

SINCLAIR BROADCAST GROUP INC  
Form 10-Q  
November 08, 2012  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

COMMISSION FILE NUMBER: 000-26076

# SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
Incorporation or organization)

**52-1494660**  
(I.R.S. Employer Identification No.)

**10706 Beaver Dam Road**

**Hunt Valley, Maryland 21030**

(Address of principal executive office, zip code)

**(410) 568-1500**

(Registrant's telephone number, including area code)

**None**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject 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 file). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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 share outstanding of each of the issuer's classes of common stock as of the latest practicable date.

	<b>Title of each class</b>	<b>Number of shares outstanding as of November 5, 2012</b>
Class A Common Stock		52,332,012
Class B Common Stock		28,933,859

---

Table of Contents

SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>		3
<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS</u>	3
	<u>CONSOLIDATED BALANCE SHEETS</u>	3
	<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	4
	<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	5
	<u>CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)</u>	6
	<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	7
	<u>NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	8
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	31
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	40
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	40
<u>PART II. OTHER INFORMATION</u>		42
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	42
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	42
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	42
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	42
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u>	42
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>	42
<u>ITEM 6.</u>	<u>EXHIBITS</u>	43
<u>SIGNATURE</u>		44



Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SINCLAIR BROADCAST GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data) (Unaudited)**

	As of September 30, 2012	As of December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 44,625	\$ 12,967
Accounts receivable, net of allowance for doubtful accounts of \$3,187 and \$3,008, respectively	151,517	132,915
Affiliate receivable	514	252
Income taxes receivable		225
Current portion of program contract costs	61,033	38,906
Prepaid expenses and other current assets	9,112	17,274
Deferred barter costs	3,401	2,238
Assets held for sale	14,605	
Deferred tax assets	4,351	4,940
Total current assets	289,158	209,717
PROGRAM CONTRACT COSTS, less current portion	14,947	15,584
PROPERTY AND EQUIPMENT, net	365,685	281,521
RESTRICTED CASH, less current portion	42,874	58,726
GOODWILL	908,037	660,117
BROADCAST LICENSES	70,639	47,002
DEFINITE-LIVED INTANGIBLE ASSETS, net	379,757	175,341
OTHER ASSETS	174,439	123,409
Total assets (a)	\$ 2,245,536	\$ 1,571,417
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 6,207	\$ 8,872
Accrued liabilities	147,334	79,698
Income taxes payable	6,953	
Current portion of notes payable, capital leases and commercial bank financing	44,577	38,195
Current portion of notes and capital leases payable to affiliates	3,294	3,014
Current portion of program contracts payable	91,274	63,825
Deferred barter revenues	3,274	1,978
Liabilities held for sale	325	
Total current liabilities	303,238	195,582
<b>LONG-TERM LIABILITIES:</b>		
Notes payable, capital leases and commercial bank financing, less current portion	1,664,883	1,148,271
Notes payable and capital leases to affiliates, less current portion	14,035	16,545
Program contracts payable, less current portion	19,517	27,625
Deferred tax liabilities	245,277	247,552
Other long-term liabilities	50,970	47,204

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

Total liabilities (a)	2,297,920	1,682,779
COMMITMENTS AND CONTINGENCIES (See Note 4)		
EQUITY (DEFICIT):		
SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):		
Class A Common Stock, \$.01 par value, 500,000,000 shares authorized, 52,306,808 and 55,022,086 shares issued and outstanding, respectively	523	520
Class B Common Stock, \$.01 par value, 140,000,000 shares authorized, 28,933,859 shares issued and outstanding, convertible into Class A Common Stock	289	289
Additional paid-in capital	622,133	617,375
Accumulated deficit	(680,092)	(734,511)
Accumulated other comprehensive loss	(4,602)	(4,848)
Total Sinclair Broadcast Group shareholders' deficit	(61,749)	(121,175)
Noncontrolling interests	9,365	9,813
Total deficit	(52,384)	(111,362)
Total liabilities and equity (deficit)	\$ 2,245,536	\$ 1,571,417

The accompanying notes are an integral part of these unaudited consolidated financial statements.

---

(a) Our consolidated total assets as of September 30, 2012 and December 31, 2011 include total assets of variable interest entities (VIEs) of \$44.5 million and \$33.5 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of September 30, 2012 and December 31, 2011 include total liabilities of the VIEs of \$8.5 million and \$14.4 million, respectively, for which the creditors of the VIEs have no recourse to us. See *Note 1. Summary of Significant Accounting Policies*.

Table of Contents**SINCLAIR BROADCAST GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data) (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>REVENUES:</b>				
Station broadcast revenues, net of agency commissions	\$ 226,377	\$ 151,875	\$ 637,553	\$ 467,206
Revenues realized from station barter arrangements	21,600	17,512	60,655	53,232
Other operating divisions revenues	12,512	11,655	38,609	32,073
Total revenues	260,489	181,042	736,817	552,511
<b>OPERATING EXPENSES:</b>				
Station production expenses	61,967	41,493	185,247	126,755
Station selling, general and administrative expenses	43,604	31,341	121,776	92,095
Expenses recognized from station barter arrangements	19,693	15,815	55,645	48,073
Amortization of program contract costs and net realizable value adjustments	14,495	12,833	44,197	38,117
Other operating divisions expenses	10,372	9,369	33,165	26,102
Depreciation of property and equipment	12,846	7,602	34,684	23,523
Corporate general and administrative expenses	8,286	5,789	25,166	21,526
Amortization of definite-lived intangible and other assets	10,669	4,393	26,694	14,201
Total operating expenses	181,932	128,635	526,574	390,392
Operating income	78,557	52,407	210,243	162,119
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense and amortization of debt discount and deferred financing costs	(35,294)	(24,463)	(92,001)	(78,564)
Loss from extinguishment of debt		(117)	(335)	(4,519)
Income from equity and cost method investments	1,919	2,080	8,343	2,906
Other income, net	547	409	1,733	2,994
Total other expense	(32,828)	(22,091)	(82,260)	(77,183)
Income from continuing operations before income taxes	45,729	30,316	127,983	84,936
<b>INCOME TAX PROVISION</b>	(19,153)	(10,875)	(42,211)	(31,701)
Income from continuing operations	26,576	19,441	85,772	53,235
<b>DISCONTINUED OPERATIONS:</b>				
Loss from discontinued operations, includes income tax (benefit) provision of \$(24), \$110, \$194 and \$366, respectively	(224)	(110)	(214)	(300)
<b>NET INCOME</b>	26,352	19,331	85,558	52,935
Net (income) loss attributable to the noncontrolling interests	(107)	(93)	106	161
<b>NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP</b>	\$ 26,245	\$ 19,238	\$ 85,664	\$ 53,096
Dividends declared per share	\$ 0.15	\$ 0.12	\$ 0.39	\$ 0.36



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

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:								
Basic earnings per share from continuing operations	\$	0.33	\$	0.24	\$	1.06	\$	0.66
Basic earnings per share	\$	0.33	\$	0.24	\$	1.06	\$	0.66
Diluted earnings per share from continuing operations	\$	0.33	\$	0.24	\$	1.06	\$	0.66
Diluted earnings per share	\$	0.32	\$	0.24	\$	1.05	\$	0.66
Weighted average common shares outstanding		81,081		80,764		80,990		80,623
Weighted average common and common equivalent shares outstanding		81,379		81,068		81,267		80,930

AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:								
Income from continuing operations, net of tax	\$	26,469	\$	19,348	\$	85,878	\$	53,396
Loss from discontinued operations, net of tax		(224)		(110)		(214)		(300)
Net income	\$	26,245	\$	19,238	\$	85,664	\$	53,096

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

**SINCLAIR BROADCAST GROUP, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In thousands) (Unaudited)**

**Three months ended  
September 30,**

**Nine months ended  
September 30,**