

AMC Networks Inc.
Form 10-Q
August 04, 2016

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, 2016

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: 1-35106

AMC Networks Inc.
(Exact name of registrant as specified in its charter)

Delaware 27-5403694
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

11 Penn Plaza, 10001
New York, NY
(Address of principal executive offices) (Zip Code)
(212) 324-8500
(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 (as defined in Exchange Act Rule 12b-2).

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 Exchange Act). Yes No

The number of shares of common stock outstanding as of July 29, 2016:

Class A Common Stock par value \$0.01 per share 59,915,332
Class B Common Stock par value \$0.01 per share 11,484,408

AMC NETWORKS INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

AMC NETWORKS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS(Dollars in thousands, except per share amounts)
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$643,470	\$316,321
Accounts receivable, trade (less allowance for doubtful accounts of \$5,502 and \$4,307)	726,508	674,611
Amounts due from related parties, net	441	4,062
Current portion of program rights, net	390,162	453,157
Prepaid expenses and other current assets	87,373	72,989
Deferred tax asset, net	30,101	16,198
Total current assets	1,878,055	1,537,338
Property and equipment, net of accumulated depreciation of \$231,313 and \$209,236	171,092	163,860
Program rights, net	1,123,874	1,027,394
Deferred carriage fees, net	51,689	50,069
Intangible assets, net	532,263	549,180
Goodwill	708,071	736,275
Other assets	200,359	200,799
Total assets	\$4,665,403	\$4,264,915
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities:		
Accounts payable	\$89,055	\$71,148
Accrued liabilities	235,422	254,086
Current portion of program rights obligations	291,243	289,897
Deferred revenue	93,275	64,229
Current portion of long-term debt	230,551	148,000
Current portion of capital lease obligations	4,405	3,561
Total current liabilities	943,951	830,921
Program rights obligations	385,445	440,591
Long-term debt	2,703,031	2,519,808
Capital lease obligations	38,189	29,779
Deferred tax liability, net	160,597	137,233
Other liabilities	104,272	103,530
Total liabilities	4,335,485	4,061,862
Commitments and contingencies		
Redeemable noncontrolling interests	213,856	211,691
Stockholders' equity (deficiency):		
Class A Common Stock, \$0.01 par value, 360,000,000 shares authorized, 62,407,876 and 62,120,102 shares issued and 60,386,220 and 60,909,831 shares outstanding, respectively	624	621
Class B Common Stock, \$0.01 par value, 90,000,000 shares authorized, 11,484,408 shares issued and outstanding	115	115
Preferred stock, \$0.01 par value, 45,000,000 shares authorized; none issued	—	—
Paid-in capital	120,802	123,157
Accumulated earnings	215,519	24,880
	(100,220)	(51,993)

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Treasury stock, at cost (2,021,656 and 1,210,271 shares Class A Common Stock, respectively)

Accumulated other comprehensive loss	(151,615)	(136,057)
Total AMC Networks stockholders' equity (deficiency)	85,225	(39,277)
Non-redeemable noncontrolling interests	30,837	30,639
Total stockholders' equity (deficiency)	116,062	(8,638)
Total liabilities and stockholders' equity (deficiency)	\$4,665,403	\$4,264,915

See accompanying notes to condensed consolidated financial statements.

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AMC NETWORKS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues, net (including revenues, net from related parties of \$6,200, \$6,493, \$12,906 and \$13,212, respectively)	\$684,832	\$601,138	\$1,391,411	\$1,269,820
Operating expenses:				
Technical and operating (excluding depreciation and amortization)	305,492	259,730	576,537	521,903
Selling, general and administrative (including charges from related parties of \$822, \$1,269, \$1,890 and \$2,218, respectively)	179,366	158,880	336,644	313,459
Restructuring expense	389	2,654	354	3,310
Depreciation and amortization	21,553	21,040	41,185	41,567
Total operating expenses	506,800	442,304	954,720	880,239
Operating income	178,032	158,834	436,691	389,581
Other income (expense):				
Interest expense	(32,007)	(32,571)	(63,757)	(65,595)
Interest income	1,671	792	2,393	1,229
Loss on extinguishment of debt	(9)	—	(48,343)	—
Miscellaneous, net	(24,910)	11,384	(25,599)	1,154
Total other income (expense)	(55,255)	(20,395)	(135,306)	(63,212)
Income from operations before income taxes	122,777	138,439	301,385	326,369
Income tax expense	(39,390)	(50,997)	(97,933)	(112,251)
Net income including noncontrolling interests	83,387	87,442	203,452	214,118
Net income attributable to noncontrolling interests	(6,212)	(4,433)	(12,832)	(10,189)
Net income attributable to AMC Networks' stockholders	\$77,175	\$83,009	\$190,620	\$203,929
Net income per share attributable to AMC Networks' stockholders:				
Basic	\$1.06	\$1.15	\$2.62	\$2.82
Diluted	\$1.05	\$1.14	\$2.60	\$2.81
Weighted average common shares:				
Basic weighted average common shares	72,729	72,447	72,654	72,327
Diluted weighted average common shares	73,300	73,128	73,287	72,685

See accompanying notes to condensed consolidated financial statements.

AMC NETWORKS INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)
 (unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income including noncontrolling interests	\$83,387	\$87,442	\$203,452	\$214,118
Other comprehensive income (loss):				
Foreign currency translation adjustment	(18,389)	24,119	(3,004)	(36,706)
Unrealized (loss) gain on interest rate swaps	(765)	674	(2,343)	1,370
Other comprehensive income (loss), before income taxes	(19,154)	24,793	(5,347)	(35,336)
Income tax (expense) benefit	(8,312)	5,943	(10,211)	3,664
Other comprehensive income (loss), net of income taxes	(27,466)	30,736	(15,558)	(31,672)
Comprehensive income	55,921	118,178	187,894	182,446
Comprehensive income attributable to noncontrolling interests	(4,424)	(4,433)	(11,456)	(10,189)
Comprehensive income attributable to AMC Networks' stockholders	\$51,497	\$113,745	\$176,438	\$172,257

See accompanying notes to condensed consolidated financial statements.

AMC NETWORKS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income including noncontrolling interests	\$203,452	\$214,118
Adjustments to reconcile income from operations to net cash from operating activities:		
Depreciation and amortization	41,185	41,567
Share-based compensation expense related to equity classified awards	19,488	16,089
Amortization and write-off of program rights	373,491	343,161
Amortization of deferred carriage fees	8,187	8,009
Unrealized foreign currency transaction loss (gain)	28,366	(8,345)
Unrealized gain derivative contracts, net	1,064	791
Amortization of deferred financing costs and discounts on indebtedness	4,638	4,476
Loss on extinguishment of debt	48,343	—
Bad debt expense	1,449	1,228
Deferred income taxes	4,225	10,069
Excess tax benefits from share-based compensation arrangements	(781)	(4,038)
Other, net	(1,930)	(246)
Changes in assets and liabilities:		
Accounts receivable, trade (including amounts due from related parties, net)	(45,536)	(18,055)
Prepaid expenses and other assets	(17,090)	(15,359)
Program rights and obligations, net	(466,288)	(412,205)
Income taxes payable	13,636	2,696
Deferred revenue	29,308	33,779
Deferred carriage fees, net	(9,910)	(17,138)
Accounts payable, accrued expenses and other liabilities	(5,733)	(10,356)
Net cash provided by operating activities	229,564	190,241
Cash flows from investing activities:		
Capital expenditures	(24,186)	(33,124)
Payments for acquisition of a business, net of cash acquired	(354)	(6,545)
Purchases of investments	—	(24,250)
Net cash used in investing activities	(24,540)	(63,919)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	982,500	—
Principal payments on long-term debt	(728,449)	(37,000)
Payment of Promissory Note	—	(40,000)
Premium and fees paid on extinguishment of debt	(39,188)	—
Payments for financing costs	(2,070)	—
Deemed repurchases of restricted stock/units	(10,834)	—