

BEASLEY BROADCAST GROUP INC

Form 10-Q

May 11, 2016

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 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 March 31, 2016**

**OR**

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

**Commission File No. 0-29253**

**BEASLEY BROADCAST GROUP, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State of Incorporation)**

**65-0960915**  
**(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, 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

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, 6,654,024 Shares Outstanding as of May 4, 2016

Class B Common Stock, \$0.001 par value, 16,662,743 Shares Outstanding as of May 4, 2016



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	<b>December 31, 2015</b>	<b>March 31, 2016</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,318,494	\$ 15,556,906
Accounts receivable, less allowance for doubtful accounts of \$596,380 in 2015 and \$758,518 in 2016	19,847,536	18,316,493
Prepaid expenses	1,896,491	3,030,433
Other current assets	1,017,059	921,888
<b>Total current assets</b>	<b>37,079,580</b>	<b>37,825,720</b>
Restricted cash	743,195	743,195
Property and equipment, net	27,523,353	27,394,152
FCC broadcasting licenses	234,719,505	234,719,505
Goodwill	5,336,583	5,336,583
Other intangibles, net	544,238	475,030
Other assets	5,455,441	5,344,806
<b>Total assets</b>	<b>\$ 311,401,895</b>	<b>\$ 311,838,991</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current installments of long-term debt	\$ 1,484,048	\$ 58,968
Accounts payable	1,827,003	2,171,394
Other current liabilities	7,588,106	8,856,609
<b>Total current liabilities</b>	<b>10,899,157</b>	<b>11,086,971</b>
Due to related parties	952,465	928,287
Long-term debt, net of current installments and unamortized debt issuance costs	86,461,778	84,964,040
Deferred tax liabilities	77,739,201	78,713,939
Other long-term liabilities	1,812,219	1,769,854
<b>Total liabilities</b>	<b>177,864,820</b>	<b>177,463,091</b>
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; 9,449,956 issued and 6,567,777 outstanding in 2015; 9,584,286 issued and 6,655,699 outstanding in 2016		
	9,450	9,584
Class B common stock, \$0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2015 and 2016		
	16,662	16,662

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Additional paid-in capital	119,495,619	119,730,791
Treasury stock, Class A common stock; 2,882,179 in 2015; 2,928,587 shares in 2016	(15,361,869)	(15,507,834)
Retained earnings	29,302,054	30,086,945
Accumulated other comprehensive income	75,159	39,752
<b>Total stockholders equity</b>	<b>133,537,075</b>	<b>134,375,900</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 311,401,895</b>	<b>\$ 311,838,991</b>

**Table of Contents****BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2016</b>
Net revenue	\$ 24,250,839	\$ 27,454,947
Operating expenses:		
Station operating expenses (including stock-based compensation of \$41,791 in 2015 and \$36,412 in 2016 and excluding depreciation and amortization shown separately below)	17,813,948	19,986,291
Corporate general and administrative expenses (including stock-based compensation of \$328,091 in 2015 and \$198,894 in 2016)	2,439,147	2,500,957
Radio station exchange transaction costs	303,762	
Depreciation and amortization	1,118,853	839,406
Total operating expenses	21,675,710	23,326,654
Operating income	2,575,129	4,128,293
Non-operating income (expense):		
Interest expense	(948,006)	(988,524)
Other income (expense), net	471,805	(39,641)
Income before income taxes	2,098,928	3,100,128
Income tax expense	800,544	1,279,375
Net income	1,298,384	1,820,753
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax expense of \$18,441 in 2015 and income tax benefit of \$21,692 in 2016)	29,847	(35,407)
Comprehensive income	\$ 1,328,231	\$ 1,785,346
Net income per share:		
Basic and diluted	\$ 0.06	\$ 0.08
Dividends declared per common share	\$ 0.045	\$ 0.045
Weighted average shares outstanding:		
Basic	22,880,681	22,983,471
Diluted	22,906,828	23,020,926

Table of Contents**BEASLEY BROADCAST GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,298,384	\$ 1,820,753
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Stock-based compensation	369,882	235,306
Provision for bad debts	62,131	282,745
Depreciation and amortization	1,118,853	839,406
Amortization of loan fees	84,366	91,749
Deferred income taxes	994,901	939,331
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	(45,061)	1,248,298
Prepaid expenses	(1,494,657)	(1,133,942)
Other assets	820,121	161,496
Accounts payable	(266,907)	344,391
Other liabilities	(1,398,719)	1,215,793
Other operating activities	21,022	42,264
<b>Net cash provided by operating activities</b>	<b>1,564,316</b>	<b>6,087,590</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(462,557)	(656,073)
Payments for translator licenses	(190,600)	
Repayment of notes receivable from related parties	92,565	
<b>Net cash used in investing activities</b>	<b>(560,592)</b>	<b>(656,073)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on indebtedness	(1,500,000)	(3,014,567)
Tax shortfall from vesting of restricted stock	(151,036)	
Dividends paid	(1,027,628)	(1,032,573)
Payments for treasury stock	(237,580)	(145,965)
<b>Net cash used in financing activities</b>	<b>(2,916,244)</b>	<b>(4,193,105)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,912,520)</b>	<b>1,238,412</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,259,441</b>	<b>14,318,494</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 12,346,921</b>	<b>\$ 15,556,906</b>



Cash paid for interest	\$ 863,640	\$ 913,437
Cash paid for income taxes	\$ 2,229,471	\$ 23,850
<b>Supplement disclosure of non-cash investing and financing activities:</b>		
Property and equipment acquired through placement of advertising airtime	\$ 8,021	\$ 31,566
Dividends declared but unpaid	\$ 1,031,157	\$ 1,035,862

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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, 2015. 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 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 has not determined the impact of adoption 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 has not determined the impact of adoption on its financial statements.

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 under the equity method at fair value and recognize any changes in fair value in net income unless the 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 has not determined the impact of adoption on its financial statements.

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. 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 has not determined the impact of adoption on its financial statements.

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Long-term debt is comprised of the following:

	<b>December 31, 2015</b>	<b>March 31, 2016</b>
Term loan	\$ 89,000,000	\$ 86,000,000
Revolving credit facility		
Capital lease obligations	750,216	735,649
	89,750,216	86,735,649
Less unamortized debt issuance costs	(1,804,390)	(1,712,641)
	87,945,826	85,023,008
Less current installments	(1,484,048)	(58,968)
	\$ 86,461,778	\$ 84,964,040

As of March 31, 2016, the credit facility consisted of a term loan with a remaining balance of \$86.0 million and a revolving credit facility with a maximum commitment of \$20.0 million. As of March 31, 2016, the Company had \$20.0 million in available commitments under its revolving credit facility. At the Company's option, the credit facility may bear interest at either (i) the LIBOR rate, as defined in the credit agreement, plus a margin ranging from 2.5% to 4.5% that is determined by the Company's consolidated total debt ratio, as defined in the credit agreement or (ii) the base rate, as defined in the credit agreement, plus a margin ranging from 1.5% to 3.5% that is determined by the Company's consolidated total debt ratio. Interest on adjusted LIBOR loans is payable at the end of each applicable interest period and, for those interest periods with a duration in excess of three months, the three month anniversary of the beginning of such interest period. Interest on base rate loans is payable quarterly in arrears. The credit facility carried interest, based on LIBOR, at 3.9% as of March 31, 2016 and matures on November 30, 2020.

As of December 31, 2015, the credit facility consisted of a term loan with a remaining balance of \$89.0 million and a revolving credit facility with a maximum commitment of \$20.0 million. The credit facility carried interest, based on adjusted LIBOR, at 3.9% as of December 31, 2015.

The credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the credit agreement, when the Company's consolidated total debt is equal to or greater than three times its consolidated operating cash flow, as defined in the credit agreement. Prepayments of excess cash flow are not required when the Company's consolidated total debt is less than three times its consolidated operating cash flow. Mandatory prepayments of consolidated excess cash flow are due 120 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:

*Consolidated Total Debt Ratio.* The Company's consolidated total debt on the last day of each fiscal quarter through September 30, 2016 must not exceed 4.5 times its consolidated operating cash flow for the four quarters then ended. For the period from October 1, 2016 through March 31, 2017, the maximum ratio is 4.25 times. For the period from April 1, 2017 through December 31, 2017, the maximum ratio is 4.0 times. The maximum ratio is 3.75 for 2018, 3.5 times for 2019, and 3.0 times for 2020.

*Interest Coverage Ratio.* The Company's consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 2.0 times its consolidated cash interest expense for the four quarters then ended.

The credit facility is secured by a first-priority lien on substantially all of the Company's assets and the assets of substantially all of its subsidiaries and is guaranteed jointly and severally by the Company and substantially all of its subsidiaries. If the Company defaults under the terms of the credit agreement, the Company and its applicable subsidiaries may be required to perform under their guarantees. As of March 31, 2016, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was \$86.0 million. The guarantees for the credit facility expire on November 30, 2020.

Failure to comply with financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of the Company's credit agreement could result in the acceleration of the maturity of its outstanding debt, which could have a material adverse effect on its business or results of operations. As of March 31, 2016, the Company was in compliance with all applicable financial covenants under its credit agreement.

The Company has two capital leases related to radio towers. The obligations recorded as of December 31, 2015 and March 31, 2016 represent the fair value of one tower and the present value of future lease payments under the lease agreement for the other tower.

Table of Contents**BEASLEY BROADCAST GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

On February 23, 2016, a waiver was granted by the lenders party to the Company's credit agreement which allowed the Company to enter certain lease agreements with related parties.

The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2016 and the next four years and thereafter are as follows:

2016	\$ 43,698
2017	3,592,327
2018	6,889,020
2019	7,460,851
2020	68,320,326
Thereafter	429,427
<b>Total</b>	<b>\$ 86,735,649</b>

**(4) Stock-Based Compensation**

The Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the "2007 Plan") permits the Company to issue up to 4.0 million shares of Class A common stock. The 2007 Plan allows for eligible employees, directors and certain consultants of the Company to receive shares of restricted stock, stock options or other stock-based awards. The 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 activity under the 2007 Plan for the three months ended March 31, 2016 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of January 1, 2016	284,459	\$ 5.98
Granted	134,330	3.52
Vested	(119,496)	5.56
Forfeited		
<b>Unvested as of March 31, 2016</b>	<b>299,293</b>	<b>\$ 4.76</b>

As of March 31, 2016, there was \$1.0 million of total unrecognized compensation cost related to restricted stock granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 1.7 years.

**(5) Income Taxes**

The Company's effective tax rate was approximately 38% and 41% for the three months ended March 31, 2015 and 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.

**(6) Related Party Transactions**

On May 3, 2016, the Company contributed an additional \$166,667 to Digital PowerRadio, LLC which maintained its ownership interest at approximately 20% of the outstanding units. The Company may be called upon to make additional pro rata cash contributions to Digital PowerRadio, LLC in the future. Digital PowerRadio, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of the Company.

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**BEASLEY BROADCAST GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(7) Financial Instruments**

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

The carrying amount of long term debt, including capital lease obligations and current installments, was \$86.7 million as of March 31, 2016 and approximated fair value based on current market interest rates. The carrying amount of long-term debt, including capital lease obligations and current installments, was \$89.8 million as of December 31, 2015 and approximated fair value based on market rates at that time.



**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion together with the financial statements and related notes included elsewhere in this report. The results discussed below are not necessarily indicative of the results to be expected in any future periods. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect or anticipate and other similar words. Such forward-looking statements may be contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, among other places. 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. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as unforeseen events that would cause us to broadcast commercial-free for any period of time and changes in the radio broadcasting industry generally. We do not intend, and undertake no obligation, to update any forward-looking statement. Key risks to our company are described in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 26, 2016.

**General**

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 52 radio stations in the following radio markets: Atlanta, GA, Augusta, GA, Boston, MA, Charlotte, NC, Fayetteville, NC, Fort Myers-Naples, FL, Greenville-New Bern-Jacksonville, NC, Las Vegas, NV, 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 May 3, 2016, we contributed an additional \$166,667 to Digital PowerRadio, LLC which maintained our ownership interest at approximately 20% of the outstanding units. Digital PowerRadio, LLC is managed by Fowler Radio Group, LLC which is partially-owned by Mark S. Fowler, an independent director of Beasley Broadcast Group, Inc.

On March 18, 2016, 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 \$1.0 million in the aggregate was paid on April 8, 2016, to stockholders of record on March 31, 2016. While we intend to pay quarterly cash dividends for the foreseeable future, all subsequent dividends will be reviewed quarterly and declared by the board of directors at its discretion.

**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, 2015. There have been no material changes to our critical accounting estimates during the first quarter of 2016.

## **Recent Accounting Pronouncements**

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

**Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015**

The following summary table presents a comparison of our results of operations for the three months ended March 31, 2015 and 2016 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.

	<b>Three Months ended</b>		<b>Change</b>	
	<b>2015</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
Net revenue	\$ 24,250,839	\$ 27,454,947	\$ 3,204,108	13.2%
Station operating expenses	17,813,948	19,986,291	2,172,343	12.2
Corporate general and administrative expenses	2,439,147	2,500,957	61,810	2.5
Radio station exchange transaction costs	303,762		(303,762)	(100.0)
Depreciation and amortization	1,118,853	839,406	(279,447)	(25.0)
Other income (expense), net	471,805	(39,641)	(511,446)	(108.4)
Income tax expense	800,544	1,279,375	478,831	59.8
Net income	1,298,384	1,820,753	522,369	40.2

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*Net Revenue.* Net revenue increased \$3.2 million during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Significant factors affecting net revenue included a \$2.1 million increase in advertising revenue from our Tampa-Saint Petersburg market cluster and a \$0.6 million increase in advertising revenue from our Charlotte market cluster. Net revenue for the three months ended March 31, 2016 was comparable to net revenue for the same period in 2015 at our remaining market clusters.

*Station Operating Expenses.* Station operating expenses increased \$2.2 million during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Significant factors affecting station operating expenses included a \$1.1 million increase in station operating expenses at our Tampa-Saint Petersburg market cluster and a \$0.3 million increase in station operating expenses at our Charlotte market cluster. Station operating expenses for the three months ended March 31, 2016 were comparable to station operating expenses for the same period in 2015 at our remaining market clusters.

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses during the three months ended March 31, 2016 were comparable to the same period in 2015.

*Radio Station Exchange Transaction Costs.* In connection with the asset exchange with CBS Radio Stations, Inc. in 2014, we incurred transaction costs of \$0.3 million in 2015.

*Depreciation and Amortization.* The \$0.3 million decrease in depreciation and amortization during the three months ended March 31, 2016 was primarily due to a \$0.3 million decrease in amortization of other intangibles at our Charlotte market cluster and Tampa-Saint Petersburg market cluster as compared to the same period in 2015.

*Other Income (Expense), Net.* Other income (expense), net decreased \$0.5 million during the three months ended March 31, 2016. The decrease was primarily due to the receipt of insurance proceeds of \$0.4 million related to a radio tower damaged by severe weather in our Augusta market in 2015.

*Income Tax Expense.* Our effective tax rate was approximately 38% and 41% for the three months ended March 31, 2015 and 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.

*Net Income.* Net income during the three months ended March 31, 2016 increased \$0.5 million 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, subject to compliance with financial covenants, up to an aggregate

amount of \$2.5 million per year. We paid \$0.1 million to repurchase 46,408 shares during the three months ended March 31, 2016.

Our credit agreement permits us to pay cash dividends and to repurchase additional shares of our common stock, subject to compliance with financial covenants, up to an aggregate amount of \$6.0 million each year. We paid cash dividends of \$1.0 million during the three months ended March 31, 2016. Also, on March 18, 2016, 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 \$1.0 million in the aggregate was paid on April 8, 2016, to stockholders of record on March 31, 2016.

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On May 28, 2015, our board of directors authorized us to repurchase up to \$1.0 million of our Class A common stock over a period of one year from the date of authorization. We did not make any repurchases pursuant to this authority during the three months ended March 31, 2016, and the entire \$1.0 million of repurchase authority remains outstanding.

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

internally generated cash flow;

our revolving credit facility;

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

Our ability to reduce our consolidated total debt ratio, as defined by our credit agreement, by increasing operating cash flow and/or decreasing long-term debt will determine how much, if any, of the remaining commitments under our revolving credit facility will be available to us in the future. Poor financial results or unanticipated expenses could result in our failure to maintain or lower our consolidated total debt ratio and we may not be permitted to make any additional borrowings under our revolving credit facility.

The following summary table presents a comparison of our capital resources for the three months ended March 31, 2015 and 2016 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.

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2016</b>
Net cash provided by operating activities	\$ 1,564,316	\$ 6,087,590
Net cash used in investing activities	(560,592)	(656,073)
Net cash used in financing activities	(2,916,244)	(4,193,105)
Net increase (decrease) in cash and cash equivalents	\$(1,912,520)	\$ 1,238,412

*Net Cash Provided By Operating Activities.* Net cash provided by operating activities increased \$4.5 million during the three months ended March 31, 2016. Significant factors affecting this increase in net cash provided by operating activities included a \$4.2 million increase in cash receipts from the sale of advertising airtime and a \$2.2 million decrease in income tax payments, partially offset by a \$1.5 million increase in cash paid for station operating expenses.

*Net Cash Used In Investing Activities.* Net cash used in investing activities during the three months ended March 31, 2016 included payments of \$0.7 million for capital expenditures. Net cash used in investing activities for the same period in 2015 included payments of \$0.5 million for capital expenditures.

*Net Cash Used In Financing Activities.* Net cash used in financing activities during the three months ended March 31, 2016 included repayments of \$3.0 million under our credit facility and payments of \$1.0 million for cash dividends. Net cash used in financing activities for the same period in 2015 included repayments of \$1.5 million under our credit facility, payments of \$1.0 million for cash dividends, and payments of \$0.2 million for repurchases of our Class A common stock to fund withholding taxes in connection with the vesting of restricted stock.



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*Credit Facility.* As of March 31, 2016, the credit facility consisted of a term loan with a remaining balance of \$86.0 million and a revolving credit facility with a maximum commitment of \$20.0 million. As of March 31, 2016, we had \$20.0 million in available commitments under our revolving credit facility. At our option, the credit facility may bear interest at either (i) the LIBOR rate, as defined in the credit agreement, plus a margin ranging from 2.5% to 4.5% that is determined by our consolidated total debt ratio, as defined in the credit agreement or (ii) the base rate, as defined in the credit agreement, plus a margin ranging from 1.5% to 3.5% that is determined by our consolidated total debt ratio. Interest on adjusted LIBOR loans is payable at the end of each applicable interest period and, for those interest periods with a duration in excess of three months, the three month anniversary of the beginning of such interest period. Interest on base rate loans is payable quarterly in arrears. The credit facility carried interest, based on LIBOR, at 3.9% as of March 31, 2016 and matures on November 30, 2020.

The credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the credit agreement, when the Company's consolidated total debt is equal to or greater than three times its consolidated operating cash flow, as defined in the credit agreement. Prepayments of excess cash flow are not required when the Company's consolidated total debt is less than three times its consolidated operating cash flow. Mandatory prepayments of consolidated excess cash flow are due 120 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:

*Consolidated Total Debt Ratio.* Our consolidated total debt on the last day of each fiscal quarter through September 30, 2016 must not exceed 4.5 times our consolidated operating cash flow for the four quarters then ended. For the period from October 1, 2016 through March 31, 2017, the maximum ratio is 4.25 times. For the period from April 1, 2017 through December 31, 2017, the maximum ratio is 4.0 times. The maximum ratio is 3.75 for 2018, 3.5 times for 2019, and 3.0 times for 2020.

*Interest Coverage Ratio.* Our consolidated operating cash flow for the four quarters ending on the last day of each fiscal quarter through maturity must not be less than 2.0 times our consolidated cash interest expense for the four quarters then ended.

The credit facility is secured by a first-priority lien on substantially all of the Company's assets and the assets of substantially all of its subsidiaries and is guaranteed jointly and severally by the Company and substantially all of its subsidiaries. If we default under the terms of the credit agreement, the Company and its applicable subsidiaries may be required to perform under their guarantees. As of March 31, 2016, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have been required to make in the event of default was \$86.0 million. The guarantees for the credit facility expire on November 30, 2020.

The aggregate scheduled principal repayments of the credit facility and capital lease obligations for the remainder of 2016 and the next four years and thereafter are as follows:

2016	\$	43,698
2017		3,592,327

2018	6,889,020
2019	7,460,851
2020	68,320,326
Thereafter	429,427
<b>Total</b>	<b>\$ 86,735,649</b>

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 its business or results of operations. As of March 31, 2016, we were in compliance with all applicable financial covenants under our credit agreement; our consolidated total debt ratio was 2.97 times, and our interest coverage ratio was 6.78 times.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not required for smaller reporting companies.

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**ITEM 4. CONTROLS AND PROCEDURES.**

Under the supervision and with the participation of our management, including our Interim 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 Interim Chief Executive Officer and Chief Financial Officer has 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 March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****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 risks affecting our Company are described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes to the risks affecting our Company during the first quarter of 2016.

**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 March 31, 2016.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Announced Program</b>	<b>Approximate Dollar Value That May Yet Be Purchased Under the Program</b>
January 1 31, 2016	1,250	\$ 3.47		\$ 1,000,000
February 1 29, 2016	41,000	3.09		1,000,000
March 1 31, 2016	4,158	\$ 3.59		1,000,000
Total	46,408			

On March 27, 2007, our board of directors approved the Beasley Broadcast Group, Inc. 2007 Equity Incentive Award Plan (the 2007 Plan ) which was also approved by our stockholders at the Annual Meeting of Stockholders on June 7, 2007. The 2007 Plan permits us to purchase sufficient shares to fund withholding taxes in connection with the vesting of restricted stock and expires on March 27, 2017. 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, 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 March 31, 2016, were purchased to fund withholding taxes in connection with the vesting of restricted stock. On May 28, 2015, our board of directors authorized us to repurchase up to \$1.0 million of our Class A common stock over a period of one year from the date of authorization. We did not make any repurchases pursuant to this

authority during the three months ended March 31, 2016, and the entire \$1.0 million of repurchase authority remains outstanding.

**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
31.1	Certification of Interim Chief Executive Officer, Executive Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)).
32.1	Certification of Interim Chief Executive Officer, Executive Vice President, Chief Financial Officer, Secretary and Treasurer 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: May 11, 2016

/s/ Caroline Beasley

Name: Caroline Beasley

Title: Interim Chief Executive Officer, Executive

Vice President, Chief Financial Officer,

Secretary and Treasurer (principal financial

and accounting officer)