million as of December 31, 2010, compared with a fair value of \$3.7 million.

The carrying amount of long-term debt, including the current installments, was \$132.6 million as of September 30, 2011 and approximated fair value due to the variable interest rate, which is based on current market rates. The carrying amount of long-term debt was \$142.0 million as of December 31, 2010 and approximated fair value due to the variable interest rate.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the financial statements and related notes included elsewhere in this report. The results discussed below are not necessarily indicative of the results to be expected in any future periods. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including any projections of earnings, revenues 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, will, estimate, intend, continue, believe, expect or anticipate and other similar words. Such forward-looking statements may be contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, among other places. 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 to inherent risks and uncertainties, such as unforeseen events that would cause us to broadcast commercial-free for any period of time and changes in the radio broadcasting industry generally, as well as any additional risks discussed in Item 1A Risk Factors of our annual report on Form 10-K, filed with the Securities and Exchange Commission on March 16, 2011. We do not intend, and undertake no obligation, to update any forward-looking statement.

General

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 42 radio stations in the following markets: Atlanta, GA, Augusta, GA, Boston, MA, Fayetteville, NC, Fort Myers-Naples, FL, Greenville-New Bern-Jacksonville, NC, Las Vegas, NV, Miami-Fort Lauderdale, FL, Philadelphia, PA, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We also operate one radio station in the expanded AM band in Augusta, GA. In addition, we provide management services to two radio stations in Las Vegas, NV. We refer to each group of radio stations in each radio market as a market cluster.

Financial Statement Presentation

The following discussion provides a brief description of certain key items that appear in our financial statements and general factors that impact these items.

Net Revenue. Our net revenue is primarily derived from the sale of advertising airtime to local and national advertisers. Net revenue is gross revenue less agency commissions, generally 15% of gross revenue. Local revenue generally consists of advertising airtime and digital sales to advertisers in a radio station's local market either directly to the advertiser or through the advertiser's agency. National revenue generally consists of advertising airtime sales to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our national representation firm, which serves as our agent in these transactions.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listener levels. Advertising rates are primarily based on the following factors:

- a radio station's audience share in the demographic groups targeted by advertisers as measured principally by quarterly reports issued by the Arbitron Ratings Company;

- the number of radio stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;

- the supply of, and demand for, radio advertising time; and

- the size of the market.

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Our net revenue is affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the radio broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our revenues are typically lowest in the first calendar quarter of the year.

Table of Contents

We use trade sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services; however, we endeavor to minimize trade revenue in order to maximize cash revenue from our available airtime.

We also continue to invest in interactive support services to develop and promote our radio station websites. We derive revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet.

Operating Expenses. Our operating expenses consist primarily of (1) programming, engineering, sales, advertising and promotion, and general and administrative expenses incurred at our radio stations, (2) general and administrative expenses, including compensation and other expenses, incurred at our corporate offices, and (3) depreciation and amortization. We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

it requires assumptions to be made that were uncertain at the time the estimate was made; and

changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our critical accounting estimates are described in Item 7 of our annual report on Form 10-K for the year ended December 31, 2010. There have been no material changes to our critical accounting estimates during the third quarter of 2011.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

Three Months Ended September 30, 2011 Compared to the Three Months Ended September 30, 2010

The following summary table presents a comparison of our results of operations for the three months ended September 30, 2010 and 2011 with respect to certain of our key financial measures. The changes illustrated in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

	Three months ended September 30,		Change	
	2010	2011	\$	%
Net revenue	\$ 24,206,727	\$ 23,975,117	\$ (231,610)	(1.0)%
Station operating expenses	15,794,914	15,753,836	(41,078)	(0.3)
Corporate general and administrative expenses	1,830,230	2,008,008	177,778	9.7
Interest expense	2,520,826	1,753,352	(767,474)	(30.4)
Income tax expense	1,386,916	1,591,078	204,162	14.7
Net income	2,085,828	2,348,713	262,885	12.6

Net Revenue. The \$0.2 million decrease in net revenue during the three months ended September 30, 2011 was primarily due to a \$0.4 million decrease in advertising revenue at our Miami-Fort Lauderdale market cluster.

Station Operating Expenses. Station operating expenses during the three months ended September 30, 2011 were comparable to the same period in 2010.

Corporate General and Administrative Expenses. The \$0.2 million increase in corporate general and administrative expenses during the three months ended September 30, 2011 was primarily due to an increase in cash compensation expense.

Table of Contents

Interest Expense. The \$0.8 million decrease in interest expense during the three months ended September 30, 2011 was due to repayments of borrowings under our credit facility and the expiration of an interest rate swap agreement during the first quarter of 2011.

Income Tax Expense. Our effective tax rate was approximately 40% for the three months ended September 30, 2010 and 2011, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain of our expenses that are not deductible for tax purposes.

Net Income. Net income for the three months ended September 30, 2011 increased \$0.3 million as a result of the factors described above.

Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010

The following summary table presents a comparison of our results of operations for the nine months ended September 30, 2010 and 2011 with respect to certain of our key financial measures. The changes illustrated in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

	Nine months ended September 30,		Change	
	2010	2011	\$	%
Net revenue	\$ 70,985,024	\$ 72,541,406	\$ 1,556,382	2.2%
Station operating expenses	48,026,225	47,603,394	(422,831)	(0.9)
Corporate general and administrative expenses	5,900,180	6,107,011	206,831	3.5
Interest expense	7,572,443	5,967,924	(1,604,519)	(21.2)
Income tax expense	3,167,183	4,511,359	1,344,176	42.4
Net income	4,653,024	6,710,928	2,057,904	44.2

Net Revenue. The \$1.6 million increase in net revenue during the nine months ended September 30, 2011 was primarily due to a \$1.1 million increase in advertising revenue at our Philadelphia market cluster.

Station Operating Expenses. The \$0.4 million decrease in station operating expenses during the nine months ended September 30, 2011 was primarily due to a \$0.6 million decrease at our Miami-Fort Lauderdale market cluster resulting from cost containment measures.

Corporate General and Administrative Expenses. Corporate general and administrative expenses during the nine months ended September 30, 2011 were comparable to the same period in 2010.

Interest Expense. The \$1.6 million decrease in interest expense during the nine months ended September 30, 2011 was due to repayments of borrowings under our credit facility and the expiration of an interest rate swap agreement during the first quarter of 2011.

Income Tax Expense. Our effective tax rate was approximately 40% for the nine months ended September 30, 2010 and 2011, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain of our expenses that are not deductible for tax purposes.

Net Income. Net income for the nine months ended September 30, 2011 increased \$2.1 million as a result of the factors described above.

Liquidity and Capital Resources

Overview. Our primary sources of liquidity are internally generated cash flow and our revolving credit loan. Our primary liquidity needs have been, and for the next twelve months and thereafter are expected to continue to be, for working capital, debt service, and other general corporate purposes, including capital expenditures and radio station acquisitions. Historically, our capital expenditures have not been significant. In addition to property and equipment associated with radio station acquisitions, our capital expenditures have generally been, and are expected to continue to be, related to the maintenance of our studio and office space and the technological improvement, including upgrades necessary to broadcast HD Radio, and maintenance of our broadcasting towers and equipment. We have also purchased or constructed office and studio space in some of our markets to facilitate the consolidation of our operations.

Table of Contents

Our credit agreement prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than five times our consolidated operating cash flow at which time we are permitted to repurchase up to an aggregate of \$10.0 million of our common stock. Our credit agreement does permit us to repurchase up to \$0.5 million of our common stock per year in connection with the vesting of restricted stock. We repurchased 33,983 shares of our Class A common stock for an aggregate \$0.2 million during the nine months ended September 30, 2011.

Our credit agreement prohibits us from paying cash dividends on our common stock until our consolidated total debt is less than five times our consolidated operating cash flow at which time we are permitted to pay cash dividends in an amount up to an aggregate of \$5.0 million per year. We did not pay any cash dividends during the nine months ended September 30, 2011.

We expect to provide for future liquidity needs through one or a combination of the following sources of liquidity:

internally generated cash flow;

our credit facility;

additional borrowings, other than under our existing credit facility, to the extent permitted thereunder; and

additional equity offerings.

We believe that we will have sufficient liquidity and capital resources to permit us to provide for our liquidity requirements and meet our financial obligations for the next twelve months. However, poor financial results, unanticipated acquisition opportunities or unanticipated expenses could give rise to defaults under our credit facility, additional debt servicing requirements or other additional financing or liquidity requirements sooner than we expect and we may not secure financing when needed or on acceptable terms.

Our ability to reduce our total debt ratio, as defined by our credit agreement, by increasing operating cash flow and/or decreasing long-term debt will determine how much, if any, of the remaining commitments under the revolving portion of our credit facility will be available to us in the future. Poor financial results or unanticipated expenses could result in our failure to maintain or lower our total leverage ratio and we may not be permitted to make any additional borrowings under the revolving portion of our credit facility.

The following summary table presents a comparison of our capital resources for the nine months ended September 30, 2010 and 2011 with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed in greater detail below. This section should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of this report.

	Nine months ended September 30,	
	2010	2011
Net cash provided by operating activities	\$ 11,682,916	\$ 15,635,759
Net cash used in investing activities	(502,222)	(1,679,625)
Net cash used in financing activities	(7,447,218)	(9,526,088)
Net increase in cash and cash equivalents	\$ 3,733,476	\$ 4,430,046

Net Cash Provided By Operating Activities. Net cash provided by operating activities increased by \$4.0 million during the nine months ended September 30, 2011 compared to the same period in 2010 primarily due to a \$2.6 million decrease in cash paid for station operating expenses, a \$1.9 million increase in cash receipts from the sale of advertising airtime, and a \$1.6 million decrease in cash paid for interest. These increases were partially offset by a \$1.7 million increase in income taxes due to cash payments of \$0.9 million in 2011 and cash refunds of \$0.8 million in 2010.

Edgar Filing: BEASLEY BROADCAST GROUP INC - Form 10-Q

Net Cash Used In Investing Activities. Net cash used in investing activities during the nine months ended September 30, 2011 was primarily due to cash payments for capital expenditures of \$1.0 million and to cash payments of \$0.8 million for investments. Net cash used in investing activities for the same period in 2010 was primarily due to cash payments for capital expenditures of \$0.7 million.

Net Cash Used In Financing Activities. Net cash used in financing activities in the nine months ended September 30, 2011 was primarily due to repayments of \$9.4 million under our credit facility. Net cash used in financing activities for the same period in 2010 was primarily due to repayments of \$6.5 million under our credit facility, payments of \$0.6 million of loan fees related to the amended credit agreement, and \$0.3 million for purchases of our Class A common stock.

Table of Contents

Credit Facility. As of October 28, 2011, the outstanding balance of our credit facility was \$132.6 million. As of September 30, 2011, the credit facility consists of a revolving credit loan with a maximum commitment of \$65.0 million and a term loan with a remaining balance of \$77.8 million. As of September 30, 2011, we had \$10.2 million in remaining commitments available under the revolving credit loan of our credit facility. The revolving credit loan includes a \$5.0 million sub-limit for letters of credit which may not be increased. At our election, the revolving credit loan and term loan may bear interest at either the base rate or LIBOR plus a margin that is determined by our debt to operating cash flow ratio. The base rate is equal to the higher of the prime rate, the federal funds effective rate, or the one month LIBOR quoted rate plus 1.0%. Interest on base rate loans is payable quarterly through maturity. Interest on LIBOR loans is payable on the last day of the selected LIBOR period and, if the selected period is longer than three months, every three months after the beginning of the LIBOR period. The revolving credit loan and term loan carried interest, based on LIBOR, at 4.0625% and 3.75% as of December 31, 2010 and September 30, 2011, respectively, and mature on June 30, 2015. The scheduled reductions in the amount available under the revolving credit loan may require principal repayments if the outstanding balance at that time exceeds the maximum amount available under the revolving credit loan.

As of September 30, 2011, the scheduled repayments of the credit facility for the remainder of 2011 and the next four years are as follows:

	Revolving credit loan	Term loan	Total credit facility
2011	\$	\$ 1,808,450	\$ 1,808,450
2012		7,233,801	7,233,801
2013	5,146,508	8,590,139	13,736,647
2014	20,426,389	9,042,251	29,468,640
2015	29,253,819	51,088,720	80,342,539
Total	\$ 54,826,716	\$ 77,763,361	\$ 132,590,077

The credit agreement requires us to comply with certain financial covenants which are defined in the credit agreement. As of September 30, 2011, these financial covenants included:

Consolidated Total Debt Ratio. On September 30, 2011, our consolidated total debt must not have exceeded 6.75 times our consolidated operating cash flow for the four quarters then ended. On December 31, 2011, the maximum ratio is 6.5 times. For the period from January 1, 2012 through June 30, 2015, the maximum ratio is 4.75 times.

Consolidated Interest Coverage Ratio. Our consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through September 30, 2011 must not have been less than 1.875 times our consolidated cash interest expense for the four quarters then ending. For the period from October 1, 2011 through June 30, 2015, the minimum ratio is 2.0 times.

Consolidated Fixed Charge Coverage Ratio. Our consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through December 31, 2011 must not be less than 1.05 times our consolidated fixed charges for the four quarters then ending. For the period from January 1, 2012 through June 30, 2015, the minimum ratio is 1.1 times. Consolidated fixed charges include cash paid for interest, income taxes, capital expenditures, scheduled principal repayments, and agency and commitment fees. Failure to comply with these financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of our credit agreement could result in the acceleration of the maturity of our outstanding debt, which could have a material adverse effect on our business or results of operations. As of September 30, 2011, we were in compliance with all applicable financial covenants under our credit agreement; our consolidated total debt ratio was 4.64 times, our consolidated interest coverage ratio was 3.54 times, and our consolidated fixed charge coverage ratio was 1.7 times.

The credit agreement also contains other customary restrictive covenants. These covenants limit our ability to: incur additional indebtedness and liens; repurchase our common stock; pay cash dividends; enter into certain investments or joint ventures; consolidate, merge or effect asset sales; enter into sale and lease-back transactions; sell or discount accounts receivable; enter into transactions with affiliates or stockholders; or change

the nature of our business.

Table of Contents

The credit facility is secured by substantially all of our assets and is guaranteed jointly and severally by all of our subsidiaries. The guarantees were issued to our lenders for repayment of the outstanding balance of the credit facility. If we default under the terms of the credit agreement, our subsidiaries may be required to perform under their guarantees. As of September 30, 2011, the maximum amount of undiscounted payments our subsidiaries would have had to make in the event of default was \$132.6 million. The guarantees for the revolving credit loan and term loan expire on June 30, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated any changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting pursuant to Exchange Act Rule 13a-15(d) as of the end of the period covered by this report. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS.**

We currently and from time to time are involved in litigation and are the subject of threats of litigation that are incidental to the conduct of our business. These include indecency claims and related proceedings at the FCC as well as claims and threatened claims by private third parties. However, we are not a party to any lawsuit or other proceedings, or the subject of any threatened lawsuit or other proceedings, which, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

ITEM 1A. RISK FACTORS.

The risks affecting our Company are described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to the risks affecting our Company during the third quarter of 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table presents information with respect to purchases we made of our Class A common stock during the three months ended September 30, 2011.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value That May Yet Be Purchased Under the Program
July 1 31, 2011		\$		\$
August 1 31, 2011				
September 1 30, 2011	833	3.87		
Total	833			

On March 27, 2007, our board of directors approved the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan) which was also approved by our stockholders at the Annual Meeting of Stockholders on June 7, 2007. The 2007 Plan permits us to purchase sufficient shares to fund withholding taxes in connection with the vesting of restricted stock and expires on March 27, 2017. All shares purchased during the three months ended September 30, 2011, were purchased to fund withholding taxes in connection with the vesting of restricted stock. We currently have no publicly announced share purchase programs.

Our credit agreement prohibits us from repurchasing additional shares of our common stock until our consolidated total debt is less than five times our consolidated operating cash flow at which time we are permitted to repurchase up to an aggregate of \$10.0 million of our common stock. Our credit agreement does permit us to repurchase up to \$0.5 million of our common stock per year in connection with vesting of restricted stock.

Our credit agreement prohibits us from paying cash dividends on our common stock until our consolidated total debt is less than five times our consolidated operating cash flow at which time we are permitted to pay cash dividends in an amount up to an aggregate of \$5.0 million per year.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 5. OTHER INFORMATION.

None.

Table of Contents**ITEM 6. EXHIBITS.**

Exhibit	
Number	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).
31.2	Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(a) (17 CFR 240.15d-14(a)).
32.1	Certification of Chief Executive Officer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.
32.2	Certification of Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.
101.INS ***	XBRL Instance Document
101.SCH ***	XBRL Taxonomy Extension Schema Document
101.CAL ***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF ***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB ***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE ***	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEASLEY BROADCAST GROUP, INC.

Dated: November 4, 2011

/s/ George G. Beasley
Name: George G. Beasley
Title: Chairman of the Board and Chief Executive Officer

Dated: November 4, 2011

/s/ Caroline Beasley
Name: Caroline Beasley
Title: Vice President, Chief Financial Officer, Secretary, Treasurer and
Director (principal financial and accounting officer)