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WESTWOOD ONE INC /DE/
Form 10-Q
May 15, 2001

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2001

Commission File Number 0-13020

WESTWOOD ONE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

95-3980449

(I.R.S. Employer
Identification No.)

40 WEST 57TH STREET, 5th FLOOR, NEW YORK, NEW YORK 10019
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (212) 641-2000

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 X No
----- -----

As of May 1, 2001, 107,203,373 shares of Common Stock were outstanding, excluding treasury shares, and 703,466 shares of Class B Stock were outstanding.

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WESTWOOD ONE, INC.

INDEX

| PART I. FINANCIAL INFORMATION: | Page No. ----- |
|---|-------------------|
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Operations | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 6 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 7 |
| | |
| PART II. OTHER INFORMATION | 9 |
| | |
| SIGNATURES | 10 |

2

WESTWOOD ONE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

| | March 31, 2001 ----- |
|---|----------------------------|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 5,406 |
| Accounts receivable, net of allowance for doubtful accounts of \$9,453 (2001) and \$9,356 (2000) | 106,366 |
| Other current assets | 8,154 |
| | ----- |

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| | | |
|---|----------------------|-------------|
| | Total Current Assets | 119,926 |
| PROPERTY AND EQUIPMENT, NET | | 55,842 |
| INTANGIBLE ASSETS, NET | | 1,043,452 |
| OTHER ASSETS | | 16,243 |
| | | ----- |
| TOTAL ASSETS | | \$1,235,463 |
| | | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | | \$ 41,645 |
| Current maturity of long-term debt | | 6,250 |
| Other accrued expenses and liabilities | | 75,683 |
| | | ----- |
| Total Current Liabilities | | 123,578 |
| LONG-TERM DEBT | | 139,750 |
| OTHER LIABILITIES | | 29,917 |
| | | ----- |
| TOTAL LIABILITIES | | 293,245 |
| | | ----- |
| COMMITMENTS AND CONTINGENCIES | | - |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock: authorized 10,000 shares, none outstanding | | - |
| Common stock, \$.01 par value: authorized, 300,000 shares; issued and outstanding, 129,630 (2001) and 129,300 (2000) | | 1,296 |
| Class B stock, \$.01 par value: authorized, 3,000 shares; issued and outstanding, 704 (2001 and 2000) | | 7 |
| Additional paid-in capital | | 1,197,347 |
| Accumulated earnings | | 71,271 |
| Accumulated other comprehensive loss | | (4,477) |
| | | ----- |
| | | 1,265,444 |
| Less treasury stock, at cost; 22,289 (2001) and 21,612 (2000) shares | | (323,226) |
| | | ----- |
| TOTAL SHAREHOLDERS' EQUITY | | 942,218 |
| | | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$1,235,463 |
| | | ===== |

See accompanying notes to consolidated financial statements.

3

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

Three Months End
March 31,

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| | 2001 ---- | 2000 ---- |
|---|--------------|--------------|
| GROSS REVENUES | \$140,477 | \$140,477 |
| Less Agency Commissions | 18,908 | 20,000 |
| | ----- | ----- |
| NET REVENUES | 121,569 | 120,477 |
| | ----- | ----- |
| Operating Costs and Expenses Excluding Depreciation and Amortization | 90,441 | 90,441 |
| Depreciation and Amortization | 17,007 | 17,007 |
| Corporate General and Administrative Expenses | 1,811 | 1,811 |
| | ----- | ----- |
| | 109,259 | 109,259 |
| | ----- | ----- |
| OPERATING INCOME | 12,310 | 12,310 |
| Interest Expense | 2,846 | 2,846 |
| Other Income | (103) | (103) |
| | ----- | ----- |
| INCOME BEFORE INCOME TAXES | 9,567 | 9,567 |
| INCOME TAXES | 4,967 | 4,967 |
| | ----- | ----- |
| NET INCOME | \$4,600 | \$4,600 |
| | ===== | ===== |
| NET INCOME PER SHARE: | | |
| BASIC | \$.04 | \$.04 |
| | ===== | ===== |
| DILUTED | \$.04 | \$.04 |
| | ===== | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | |
| BASIC | 107,865 | 107,865 |
| | ===== | ===== |
| DILUTED | 111,766 | 111,766 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

4

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Three Months Ended March 31, ----- |
|---|--|
| | 2001 ---- |
| CASH FLOW FROM OPERATING ACTIVITIES: | |
| Net income | \$4,600 |
| Adjustments to reconcile net income to net cash provided by | |

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| | |
|---|----------|
| operating activities: | |
| Depreciation and amortization | 17,007 |
| Other | 658 |
| | ----- |
| | 22,265 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 29,184 |
| Decrease in other assets | 2,370 |
| Increase (Decrease) in accounts payable and accrued liabilities | (6,750) |
| | ----- |
| Net Cash Provided By Operating Activities | 47,069 |
| | ----- |
| CASH FLOW FROM INVESTING ACTIVITIES: | |
| Acquisition of companies and other | (2,370) |
| Capital expenditures | (1,723) |
| | ----- |
| Net Cash Used For Investing Activities | (4,093) |
| | ----- |
| CASH PROVIDED BEFORE FINANCING ACTIVITIES | 42,976 |
| | ----- |
| CASH FLOW FROM FINANCING ACTIVITIES: | |
| Issuance of common stock | 3,232 |
| Debt repayments and payments of capital lease obligations | (32,895) |
| Repurchase of common stock | (14,664) |
| | ----- |
| NET CASH USED IN FINANCING ACTIVITIES | (44,327) |
| | ----- |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,351) |
| | ----- |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 6,757 |
| | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$5,406 |
| | ===== |

See accompanying notes to consolidated financial statements.

5

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

NOTE 1 - Basis of Presentation:

The accompanying consolidated balance sheet as of March 31, 2001, the consolidated statements of operations and the consolidated statements of cash flows for the three month periods ended March 31, 2001 and 2000 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

NOTE 2 - Earnings Per Share:

Net income per share is computed in accordance with SFAS No. 128. Basic earnings per share excludes all dilution and is calculated using the weighted

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average number of shares outstanding in the period. Diluted earnings per share reflects the potential dilution that would occur if all financial instruments which may be exchanged for equity securities were exercised or converted to Common Stock.

The Company has issued options and warrants which may have a dilutive effect on reported earnings if they were exercised or converted to Common Stock. The following numbers of shares related to options and warrants were added to the basic weighted average shares outstanding to arrive at the diluted weighted average shares outstanding for each period:

| | March 31, | |
|----------|-----------|-------|
| | 2001 | 2000 |
| Warrants | 1,154 | 2,688 |
| Options | 2,747 | 4,524 |

NOTE 3 - Debt:

At March 31, 2001 the Company had outstanding borrowings of \$146,000 under its bank revolving credit facility and additional available borrowings of \$184,000.

6

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In thousands, except per share amounts)

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2000

Westwood One derives substantially all of its revenue from the sale of advertising time to advertisers. Net revenue in the first quarter of 2001 was \$121,569 compared with \$122,102 in the first quarter of 2000. The decrease in net revenue was due to a reduction in advertising spending principally by Internet companies partially offset by higher revenue from the Company's traditional, as well as, new advertisers.

Operating costs and expenses excluding depreciation and amortization decreased 2% to \$90,441 in the first quarter of 2001 from \$92,344 in the first quarter of 2000. The decrease was principally due to tight cost controls, and reductions in affiliate compensation and personnel costs.

Depreciation and amortization increased \$1,512, or 10%, to \$17,007 in the first quarter of 2001 compared with \$15,495 in the first quarter of 2000 due principally to depreciation and amortization associated with the November 2000 acquisition of the operating assets of SmartRoute Systems, Inc. ("SmartRoute").

Corporate administrative expenses decreased 10% to \$1,811 in the first quarter of 2001 from \$2,016 in the first quarter of 2000. The decrease was primarily attributable to lower across-the-board expenses.

Operating income increased slightly to \$12,310 in the first quarter of 2001 from \$12,247 in the first quarter of 2000, primarily due to a reduction in operating costs, partially offset by higher depreciation and amortization

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expense from the SmartRoute acquisition.

Net interest expense increased in the first quarter of 2001 to \$2,743 from \$2,540 in 2000. The increase was due to higher debt levels partially offset by a reduction in expense due to lower interest rates.

Income tax expense in the first quarter of 2001 was \$4,967 compared with \$5,751 in the first quarter of 2000. The Company's effective income tax rate in 2001 is approximately 52% compared with a 59% effective tax rate in the first quarter of 2000. The decrease in the effective tax rate is a result of nondeductible goodwill amortization being a smaller percentage of pretax income and lower state tax expense.

Net income in the first quarter of 2001 was \$4,600 (\$.04 per basic and diluted share) compared with \$3,956 (\$.04 per basic and \$.03 diluted share) in the first quarter of 2000, an increase of approximately \$644, or 16%.

Weighted average shares outstanding used to compute basic and diluted earnings per share decreased to 107,865 and 111,766, respectively, in the first quarter of 2001 compared with 112,155 and 119,368, respectively, in the first quarter of 2000. The decrease is principally attributable to the Company's stock repurchase program.

7

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, the Company's cash and cash equivalents were \$5,406, a decrease of \$1,351 from the December 31, 2000 balance.

For the three months ended March 31, 2001 versus the comparable prior year period, net cash from operating activities decreased \$2,123. The decrease was primarily attributable to reducing outstanding payables.

At March 31, 2000, the Company had available borrowings of \$184,000 on its revolving credit facility. Pursuant to the terms of the facility, the amount of available borrowings declines by \$4,500 at the end of each quarter. In addition, the Company is required to repay its term loan by \$2,500 per quarter in 2001 and \$3,750 per quarter in 2002. The Company prepaid its June and September 2001 term loan installments in the first quarter of 2001. The Company has used its available cash to repurchase its Common Stock and repay debt. In the first quarter of 2001, the Company repurchased 678 shares of Common Stock at a cost of \$14,664. From April 1 through April 30, 2001, the Company repurchased an additional 321 shares of Common Stock at a cost of approximately \$8,099.

8

PART II OTHER INFORMATION

Items 1 through 5

These items are not applicable.

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Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 2001

9

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.

WESTWOOD ONE, INC.

By: /S/ FARID SULEMAN

FARID SULEMAN
Chief Financial Officer

Dated: May 11, 2001

10