

ENTRAVISION COMMUNICATIONS CORP  
Form 10-Q  
November 09, 2006  
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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 SEPTEMBER 30, 2006**

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)

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

**2425 Olympic Boulevard, Suite 6000 West**

**Santa Monica, California 90404**

(Address of principal executive offices) (Zip Code)

**(310) 447-3870**

(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

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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 November 6, 2006, there were 60,763,134 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 27,171,133 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 SEPTEMBER 30, 2006

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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 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.

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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, 2005.

**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)**

	September 30, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 21,054	\$ 65,610
Trade receivables (including related parties of \$12 and \$14), net of allowance for doubtful accounts of \$5,220 and \$5,073	70,095	61,215
Assets held for sale	81,208	69,454
Deferred income taxes	36,500	36,500
Prepaid expenses and other current assets (including related parties of \$508 and \$691)	7,236	7,164
Total current assets	216,093	239,943
Property and equipment, net	147,905	152,114
Intangible assets subject to amortization, net (including related parties of \$35,382 and \$37,122)	94,722	108,532
Intangible assets not subject to amortization	745,787	843,332
Goodwill	229,597	385,833
Other assets	14,810	13,405
Total assets	\$ 1,448,914	\$ 1,743,159
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities		
Current maturities of long-term debt (including related parties of \$1,000 and \$1,000)	\$ 6,282	\$ 6,333
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of \$3,294 and \$2,802)	34,069	35,110
Total current liabilities	40,469	41,561
Long-term debt, less current maturities (including related parties of \$4,000 and \$5,000)	497,349	500,269
Other long-term liabilities	4,354	3,760
Deferred income taxes	168,945	168,636
Total liabilities	711,117	714,226
Commitments and contingencies (note 4)		
Stockholders equity		
Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2006 60,759,384; 2005 59,770,587	7	6
Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2006 27,171,133 and 2005 27,678,533	3	3
	2	4

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Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2006 17,152,729 and 2005 36,926,600		
Additional paid-in capital	1,050,164	1,185,312
Accumulated deficit	(312,379)	(156,392)
	737,797	1,028,933
Treasury stock, Class A common stock, \$0.0001 par value, 2006 and 2005 5,101 shares		
Total stockholders' equity	737,797	1,028,933
Total liabilities and stockholders' equity	\$ 1,448,914	\$ 1,743,159

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 September 30,		Nine-Month Period Ended September 30,	
	2006	2005	2006	2005
Net revenue (including related parties of \$150, \$150, \$450 and \$450)	\$ 78,309	\$ 75,537	\$ 217,517	\$ 207,800
Expenses:				
Direct operating expenses (including related parties of \$3,299, \$3,100, \$9,336 and \$8,493) (including non-cash stock-based compensation of \$60, \$0, \$179 and \$0)	31,921	31,244	91,964	89,125
Selling, general and administrative expenses (including non-cash stock-based compensation of \$111, \$33, \$770 and \$83)	13,805	13,351	39,306	38,645
Corporate expenses (including non-cash stock-based compensation of \$290, \$105, \$1,146 and \$413)	4,617	4,342	13,911	12,994
Gain on sale of assets	(1,408)		(19,060)	
Depreciation and amortization (includes direct operating of \$10,224, \$10,538, \$29,934 and \$30,747; selling, general and administrative of \$966, \$1,011, \$3,068 and \$3,382; and corporate of \$215, \$221, \$623 and \$693) (including related parties of \$580, \$580, \$1,740 and \$1,740)	11,406	11,770	33,624	34,822
Impairment charge			189,661	
	60,341	60,707	349,406	175,586
Operating income (loss)	17,968	14,830	(131,889)	32,214
Interest expense (including related parties of \$73, \$87, \$243 and \$286)	(14,393)	(7,796)	(21,230)	(24,512)
Interest income	61	201	818	562
Loss on debt extinguishment		(27,969)		(27,969)
Income (loss) before income taxes	3,636	(20,734)	(152,301)	(19,705)
Income tax (expense) benefit	(3,837)	7,915	(3,666)	6,823
Loss before equity in net income (loss) of nonconsolidated affiliate	(201)	(12,819)	(155,967)	(12,882)
Equity in net income (loss) of nonconsolidated affiliate (including non-cash stock-based compensation of \$(1), \$44, \$88 and \$121)	93	(1)	(20)	(196)
Net loss	\$ (108)	\$ (12,820)	\$ (155,987)	\$ (13,078)
Basic and diluted earnings per share:				
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.10)	\$ (1.46)	\$ (0.11)

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Weighted average common shares outstanding, basic and diluted	105,069,157	124,323,711	106,534,521	124,268,943
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See Notes to Consolidated Financial Statements



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(In thousands)

	<b>Nine-Month Period Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (155,987)	\$ (13,078)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	33,624	34,822
Impairment charge	189,661	
Deferred income taxes	43	(7,980)
Amortization of debt issue costs	300	1,787
Amortization of syndication contracts	71	38
Payments on syndication contracts	(66)	
Equity in net loss of nonconsolidated affiliate	20	196
Non-cash stock-based compensation	2,095	496
Gain on sale of media properties and other assets	(19,060)	(13)
Loss on debt extinguishment		27,969
Change in fair value of interest rate swap agreements	(2,672)	
Changes in assets and liabilities:		
Increase in accounts receivable	(7,493)	(7,636)
Increase in prepaid expenses and other assets	(346)	(3,247)
Decrease in accounts payable, accrued expenses and other liabilities	(2,820)	(4,787)
<b>Net cash provided by operating activities</b>	<b>37,370</b>	<b>28,567</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment and intangibles	4,763	44
Purchases of property and equipment and intangibles	(35,966)	(32,750)
Deposits on acquisitions	106	
Proceeds from collection of note receivable	1,288	
<b>Net cash used in investing activities</b>	<b>(29,809)</b>	<b>(32,706)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	3,257	1,219
Payments on long-term debt	(18,969)	(493,416)
Repurchase of Class U common stock	(52,514)	
Proceeds from borrowings on long-term debt	16,000	500,000
Excess tax benefits from exercise of stock options	109	
Payments of deferred debt and offering costs		(1,596)
<b>Net cash (used in) provided by financing activities</b>	<b>(52,117)</b>	<b>6,207</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(44,556)</b>	<b>2,068</b>
<b>Cash and cash equivalents:</b>		
Beginning	65,610	46,969