

SBA COMMUNICATIONS CORP

Form 10-Q

May 09, 2014

Table of Contents

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 March 31, 2014

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: 000-30110

SBA COMMUNICATIONS CORPORATION

(Exact name of Registrant as specified in its charter)

Florida 65-0716501  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

5900 Broken Sound Parkway NW  
Boca Raton, Florida 33487  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (561) 995-7670

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.01 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None

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 (Section 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

Edgar Filing: SBA COMMUNICATIONS CORP - Form 10-Q

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 the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer   Accelerated filer

Non-Accelerated filer   Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)   Yes   No

Indicate the number of shares outstanding of each issuer’s classes of common stock, as of the latest practicable date:  
128,806,508 shares of Class A common stock as of May 1, 2014.

---

Table of Contents

Table of Contents

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of March 31, 2014 (unaudited) and December 31, 2013</u>	1
<u>Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2014 and 2013</u>	2
<u>Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three months ended March 31, 2014 and 2013</u>	3
<u>Consolidated Statement of Shareholders' Equity (unaudited) for the three months ended March 31, 2014</u>	4
<u>Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2014 and 2013</u>	5
<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	40
<u>PART II – OTHER INFORMATION</u>	
ITEM 5. <u>Other Information</u>	40
ITEM 6. <u>Exhibits</u>	40
<u>SIGNATURES</u>	41

Table of Contents

## PART I – FINANCIAL INFORMATION

## ITEM 1: FINANCIAL STATEMENTS

## SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

	March 31, 2014 (unaudited)	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 322,914	\$ 122,112
Restricted cash	35,220	47,305
Short-term investments	5,054	5,446
Accounts receivable, net of allowance of \$827 and \$686 at March 31, 2014 and December 31, 2013, respectively	68,102	71,339
Costs and estimated earnings in excess of billings on uncompleted contracts	22,114	27,864
Prepaid and other current assets	62,724	69,586
Total current assets	516,128	343,652
Property and equipment, net	2,693,015	2,578,444
Intangible assets, net	4,081,286	3,387,198
Deferred financing fees, net	80,578	73,042
Other assets	420,335	400,852
Total assets	\$ 7,791,342	\$ 6,783,188
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 26,310	\$ 24,302
Accrued expenses	79,639	86,131
Current maturities of long-term debt	503,776	481,886
Deferred revenue	89,915	94,658
Accrued interest	42,205	46,689
Other current liabilities	14,934	14,007
Total current liabilities	756,779	747,673
Long-term liabilities:		
Long-term debt	6,365,982	5,394,721
Other long-term liabilities	272,393	283,828
Total long-term liabilities	6,638,375	5,678,549
Shareholders' equity:		
Preferred stock - par value \$.01, 30,000 shares authorized, no shares issued or outstanding	—	—

Edgar Filing: SBA COMMUNICATIONS CORP - Form 10-Q

Common stock - Class A, par value \$.01, 400,000 shares authorized, 128,788 and 128,432 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	1,288	1,284
Additional paid-in capital	2,912,250	2,907,446
Accumulated deficit	(2,516,678)	(2,518,085)
Accumulated other comprehensive loss, net	(672)	(33,679)
Total shareholders' equity	396,188	356,966
Total liabilities and shareholders' equity	\$ 7,791,342	\$ 6,783,188

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

1

---

Table of Contents

## SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the three months ended March 31,	
	2014	2013
Revenues:		
Site leasing	\$ 309,320	\$ 273,504
Site development	36,230	39,567
Total revenues	345,550	313,071
Operating expenses:		
Cost of revenues (exclusive of depreciation, accretion, and amortization shown below):		
Cost of site leasing	69,740	68,101
Cost of site development	27,427	32,594
Selling, general, and administrative (1)	24,676	20,431
Acquisition related expenses	8,561	5,822
Asset impairment and decommission costs	3,568	3,722
Depreciation, accretion, and amortization	144,442	125,636
Total operating expenses	278,414	256,306
Operating income	67,136	56,765
Other income (expense):		
Interest income	86	641
Interest expense	(66,027)	(59,465)
Non-cash interest expense	(10,304)	(17,364)
Amortization of deferred financing fees	(4,237)	(3,604)
Loss from extinguishment of debt, net	(1,951)	(142)
Other income, net	18,390	152
Total other expense	(64,043)	(79,782)
Income (loss) before provision for income taxes	3,093	(23,017)
Benefit (provision) for income taxes	(1,686)	641
Net income (loss)	\$ 1,407	\$ (22,376)
Income (loss) per common share		
Basic	\$ 0.01	\$ (0.18)
Diluted	\$ 0.01	\$ (0.18)
Weighted average number of common shares		
Basic	128,560	127,057
Diluted	138,356	127,057

(1)Includes non-cash compensation of \$4,541 and \$3,817 for the three months ended March 31, 2014 and 2013, respectively.

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

2

---



Table of Contents

SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	For the three months ended March 31,	
	2014	2013
	(unaudited)	
Net income (loss)	\$ 1,407	\$ (22,376)
Foreign currency translation adjustments	33,007	1,554
Comprehensive income (loss)	\$ 34,414	\$ (20,822)

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

3

---

Table of Contents

## SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED March 31, 2014

(unaudited) (in thousands)

	Class A Common Shares	Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
BALANCE, December 31, 2013	128,432	\$ 1,284	\$ 2,907,446	\$ (2,518,085)	\$ (33,679)	\$ 356,966
Net income	—	—	—	1,407	—	1,407
Common stock issued in connection with stock purchase/option plans	355	4	85	—	—	89
Non-cash compensation	—	—	4,684	—	—	4,684
Settlement of convertible notes	1	—	34	—	—	34
Settlement of convertible note hedges	—	—	1	—	—	1
Foreign currency translation adjustments	—	—	—	—	33,007	33,007
BALANCE, March 31, 2014	128,788	\$ 1,288	\$ 2,912,250	\$ (2,516,678)	\$ (672)	\$ 396,188

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

4

---

Table of Contents

## SBA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands)

	For the three months ended March 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,407	\$ (22,376)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, accretion, and amortization	144,442	125,636
Non-cash interest expense	10,304	17,364
Deferred income tax expense (benefit)	474	(1,802)
Non-cash asset impairment and decommission costs	3,213	2,892
Non-cash compensation expense	4,618	3,874
Amortization of deferred financing fees	4,237	3,604
Loss from extinguishment of debt, net	1,951	142
Other non-cash items reflected in the Statements of Operations	(297)	166
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, net	8,644	(13,688)
Prepaid and other assets	1,196	(18,434)
Accounts payable and accrued expenses	657	(400)
Accrued interest	(4,485)	(2,094)
Other liabilities	2,604	(656)
Net cash provided by operating activities	178,965	94,228
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions and related earn-outs	(933,110)	(209,542)
Capital expenditures	(32,238)	(36,423)
Other investing activities	444	1,308
Net cash used in investing activities	(964,904)	(244,657)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings under Revolving Credit Facility	175,000	—
Repayments under Revolving Credit Facility	(390,000)	—
Repayment of Term Loans	(293,000)	(4,500)
Proceeds from employee stock purchase/stock option plans	89	4,325
Proceeds from Term Loans, net of fees	1,483,470	—
Proceeds from settlement of convertible note hedges	1	45,230
Repayment of BNDES Loans	(6,105)	—
Payment of deferred financing fees	(676)	(851)

Edgar Filing: SBA COMMUNICATIONS CORP - Form 10-Q

Payment for purchase of noncontrolling interests	—	(6,008)
Other financing activities	(19)	(395)
Net cash provided by financing activities	968,760	37,801
Effect of exchange rate changes on cash and cash equivalents	17,981	1,759
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	200,802	(110,869)
CASH AND CASH EQUIVALENTS:		
Beginning of period	122,112	