BEASLEY BROADCAST GROUP INC
Form 10-Q
August 07, 2017
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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, 2017

OR

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

Commission File No. 000-29253

BEASLEY BROADCAST GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**65-0960915**
(State of Incorporation)	**(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, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth 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

Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, $0.001 par value, 12,125,514 Shares Outstanding as of July 31, 2017

Class B Common Stock, $0.001 par value, 16,662,743 Shares Outstanding as of July 31, 2017

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2016	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,325,415	$ 17,047,364
Accounts receivable, less allowance for doubtful accounts of $1,537,353 in 2016 and $1,479,881 in 2017	48,186,463	44,535,497
Prepaid expenses	4,909,799	7,133,736
Merger consideration receivable	7,877,577	13,019,527
Beneficial interest in trust	19,947,261	
Other current assets	2,172,892	1,813,621
Total current assets	103,419,407	83,549,745
Property and equipment, net	60,166,812	59,128,512
FCC broadcasting licenses	476,571,140	477,977,719
Goodwill	3,393,234	3,393,234
Other intangibles, net	535,582	410,544
Assets held for sale	11,320,286	
Other assets	6,263,587	6,015,105
Total assets	$ 661,670,048	$ 630,474,859
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 6,686,077	$ 62,548
Accounts payable	6,087,436	8,535,820
Other current liabilities	21,173,419	18,780,156
Total current liabilities	33,946,932	27,378,524
Due to related parties	855,753	807,397
Long-term debt, net of current installments and unamortized debt issuance costs	247,692,171	212,378,777
Deferred tax liabilities	160,539,268	164,071,650
Other long-term liabilities	16,144,301	14,119,111
Total liabilities	459,178,425	418,755,459
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued		
Class A common stock, $0.001 par value; 150,000,000 shares authorized; 15,112,529 issued and 12,174,542 outstanding in 2016; 15,110,779 issued and 12,126,139 outstanding in 2017	15,113	15,111
	16,662	16,662

Class B common stock, $0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2016 and 2017		
Additional paid-in capital	146,339,925	147,311,622
Treasury stock, Class A common stock; 2,937,987 shares in 2016; 2,984,640 shares in 2017	(15,560,021)	(16,038,023)
Retained earnings	72,401,766	81,222,733
Accumulated other comprehensive loss	(721,822)	(808,705)
Total stockholders equity	202,491,623	211,719,400
Total liabilities and stockholders equity	$ 661,670,048	$ 630,474,859

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,	
	2016	2017
Net revenue	$ 27,777,381	$ 61,013,414
Operating expenses:		
Station operating expenses (including stock-based compensation of $36,412 in 2016 and $54,668 in 2017 and excluding depreciation and amortization shown separately below)	19,729,821	44,912,998
Corporate general and administrative expenses (including stock-based compensation of $168,962 in 2016 and $719,288 in 2017)	2,443,661	4,488,482
Merger and disposition expenses		295,237
Other operating expenses		252,915
Depreciation and amortization	830,581	1,619,642
Gain on disposition		(3,977,449)
Change in fair value of contingent consideration		2,391,342
Termination of postretirement benefits plan		(1,812,448)
Total operating expenses	23,004,063	48,170,719
Operating income	4,773,318	12,842,695
Non-operating income (expense):		
Interest expense	(898,560)	(4,752,044)
Other income (expense), net	269,052	39,519
Income before income taxes	4,143,810	8,130,170
Income tax expense	1,674,332	4,224,649
Net income	2,469,478	3,905,521
Other comprehensive income:		
Unrealized losses on securities (net of income tax benefit of $8,626 in 2016 and $6,537 in 2017)	(14,080)	(10,071)
Unrecognized actuarial losses on postretirement plans (net of income tax benefit of $40,697)		(62,699)
Comprehensive income	$ 2,455,398	$ 3,832,751
Net income per Class A and B common share:		
Basic and diluted	$ 0.11	$ 0.14
Dividends declared per common share	$ 0.045	$ 0.045
Weighted average shares outstanding:		
Basic	23,023,401	27,701,278

Diluted	23,119,431	27,874,221

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Six Months Ended June 30,	
	2016	2017
Net revenue	$ 55,232,328	$ 114,753,965
Operating expenses:		
Station operating expenses (including stock-based compensation of $72,824 in 2016 and $133,715 in 2017 and excluding depreciation and amortization shown separately below)	39,716,112	88,862,592
Corporate general and administrative expenses (including stock-based compensation of $367,856 in 2016 and $837,980 in 2017)	4,944,618	7,718,579
Merger and disposition expenses		746,070
Other operating expenses		581,162
Depreciation and amortization	1,669,987	3,122,479
Gain on dispositions, net		(3,707,993)
Change in fair value of contingent consideration		(5,141,950)
Termination of postretirement benefits plan		(1,812,448)
Total operating expenses	46,330,717	90,368,491
Operating income	8,901,611	24,385,474
Non-operating income (expense):		
Interest expense	(1,887,084)	(9,579,383)
Other income (expense), net	229,411	395,717
Income before income taxes	7,243,938	15,201,808
Income tax expense	2,953,707	3,809,791
Net income	4,290,231	11,392,017
Other comprehensive income:		
Unrealized losses on securities (net of income tax benefit of $30,318 in 2016 and $15,737 in 2017)	(49,487)	(24,245)
Unrecognized actuarial losses on postretirement plans (net of income tax benefit of $40,697)		(62,699)
Comprehensive income	$ 4,240,744	$ 11,305,073
Net income per Class A and B common share:		
Basic and diluted	$ 0.19	$ 0.41
Dividends declared per common share	$ 0.09	$ 0.09
Weighted average shares outstanding:		
Basic	23,003,436	27,682,302
Diluted	23,089,039	27,846,182

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BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2016	2017
Cash flows from operating activities:		
Net income	$ 4,290,231	$ 11,392,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	440,680	971,695
Provision for bad debts	452,528	781,307
Depreciation and amortization	1,669,987	3,122,479
Gain on dispositions		(3,707,993)
Change in fair value of contingent consideration		(5,141,950)
Termination of postretirement benefits plan		(1,812,448)
Amortization of loan fees	183,498	1,093,616
Deferred income taxes	1,358,994	3,445,499
Change in operating assets and liabilities:		
Accounts receivable	449,326	2,869,659
Prepaid expenses	(1,865,934)	(2,223,937)
Other assets	(30,394)	787,852
Accounts payable	293,643	2,448,384
Other liabilities	1,569,439	(3,371,828)
Other operating activities	33,053	2,070
Net cash provided by operating activities	8,845,051	10,656,422
Cash flows from investing activities:		
Change in restricted cash	743,195	
Capital expenditures	(1,368,840)	(1,601,007)
Proceeds from dispositions of radio stations		35,000,000
Payments for translator licenses		(1,109,103)
Payments for investments	(166,667)	
Loan to related party		(150,000)
Net cash provided by (used in) investing activities	(792,312)	32,139,890
Cash flows from financing activities:		
Payments on debt	(6,029,133)	(43,030,539)
Dividends paid	(2,068,435)	(2,565,822)
Purchase of treasury stock	(152,213)	(478,002)
Net cash used in financing activities	(8,249,781)	(46,074,363)
Net decrease in cash and cash equivalents	(197,042)	(3,278,051)
Cash and cash equivalents at beginning of period	14,318,494	20,325,415

Cash and cash equivalents at end of period	$ 14,121,452	$ 17,047,364
Cash paid for interest	$ 1,721,457	$ 8,544,760
Cash paid for income taxes	$ 2,555,650	$ 1,709,975
Supplement disclosure of non-cash investing and financing activities:		
Dividends declared but unpaid	$ 1,036,088	$ 1,285,638
Translator license and equipment received as consideration	$	$ 332,000

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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. and its subsidiaries (the Company) included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016. 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.

(2) Recent Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance is effective for annual periods beginning after December 15, 2017. The Company is currently in the process of reviewing the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In January 2017, the FASB issued guidance to simplify goodwill impairment testing by eliminating step two from the goodwill impairment test. Under the new guidance, an entity still has the option to perform the qualitative assessment of a reporting unit to determine if the quantitative impairment test is necessary. Under the new guidance an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company adopted the new guidance on a prospective basis in the first quarter of 2017 with no current impact on its financial statements.

In August 2016, the FASB issued guidance to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of reviewing the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In March 2016, the FASB issued guidance to improve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company adopted the new guidance in the first quarter of 2017 with no material impact on its financial statements.

In February 2016, the FASB issued guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. There continues to be a differentiation between finance leases and operating leases, however lease assets and lease liabilities arising from operating leases should now be recognized in the statement of financial position. New disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company continues to review the new guidance and is currently researching lease management software. The Company expects the new guidance to result in a significant impact on the balance sheet, however that impact will not be quantified until closer to the adoption date. The Company does not expect the new guidance to have a significant impact on the statement of comprehensive income.

In January 2016, the FASB issued guidance that changes how entities measure equity investments and present changes in the fair value of financial liabilities. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value, and as such, these investments may be measured at cost. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company continues to review the new guidance, but its preliminary assessment, which is subject to change, is that the new guidance will not result in a significant impact on its financial statements.

In September 2015, the FASB issued guidance that modified accounting for business combinations to reflect measurement period adjustments to be recorded prospectively rather than retroactively to the assets and liabilities initially recorded under purchase price accounting. The guidance, which was effective as of January 1, 2016, did not have a material impact on the Company s financial statements at the time of adoption. During the first quarter of 2017, the Company accounted for measurement period adjustments on a prospective basis. See Note 3 for further information.

In May 2014, the FASB issued guidance to clarify the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a comprehensive framework for revenue recognition that supersedes current general revenue guidance and most industry-specific guidance. In addition, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In 2016, the FASB issued several updates to address implementation issues and to clarify guidance for principal versus agent considerations and identifying performance obligations and licensing. An entity should apply the guidance either retrospectively to each prior reporting period presented or retrospectively with the cumulative adjustment at the date of the initial application. In August 2015, the FASB delayed the effective date of the new guidance to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is now permitted after the original effective date of December 15, 2016. The Company plans to adopt the new guidance on January 1, 2018. The Company continues to review the impact of the new guidance on its revenue streams and its initial assessment is that the new guidance will not result in a significant impact on its financial statements. The Company preliminarily plans to adopt the new guidance using the modified retrospective application method.

(3) Acquisitions and Dispositions

Greater Media Merger

On November 1, 2016, (the Acquisition Date), the Company completed the acquisition of Greater Media, Inc. (Greater Media), pursuant to the merger agreement, dated as of July 19, 2016 by and among the Company, Greater Media, Beasley Media Group 2, Inc., an indirect wholly-owned subsidiary of the Company (Merger Sub), and Peter A. Bordes, Jr., as the Stockholders Representative (the Merger Agreement). On the Closing Date, Merger Sub was merged with and into Greater Media, with Greater Media surviving the merger as an indirect wholly-owned subsidiary of the Company (the Merger). As a result of the Merger, the Company added 21 radio stations in the Boston, MA, Detroit, MI, Charlotte, NC, Middlesex, NJ, Monmouth, NJ, Morristown, NJ and Philadelphia, PA markets.

Pursuant to the terms of the Merger Agreement, at the effective time of the Merger, the Company acquired all of the issued and outstanding common stock of Greater Media for an aggregate purchase price of $239,875,000, subject to a purchase price adjustment related to the sale of Greater Media s tower assets and other customary post-closing purchase price adjustments and inclusive of the repayment of $82.2 million of Greater Media s outstanding debt and the payment of certain transaction expenses. The proceeds paid to the stockholders of Greater Media consisted of (i) $94.4 million in cash and (ii) $25.0 million in shares of the Company s Class A common stock, which equaled 5,422,993 shares at a fixed value of $4.61 per share (the Merger Shares). The 5,422,993 shares of Class A common stock were recorded at a fair value of $4.80 per share or $26.0 million on the Acquisition Date. The Merger consideration is subject to adjustment for changes in working capital of Greater Media, outstanding debt of Greater Media and its subsidiaries as of the date of the closing and certain other payments and expenses. Additional Merger Shares may be issued in connection with such adjustment. In addition, the stockholders of Greater Media will receive the net cash proceeds from the sale of Greater Media s tower assets, originally estimated to be approximately $24.0 million. Merger expenses of $0.5 million are reported in merger and disposition expenses in the consolidated statement of comprehensive income for the six months ended June 30, 2017.

The acquisition was accounted for as a business combination. The preliminary purchase price allocations are based on a preliminary valuation of assets and liabilities and the estimates and assumptions are subject to change as the Company obtains additional information during the measurement period, which may be up to one year from the Acquisition Date.

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company has engaged a third party to evaluate certain net operating loss carryforwards related to Greater Media, Inc. and several of its subsidiaries to determine the amount of net operating loss carryforwards that may be utilized by the Company in future tax returns. These evaluations have not been finalized, therefore an estimate of $3.6 million for net operating loss carryforwards has been included in the preliminary purchase price. The accounting for this item is preliminary and will be adjusted once finalized during the measurement period.

On the Acquisition Date, in accordance with the Merger Agreement, the Company placed 867,679 shares of Class A common stock with a fair value of $4.2 million in escrow. Some or all of these shares could be released to Greater Media based upon a working capital adjustment which may not be finalized until the third quarter of 2017. The Company s estimate of the working capital adjustment as of the Acquisition Date, results in 189,915 shares of Class A common stock being released to Greater Media. The unreleased shares in escrow will be canceled by the Company. The forfeited shares are not indexed to the Company s stock and therefore are adjusted to fair value based on the Company s closing stock price on each reporting date with changes in fair value recorded in earnings. The estimated number of shares to be released to Greater Media had a fair value of $0.9 million as of the Acquisition Date and have been included in the preliminary purchase price. The estimated number of shares to be forfeited had a fair value of $3.3 million as of the Acquisition Date and have been reported as a merger consideration receivable in the accompanying consolidated balance sheet. The Company reassessed the fair value of the estimated number of shares to be forfeited and recorded a $1.2 million decrease in fair value of the contingent consideration for the three months ended June 30, 2017 and a $2.5 million increase in fair value for the six months ended June 30, 2017. The final purchase price will include the fair value of the forfeited shares as of the settlement date of the working capital adjustment. The accounting for this item is preliminary and will be adjusted once finalized during the measurement period.

In accordance with the Merger Agreement, the purchase price will be adjusted by certain proceeds from the sale of Greater Media s towers assets. Based on the proceeds from the tower sale, the former stockholders of Greater Media will return a certain number of shares of Class A common stock that will be canceled by the Company. The Company has accounted for this arrangement as contingent consideration subject to the ultimate sale of the tower assets. As of the Acquisition Date, the Company estimated the sales price of the towers to be $28.0 million which resulted in the expected return of 650,759 shares. As of the Acquisition Date, the estimated number of shares to be returned had a fair value of $3.4 million based on a stock price of $5.16 and have been reported as a merger consideration receivable in the accompanying consolidated balance sheet. On February 27, 2017, the former stockholders of Greater Media entered into an asset purchase agreement to sell the towers for $28.0 million. As of June 30, 2017, the estimated number of shares to be returned had a fair value of $6.4 million based on a stock price of $9.80. The Company recorded a $1.2 million decrease in fair value of the contingent consideration for the three months ended June 30, 2017 and a $2.6 million increase in fair value for the six months ended June 30, 2017. The number of returned shares may be revised due to a change in the estimated net proceeds from the tower sale. The accounting for this item is preliminary and will be adjusted once finalized during the measurement period.

The following table summarizes the preliminary purchase price allocation as of the Acquisition Date:

Cash and cash equivalents	$ 7,683,950
Accounts receivable	29,889,677
Prepaid expenses	1,710,924
Other current assets	541,460
Property and equipment	40,642,648
FCC broadcasting licenses	263,260,200
Other intangibles, net	2,790,524
Other assets	676,632
Accounts payable	(429,042)
Other current liabilities	(16,685,309)
Long-term debt	(82,177,895)
Deferred tax liabilities	(76,050,112)
Other long-term liabilities	(13,709,261)
Net assets acquired	158,144,396
Gain on merger	(44,281,066)
Preliminary purchase price	$ 113,863,330

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BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes the components of the preliminary purchase price:

Cash	$ 94,444,148
Stock issued	21,865,506
Estimated tower sale adjustment	(3,357,916)
Stock issued in escrow	4,164,859
Estimated working capital adjustment	(3,253,267)
Preliminary purchase price	$ 113,863,330

Effective on the Acquisition Date, the Company entered into an agreement with the former CEO of Greater Media to provide consulting services for a period of one year. The costs associated with this agreement are reported in other operating expenses in the accompanying statement of comprehensive income for the three and six months ended June 30, 2017.

The following unaudited pro forma information for the three and six months ended June 30, 2016 assumes that the merger had occurred on January 1, 2016. The significant pro forma adjustments are depreciation and interest expense. This unaudited pro forma information has been prepared based on estimates and assumptions, which management believes are reasonable, and is not necessarily indicative of what would have occurred had the acquisition been completed on January 1, 2016 or of results that may occur in the future.

	Three months ended June 30, 2016	Six months ended June 30, 2016
Net revenue	$ 62,549,516	$ 118,024,368
Operating income	9,094,400	14,806,388
Net income	2,716,788	3,381,133
Basic and diluted net income per share	0.10	0.12

Dispositions

On January 6, 2017, the Company completed the sale of substantially all of the assets used or useful in the operations of WBT-AM, WBT-FM, WFNZ-AM and WLNK-FM in Charlotte, NC to Entercom Communications Corp. for $24.0 million in cash. On November 1, 2016, the assets of WBT-AM, WBT-FM and WLNK-FM were contributed to a trust following completion of the Company s acquisition of Greater Media and were operated by Entercom under a local marketing agreement until completion of the sale. The assets of WBT-AM, WBT-FM and WLNK-FM were reported as a beneficial interest in trust as of December 31, 2016 that was realized upon completion of the sale. The Company repaid a portion of the outstanding balance under its credit facility with the sales proceeds. The Company recorded a

$0.3 million loss on disposition during the first quarter of 2017.

On May 1, 2017, the Company completed the sale of substantially all of the assets used in the operations of WIKS-FM, WMGV-FM, WNCT-AM, WNCT-FM, WSFL-FM and WXNR-FM in its Greenville-New Bern-Jacksonville, NC market cluster to CMG Coastal Carolina, LLC for $11.0 million in cash and a translator license and equipment with a fair value of $0.3 million. The Company repaid a portion of the outstanding balance under its credit facility with the cash sales proceeds. The Company no longer has operations in the Greenville-New Bern-Jacksonville, NC market after completion of the disposition. However management determined that the disposition did not represent a strategic shift that will have a major effect on the Company s operations and financial results, therefore the operations in the Greenville-New Bern-Jacksonville, NC market were not reported as discontinued operations. Income before taxes for the radio stations in the Greenville-New Bern-Jacksonville, NC market was $0.5 million and $0.3 million for the three and six months ended June 30, 2016, respectively. Income before the gain on disposition of $4.0 million, other disposition related expenses of $0.3 million, and taxes for the radio stations in the Greenville-New Bern-Jacksonville, NC market was $0.1 million and approximately $20,000 for the three and six months ended June 30, 2017, respectively. The assets of WIKS-FM, WMGV-FM, WNCT-AM, WNCT-FM, WSFL-FM and WXNR-FM were reported as held for sale as of December 31, 2016. The Company recorded a $4.0 million gain on disposition during the second quarter of 2017.

A summary of assets held for sale as of December 31, 2016 is as follows:

	WFNZ-AM	New Bern	Total
Property and equipment, net	$ 1,702,847	$ 1,400,615	$ 3,103,462
FCC broadcasting licenses	2,166,400	3,998,940	6,165,340
Goodwill		1,943,349	1,943,349
Other intangibles	108,135		108,135
	$ 3,977,382	$ 7,342,904	$ 11,320,286

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BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(4) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2016	June 30, 2017
Term loan	$ 265,000,000	$ 222,000,000
Revolving credit facility	3,000,000	3,000,000
Capital lease obligations	691,951	661,412
	268,691,951	225,661,412
Less unamortized debt issuance costs	(14,313,703)	(13,220,087)
	254,378,248	212,441,325
Less current installments	(6,686,077)	(62,548)
	$ 247,692,171	$ 212,378,777

As of June 30, 2017, the credit facility consisted of a term loan with a remaining balance of $222.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. As of June 30, 2017, the Company had $17.0 million in available commitments under its revolving credit facility. At the Company s option, the credit facility may bear interest at either (i) the London Interbank Offered Rate (LIBOR) plus a margin 6.0% or (ii) the base rate plus a margin of 5.0%. Each margin will decrease 0.25% when the Company s First Lien Leverage Ratio (as defined in the credit agreement) is equal or less than 3.75x. The LIBOR interest rate for the term loan is subject to a 1% floor. Interest payments for loans based on LIBOR are due at the end of each applicable interest period unless the interest period is longer than three months, then they are due at the end of each three month period. Interest payments for loans based on the base rate are due quarterly. The revolving credit facility carried interest, based on LIBOR, at 7.2% as of June 30, 2017 and matures on November 1, 2021. The term loan carried interest, based on LIBOR, at 7.2% as of June 30, 2017 and matures on November 1, 2023.

As of December 31, 2016, the credit facility consisted of a term loan with a remaining balance of $265.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. The revolving credit facility carried interest, based on LIBOR, at 6.8% as of December 31, 2016. The term loan carried interest, based on LIBOR, at 7.0% as of December 31, 2016.

Commencing with the year ending December 31, 2017, the credit agreement requires mandatory prepayments equal to 75% of Excess Cash Flow (as defined in the credit agreement) when the Company s Total Leverage Ratio (as defined in the credit agreement) is greater than 3.75x; mandatory prepayments equal to 50% of Excess Cash Flow when the Company s Total Leverage Ratio is less than or equal to 3.75x and greater than 3.5x; mandatory prepayments equal to 25% of Excess Cash Flow when the Company s Total Leverage Ratio is less than or equal to 3.5x and greater than

3.0x; and no mandatory prepayments when the Company s Total Leverage Ratio is less than or equal to 3.0x. Mandatory prepayments of consolidated Excess Cash Flow are due 105 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires the Company to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include a First Lien Leverage Ratio that will be tested at the end of each quarter. For the period from June 30, 2017 through March 31, 2018, the maximum First Lien Leverage Ratio is 6.25x. For the period from June 30, 2018 through September 30, 2018, the maximum First Lien Leverage Ratio is 6.0x. For the period from December 31, 2018 through September 30, 2019, the maximum First Lien Leverage Ratio is 5.75x. The maximum First Lien Leverage Ratio is 5.25x for December 31, 2019 and thereafter.

The credit facility is secured by substantially all assets of the Company and its subsidiaries and is guaranteed jointly and severally by the Company and its subsidiaries. If the Company defaults under the terms of the credit agreement, the Company and its subsidiaries may be required to perform under their guarantees. As of June 30, 2017, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was $225.0 million. The revolving credit facility and the guarantees related thereto expire on November 1, 2021 and the term loan credit agreement and the guarantees related thereto expire on November 1, 2023.

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BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Failure to comply with 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 June 30, 2017, the Company was in compliance with all applicable financial covenants under its credit agreement.

The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2017, the next four years and thereafter are as follows:

2017	$ 30,538
2018	64,020
2019	67,101
2020	70,326
2021	10,073,700
Thereafter	215,355,727
Total	$ 225,661,412

(5) Employee Benefit Plans

On November 1, 2016, the Company assumed the frozen Greater Media postretirement medical and life insurance benefits plan. The $1.8 million liability related to the plan is reported in other long-term liabilities in the consolidated balance sheet as of December 31, 2016. Effective May 31, 2017, the Company terminated the postretirement medical and life insurance benefits plan and reversed the accrued liability of $1.8 million which is reported on a separate line in the consolidated statements of comprehensive income for the three and six months ended June 30, 2017.

(6) Stock-Based Compensation

The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan) permits the Company to issue up to 7.5 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive restricted stock units, shares of restricted stock, stock options or other stock-based awards. The restricted stock units and restricted stock awards that have been granted under the 2007 Plan generally vest over one to five years of service.

A summary of restricted stock unit activity under the 2007 Plan for the three months ended June 30, 2017 is as follows:

	Units	Weighted-Average

		Grant-Date Fair Value
Unvested as of April 1, 2017	43,792	$ 9.30
Granted	432,000	10.65
Vested		
Forfeited		
Unvested as of June 30, 2017	475,792	$ 10.53

A summary of restricted stock activity under the 2007 Plan for the three months ended June 30, 2017 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of April 1, 2017	229,602	$ 4.76
Granted		
Vested	(6,700)	7.27
Forfeited	(3,750)	7.87
Unvested as of June 30, 2017	219,152	$ 5.51

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BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2017, there was an aggregate $5.1 million of unrecognized compensation cost related to restricted stock units and shares of restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 2.7 years.

(7) Income Taxes

The Company s effective tax rate was approximately 52% and 25% for the three and six months ended June 30, 2017, respectively, and approximately 40% and 41% for the three and six months ended June 30, 2016, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate also reflects a $0.9 million increase and a $2.0 million decrease due to the change in fair value of contingent consideration for the three and six months ended June 30, 2017, respectively.

(8) Related Party Transactions

On February 22, 2017, the Company contributed $150,000 to LN2 DB, LLC (formerly Digital PowerRadio, LLC) in exchange for a note bearing interest at 18% per annum. Principal and accrued interest are due on the maturity date of December 31, 2019. LN2 DB, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of Beasley Broadcast Group, Inc.

(9) Financial Instruments

The carrying amount of the Company s financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short term nature of these financial instruments.

The carrying amount of the Company s long-term debt, including the term loan, the revolving credit facility, capital lease obligations and current installments, as of June 30, 2017 was $225.0 million which approximated fair value based on current market interest rates. The carrying amount of the Company s term loan as of December 31, 2016 was $265.0 million. The Company estimated the fair value of the term loan to be $268.5 million using observable inputs (Level 2). The carrying amount of the Company s revolving credit facility and capital lease obligations as of December 31, 2016 was $3.7 million which approximated fair value based on current market interest rates.

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

General

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 63 radio stations in the following radio markets: Atlanta, GA, Augusta, GA, Boston, MA, Charlotte, NC, Detroit, MI, Fayetteville, NC, Fort Myers-Naples, FL, Las Vegas, NV, Middlesex, NJ, Monmouth, NJ, Morristown, NJ, Philadelphia, PA, Tampa-Saint Petersburg, FL, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We refer to each group of radio stations in each radio market as a market cluster.

Recent Developments

On November 1, 2016, we assumed the frozen Greater Media postretirement medical and life insurance benefits plan. Effective May 31, 2017, we terminated the postretirement medical and life insurance benefits plan and reversed the accrued liability of $1.8 million.

Greater Media Merger

On November 1, 2016, we completed the acquisition of Greater Media, Inc. (Greater Media), pursuant to the merger agreement, dated as of July 19, 2016 by and among the Company, Greater Media, Beasley Media Group 2, Inc., an indirect wholly-owned subsidiary of the Company (Merger Sub), and Peter A. Bordes, Jr., as the Stockholders Representative (the Merger Agreement). In accordance with the Merger Agreement, Merger Sub was merged with and into Greater Media, with Greater Media surviving the merger as an indirect wholly-owned subsidiary of the Company (the Merger). As a result of the Merger, the Company added 21 radio stations in the Boston, MA, Detroit, MI, Charlotte, NC, Middlesex, NJ, Monmouth, NJ, Morristown, NJ and Philadelphia, PA markets.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements about the Company within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future, not past, events. All statements other than statements of historical fact included in this document are forward-looking statements. These forward-looking statements are based on the current beliefs and expectations of the Company s management and are subject to known and unknown risks and uncertainties. Forward-looking statements, which address the Company s expected business and financial performance and financial condition, among other matters, contain words such as: expects, anticipates, intends, plans believes, estimates, may, will, plans, projects, could, should, would, seek, forecast, or other sir

Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements.

Forward-looking statements involve a number of risks and uncertainties, and actual results or events may differ materially from those projected or implied in those statements. Factors that could cause actual results or events to differ materially from these forward-looking statements include, but are not limited to:

external economic forces that could have a material adverse impact on the Company s advertising revenues and results of operations;

the ability of the Company s radio stations to compete effectively in their respective markets for advertising revenues;

the ability to successfully combine the Company s business with Greater Media s business and the potential for unexpected delays, costs, or liabilities relating to the integration of Greater Media;

the incurrence of significant Merger-related fees and costs;

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- the risk that the Merger may prevent the Company from acting on future opportunities to enhance stockholder value;
- the ability of the Company to respond to changes in technology, standards and services that affect the radio industry;
- audience acceptance of the Company s content, particularly its radio programs;
- the Company s substantial debt levels and the potential effect of restrictive debt covenants on the Company s operational flexibility and ability to pay dividends;
- the Company s dependence on federally issued licenses subject to extensive federal regulation;
- the risk that the Company s FCC broadcasting licenses and/or goodwill, including those assets recorded due to the Merger, could become impaired;
- the failure or destruction of the internet, satellite systems and transmitter facilities that the Company depends upon to distribute its programming;
- disruptions or security breaches of the Company s information technology infrastructure;
- actions by the FCC or new legislation affecting the radio industry;
- the loss of key personnel;
- the fact that the Company is controlled by the Beasley family, which creates difficulties for any attempt to gain control of the Company;
- the effect of future sales of Class A common stock by the Beasley family or the former stockholders of Greater Media;
- other economic, business, competitive, and regulatory factors affecting the businesses of the Company, including those set forth in the Company s filings with the SEC.

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. We do not intend, and undertake no obligation, to update any forward-looking statement.

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 airtime sales, digital sales and event marketing for 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 and digital 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 periodic reports issued by Nielson Audio;

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- 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.

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.

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 digital 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. We also generate revenue from selling other digital products.

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, 2016. There have been no material changes to our critical accounting estimates during the second quarter of 2017.

Recent Accounting Pronouncements

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

Three Months Ended June 30, 2017 Compared to the Three Months Ended June 30, 2016

The following summary table presents a comparison of our results of operations for the three months ended June 30, 2016 and 2017 with respect to certain of our key financial measures. These 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 June 30,		Change	
	2016	2017	$	%
Net revenue	$ 27,777,381	$ 61,013,414	$ 33,236,033	119.7%
Station operating expenses	19,729,821	44,912,998	25,183,177	127.6
Corporate general and administrative expenses	2,443,661	4,488,482	2,044,821	83.7
Depreciation and amortization	830,581	1,619,642	789,061	95.0
Gain on disposition		3,977,449	3,977,449	
Change in fair value of contingent consideration		(2,391,342)	(2,391,342)	
Termination of postretirement benefits plan		1,812,448	1,812,448	
Interest expense	898,560	4,752,044	3,853,484	428.9
Income tax expense	1,674,332	4,224,649	2,550,317	152.3
Net income	2,469,478	3,905,521	1,436,043	58.2

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Net Revenue. Net revenue increased $33.2 million during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. Significant factors affecting net revenue included $13.5 million in additional advertising revenue from the Boston radio stations, $11.6 million from the Philadelphia radio stations, $5.6 million from the Detroit radio stations, and $4.4 million from the New Jersey radio stations acquired from Greater Media on November 1, 2016, partially offset by a $1.3 million decrease due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017, and a $0.8 million decrease in advertising revenue from our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017. Net revenue for the three months ended June 30, 2017 was comparable to net revenue for the same period in 2016 at our remaining market clusters.

Station Operating Expenses. Station operating expenses increased $25.2 million during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. Significant factors affecting station operating expenses included $9.5 million in additional expenses from the Boston radio stations, $9.0 million from the Philadelphia radio stations, $5.4 million from the Detroit radio stations, and $3.2 million from the New Jersey radio stations acquired from Greater Media, partially offset by a $0.9 million decrease in station operating expenses due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017, a $0.9 million decrease in station operating expenses at our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017, and a $0.7 million decrease in station operating expenses at our Tampa-Saint Petersburg market cluster. Station operating expenses for the three months ended June 30, 2017 were comparable to station operating expenses for the same period in 2016 at our remaining market clusters.

Corporate General and Administrative Expenses. Corporate general and administrative expenses increased $2.0 million during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. Significant factors affecting corporate general and administrative expenses included a $0.7 million increase in cash compensation expense, which was primarily due to an increase in the number of employees at our corporate offices and new employment agreements including retroactive compensation, a $0.6 million increase in stock-based compensation expense and a $0.3 million increase in contract services.

Depreciation and Amortization. The $0.8 million increase in depreciation and amortization during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016 was primarily due to additional expense from the radio stations acquired from Greater Media.

Gain on Disposition. On May 1, 2017, we completed the disposition of our Greenville-New Bern-Jacksonville market cluster. As a result of the disposition we recorded a gain of $4.0 million during the three months ended June 30, 2017.

Change in Fair Value of Contingent Consideration. In connection with the acquisition of Greater Media, a number of shares of our Class A common stock will be returned to us by the former stockholders of Greater Media based on certain proceeds from the sale of Greater Media s tower assets. The fair value of the estimated number of shares to be returned decreased $1.2 million due to a decrease in our stock price over the three months ended June 30, 2017. In addition, a certain number of shares of our Class A common stock placed in escrow on the acquisition date are expected to be forfeited based on a working capital adjustment. The fair value of the estimated number of shares to be forfeited decreased $1.2 million due to a decrease in our stock price over the three months ended June 30, 2017. These decreases were recognized as a change in fair value of contingent consideration during the three months ended June 30, 2017.

Termination of Postretirement Benefits Plan. Effective May 31, 2017, we terminated the Greater Media postretirement medical and life insurance benefits plan. As a result of the plan termination, we reversed the accrued liability of $1.8 million during the three months ended June 30, 2017.

Interest Expense. Interest expense increased $3.9 million during the three months ended June 30, 2017 as compared to the three months ended June 30, 2016. The primary factors affecting interest expense were the increase in long-term debt outstanding and the applicable interest rate.

Income Tax Expense. Our effective tax rate was approximately 40% and 52% for the three months ended June 30, 2016 and 2017, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the three months ended June 30, 2017 also reflects a $0.9 million increase due to the change in fair value of contingent consideration.

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Net Income. Net income during the three months ended June 30, 2017 increased $1.4 million as compared to the three months ended June 30, 2016 as a result of the factors described above.

Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016

The following summary table presents a comparison of our results of operations for the six months ended June 30, 2016 and 2017 with respect to certain of our key financial measures. These 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.

	Six Months ended June 30,		Change	
	2016	2017	$	%
Net revenue	$ 55,232,328	$ 114,753,965	$ 59,521,637	107.8%
Station operating expenses	39,716,112	88,862,592	49,146,480	123.7
Corporate general and administrative expenses	4,944,618	7,718,579	2,773,961	56.1
Depreciation and amortization	1,669,987	3,122,479	1,452,492	87.0
Gain on dispositions		3,707,993	3,707,993	
Change in fair value of contingent consideration		5,141,950	5,141,950	
Termination of postretirement benefits plan		1,812,448	1,812,448	
Interest expense	1,887,084	9,579,383	7,692,299	407.6
Income tax expense	2,953,707	3,809,791	856,084	29.0
Net income	4,290,231	11,392,017	7,101,786	165.5

Net Revenue. Net revenue increased $59.5 million during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Significant factors affecting net revenue included $24.1 million in additional advertising revenue from the Boston radio stations, $21.1 million from the Philadelphia radio stations, $10.6 million from the Detroit radio stations, and $8.3 million from the New Jersey radio stations acquired from Greater Media on November 1, 2016, partially offset by a $1.7 million decrease in advertising revenue from our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017, a $1.7 million decrease in advertising revenue from our Tampa-Saint Petersburg market cluster, and a $1.3 million decrease due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017. Net revenue for the six months ended June 30, 2017 was comparable to net revenue for the same period in 2016 at our remaining market clusters.

Station Operating Expenses. Station operating expenses increased $49.1 million during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Significant factors affecting station operating expenses included $18.0 million in additional expenses from the Boston radio stations, $17.4 million from the Philadelphia radio stations, $10.3 million from the Detroit radio stations, and $6.2 million from the New Jersey radio stations acquired from Greater Media, partially offset by a $1.5 million decrease in station operating expenses at our Charlotte market cluster primarily due to the disposition of WFNZ-AM on January 6, 2017, a $1.1 million decrease in station operating expenses at our Tampa-Saint Petersburg market cluster, and a $1.0 million decrease in station operating expenses due to the disposition of our Greenville-New Bern-Jacksonville market cluster on May 1, 2017. Station operating expenses for the six months ended June 30, 2017 were comparable to station operating expenses for the same period in 2016 at our remaining market clusters.

Corporate General and Administrative Expenses. Corporate general and administrative expenses increased $2.8 million during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Significant factors affecting corporate general and administrative expenses included a $1.1 million increase in cash compensation

expense, which was primarily due to an increase in the number of employees at our corporate offices and new employment agreements including retroactive compensation, a $0.5 million increase in stock-based compensation expense and a $0.5 million increase in contract services.

Depreciation and Amortization. The $1.5 million increase in depreciation and amortization during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 was primarily due to additional expense from the radio stations acquired from Greater Media.

Gain on Dispositions. On May 1, 2017, we completed the disposition of our Greenville-New Bern-Jacksonville market cluster. As a result of the disposition we recorded a gain of $4.0 million during the second quarter of 2017. On January 6, 2017, we completed the sale of substantially all of the assets used or useful in the operations of WBT-AM, WBT-FM, WFNZ-AM and WLNK-FM in Charlotte, NC. As a result of the disposition we recorded a $0.3 million loss during the first quarter of 2017

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Change in Fair Value of Contingent Consideration. In connection with the acquisition of Greater Media, a number of shares of our Class A common stock will be returned to us by the former stockholders of Greater Media based on certain proceeds from the sale of Greater Media s tower assets. The fair value of the estimated number of shares to be returned increased $2.6 million due to an increase in our stock price over the six months ended June 30, 2017. In addition, a certain number of shares of our Class A common stock placed in escrow on the acquisition date are expected to be forfeited based on a working capital adjustment. The fair value of the estimated number of shares to be forfeited increased $2.5 million due to an increase in our stock price over the six months ended June 30, 2017. These increases were recognized as a change in fair value of contingent consideration during the six months ended June 30, 2017.

Termination of Postretirement Benefits Plan. Effective May 31, 2017, we terminated the Greater Media postretirement medical and life insurance benefits plan. As a result of the plan termination, we reversed the accrued liability of $1.8 million during the six months ended June 30, 2017.

Interest Expense. Interest expense increased $7.7 million during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The primary factors affecting interest expense were the increase in long-term debt outstanding and the applicable interest rate.

Income Tax Expense. Our effective tax rate was approximately 41% and 25% for the six months ended June 30, 2016 and 2017, respectively. These rates differ from the federal statutory rate of 35% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the six months ended June 30, 2017 also reflects a $2.0 million decrease due to the change in fair value of contingent consideration.

Net Income. Net income during the six months ended June 30, 2017 increased $7.1 million as compared to the six months ended June 30, 2016 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 facility. 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.

Our credit agreement permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of $2.5 million per year. We paid $0.5 million to repurchase 46,653 shares during the six months ended June 30, 2017.

Our credit agreement restricts our ability to pay cash dividends and to repurchase additional shares of our common stock. The credit agreement does permit, however, (i) additional dividends of up to an aggregate amount of $6.5 million if our Total Leverage Ratio is greater than 3.5x and up to an aggregate amount of $7.5 million if our Total Leverage Ratio is less than or equal to 3.5x, (ii) an amount equal to our excess cash flow that is not required to prepay the credit agreement, subject to maintaining a Total Leverage Ratio of no greater than 3.75x and (iii) unlimited

dividends if our Total Leverage Ratio is less than 3.5x and our First Lien Leverage Ratio (as defined in the credit agreement) is less than 2.5x. We paid cash dividends of $2.6 million during the six months ended June 30, 2017. Also, on June 8, 2017, our board of directors declared a cash dividend of $0.045 per share on our Class A and Class B common stock. The dividend of $1.3 million in the aggregate was paid on July 7, 2017, to stockholders of record on June 30, 2017.

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

- internally generated cash flow;

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- our revolving credit facility;
- additional borrowings, other than under our existing revolving credit facility, to the extent permitted under our new credit agreement; 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 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.

Credit Facility. As of June 30, 2017, the credit facility consisted of a term loan with a remaining balance of $222.0 million and a revolving credit facility with an outstanding balance of $3.0 million and a maximum commitment of $20.0 million. As of June 30, 2017, we had $17.0 million in available commitments under our revolving credit facility. At our option, the credit facility may bear interest at either (i) the London Interbank Offered Rate (LIBOR) plus a margin of 6.0% or (ii) the base rate plus a margin of 5.0%. Each margin will decrease 0.25% when our First Lien Leverage Ratio (as defined in the credit agreement) is equal or less than 3.75x. The LIBOR interest rate for the term loan is subject to a 1% floor. Interest payments for loans based on LIBOR are due at the end of each applicable interest period unless the interest period is longer than three months, then they are due at the end of each three month period. Interest payments for loans based on the base rate are due quarterly. The revolving credit facility carried interest, based on LIBOR, at 7.2% as of June 30, 2017 and matures on November 1, 2021. The term loan carried interest, based on LIBOR, at 7.2% as of June 30, 2017 and matures on November 1, 2023.

Commencing with the year ending December 31, 2017, the credit agreement requires mandatory prepayments equal to 75% of Excess Cash Flow (as defined in the credit agreement) when our Total Leverage Ratio (as defined in the credit agreement) is greater than 3.75x; mandatory prepayments equal to 50% of Excess Cash Flow when our Total Leverage Ratio is less than or equal to 3.75x and greater than 3.5x; mandatory prepayments equal to 25% of Excess Cash Flow when our Total Leverage Ratio is less than or equal to 3.5x and greater than 3.0x; and no mandatory prepayments when our Total Leverage Ratio is less than or equal to 3.0x. Mandatory prepayments of consolidated Excess Cash Flow are due 105 days after year end. The credit agreement also requires mandatory prepayments for defined amounts from net proceeds of asset sales, net insurance proceeds, and net proceeds of debt issuances.

The credit agreement requires us to comply with certain financial covenants which are defined in the credit agreement. These financial covenants include a First Lien Leverage Ratio that will be tested at the end of each quarter. For the period from June 30, 2017 through March 31, 2018, the maximum First Lien Leverage Ratio is 6.25x. For the period from June 30, 2018 through September 30, 2018, the maximum First Lien Leverage Ratio is 6.0x. For the period from December 31, 2018 through September 30, 2019, the maximum First Lien Leverage Ratio is 5.75x. The maximum First Lien Leverage Ratio is 5.25x for December 31, 2019 and thereafter.

The credit facility is secured by substantially all assets of the Company and its subsidiaries and is guaranteed jointly and severally by the Company and its subsidiaries. If we default under the terms of the credit agreement, the Company and its subsidiaries may be required to perform under their guarantees. As of June 30, 2017, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was $225.0 million. The revolving credit facility and the guarantees thereto expire on November 1, 2021 and the term loan credit agreement and the guarantees thereto expire on November 1, 2023.

Failure to comply with 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 June 30, 2017, we were in compliance with all applicable financial covenants under our credit agreement.

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The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2017, the next four years and thereafter are as follows:

2017	$ 30,538
2018	64,020
2019	67,101
2020	70,326
2021	10,073,700
Thereafter	215,355,727
Total	$ 225,661,412

Cash Flows. The following summary table presents a comparison of our capital resources for the six months ended June 30, 2016 and 2017 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.

	Six Months ended June 30,	
	2016	2017
Net cash provided by operating activities	$ 8,845,051	$ 10,656,422
Net cash provided by (used in) investing activities	(792,312)	32,139,890
Net cash used in financing activities	(8,249,781)	(46,074,363)
Net decrease in cash and cash equivalents	$ (197,042)	$ (3,278,051)

Net Cash Provided By Operating Activities. Net cash provided by operating activities increased $1.8 million during the six months ended June 30, 2017. Significant factors affecting this increase in net cash provided by operating activities included a $59.3 million increase in cash receipts from the sale of advertising airtime partially offset by a $48.0 million increase in cash paid for station operating expenses, a $6.8 million increase in interest payments, and a $2.3 million increase in cash paid for corporate general and administrative expenses.

Net Cash Provided By (Used In) Investing Activities. Net cash provided by investing activities during the six months ended June 30, 2017 included proceeds of $35.0 million from the disposition of radio stations in Charlotte and Greenville-New Bern-Jacksonville, partially offset by payments of $1.6 million for capital expenditures, and payments of $1.1 million for translator licenses. Net cash used in investing activities for the same period in 2016 included payments of $1.4 million for capital expenditures, partially offset by a $0.7 million decrease in restricted cash from the release of unused radio tower sales proceeds from a qualified intermediary.

Net Cash Used In Financing Activities. Net cash used in financing activities during the six months ended June 30, 2017 included repayments of $43.0 million under our credit facility, payments of $2.6 million for cash dividends and payments of $0.5 million for repurchases of our Class A common stock. Net cash used in financing activities for the same period in 2016 included repayments of $6.0 million under our credit facility and payments of $2.1 million for cash dividends.

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 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 June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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 risk factors affecting our Company are described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to the risks affecting our Company during the second quarter of 2017.

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 June 30, 2017.

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 of Shares That May Yet Be Purchased Under the Program
April 1 30, 2017	1,675	$ 13.06		
May 1 31, 2017				
June 1 30, 2017				
Total	1,675			

On March 27, 2007, our board of directors approved the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan). The original ten year term of the 2007 Plan ended on March 27, 2017. Our stockholders approved an amendment to the 2007 Plan at the Annual Meeting of Stockholders on June 8, 2017 to, among other things, extend the term of the 2007 Plan until March 27, 2027. The 2007 Plan permits us to purchase sufficient shares to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock. Our credit agreement permits us to repurchase sufficient shares of our common stock to fund withholding taxes in connection with the vesting of restricted stock units and shares of restricted stock, subject to compliance with financial covenants, up to an aggregate amount of $2.5 million per year. All shares purchased during the three months ended June 30, 2017, were purchased to fund withholding taxes in connection with the vesting of shares of restricted stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

Exhibit Number	Description
10.1	Executive employment agreement by and between Beasley Broadcast Group, Inc. and George G. Beasley dated as of June 8, 2017 (incorporated by reference to Exhibit 10.1 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K filed June 12, 2017).
10.2	Executive employment agreement by and between Beasley Broadcast Group, Inc. and Caroline Beasley dated as of June 8, 2017 (incorporated by reference to Exhibit 10.2 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K filed June 12, 2017).
10.3	Executive employment agreement by and between Beasley Broadcast Group, Inc. and Bruce G. Beasley dated as of June 8, 2017 (incorporated by reference to Exhibit 10.3 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K filed June 12, 2017).
10.4	Executive employment agreement by and between Beasley Broadcast Group, Inc. and Brian E. Beasley dated as of June 8, 2017 (incorporated by reference to Exhibit 10.4 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K filed June 12, 2017).
10.5	Executive employment agreement by and between Beasley Mezzanine Holdings, LLC and Marie Tedesco dated as of June 8, 2017 (incorporated by reference to Exhibit 10.5 to Beasley Broadcast Group, Inc. s Current Report on Form 8-K filed June 12, 2017).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)).
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b)/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.

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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: August 7, 2017

/s/ Caroline Beasley
Name: Caroline Beasley
Title: Chief Executive Officer (principal executive officer)

Dated: August 7, 2017

/s/ Marie Tedesco
Name: Marie Tedesco
Title: Chief Financial Officer (principal financial and accounting officer)