

GRAY TELEVISION INC
Form 10-Q
November 06, 2017
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, 2017 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 1-13796

Gray Television, Inc.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-0285030

(I.R.S. Employer
Identification Number)

4370 Peachtree Road, NE, Atlanta, Georgia 30319

(Address of principal executive offices) (Zip code)

(404) 504-9828

(Registrant's telephone number, including area code)

Not Applicable

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

Edgar Filing: GRAY TELEVISION INC - Form 10-Q

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 periods 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 website, 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, a 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.

Common Stock (No Par Value)	Class A Common Stock (No Par Value)
66,003,588 shares outstanding as of October 31, 2017	6,598,377 shares outstanding as of October 31, 2017

INDEX

GRAY TELEVISION, INC.

	<u>PAGE</u>
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed consolidated balance sheets (Unaudited)	3
- September 30, 2017 and December 31, 2016	
Condensed consolidated statements of operations (Unaudited)	5
- three-months and nine-months ended September 30, 2017 and 2016	
Condensed consolidated statement of stockholders' equity (Unaudited)	6
- nine-months ended September 30, 2017	
Condensed consolidated statements of cash flows (Unaudited)	7
- nine-months ended September 30, 2017 and 2016	
Notes to condensed consolidated financial statements (Unaudited)	8
- September 30, 2017	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
PART II. OTHER INFORMATION	
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 6. Exhibits	30

SIGNATURES

31

2

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****GRAY TELEVISION, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(in thousands)

	September 30, 2017	December 31, 2016
Assets:		
Current assets:		
Cash	\$ 172,854	\$ 325,189
Accounts receivable, less allowance for doubtful accounts of \$4,040 and \$3,163, respectively	166,073	146,811
Current portion of program broadcast rights, net	19,605	13,735
Prepaid taxes	15,953	14,641
Prepaid and other current assets	5,116	5,109
Total current assets	379,601	505,485
Property and equipment, net	351,961	326,093
Broadcast licenses	1,530,123	1,340,305
Goodwill	611,100	485,318
Other intangible assets, net	80,172	56,250
Deferred tax asset	31,963	30,826
Investments in broadcasting and technology companies	16,599	16,599
Other	12,091	22,455
Total assets	\$3,013,610	\$2,783,331

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(in thousands except for share data)

	September 30, 2017	December 31, 2016
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$3,950	\$5,257
Employee compensation and benefits	25,532	31,367
Accrued interest	23,076	32,453
Accrued network programming fees	19,157	14,982
Other accrued expenses	9,285	13,802
Federal and state income taxes	4,680	2,916
Current portion of program broadcast obligations	20,236	13,924
Deferred revenue	3,530	4,706
Current portion of long-term debt	6,417	-
Total current liabilities	115,863	119,407
Long-term debt	1,831,610	1,756,747
Program broadcast obligations, less current portion	4,771	4,995
Deferred income taxes	437,989	373,837
Accrued pension costs	33,052	34,047
Other	1,422	1,437
Total liabilities	2,424,707	2,290,470
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, no par value; authorized 100,000,000 shares, issued 71,538,664 shares and 71,229,497 shares, respectively	660,377	658,135
Class A common stock, no par value; authorized 15,000,000 shares, issued 8,349,069 shares and 8,073,993 shares, respectively	23,841	21,764
Accumulated deficit	(3,876)	(101,365)
Accumulated other comprehensive loss, net of income tax benefit	(17,645)	(17,645)
Treasury stock at cost, common stock, 5,535,076 shares and 5,135,406 shares, respectively	662,697	560,889
Treasury stock at cost, Class A common stock, 1,750,692 shares and 1,669,131 shares, respectively	(49,562)	(44,688)
	(24,232)	(23,340)
Total stockholders' equity	588,903	492,861
Total liabilities and stockholders' equity	\$3,013,610	\$2,783,331

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(in thousands except for per share data)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2016	2016	2016	2016
Revenue (less agency commissions)	\$218,977	\$204,490	\$649,119	\$574,846
Operating expenses before depreciation, amortization and loss (gain) on disposal of assets, net:				
Broadcast	139,430	120,717	406,446	346,620
Corporate and administrative	8,318	7,223	24,436	31,425
Depreciation	13,085	11,494	38,555	34,237
Amortization of intangible assets	6,460	4,235	18,684	12,365
Loss (gain) on disposal of assets, net	1,660	354	(75,139)	(66)
Operating expenses	168,953	144,023	412,982	424,581
Operating income				