

ARBITRON INC  
Form 10-Q  
August 01, 2013  
Table of Contents

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

Washington, DC 20549

**FORM 10-Q**

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended June 30, 2013

Or

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-1969

**ARBITRON INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**52-0278528**  
(I.R.S. Employer  
Identification No.)

**9705 Patuxent Woods Drive**  
**Columbia, Maryland 21046**

(Address of principal executive offices) (Zip Code)

**(410) 312-8000**

(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, 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  (Do not check if a smaller reporting company)

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

The registrant had 26,939,794 shares of common stock, par value \$0.50 per share, outstanding as of July 23, 2013.

**Table of Contents**

ARBITRON INC.

INDEX

|  | Page No. |
|--|----------|
| <b>PART I FINANCIAL INFORMATION</b>  |          |
| Item 1. Financial Statements   |          |
| <u>Consolidated Balance Sheets June 30, 2013, and December 31, 2012</u>                              | 4        |
| <u>Consolidated Statements of Income Three Months Ended June 30, 2013, and 2012</u>                  | 5        |
| <u>Consolidated Statements of Income Six Months Ended June 30, 2013, and 2012</u>                    | 6        |
| <u>Consolidated Statements of Comprehensive Income Six Months Ended June 30, 2013, and 2012</u>      | 7        |
| <u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2013, and 2012</u>                | 8        |
| <u>Notes to Consolidated Financial Statements June 30, 2013</u>                                      | 9        |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 19       |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 30       |
| Item 4. <u>Controls and Procedures</u>   | 30       |
| <b><u>PART II OTHER INFORMATION</u></b>  |          |
| Item 1. <u>Legal Proceedings</u>   | 31       |
| Item 1A. <u>Risk Factors</u>   | 32       |
| Item 4. (Removed and Reserved)   |          |
| Item 6. <u>Exhibits</u>  | 33       |
| <u>Signature</u>   | 35       |

**Table of Contents**

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We routinely post important information on our website at [www.arbitron.com](http://www.arbitron.com). Information contained on our website is not part of this quarterly report.

**Table of Contents****ARBITRON INC.**

## Consolidated Balance Sheets

(In thousands, except par value data)

|   | June 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|---|---------------------------------|-----------------------------------|
| <b>Assets</b>   |                                 |                                   |
| Current assets  |                                 |                                   |
| Cash and cash equivalents   | \$ 95,065                       | \$ 66,469                         |
| Trade accounts receivable, net of allowance for doubtful accounts of \$4,477 as of June 30, 2013, and \$4,856 as of December 31, 2012 | 61,919                          | 59,185                            |
| Prepaid expenses and other current assets   | 10,648                          | 6,516                             |
| Deferred tax assets   | 4,911                           | 5,513                             |
| <b>Total current assets</b>   | <b>172,543</b>                  | <b>137,683</b>                    |
| Equity and other investments  | 13,934                          | 12,501                            |
| Property and equipment, net   | 58,028                          | 61,669                            |
| Goodwill, net   | 45,461                          | 45,540                            |
| Other intangibles, net  | 6,893                           | 8,177                             |
| Noncurrent deferred tax assets  | 2,473                           | 2,384                             |
| Other noncurrent assets   | 757                             | 1,138                             |
| <b>Total assets</b>   | <b>\$ 300,089</b>               | <b>\$ 269,092</b>                 |
| <b>Liabilities and Stockholders' Equity</b>   |                                 |                                   |
| Current liabilities   |                                 |                                   |
| Accounts payable  | \$ 14,700                       | \$ 11,407                         |
| Accrued expenses and other current liabilities  | 24,141                          | 33,879                            |
| Deferred revenue  | 50,996                          | 38,497                            |
| <b>Total current liabilities</b>  | <b>89,837</b>                   | <b>83,783</b>                     |
| Noncurrent liabilities  | 29,352                          | 31,900                            |
| <b>Total liabilities</b>  | <b>119,189</b>                  | <b>115,683</b>                    |
| Stockholders' equity  |                                 |                                   |
| Preferred stock, \$100.00 par value, 750 shares authorized, no shares issued  |                                 |                                   |
| Common stock, \$0.50 par value, 500,000 shares authorized, 32,338 shares issued as of June 30, 2013, and December 31, 2012            | 16,169                          | 16,169                            |
| Retained earnings   | 183,417                         | 156,530                           |
| Common stock held in treasury, 5,416 shares as of June 30, 2013, and 5,714 shares as of December 31, 2012                             | (2,708)                         | (2,857)                           |
| Accumulated other comprehensive loss  | (15,978)                        | (16,433)                          |
| <b>Total stockholders' equity</b>   | <b>180,900</b>                  | <b>153,409</b>                    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 300,089</b>               | <b>\$ 269,092</b>                 |

See accompanying notes to consolidated financial statements.



**Table of Contents****ARBITRON INC.**

## Consolidated Statements of Income

(In thousands, except per share data)

(unaudited)

|   | <b>Three Months Ended<br/>June 30,</b> |             |
|---|--|-------------|
|   | <b>2013</b>                            | <b>2012</b> |
| Revenue   | \$ 107,410                             | \$ 104,407  |
| Costs and expenses                                  |  |             |
| Cost of revenue                                     | 65,323                                 | 63,205      |
| Selling, general and administrative                 | 24,547                                 | 20,701      |
| Research and development                            | 10,117                                 | 9,896       |
| Total costs and expenses                            | 99,987                                 | 93,802      |
| Operating income                                    | 7,423                                  | 10,605      |
| Equity in net income of affiliate                   | 5,495                                  | 5,391       |
| Income before interest and income tax expense       | 12,918                                 | 15,996      |
| Interest income                                     | 20                                     | 11          |
| Interest expense                                    | 131                                    | 132         |
| Income before income tax expense                    | 12,807                                 | 15,875      |
| Income tax expense                                  | 5,754                                  | 5,912       |
| Net income  | \$ 7,053                               | \$ 9,963    |
| Income per weighted-average common share            |  |             |
| Basic   | \$ 0.26                                | \$ 0.38     |
| Diluted   | \$ 0.26                                | \$ 0.37     |
| Weighted-average common shares used in calculations |  |             |
| Basic   | 26,878                                 | 26,318      |
| Potentially dilutive securities                     | 567                                    | 486         |
| Diluted   | 27,445                                 | 26,804      |
| Dividends declared per common share outstanding     | \$ 0.10                                | \$ 0.10     |

See accompanying notes to consolidated financial statements.

**Table of Contents****ARBITRON INC.**

## Consolidated Statements of Income

(In thousands, except per share data)

(unaudited)

|   | <b>Six Months Ended<br/>June 30,</b> |             |
|---|--------------------------------------|-------------|
|   | <b>2013</b>                          | <b>2012</b> |
| Revenue   | \$ 219,194                           | \$ 210,801  |
| Costs and expenses                                  |                                      |             |
| Cost of revenue                                     | 114,924                              | 110,653     |
| Selling, general and administrative                 | 47,045                               | 38,704      |
| Research and development                            | 19,431                               | 19,614      |
| Total costs and expenses                            | 181,400                              | 168,971     |
| Operating income                                    | 37,794                               | 41,830      |
| Equity in net income of affiliate                   | 3,108                                | 3,035       |
| Income before interest and income tax expense       | 40,902                               | 44,865      |
| Interest income                                     | 42                                   | 31          |
| Interest expense                                    | 296                                  | 261         |
| Income before income tax expense                    | 40,648                               | 44,635      |
| Income tax expense                                  | 17,305                               | 16,865      |
| Net income  | \$ 23,343                            | \$ 27,770   |
| Income per weighted-average common share            |                                      |             |
| Basic   | \$ 0.87                              | \$ 1.04     |
| Diluted   | \$ 0.85                              | \$ 1.02     |
| Weighted-average common shares used in calculations |                                      |             |
| Basic   | 26,786                               | 26,782      |
| Potentially dilutive securities                     | 580                                  | 491         |
| Diluted   | 27,366                               | 27,273      |
| Dividends declared per common share outstanding     | \$ 0.20                              | \$ 0.20     |

See accompanying notes to consolidated financial statements.



**Table of Contents****ARBITRON INC.****Consolidated Statements of Comprehensive Income****(In thousands)****(Unaudited)**

|  | <b>Three Months Ended<br/>June 30,</b> |             | <b>Six Months Ended<br/>June 30,</b> |             |
|--|--|-------------|--------------------------------------|-------------|
|  | <b>2013</b>                            | <b>2012</b> | <b>2013</b>                          | <b>2012</b> |
| Net income   | \$ 7,053                               | \$ 9,963    | \$ 23,343                            | \$ 27,770   |
| Other comprehensive income (loss)                                |  |             |                                      |             |
| Foreign currency translation adjustment                          | (367)                                  | (664)       | (297)                                | (271)       |
| Retirement liabilities:  |  |             |                                      |             |
| Amortization of net actuarial loss included in net periodic cost | 622                                    | 523         | 1,245                                | 1,050       |