BEASLEY BROADCAST GROUP INC
Form 10-Q
November 01, 2013
Table of Contents

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 September 30, 2013

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	**65-0960915**
(State of Incorporation)	**(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 x 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 x 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 x

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

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, $.001 par value, 6,287,682 Shares Outstanding as of October 25, 2013

Class B Common Stock, $.001 par value, 16,662,743 Shares Outstanding as of October 25, 2013

Table of Contents

INDEX

		Page No.
	PART I	
	FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Financial Statements.	3
	Notes to Condensed Consolidated Financial Statements.	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations.	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	16
Item 4.	Controls and Procedures.	17
	PART II	
	OTHER INFORMATION	
Item 1.	Legal Proceedings.	18
Item 1A.	Risk Factors.	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	18
Item 3.	Defaults Upon Senior Securities.	18
Item 4.	Mine Safety Disclosures.	18
Item 5.	Other Information.	18
Item 6.	Exhibits.	19
SIGNATURES		20

Table of Contents

BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2012	September 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,660,648	$ 12,489,731
Accounts receivable, less allowance for doubtful accounts of $637,860 in 2012 and $467,994 in 2013	18,175,425	17,106,958
Prepaid expenses	963,677	2,286,393
Deferred tax assets	418,900	210,204
Other current assets	2,172,195	2,491,708
Total current assets	33,390,845	34,584,994
Notes receivable from related parties	2,656,067	2,403,330
Property and equipment, net	19,066,881	19,964,277
FCC broadcasting licenses	183,251,728	186,088,710
Goodwill	13,629,364	13,629,364
Other assets	7,377,779	6,198,205
Total assets	$ 259,372,664	$ 262,868,880
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,500,000	$ 5,562,500
Accounts payable	1,156,406	1,122,029
Other current liabilities	7,979,975	8,239,841
Total current liabilities	12,636,381	14,924,370
Long-term debt, net of current portion	113,250,000	104,687,500
Deferred tax liabilities	49,449,507	51,774,302
Other long-term liabilities	987,519	899,683
Total liabilities	176,323,407	172,285,855
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; 8,897,440 issued and 6,145,195 outstanding in 2012; 9,076,290 issued and 6,287,682 outstanding in 2013	8,897	9,076
Class B common stock, $0.001 par value; 75,000,000 shares authorized; 16,662,743 issued and outstanding in 2012 and 2013	16,662	16,662
Additional paid-in capital	116,896,411	116,648,420

Treasury stock, Class A common stock; 2,752,245 in 2012; 2,788,608 shares in 2013	(14,539,533)	(14,729,984)
Accumulated deficit	(19,347,366)	(11,382,019)
Accumulated other comprehensive income	14,186	20,870
Stockholders equity	83,049,257	90,583,025
Total liabilities and stockholders equity	$ 259,372,664	$ 262,868,880

Table of Contents

BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,	
	2012	**2013**
Net revenue	$ 24,714,493	$ 25,950,102
Operating expenses:		
Station operating expenses (including stock-based compensation of $4,741 in 2012 and $7,038 in 2013 and excluding depreciation and amortization shown separately below)	15,740,976	16,506,148
Corporate general and administrative expenses (including stock-based compensation of $103,322 in 2012 and $178,531 in 2013)	1,940,499	2,157,138
Other operating expenses		185,916
Depreciation and amortization	532,975	548,184
Total operating expenses	18,214,450	19,397,386
Operating income	6,500,043	6,552,716
Non-operating income (expense):		
Interest expense	(1,792,469)	(1,337,605)
Loss on extinguishment of long-term debt	(2,608,158)	
Other income (expense), net	(176,460)	23,801
Income before income taxes	1,922,956	5,238,912
Income tax expense	766,033	2,052,021
Net income	1,156,923	3,186,891
Other comprehensive income:		
Unrealized gain on securities (net of income tax expense of $3,254 in 2012 and $9,250 in 2013)	5,171	14,868
Comprehensive income	$ 1,162,094	$ 3,201,759
Net income per share:		
Basic and diluted	$ 0.05	$ 0.14
Weighted average shares outstanding:		
Basic	22,675,427	22,743,515
Diluted	22,743,027	22,828,664

Table of Contents

BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine Months Ended September 30,	
	2012	**2013**
Net revenue	$ 72,804,066	$ 77,618,204
Operating expenses:		
Station operating expenses (including stock-based compensation of $12,253 in 2012 and $25,829 in 2013 and excluding depreciation and amortization shown separately below)	45,881,166	49,982,476
Corporate general and administrative expenses (including stock-based compensation of $333,766 in 2012 and $480,253 in 2013)	5,921,193	6,380,716
Other operating expenses		185,916
Depreciation and amortization	1,563,476	1,640,408
Total operating expenses	53,365,835	58,189,516
Operating income	19,438,231	19,428,688
Non-operating income (expense):		
Interest expense	(4,404,625)	(5,711,729)
Loss on extinguishment of long-term debt	(2,608,158)	(1,260,784)
Other income (expense), net	(191,528)	106,393
Income before income taxes	12,233,920	12,562,568
Income tax expense	4,807,931	4,597,221
Net income	7,425,989	7,965,347
Other comprehensive income:		
Unrealized gain (loss) on securities (net of income tax benefit of $4,657 in 2012 and income tax expense of $4,061 in 2013)	(7,401)	6,684
Comprehensive income	$ 7,418,588	$ 7,972,031
Net income per share:		
Basic and diluted	$ 0.33	$ 0.35
Weighted average shares outstanding:		
Basic	22,663,680	22,732,535
Diluted	22,731,263	22,808,999

Table of Contents

BEASLEY BROADCAST GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2012	**2013**
Cash flows from operating activities:		
Net income	$ 7,425,989	$ 7,965,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	346,019	506,082
Provision for bad debts	880,318	584,631
BMI music license fee settlement	(770,654)	
Depreciation and amortization	1,563,476	1,640,408
Amortization of loan fees	265,645	359,185
Loss on extinguishment of long-term debt	2,608,158	1,260,784
Deferred income taxes	3,157,842	2,540,175
Change in operating assets and liabilities:		
Accounts receivable	(119,507)	483,836
Prepaid expenses	(285,385)	(1,322,716)
Other assets	219,073	184,065
Accounts payable	128,217	(34,377)
Other liabilities	790,074	186,471
Other operating activities	(610,568)	(306,456)
Net cash provided by operating activities	15,598,697	14,047,435
Cash flows from investing activities:		
Capital expenditures	(1,295,447)	(2,084,426)
Payments for acquisitions of radio stations	(2,000,000)	(4,000,000)
Payments for translator licenses		(30,000)
Payments for investments	(166,667)	(104,167)
Repayment of notes receivable from related parties	211,093	252,737
Net cash used in investing activities	(3,251,021)	(5,965,856)
Cash flows from financing activities:		
Principal payments on indebtedness	(7,858,619)	(6,500,000)
Repayment of note payable to related party	(2,500,000)	
Payments of loan fees	(4,055,447)	(617,051)
Tax benefit (shortfall) from vesting of restricted stock	(80,104)	55,006
Payments for treasury stock	(111,854)	(190,451)
Net cash used in financing activities	(14,606,024)	(7,252,496)
Net increase (decrease) in cash and cash equivalents	(2,258,348)	829,083

Cash and cash equivalents at beginning of period		13,610,069		11,660,648
Cash and cash equivalents at end of period	$	11,351,721	$	12,489,731
Cash paid for interest	$	4,158,983	$	5,336,058
Cash paid for income taxes	$	2,128,500	$	2,969,645
Supplement disclosure of non-cash investing and financing activities:				
Property and equipment acquired through placement of advertising airtime	$	61,676	$	70,210
Note payable to related party to partially finance an acquisition of a radio station	$	2,500,000	$	

6

Table of Contents

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, 2012. 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 Pronouncement

In February 2013, the FASB issued guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles to be reclassified in its entirety to net income. For other amounts that are that are not required under U.S. generally accepted accounting principles to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. generally accepted accounting principles that provide additional detail about those amounts. The new guidance is effective prospectively for reporting periods beginning after December 15, 2012, with early adoption permitted. The Company adopted the new guidance in the first quarter of 2013 with no material impact on its financial statements.

(3) FCC Broadcasting Licenses

The change in the carrying amount of FCC broadcasting licenses for the nine months ended September 30, 2013 is as follows:

Balance as of December 31, 2012	$ 183,251,728
Acquisition of translator licenses	30,000
Acquisition of KVGS-FM	2,806,982
Balance as of September 30, 2013	$ 186,088,710

On January 11, 2013, the Company acquired two translator licenses from Reach Communications, Inc. for $30,000. The translator licenses allow the Company to rebroadcast the programming of one of its radio stations in Fort

Myers-Naples, FL on the FM band over an expanded area of coverage. Translator licenses are generally granted for renewable terms of eight years and are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired.

(4) Derivative Financial Instruments

The Company is a party to two interest rate cap agreements which limit its cost of variable rate debt on a portion of its term loans. The interest rate cap agreements have an aggregate notional amount of $57.5 million and cap LIBOR at 1% on an equivalent amount of the Company s term loans. The interest rate cap agreements expire in September 2014. The interest rate caps were not designated as hedging instruments. As of September 30, 2013, the fair value of the interest rate caps, reported in other assets, was approximately $5,000. The fair values of the interest rate caps were determined using observable inputs (Level 2). The inputs were quotes from the counterparties to the interest rate cap agreements. The change in fair value, reported in interest expense, was approximately $11,000 and $14,000 for the three and nine months ended September 30, 2013, respectively.

Table of Contents

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(5) Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2012	September 30, 2013
First lien facility:		
Term loan	$ 86,750,000	$ 103,250,000
Revolving credit facility	5,000,000	7,000,000
Second lien facility:		
Term loan	25,000,000	
	116,750,000	110,250,000
Less current installments	(3,500,000)	(5,562,500)
	$ 113,250,000	$ 104,687,500

As of December 31, 2012, the first lien facility consisted of a term loan with a remaining balance of $86.7 million and a revolving credit facility with a maximum commitment of $20.0 million. The first lien facility carried interest, based on the adjusted LIBOR rate, at 5.18% as of December 31, 2012. As of December 31, 2012, the second lien facility consisted of a term loan of $25.0 million. The second lien facility carried interest, based on the adjusted LIBOR rate, at 11.25% as of December 31, 2012.

On April 3, 2013, the Company amended its first lien credit agreement. The amendment waived certain restrictions to permit the prepayment of the $25.0 million second lien facility in full with $20.0 million of additional term loan borrowings and $2.0 million of additional revolving credit facility borrowings from the first lien facility and $3.0 million of cash on hand. The amendment also modified the interest rate margins on the term loan. In connection with the prepayment of the second lien facility, the Company recorded a prepayment fee of $1.0 million in interest expense during the second quarter of 2013. In connection with the amended first lien credit agreement and the prepayment of the second lien facility, the Company also recorded a loss on extinguishment of long-term debt of $1.3 million during the second quarter of 2013.

As of September 30, 2013, the first lien facility consisted of a term loan with a remaining balance of $103.2 million and a revolving credit facility with a maximum commitment of $20.0 million. As of September 30, 2013, the Company had $13.0 million in remaining commitments available under its revolving credit facility. At the Company s election, the first lien facility may bear interest at either (i) the adjusted LIBOR rate, as defined in the first lien credit agreement, plus a margin ranging from 3.5% to 5.0% that is determined by the Company s consolidated total debt ratio, as defined in the first lien credit agreement or (ii) the base rate, as defined in the first lien credit agreement, plus a margin ranging from 2.5% to 4.0% that is determined by the Company s consolidated total debt ratio. Interest on adjusted LIBOR rate 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 first lien facility carried interest, based on the adjusted LIBOR rate, at 4.18% as of September 30, 2013 and matures on August 9, 2017.

The first lien credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the first lien 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 first lien credit agreement. The mandatory prepayments decrease to 25% of excess cash flow 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 first lien facility requires the Company to comply with certain financial covenants which are defined in the first lien 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 December 31, 2013 must not exceed 5.0 times its consolidated operating cash flow for the four quarters then ended. The maximum ratio is 4.5 times for 2014, 4.0 times for 2015, 3.5 times for 2016, and 3.0 times for 2017.

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 first lien 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. The guarantees were issued to the Company s lenders for repayment of the outstanding balance of the first lien facility. If the Company defaults under the terms of the first lien credit agreement, the Company and its applicable subsidiaries may be required to perform under their guarantees. As of September 30, 2013, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have had to make in the event of default was $110.2 million. The guarantees for the first lien facility expire on August 9, 2017.

Table of Contents

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The aggregate scheduled principal repayments of the credit facility for the remainder of 2013 and the next four years are as follows:

	Term loan	Revolving credit facility	Total
2013	$ 750,000	$	$ 750,000
2014	6,875,000		6,875,000
2015	8,250,000		8,250,000
2016	9,625,000		9,625,000
2017	77,750,000	7,000,000	84,750,000
Total	$ 103,250,000	$ 7,000,000	$ 110,250,000

Failure to comply with financial covenants, scheduled interest payments, scheduled principal repayments, or any other terms of its credit agreement could result in the acceleration of the maturity of its outstanding debt. The Company believes that it will have sufficient liquidity and capital resources to permit it to meet its financial obligations for at least the next twelve months. As of September 30, 2013, the Company was in compliance with all applicable financial covenants under its credit agreement.

(6) 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 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of July 1, 2013	173,451	$ 6.33
Granted	35,000	8.56
Vested	(3,334)	4.51

Unvested as of September 30, 2013	205,117	$ 6.74

As of September 30, 2013, there was $0.9 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 1.9 years.

The 2000 Equity Plan of Beasley Broadcast Group. Inc. (the 2000 Plan) was terminated upon adoption of the 2007 Plan, except with respect to outstanding awards. The remaining stock options expire ten years from the date of grant. No new awards will be granted under the 2000 Plan.

A summary of stock option activity under the 2000 Plan is as follows:

	Options	Weighted-Average Exercise Price
Outstanding as of July 1, 2013	99,750	$ 15.75
Forfeited		
Outstanding and exercisable as of September 30, 2013	99,750	$ 15.75

As of September 30, 2013, the weighted-average remaining contractual term was 0.7 years and the aggregate intrinsic value was zero for stock options granted under the 2000 Plan.

Table of Contents

BEASLEY BROADCAST GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(7) Income Taxes

The Company s effective tax rate was approximately 40% and 39% for the three and nine months ended September 30, 2012, respectively and approximately 39% and 37% for the three and nine months ended September 30, 2013, respectively which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the nine months ended September 30, 2013, also reflects a $0.3 million decrease from a change to the Company s state tax effective rate.

(8) Related Party Transactions

On September 1, 2013, the Company completed the acquisition of KVGS-FM in Las Vegas, NV from GGB Las Vegas, LLC, which is owned by George G. Beasley, for $4.0 million in cash. The Company acquired KVGS-FM to complement its current market cluster in Las Vegas, NV. The acquisition was accounted for as a combination between businesses under common control therefore the Company recorded the assets acquired at their carrying amounts as of the date of acquisition. The difference between the purchase price and the carrying amounts of the assets acquired was recorded as an adjustment to additional paid-in capital. The Company did not retrospectively adjust the financial statements to furnish comparative information for the periods under which the Company and GGB Las Vegas, LLC were under common control as the adjustments were considered immaterial to all periods presented. The operations of KVGS-FM have been included in the Company s results of operations from its acquisition date.

A summary of the carrying amounts of assets acquired and the adjustment to additional paid-in capital is as follows:

Property and equipment	$ 384,118
FCC broadcasting license	2,806,982
Carrying amount of assets acquired	3,191,100
Purchase price	4,000,000
Adjustment to additional paid-in capital	$ (808,900)

As of September 1, 2013, pursuant to the purchase option, an amount of $185,916 is due to GGB Las Vegas, LLC for unreimbursed management fee losses incurred by KVGS-FM during the term of the management agreement and an amount of $99,483 is due to GGB Las Vegas, LLC to purchase property and equipment acquired by GGB Las Vegas, LLC for KVGS-FM during the term of the management agreement.

On May 31, 2013, the interest rate on the notes receivable from Beasley Family Towers, LLC was discretionarily changed from 6.0% to 2.57%. The aggregate monthly payments of approximately $38,000 were unchanged, but due to the interest rate change the maturity date of the notes is now June 30, 2019. Beasley Family Towers, LLC is controlled by George G. Beasley, Bruce G. Beasley, Caroline Beasley, Brian E. Beasley and other family members of George G. Beasley.

On April 12, 2013, the Company contributed an additional $104,167 to Digital PowerRadio, LLC which maintained its 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 the Company.

(9) Financial Instruments

The carrying amount of notes receivable from related parties with a fixed rate of interest of 2.57% was $2.4 million as of September 30, 2013, compared with a fair value of $2.2 million based on current market interest rates. The carrying amount of notes receivable from related parties was $2.7 million as of December 31, 2012, compared with a fair value of $2.9 million based on market rates at that time.

The carrying amount of long term debt, including the current installments, was $110.2 million as of September 30, 2013 and approximated fair value based on current market interest rates. The carrying amount of long-term debt was $116.7 million as of December 31, 2012 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, believ 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 15, 2013.

General

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 44 radio stations in the following markets: Atlanta, GA, Augusta, GA, Boston, MA, Fayetteville, NC, Fort Myers-Naples, FL, Greenville-New Bern-Jacksonville, NC, Las Vegas, NV, Miami-Fort Lauderdale, FL, Philadelphia, PA, West Palm Beach-Boca Raton, FL, and Wilmington, DE. We also operate one radio station in the expanded AM band in Augusta, GA. We refer to each group of radio stations in each radio market as a market cluster.

Recent Developments

On September 1, 2013, we completed the acquisition of KVGS-FM in Las Vegas, NV from GGB Las Vegas, LLC, which is owned by George G. Beasley, for $4.0 million in cash. The operations of KVGS-FM have been included in our results of operations from its acquisition date. As of September 1, 2013, pursuant to the purchase option, an amount of $185,916 is due to GGB Las Vegas, LLC for unreimbursed management fee losses incurred by KVGS-FM during the term of the management agreement and an amount of $99,483 is due to GGB Las Vegas, LLC to purchase property and equipment acquired by GGB Las Vegas, LLC for KVGS-FM during the term of the management agreement.

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 advertising airtime and digital sales to 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 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 quarterly reports issued by the Arbitron Ratings Company;

- the number of radio stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;

Table of Contents

- 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.

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, 2012. There have been no material changes to our critical accounting estimates during the third quarter of 2013.

Recent Accounting Pronouncements

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

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

The following summary table presents a comparison of our results of operations for the three months ended September 30, 2012 and 2013 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.

	Three months ended September 30,		Change	
	2012	2013	$	%
Net revenue	$ 24,714,493	$ 25,950,102	$ 1,235,609	5.0%
Station operating expenses	15,740,976	16,506,148	765,172	4.9
Corporate general and administrative expenses	1,940,499	2,157,138	216,639	11.2
Other operating expenses		185,916	185,916	
Interest expense	1,792,469	1,337,605	(454,864)	(25.4)
Loss on extinguishment of long-term debt	2,608,158		(2,608,158)	(100.0)
Income tax expense	766,033	2,052,021	1,285,988	167.9
Net income	1,156,923	3,186,891	2,029,968	175.5

Table of Contents

Net Revenue. Net revenue increased $1.2 million during the three months ended September 30, 2013. Significant factors affecting net revenue included a $0.8 million increase in advertising revenue from our Philadelphia market cluster, a $0.4 million increase in advertising revenue from our Miami-Fort Lauderdale market cluster, and a $0.3 million decrease in advertising revenue from our Greenville-New Bern-Jacksonville market cluster. Net revenue was comparable to the same period in 2012 at our remaining market clusters.

Station Operating Expenses. Station operating expenses increased $0.8 million during the three months ended September 30, 2013. Significant factors affecting station operating expenses included a $0.4 million increase at our Philadelphia market cluster. Station operating expenses were comparable to the same period in 2012 at our remaining market clusters.

Corporate General and Administrative Expenses. The $0.2 million increase in corporate general and administrative expenses during the three months ended September 30, 2013 was primarily due to an increase in incentive-based compensation expense and stock-based compensation expense.

Other Operating Expenses. As of September 1, 2013, pursuant to the purchase option, an amount of $185,916 is due to GGB Las Vegas, LLC for unreimbursed management fee losses incurred by KVGS-FM during the term of the management agreement.

Interest Expense. Interest expense decreased $0.5 million during the three months ended September 30, 2013. Significant factors affecting interest expense included a decrease in long-term debt outstanding including the prepayment of the second lien facility in the second quarter of 2013.

Loss on Extinguishment of Long-Term Debt. In connection with new credit agreements in 2012 we recorded a loss on extinguishment of long-term debt of $2.6 million during the three months ended September 30, 2012.

Income Tax Expense. Our effective tax rate was approximately 40% and 39% for the three months ended September 30, 2012 and 2013, respectively, which differ from the federal statutory rate of 34% 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 September 30, 2013 increased $2.0 million as a result of the factors described above.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

The following summary table presents a comparison of our results of operations for the nine months ended September 30, 2012 and 2013 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.

	Nine months ended September 30,		**Change**	
	2012	**2013**	**$**	**%**
Net revenue	$ 72,804,066	$ 77,618,204	$ 4,814,138	6.6%
Station operating expenses	45,881,166	49,982,476	4,101,310	8.9
Corporate general and administrative expenses	5,921,193	6,380,716	459,523	7.8

Other operating expenses		185,916	185,916	
Interest expense	4,404,625	5,711,729	1,307,104	29.7
Loss on extinguishment of long-term debt	2,608,158	1,260,784	(1,347,374)	(51.7)
Income tax expense	4,807,931	4,597,221	(210,710)	(4.4)
Net income	7,425,989	7,965,347	539,358	7.3

Net Revenue. Net revenue increased $4.8 million during the nine months ended September 30, 2013. Significant factors affecting net revenue included a $2.5 million increase in advertising revenue from our Philadelphia market cluster, a $2.1 million increase in advertising revenue at our Las Vegas market cluster, which included a $2.2 million increase in advertising revenue from KOAS-FM in Las Vegas, NV which was acquired in the third quarter of 2012, a $0.5 million increase in advertising revenue from our Fort Myers-Naples market cluster, and a $0.6 million decrease in advertising revenue from our Greenville-New Bern-Jacksonville market cluster. Net revenue was comparable to the same period in 2012 at our remaining market clusters.

Station Operating Expenses. Station operating expenses increased $4.1 million during the nine months ended September 30, 2013. Significant factors affecting station operating expenses included a $1.3 million increase at our Las Vegas market cluster, which included a $1.0 million increase in station operating expenses from KOAS-FM in Las Vegas, NV, a $1.2 million increase at our Philadelphia market cluster, a $0.6 million increase at our Miami-Fort Lauderdale market cluster, and a $0.5 million increase at our Fort Myers-Naples market cluster. In addition, station operating expenses increased an aggregate amount of $0.8 million across ten of our eleven market clusters as a result of a BMI fee settlement in 2012. Station operating expenses were comparable to the same period in 2012 at our remaining market clusters.

Corporate General and Administrative Expenses. The $0.5 million increase in corporate general and administrative expenses during the nine months ended September 30, 2013 was primarily due to an increase in incentive-based compensation expense and stock-based compensation expense.

Other Operating Expenses. As of September 1, 2013, pursuant to the purchase option, an amount of $185,916 is due to GGB Las Vegas, LLC for unreimbursed management fee losses incurred by KVGS-FM during the term of the management agreement.

Interest Expense. Interest expense increased $1.3 million during the nine months ended September 30, 2013. Significant factors affecting interest expense included a $1.0 million fee in connection with the prepayment of the second lien facility, an increase in borrowing costs under the credit agreements we entered into in the third quarter of 2012, and a decrease in long-term debt outstanding including the prepayment of the second lien facility.

Loss on Extinguishment of Long-Term Debt. In connection with the amended first lien credit agreement and the prepayment of the second lien facility we recorded a loss on extinguishment of long-term debt of $1.3 million during the nine months ended September 30, 2013. In connection with new credit agreements in 2012 we recorded a loss on extinguishment of long-term debt of $2.6 million during the nine months ended September 30, 2012.

Income Tax Expense. Our effective tax rate was approximately 39% and 37% for the nine months ended September 30, 2012 and 2013, respectively, which differ from the federal statutory rate of 34% due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate for the nine months ended September 30, 2013, also reflects a $0.3 million decrease from a change to our state tax effective rate.

Net Income. Net income during the nine months ended September 30, 2013 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 loan. 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 additional shares of our common stock, subject to compliance with financial covenants, up to an aggregate amount of $0.5 million per year. We paid $0.2 million to repurchase 36,363 shares during the nine months ended September 30, 2013.

Our credit agreement permits us to pay cash dividends, subject to compliance with financial covenants, up to an aggregate amount of $4.0 million for 2013, $5.0 million for each of 2014 and 2015, and $6.0 million for each year thereafter. We did not pay any cash dividends during the nine months ended September 30, 2013.

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

- internally generated cash flow;

- our credit facilities;
- additional borrowings, other than under our existing credit facilities, to the extent permitted thereunder; 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 facilities, 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 nine months ended September 30, 2012 and 2013 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.

	Nine months ended September 30,	
	2012	**2013**
Net cash provided by operating activities	$ 15,598,697	$ 14,047,435
Net cash used in investing activities	(3,251,021)	(5,965,856)
Net cash used in financing activities	(14,606,024)	(7,252,496)
Net increase (decrease) in cash and cash equivalents	$ (2,258,348)	$ 829,083

Net Cash Provided By Operating Activities. Net cash provided by operating activities decreased $1.6 million during the nine months ended September 30, 2013. Significant factors affecting net cash provided by operating activities included a $3.4 million increase in cash paid for station operating expenses, a $1.2 million increase in interest payments, a $0.8 million increase in income tax payments, and a $4.0 million increase in cash receipts from the sale of advertising airtime.

Net Cash Used In Investing Activities. Net cash used in investing activities during the nine months ended September 30, 2013 included a payment of $4.0 million for the acquisition of KVGS-FM in Las Vegas, NV and payments of $2.1 million for capital expenditures. Net cash used in investing activities for the same period in 2012 included a payment of $2.0 million for the acquisition of KOAS-FM in Las Vegas, NV and payments of $1.3 million for capital expenditures.

Net Cash Used In Financing Activities. Net cash used in financing activities during the nine months ended September 30, 2013 included repayments of $6.5 million under our credit facilities, and payments of $0.6 million for loan fees related to the amended first lien credit agreement. Net cash used in financing activities for the same period in 2012 included repayments of $7.9 million under our credit facility, payments of $4.1 million for loan fees related to new credit agreements, and a repayment of $2.5 million under a note payable to related party for the acquisition of KOAS-FM in Las Vegas, NV.

Credit Facility. As of October 25, 2013, the aggregate outstanding balance of our credit facility was $110.2 million. On April 3, 2013, we amended our first lien credit agreement. The amendment waived certain restrictions to permit the prepayment of the $25.0 million second lien facility in full with $20.0 million of additional term loan borrowings and $2.0 million of additional revolving credit facility borrowings from the first lien facility and $3.0 million of cash on hand. The amendment also modified the interest rate margins on the term loan. In connection with the prepayment of the second lien facility, we recorded a prepayment fee of $1.0 million in interest expense during the second quarter of 2013. In connection with the amended first lien credit agreement and the prepayment of the second lien facility, we also recorded a loss on extinguishment of long-term debt of $1.3 million during the second quarter of 2013.

As of September 30, 2013, the first lien facility consisted of a term loan with a remaining balance of $103.2 million and a revolving credit facility with a maximum commitment of $20.0 million. As of September 30, 2013, we had $13.0 million in remaining

Table of Contents

commitments available under our revolving credit facility. At our election, the first lien facility may bear interest at either (i) the adjusted LIBOR rate, as defined in the first lien credit agreement, plus a margin ranging from 3.5% to 5.0% that is determined by our consolidated total debt ratio, as defined in the first lien credit agreement or (ii) the base rate, as defined in the first lien credit agreement, plus a margin ranging from 2.5% to 4.0% that is determined by our consolidated total debt ratio. Interest on adjusted LIBOR rate 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 first lien facility carried interest, based on the adjusted LIBOR rate, at 4.18% as of September 30, 2013 and matures on August 9, 2017.

The first lien credit agreement requires mandatory prepayments equal to 50% of consolidated excess cash flow, as defined in the first lien credit agreement, when our consolidated total debt is equal to or greater than three times our consolidated operating cash flow as defined in the first lien credit agreement. The mandatory prepayments decrease to 25% of excess cash flow when our consolidated total debt is less than three times our 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 first lien facility requires us to comply with certain financial covenants which are defined in the first lien credit agreement. These financial covenants include:

Consolidated Total Debt Ratio. Our consolidated total debt on the last day of each fiscal quarter through December 31, 2013 must not exceed 5.0 times our consolidated operating cash flow for the four quarters then ended. The maximum ratio is 4.5 times for 2014, 4.0 times for 2015, 3.5 times for 2016, and 3.0 times for 2017.

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 first lien 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. The guarantees were issued to our lenders for repayment of the outstanding balance of the first lien facility. If we default under the terms of the first lien credit agreement, the Company and its applicable subsidiaries may be required to perform under their guarantees. As of September 30, 2013, the maximum amount of undiscounted payments the Company and its applicable subsidiaries would have had to make in the event of default was $110.2 million. The guarantees for the first lien facility expire on August 9, 2017.

The aggregate scheduled principal repayments of the credit facility for the remainder of 2013 and the next four years are as follows:

	Term loan	Revolving credit facility	Total

2013	$ 750,000	$	$ 750,000
2014	6,875,000		6,875,000
2015	8,250,000		8,250,000
2016	9,625,000		9,625,000
2017	77,750,000	7,000,000	84,750,000
Total	$ 103,250,000	$ 7,000,000	$ 110,250,000

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 our business or results of operations. As of September 30, 2013, we were in compliance with all applicable financial covenants under our credit agreement; our consolidated total debt ratio was 3.32 times, and our interest coverage ratio was 4.19 times.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including our 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 Chief Executive Officer and Chief Financial Officer have 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 September 30, 2013 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, 2012. There have been no material changes to the risks affecting our Company during the third quarter of 2013.

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 September 30, 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value That May Yet Be Purchased Under the Program
July 1 31, 2013		$		$
August 1 31, 2013				
September 1 30, 2013	833	7.93		
Total	833			

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 additional shares of our common stock, subject to compliance with financial covenants, up to an aggregate amount of $0.5 million per year. All shares purchased during the three months ended September 30, 2013, were purchased to fund withholding taxes in connection with the vesting of restricted stock. We currently have no publicly announced share purchase

programs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

Table of Contents

ITEM 6. EXHIBITS.

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) (17 CFR 240.15d-14(a)).
31.2	Certification of 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 Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) (17 CFR 240.15d-14(b)) and 18 U.S.C. Section 1350.
32.2	Certification of 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.

Table of Contents

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: November 1, 2013	/s/ George G. Beasley Name: George G. Beasley Title: Chairman of the Board and Chief Executive Officer
Dated: November 1, 2013	/s/ Caroline Beasley Name: Caroline Beasley Title: Vice President, Chief Financial Officer, Secretary, Treasurer and Director (principal financial and accounting officer)