

Clear Channel Outdoor Holdings, Inc.
Form 10-Q
May 04, 2016

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 March 31, 2016

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

001 32663

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

86-0812139

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

200 East Basse Road, Suite 100

78209

Delaware

86-0812139 1

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San Antonio, Texas

(Zip Code)

(Address of principal executive offices)

(210) 832-3700

(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 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 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	Outstanding at May 2, 2016
-----	-----
Class A Common Stock, \$.01 par value	46,618,104
Class B Common Stock, \$.01 par value	315,000,000

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**CONSOLIDATED BALANCE SHEETS
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND
SUBSIDIARIES**

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(In thousands, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 489,641	\$ 412,743
Accounts receivable, net of allowance of \$27,687 in 2016 and \$25,348 in 2015	625,713	697,583
Prepaid expenses	148,272	127,730
Assets held for sale	55,159	295,075
Other current assets	40,118	34,566
Total Current Assets	1,358,903	1,567,697
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,350,399	1,391,880
Other property, plant and equipment, net	227,696	236,106
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles	961,540	971,327
Other intangibles, net	333,902	342,864
Goodwill	749,928	758,575
OTHER ASSETS		
Due from iHeartCommunications	640,089	930,799
Other assets	116,927	107,540
Total Assets	\$ 5,739,384	\$ 6,306,788
CURRENT LIABILITIES		
Accounts payable	\$ 83,851	\$ 100,210
Accrued expenses	458,650	507,665
Dividends payable	-	217,017
Deferred income	119,092	91,411
Current portion of long-term debt	4,594	4,310
Total Current Liabilities	666,187	920,613
Long-term debt	5,108,621	5,106,513
Deferred tax liability	660,936	608,910
Other long-term liabilities	244,060	240,419
Commitments and Contingent liabilities (Note 4)		
SHAREHOLDERS' DEFICIT		
Noncontrolling interest	191,606	187,775
Preferred stock, \$.01 par value, 150,000,000 shares authorized, no shares issued and outstanding	-	-
Class A common stock, \$.01 par value, 750,000,000 shares authorized, 47,062,114 and 46,661,114 shares issued in 2016 and 2015, respectively	471	467
Class B common stock, \$.01 par value, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding	3,150	3,150
Additional paid-in capital	3,423,014	3,961,515
Accumulated deficit	(4,128,537)	(4,268,637)
Accumulated other comprehensive loss	(427,024)	(451,833)
Cost of shares (453,262 shares in 2016 and 233,868 shares in 2015) held in treasury	(3,100)	(2,104)
Total Shareholders' Deficit	(940,420)	(569,667)
Total Liabilities and Shareholders' Deficit	\$ 5,739,384	\$ 6,306,788

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 590,721	\$ 615,043
Operating expenses:		
Direct operating expenses (excludes depreciation and amortization)	343,694	362,971
Selling, general and administrative expenses (excludes depreciation and amortization)	126,801	127,130
Corporate expenses (excludes depreciation and amortization)	28,239	28,753
Depreciation and amortization	85,395	94,094
Other operating income (expense), net	284,774	(5,444)
Operating income (loss)	291,366	(3,349)
Interest expense	93,873	89,416
Interest income on Due from iHeartCommunications	12,713	15,253
Equity in earnings (loss) of nonconsolidated affiliates	(415)	522
Other income (expense), net	(5,803)	19,938
Income (loss) before income taxes	203,988	(57,052)
Income tax benefit (expense)	(62,912)	24,099
Consolidated net income (loss)	141,076	(32,953)
Less amount attributable to noncontrolling interest	976	565
Net income (loss) attributable to the Company	\$ 140,100	\$ (33,518)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	27,264	(81,487)
Unrealized holding gain (loss) on marketable securities	(36)	822
Other adjustments to comprehensive loss	-	(1,154)
Other comprehensive income (loss)	27,228	(81,819)
Comprehensive income (loss)	167,328	(115,337)
Less amount attributable to noncontrolling interest	2,419	2,299
Comprehensive income (loss) attributable to the Company	\$ 164,909	\$ (117,636)
Net income (loss) attributable to the Company per common share:		
Basic	\$ 0.39	\$ (0.09)
Weighted average common shares outstanding – Basic	359,915	359,093
Diluted	\$ 0.39	\$ (0.09)
Weighted average common shares outstanding – Diluted	360,904	359,093
Dividends declared per share	\$ 1.49	\$ -

**CONSOLIDATED STATEMENTS OF CASH FLOWS
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

(UNAUDITED)

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<i>(In thousands)</i>	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Consolidated net income (loss)	\$ 141,076	\$ (32,953)
Reconciling items:		
Depreciation and amortization	85,395	94,094
Deferred taxes	52,649	4,737
Provision for doubtful accounts	2,018	2,525
Share-based compensation	2,385	1,925
Gain on sale of operating and other assets	(285,519)	(1,355)
Amortization of deferred financing charges and note discounts, net	2,613	2,171
Other reconciling items, net	5,372	(20,681)
Changes in operating assets and liabilities, net of effects of acquisitions		
and dispositions:		
Decrease in accounts receivable	80,033	34,095
Increase in prepaid expenses and other current assets	(19,331)	(56,109)
Decrease in accrued expenses	(60,951)	(59,575)
Increase (decrease) in accounts payable	(18,190)	4,362
Increase in deferred income	25,151	39,758
Changes in other operating assets and liabilities	3,469	(3,272)
Net cash provided by operating activities	\$ 16,170	\$ 9,722
Cash flows from investing activities:		
Purchases of property, plant and equipment	(47,202)	(41,815)
Proceeds from disposal of assets	586,690	938
Purchases of other operating assets	(1,573)	(29)
Change in other, net	(14,371)	-
Net cash provided by (used for) investing activities	\$ 523,544	\$ (40,906)
Cash flows from financing activities:		
Payments on credit facilities	(577)	(1,859)
Payments on long-term debt	(517)	(13)
Net transfers from iHeartCommunications	290,711	61,485
Dividends and other payments to noncontrolling interests	(789)	(2,119)
Dividends paid	(754,217)	-
Change in other, net	(1,079)	650
Net cash provided by (used for) financing activities	\$ (466,468)	\$ 58,144
Effect of exchange rate changes on cash	3,652	(5,884)
Net increase in cash and cash equivalents	76,898	21,076
Cash and cash equivalents at beginning of period	412,743	186,204
Cash and cash equivalents at end of period	\$ 489,641	\$ 207,280
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	85,959	87,717
Cash paid for income taxes	14,632	9,643

See Notes to Consolidated Financial Statements

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods may not be indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2015 Annual Report on Form 10-K. All references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to the Company and its consolidated subsidiaries. Our reportable segments are Americas outdoor advertising (“Americas”) and International outdoor advertising (“International”).

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company’s indirect parent entity, iHeartCommunications, Inc. (“iHeartCommunications”). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20% to 50% of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2016 presentation.

New Accounting Pronouncements

During the first quarter of 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis*. This new standard eliminates the deferral of FAS 167, which has allowed entities with interest in certain investment funds to follow the previous consolidation guidance in FIN 46(R) and makes other changes to both the variable interest model and the voting model. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

(UNAUDITED)

During the second quarter of 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This update simplifies the presentation of debt issuance costs as a deduction from the carrying value of the outstanding debt balance rather than showing the debt issuance costs as an asset. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The retrospective adoption of this guidance resulted in the reclassification of debt issuance costs of \$48.2 million and \$50.4 million as of March 31, 2016 and December 31, 2015, respectively, which are now reflected as “Long-term debt fees” in Note 3.

During the third quarter of 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This update provides a one-year deferral of the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

During the third quarter of 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This update eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

During the first quarter of 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new leasing standard presents significant changes to the balance sheets of lessees. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard which was issued in the third quarter of 2015. The standard is effective for annual periods, and

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

for interim periods within those annual periods, beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

NOTE 2 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL**Dispositions**

During the first quarter of 2016, Americas outdoor sold nine non-strategic outdoor markets including Cleveland and Columbus, Ohio, Des Moines, Iowa, Ft. Smith, Arkansas, Memphis, Tennessee, Portland, Oregon, Reno, Nevada, Seattle, Washington and Wichita, Kansas for net proceeds, including cash and certain advertising assets in Florida, of \$596.6 million. The Company recognized a net gain of \$281.7 million related to the sale, which is included within Other operating income (expense), net.

During the first quarter of 2016, Americas outdoor also entered into an agreement to sell its Indianapolis, Indiana market in exchange for certain assets in Atlanta, Georgia, plus approximately \$41.2 million in cash. The transaction is subject to regulatory approvals and is expected to close in 2016. This transaction has met the criteria to be classified as held-for-sale and as such, the related assets are separately presented on the face of the Consolidated Balance Sheet.

Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets as of March 31, 2016 and December 31, 2015, respectively.

<i>(In thousands)</i>	March 31, 2016	December 31, 2015
Land, buildings and improvements	\$ 163,733	\$ 167,739
Structures	2,799,699	2,824,794
Furniture and other equipment	157,479	156,046
Construction in progress	54,158	54,701
	3,175,069	3,203,280
Less: accumulated depreciation	1,596,974	1,575,294
Property, plant and equipment, net	\$ 1,578,095	\$ 1,627,986

Intangible Assets

The Company's indefinite-lived intangible assets consist primarily of billboard permits. Due to significant differences in both business practices and regulations, billboards in the International segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International segment.

(UNAUDITED)

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets primarily include transit and street furniture contracts, site-leases and other contractual rights, all of which are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Permanent easements are indefinite-lived intangible assets which include certain rights to use real property not owned by the Company. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets as of March 31, 2016 and December 31, 2015, respectively:

<i>(In thousands)</i>	March 31, 2016		December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor				
contractual rights	\$ 631,943	\$ (458,829)	\$ 635,772	\$ (457,060)
Permanent easements	157,313	-	156,349	-
Other	5,084	(1,609)	9,687	(1,884)
Total	\$ 794,340	\$ (460,438)	\$ 801,808	\$ (458,944)

Total amortization expense related to definite-lived intangible assets for the three months ended March 31, 2016 and 2015 was \$9.8 million and \$14.7 million, respectively.

As acquisitions and dispositions occur in the future, amortization expense may vary. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

<i>(In thousands)</i>	
2017	\$ 30,017
2018	\$ 21,053
2019	\$ 16,283
2020	\$ 13,785
2021	\$ 13,614

Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments:

<i>(In thousands)</i>	Americas	International	Consolidated
Balance as of December 31, 2014	\$ 584,574	\$ 232,538	\$ 817,112
Acquisitions	-	10,998	10,998
Foreign currency	(709)	(19,644)	(20,353)

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Assets held for sale	(49,182)	-	(49,182)
Balance as of December 31, 2015	\$ 534,683	\$ 223,892	\$ 758,575
Dispositions	(6,934)	-	(6,934)
Foreign currency	(1,210)	9,834	8,624
Assets held for sale	(10,337)	-	(10,337)
Balance as of March 31, 2016	\$ 516,202	\$ 233,726	\$ 749,928

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****NOTE 3 – LONG-TERM DEBT**

Long-term debt outstanding as of March 31, 2016 and December 31, 2015 consisted of the following:

<i>(In thousands)</i>	March 31, 2016	December 31, 2015
Clear Channel Worldwide Holdings Senior Notes:		
6.5% Series A Senior Notes Due 2022	\$ 735,750	\$ 735,750
6.5% Series B Senior Notes Due 2022	1,989,250	1,989,250
Clear Channel Worldwide Holdings Senior Subordinated Notes:		
7.625% Series A Senior Subordinated Notes Due 2020	275,000	275,000
7.625% Series B Senior Subordinated Notes Due 2020	1,925,000	1,925,000
Senior Revolving Credit Facility Due 2018 ⁽¹⁾	-	-
Clear Channel International B.V. Senior Notes Due 2020	225,000	225,000
Other debt	18,902	19,003
Original issue discount	(7,518)	(7,769)
Long-term debt fees	(48,169)	(50,411)
Total debt	\$ 5,113,215	\$ 5,110,823
Less: current portion	4,594	4,310
Total long-term debt	\$ 5,108,621	\$ 5,106,513

(1) The Senior revolving credit facility provides for borrowings up to \$75.0 million (the revolving credit commitment).

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$4.8 billion and \$4.9 billion at March 31, 2016 and December 31, 2015, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as Level 1.

Surety Bonds, Letters of Credit and Guarantees

As of March 31, 2016, the Company had \$50.1 million and \$59.3 million in letters of credit and bank guarantees outstanding, respectively. Bank guarantees of \$24.1 million were backed by cash collateral. Additionally, as of March 31, 2016, iHeartCommunications had outstanding commercial standby letters of credit and surety bonds of \$1.2 million and \$56.5 million, respectively, held on behalf of the Company. These surety bonds, letters of credit and bank guarantees relate to various operational matters, including insurance, bid and performance bonds, as well as other items.

(UNAUDITED)

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations.

Although the Company is involved in a variety of legal proceedings in the ordinary course of business, a large portion of the Company's litigation arises in the following contexts: commercial disputes; misappropriation of likeness and right of publicity claims; employment and benefits related claims; governmental fines; intellectual property claims; and tax disputes.

International Outdoor Investigation

On April 21, 2015, inspections were conducted at the premises of Clear Channel in Denmark and Sweden as part of an investigation by Danish competition authorities. Additionally, on the same day, Clear Channel UK received a communication from the UK competition authorities, also in connection with the investigation by Danish competition authorities. Clear Channel and its affiliates

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

are cooperating with the national competition authorities.

NOTE 5 — RELATED PARTY TRANSACTIONS

The Company records net amounts due from or to iHeartCommunications as “Due from/to iHeartCommunications” on the consolidated balance sheets. The accounts represent the revolving promissory note issued by the Company to iHeartCommunications and the revolving promissory note issued by iHeartCommunications to the Company in the face amount of \$1.0 billion, or if more or less than such amount, the aggregate unpaid principal amount of all advances. The accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017.

Included in the accounts are the net activities resulting from day-to-day cash management services provided by iHeartCommunications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of iHeartCommunications (after satisfying the funding requirements of the Trustee Accounts under the CCWH Senior Notes and the CCWH Subordinated Notes). In return, iHeartCommunications funds the Company’s controlled disbursement accounts as checks or electronic payments are presented for payment. The Company’s claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the “Due from iHeartCommunications” account.

As of March 31, 2016 and December 31, 2015, the asset recorded in “Due from iHeartCommunications” on the consolidated balance sheet was \$640.1 million and \$930.8 million, respectively. As of March 31, 2016, the fixed interest rate on the “Due from iHeartCommunications” account was 6.5%, which is equal to the fixed interest rate on the CCWH Senior Notes. The net interest income for the three months ended March 31, 2016 and 2015 was \$12.7 million and \$15.3 million, respectively. On February 4, the Company demanded the repayment of \$300.0 million outstanding under the Due from iHeartCommunications note and used the repayment to partially fund a special cash dividend of \$540.0 million, which was paid on February 4, 2016.

The Company provides advertising space on its billboards for radio stations owned by iHeartCommunications. For the three months ended March 31, 2016 and 2015, the Company recorded \$0.3 million and \$1.1 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between iHeartCommunications and the Company, iHeartCommunications provides management services to the Company, which include, among other things: (i) treasury, payroll and other

(UNAUDITED)

financial related services; (ii) certain executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by iHeartCommunications based on headcount, revenue or other factors on a pro rata basis. For the three months ended March 31, 2016 and 2015, the Company recorded \$9.3 million and \$7.9 million, respectively, as a component of corporate expenses for these services.

Pursuant to the Tax Matters Agreement between iHeartCommunications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by iHeartCommunications. The Company's provision for income taxes has been computed on the basis that the Company files separate consolidated federal income tax returns with its subsidiaries. Tax payments are made to iHeartCommunications on the basis of the Company's separate taxable income. Tax benefits recognized on the Company's employee stock option exercises are retained by the Company.

The Company computes its deferred income tax provision using the liability method in accordance with the provisions of ASC 740-10, as if the Company was a separate taxpayer. Deferred tax assets and liabilities are determined based on differences between financial reporting basis and tax basis of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if the Company believes it is more likely than not some portion or all of the asset will not be realized.

Pursuant to the Employee Matters Agreement, the Company's employees participate in iHeartCommunications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. For the three months ended March 31, 2016 and 2015, the Company recorded \$2.3 million and \$2.7 million, respectively, as a component of selling, general and administrative expenses for these services.

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****NOTE 6 – INCOME TAXES****Income Tax Benefit (Expense)**

The Company's income tax benefit (expense) for the three months ended March 31, 2016 and 2015, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2016	2015
Current tax benefit (expense)	\$ (10,263)	\$ 28,836
Deferred tax expense	(52,649)	(4,737)
Income tax benefit (expense)	\$ (62,912)	\$ 24,099

The effective tax rate for the three months ended March 31, 2016 was 30.8%. The effective rate was primarily impacted by the reversal of the valuation allowance recorded in 2015 against net operating losses in U.S. federal and state jurisdictions due to taxable gains from the dispositions of nine outdoor markets during the period. Additionally, we were unable to benefit from losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods.

The effective tax rate for the three months ended March 31, 2015 was 42.2%. The effective rate was primarily impacted by the uncertainty of the ability to recognize the future benefit of certain deferred tax assets that consists of current period net operating losses in U.S. federal, state and certain foreign jurisdictions. The Company has recorded a valuation allowance against these deferred tax assets as the reversing deferred tax liabilities and other sources of taxable income that may be available to realize the deferred tax assets were exceeded by deferred tax assets recognized on the additional net operating losses incurred in the current period.

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 7 – SHAREHOLDERS’ EQUITY (DEFICIT)

The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company’s equity. The following table shows the changes in shareholders’ equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total, ownership interest:

<i>(In thousands)</i>	Noncontrolling		
	The Company	Interests	Consolidated
Balances as of January 1, 2016	\$ (757,442)	\$ 187,775	\$ (569,667)
Net income	140,100	976	141,076
Dividends declared	(540,016)	-	(540,016)
Dividends and other payments to noncontrolling interests	-	(789)	(789)
Share-based compensation	2,385	-	2,385
Foreign currency translation adjustments	24,845	2,419	27,264
Unrealized holding loss on marketable securities	(36)	-	(36)
Other, net	(1,862)	1,225	(637)
Balances as of March 31, 2016	\$ (1,132,026)	\$ 191,606	\$ (940,420)
Balances as of January 1, 2015	\$ (344,275)	\$ 203,334	\$ (140,941)
Net income (loss)	(33,518)	565	(32,953)
Dividends and other payments to noncontrolling interests	-	(2,119)	(2,119)
Share-based compensation	1,925	-	1,925
Foreign currency translation adjustments	(83,786)	2,299	(81,487)
Unrealized holding gain on marketable securities	822	-	822
Other adjustments to comprehensive loss	(1,154)	-	(1,154)
Other, net	651	-	651
Balances as of March 31, 2015	\$ (459,335)	\$ 204,079	\$ (255,256)

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

NOTE 8 — OTHER INFORMATION**Other Comprehensive Income (Loss)**

For the three months ended March 31, 2016 and 2015 the total increase (decrease) in deferred income tax liabilities of other comprehensive income (loss) related to pensions were (\$0.0) million and (\$0.6) million, respectively.

NOTE 9 – SEGMENT DATA

The Company has two reportable segments, which it believes best reflect how the Company is currently managed – Americas and International. The Americas segment consists of operations primarily in the United States, Canada and Latin America and the International segment primarily includes operations in Europe, Asia and Australia. The Americas and International display inventory consists primarily of billboards, street furniture displays and transit displays. Corporate includes infrastructure and support including information technology, human resources, legal, finance and administrative functions of each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expenses.

The following table presents the Company's reportable segment results for the three months ended March 31, 2016 and 2015:

<i>(In thousands)</i>	Americas	International	Corporate and other reconciling items	Consolidated
Three Months Ended March 31, 2016				
Revenue	\$ 282,528	\$ 308,193	\$ -	\$ 590,721
Direct operating expenses	138,012	205,682	-	343,694
Selling, general and administrative expenses	55,329	71,472	-	126,801
Corporate expenses	-	-	28,239	28,239
Depreciation and amortization	46,116	37,880	1,399	85,395
Other operating income, net	-	-	284,774	284,774
Operating income (loss)	\$ 43,071	\$ (6,841)	\$ 255,136	\$ 291,366
Capital expenditures	\$ 11,292	\$ 34,913	\$ 997	\$ 47,202
	\$ -	\$ -	\$ 2,385	\$ 2,385

(UNAUDITED)

Share-based compensation
expense

**Three Months Ended
March 31, 2015**

Revenue	\$ 295,863	\$ 319,180	\$ -	\$ 615,043
Direct operating expenses	146,234	216,737	-	362,971
Selling, general and administrative expenses	55,637	71,493	-	127,130
Corporate expenses	-	-	28,753	28,753
Depreciation and amortization	50,340	42,441	1,313	94,094
Other operating loss, net	-	-	(5,444)	(5,444)
Operating income (loss)	\$ 43,652	\$ (11,491)	\$ (35,510)	\$ (3,349)
Capital expenditures	\$ 16,695	\$ 25,105	\$ 15	\$ 41,815
Share-based compensation expense	\$ -	\$ -	\$ 1,925	\$ 1,925

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 10 – GUARANTOR SUBSIDIARIES

The Company and certain of the Company's direct and indirect wholly-owned domestic subsidiaries (the "Guarantor Subsidiaries") fully and unconditionally guarantee on a joint and several basis certain of the outstanding indebtedness of Clear Channel Worldwide Holdings, Inc. ("CCWH" or the "Subsidiary Issuer"). The following consolidating schedules present financial information on a combined basis in conformity with the SEC's Regulation S-X Rule 3-10(d):

(In thousands)

	March 31, 2016					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 330,026	\$ -	\$ 7,022	\$ 152,593	\$ -	\$ 489,641
Accounts receivable, net of allowance	-	-	185,420	440,293	-	625,713
Intercompany receivables	-	470,441	2,489,586	7,595	(2,967,622)	-
Prepaid expenses	2,825	-	65,492	79,955	-	148,272
Assets held for sale	-	-	55,159	-	-	55,159
Other current assets	-	-	5,824	34,294	-	40,118
Total Current Assets	332,851	470,441	2,808,503	714,730	(2,967,622)	1,358,903
Structures, net	-	-	815,441	534,958	-	1,350,399
Other property, plant and equipment, net	-	-	117,846	109,850	-	227,696
Indefinite-lived intangibles	-	-	951,692	9,848	-	961,540
Other intangibles, net	-	-	269,090	64,812	-	333,902
Goodwill	-	-	505,479	244,449	-	749,928
Due from iHeartCommunications	640,089	-	-	-	-	640,089
Intercompany notes receivable	182,026	5,105,392	-	-	(5,287,418)	-
Other assets	242,051	298,292	1,173,371	60,286	(1,657,073)	116,927
Total Assets	\$ 1,397,017	\$ 5,874,125	\$ 6,641,422	\$ 1,738,933	\$ (9,912,113)	\$ 5,739,384
Accounts payable	\$ -	\$ -	\$ 6,391	\$ 77,460	\$ -	\$ 83,851
Intercompany payable	2,489,586	-	478,036	-	(2,967,622)	-
Accrued expenses	1,621	2,241	84,236	370,552	-	458,650
Deferred income	-	-	48,998	70,094	-	119,092
Current portion of long-term debt	-	-	67	4,527	-	4,594
Total Current Liabilities	2,491,207	2,241	617,728	522,633	(2,967,622)	666,187
Long-term debt	-	4,879,758	997	227,866	-	5,108,621
Intercompany notes payable	-	-	5,028,225	259,193	(5,287,418)	-
Deferred tax liability	772	1,367	652,769	6,028	-	660,936
Other long-term liabilities	2,724	-	130,587	110,749	-	244,060
Total shareholders' equity (deficit)	(1,097,686)	990,759	211,116	612,464	(1,657,073)	(940,420)

(UNAUDITED)

**Total Liabilities and
Shareholders'**

Equity (Deficit)	\$ 1,397,017	\$5,874,125	\$6,641,422	\$ 1,738,933	\$(9,912,113)	\$5,739,384
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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(In thousands)

	December 31, 2015					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 218,701	\$ -	\$ 18,455	\$ 175,587	\$ -	\$ 412,743
Accounts receivable, net of allowance	-	-	210,252	487,331	-	697,583
Intercompany receivables	-	461,549	1,921,025	8,003	(2,390,577)	-
Prepaid expenses	1,423	3,433	62,039	60,835	-	127,730
Assets held for sale	-	-	295,075	-	-	295,075
Other current assets	-	-	1,823	32,743	-	34,566
Total Current Assets	220,124	464,982	2,508,669	764,499	(2,390,577)	1,567,697
Structures, net	-	-	868,586	523,294	-	1,391,880
Other property, plant and equipment, net	-	-	129,339	106,767	-	236,106
Indefinite-lived intangibles	-	-	962,074	9,253	-	971,327
Other intangibles, net	-	-	272,307	70,557	-	342,864
Goodwill	-	-	522,750	235,825	-	758,575
Due from iHeartCommunications	930,799	-	-	-	-	930,799
Intercompany notes receivable	182,026	5,107,392	-	-	(5,289,418)	-
Other assets	78,341	307,054	1,214,311	45,393	(1,537,559)	107,540
Total Assets	\$ 1,411,290	\$ 5,879,428	\$ 6,478,036	\$ 1,755,588	\$ (9,217,554)	\$ 6,306,788
Accounts payable	\$ -	\$ -	\$ 12,124	\$ 88,086	\$ -	\$ 100,210
Intercompany payable	1,915,287	-	475,290	-	(2,390,577)	-
Accrued expenses	953	(707)	108,480	398,939	-	507,665
Dividends payable	217,017	-	-	-	-	217,017
Deferred income	-	-	37,471	53,940	-	91,411
Current portion of long-term debt	-	-	65	4,245	-	4,310
Total Current Liabilities	2,133,257	(707)	633,430	545,210	(2,390,577)	920,613
Long-term debt	-	4,877,578	1,014	227,921	-	5,106,513
Intercompany notes payable	-	-	5,032,499	256,919	(5,289,418)	-
Deferred tax liability	772	1,367	599,541	7,230	-	608,910
Other long-term liabilities	1,587	-	133,227	105,605	-	240,419
Total shareholders' equity (deficit)	(724,326)	1,001,190	78,325	612,703	(1,537,559)	(569,667)
Total Liabilities and Shareholders'						
Equity (Deficit)	\$ 1,411,290	\$ 5,879,428	\$ 6,478,036	\$ 1,755,588	\$ (9,217,554)	\$ 6,306,788

(UNAUDITED)

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	Three Months Ended March 31, 2016					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	\$ -	\$ -	\$ 253,079	\$ 337,642	\$ -	\$ 590,721
Operating expenses:						
Direct operating expenses	-	-	120,460	223,234	-	343,694
Selling, general and administrative expenses	-	-	48,727	78,074	-	126,801
Corporate expenses	3,339	-	14,433	10,467	-	28,239
Depreciation and amortization	-	-	44,550	40,845	-	85,395
Other operating income (expense), net	(116)	-	289,897	(5,007)	-	284,774
Operating income (loss)	(3,455)	-	314,806	(19,985)	-	291,366
Interest (income) expense, net	(330)	88,078	436	5,689	-	93,873
Interest income on Due from iHeartCommunications	12,713	-	-	-	-	12,713
Intercompany interest income	4,033	85,451	13,203	-	(102,687)	-
Intercompany interest expense	12,713	-	89,484	490	(102,687)	-
Equity in earnings (loss) of nonconsolidated affiliates	138,901	(33,187)	(38,509)	(777)	(66,843)	(415)
Other income, net	629	-	(1,322)	(5,110)	-	(5,803)
Income (loss) before income taxes	140,438	(35,814)	198,258	(32,051)	(66,843)	203,988
Income tax (benefit) expense	(338)	958	(59,309)	(4,223)	-	(62,912)
Consolidated net income (loss)	140,100	(34,856)	138,949	(36,274)	(66,843)	141,076
Less amount attributable to noncontrolling interest	-	-	48	928	-	976
Net income (loss) attributable to the Company	\$ 140,100	\$ (34,856)	\$ 138,901	\$ (37,202)	\$ (66,843)	\$ 140,100
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	-	-	(5,664)	32,928	-	27,264
Unrealized holding loss on marketable securities	-	-	-	(36)	-	(36)
Equity in subsidiary comprehensive income	24,809	24,425	30,473	-	(79,707)	-
Comprehensive income (loss)	164,909	(10,431)	163,710	(4,310)	(146,550)	167,328
Less amount attributable to	-	-	-	2,419	-	2,419

(UNAUDITED)

noncontrolling interest
Comprehensive income (loss) attributable

to the Company	\$ 164,909	\$ (10,431)	\$ 163,710	\$ (6,729)	\$ (146,550)	\$ 164,909
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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	Three Months Ended March 31, 2015					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	\$ -	\$ -	\$ 256,711	\$ 358,332	\$ -	\$ 615,043
Operating expenses:						
Direct operating expenses	-	-	123,610	239,361	-	362,971
Selling, general and administrative						
expenses	-	-	46,989	80,141	-	127,130
Corporate expenses	3,253	-	13,681	11,819	-	28,753
Depreciation and amortization	-	-	48,432	45,662	-	94,094
Other operating income (expense), net	(102)	-	(6,686)	1,344	-	(5,444)
Operating income (loss)	(3,355)	-	17,313	(17,307)	-	(3,349)
Interest (income) expense, net	6	88,080	565	765	-	89,416
Interest income on Due from						
iHeartCommunications	15,253	-	-	-	-	15,253
Intercompany interest income	4,001	85,096	15,326	-	(104,423)	-
Intercompany interest expense	15,253	-	89,097	73	(104,423)	-
Equity in earnings (loss) of						
nonconsolidated affiliates	(34,666)	(5,148)	(3,957)	(33)	44,326	522
Other income (expense), net	747	-	614	18,577	-	19,938
Income (loss) before income taxes	(33,279)	(8,132)	(60,366)	399	44,326	(57,052)
Income tax benefit (expense)	(239)	994	25,700	(2,356)	-	24,099
Consolidated net income (loss)	(33,518)	(7,138)	(34,666)	(1,957)	44,326	(32,953)
Less amount attributable to						
noncontrolling interest	-	-	-	565	-	565
Net income (loss) attributable to						
the Company	\$ (33,518)	\$ (7,138)	\$ (34,666)	\$ (2,522)	\$ 44,326	\$ (33,518)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	-	-	(7,160)	(74,327)	-	(81,487)
Unrealized holding gain on marketable						
securities	-	-	-	822	-	822
Other adjustments to comprehensive						
loss	-	-	-	(1,154)	-	(1,154)
Equity in subsidiary comprehensive	(84,118)	(50,342)	(76,958)	-	211,418	-

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income						
Comprehensive loss	(117,636)	(57,480)	(118,784)	(77,181)	255,744	(115,337)
Less amount attributable to						
noncontrolling interest	-	-	-	2,299	-	2,299
Comprehensive loss attributable to						
the Company	\$ (117,636)	\$ (57,480)	\$ (118,784)	\$ (79,480)	\$ 255,744	\$ (117,636)

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(In thousands)

	Three Months Ended March 31, 2016					Consolidated
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	
Cash flows from operating activities:						
Consolidated net income (loss)	\$ 140,100	\$ (34,856)	\$ 138,949	\$ (36,274)	\$ (66,843)	\$ 141,076
Reconciling items:						
Depreciation and amortization	-	-	44,550	40,845	-	85,395
Deferred taxes	-	-	53,227	(578)	-	52,649
Provision for doubtful accounts	-	-	1,497	521	-	2,018
Share-based compensation	-	-	1,031	1,354	-	2,385
Gain on sale of operating and fixed assets	-	-	(290,091)	4,572	-	(285,519)
Amortization of deferred financing						
charges and note discounts, net	-	1,873	308	432	-	2,613
Other reconciling items, net	(138,901)	33,187	43,466	777	66,843	5,372
Changes in operating assets and liabilities, net						
of effects of acquisitions and dispositions:						
Decrease in accounts receivable	-	-	25,782	54,251	-	80,033
(Increase) decrease in prepaids and other						
current assets	(1,402)	-	377	(18,306)	-	(19,331)
Increase (decrease) in accrued expenses	(615)	6,381	(29,009)	(37,708)	-	(60,951)
Decrease in accounts payable	-	-	(5,741)	(12,449)	-	(18,190)
Increase in deferred income	-	-	11,277	13,874	-	25,151
Changes in other operating assets and liabilities	-	-	2,830	639	-	3,469
Net cash provided by (used for) operating						
activities	\$ (818)	\$ 6,585	\$ (1,547)	\$ 11,950	\$ -	\$ 16,170
Cash flows from investing activities:						
Purchases of property, plant and equipment	-	-	(11,023)	(36,179)	-	(47,202)
Proceeds from disposal of assets	-	-	351,470	235,220	-	586,690
Purchases of other operating assets	-	-	(1,357)	(216)	-	(1,573)
Decrease in intercompany notes receivable, net	-	2,000	-	-	(2,000)	-
Dividends from subsidiaries	-	-	234,554	-	(234,554)	-
Change in other, net	-	-	1	(14,372)	-	(14,371)
Net cash provided by investing activities	\$ -	\$ 2,000	\$ 573,645	\$ 184,453	\$ (236,554)	\$ 523,544
Cash flows from financing activities:						
Payments on credit facilities	-	-	-	(577)	-	(577)
Payments on long-term debt	-	-	(15)	(502)	-	(517)
Net transfers to iHeartCommunications	290,711	-	-	-	-	290,711
Dividends and other payments to	-	-	-	(789)	-	(789)

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noncontrolling interests						
Dividends paid	(754,217)	-	-	(234,554)	234,554	(754,217)
Increase (decrease) in intercompany notes payable, net	-	-	(3,781)	1,781	2,000	-
Intercompany funding	576,608	(8,585)	(579,735)	11,712	-	-
Change in other, net	(959)	-	-	(120)	-	(1,079)
Net cash provided by (used for) financing activities	112,143	(8,585)	(583,531)	(223,049)	236,554	(466,468)
Effect of exchange rate changes on cash						
	-	-	-	3,652	-	3,652
Net increase (decrease) in cash and cash equivalents	111,325	-	(11,433)	(22,994)	-	76,898
Cash and cash equivalents at beginning of year	218,701	-	18,455	175,587	-	412,743
Cash and cash equivalents at end of year	\$ 330,026	\$ -	\$ 7,022	\$ 152,593	\$ -	\$ 489,641

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(In thousands)

	Three Months Ended March 31, 2015					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
Cash flows from operating activities:						
Consolidated net income (loss)	\$ (33,518)	\$ (7,138)	\$ (34,666)	\$ (1,957)	\$ 44,326	\$ (32,953)
Reconciling items:						
Depreciation and amortization	-	-	48,432	45,662	-	94,094
Deferred taxes	-	-	6,411	(1,674)	-	4,737
Provision for doubtful accounts	-	-	834	1,691	-	2,525
Share-based compensation	-	-	1,300	625	-	1,925
Gain on sale of operating and fixed assets	-	-	(11)	(1,344)	-	(1,355)
Amortization of deferred financing						
charges and note discounts, net	-	1,863	308	-	-	2,171
Other reconciling items, net	34,666	5,148	1,000	(17,169)	(44,326)	(20,681)
Changes in operating assets and liabilities, net						
of effects of acquisitions and dispositions:						
(Increase) decrease in accounts receivable	-	-	8,820	25,275	-	34,095
(Increase) decrease in prepaids and other current assets	(1,530)	-	(33,883)	(20,696)	-	(56,109)
Increase (decrease) in accrued expenses	(228)	(1,270)	(19,725)	(38,352)	-	(59,575)
Increase (decrease) in accounts payable	-	-	(19,049)	3,451	19,960	4,362
Increase (decrease) in deferred income	-	-	16,297	23,461	-	39,758
Changes in other operating assets and liabilities	-	-	(3,714)	442	-	(3,272)
Net cash provided by (used for) operating activities	\$ (610)	\$ (1,397)	\$ (27,646)	\$ 19,415	\$ 19,960	\$ 9,722
Cash flows from investing activities:						
Purchases of property, plant and equipment	-	-	(12,759)	(29,056)	-	(41,815)
Proceeds from disposal of assets	-	-	454	484	-	938
Purchases of other operating assets	-	-	(20)	(9)	-	(29)
Decrease in intercompany notes receivable, net	-	-	(2,518)	-	2,518	-
Change in other, net	-	-	(907)	-	907	-
Net cash provided by (used for) investing activities	\$ -	\$ -	\$ (15,750)	\$ (28,581)	\$ 3,425	\$ (40,906)
Cash flows from financing activities:						
Payments on credit facilities	-	-	-	(1,859)	-	(1,859)
Payments on long-term debt	-	-	(13)	-	-	(13)
Net transfers to iHeartCommunications	61,485	-	-	-	-	61,485
Dividends and other payments to						
noncontrolling interests	-	-	-	(2,119)	-	(2,119)
Decrease in intercompany notes payable, net	-	-	-	2,518	(2,518)	-
Intercompany funding	(61,525)	1,397	62,851	(2,723)	-	-
Change in other, net	650	-	-	907	(907)	650
Net cash used for financing activities	610	1,397	62,838	(3,276)	(3,425)	58,144

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Effect of exchange rate changes on cash

	-	-	-	(5,884)	-	(5,884)
Net decrease in cash and cash						
equivalents	-	-	19,442	(18,326)	19,960	21,076
Cash and cash equivalents at beginning of year	905	-	-	205,259	(19,960)	186,204
Cash and cash equivalents at end of year	\$ 905	\$ -	\$ 19,442	\$ 186,933	\$ -	\$ 207,280

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Format of Presentation

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to Clear Channel Outdoor Holdings, Inc. and its consolidated subsidiaries. Our reportable segments are Americas outdoor advertising ("Americas") and International outdoor advertising ("International"). Our Americas and International segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Certain prior period amounts have been reclassified to conform to the 2016 presentation.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Interest income on the Revolving Promissory Note issued by iHeartCommunications to the Company (the "Due from iHeartCommunications Note"), Equity in earnings (loss) of nonconsolidated affiliates, Other income, net and Income tax benefit (expense) are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Management typically monitors our businesses by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market. Our advertising revenue is derived from selling advertising space on the displays we own or operate in key markets worldwide, consisting primarily of billboards, street furniture and transit displays. Part of our long-term strategy is to pursue the technology of digital displays, including flat screens, LCDs and LEDs, as additions to traditional methods of displaying our clients' advertisements. We are currently installing these technologies in certain markets, both domestically and internationally.

Advertising revenue for our segments is highly correlated to changes in gross domestic product ("GDP") as advertising spending has historically trended in line with GDP, both domestically and internationally. Internationally, our results are impacted by fluctuations in foreign currency exchange rates as well as economic conditions in the foreign markets in which we have operations.

Executive Summary

The key developments in our business for the three months ended March 31, 2016 are summarized below:

- Consolidated revenue decreased \$24.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding a \$15.1 million impact from movements in foreign exchange rates, consolidated revenue decreased \$9.2 million during the three months ended March 31, 2016 compared to the same period of 2015.

- We sold our business in nine non-strategic U.S. outdoor markets for net proceeds of \$596.6 million in cash and certain advertising assets in Florida. These markets generated revenue of \$2.5 million in the three months ended March 31, 2016, and \$22.3 million in the three months ended March 31, 2015. We recognized a net gain of \$281.7 million related to the sales.
- We spent \$2.3 million on strategic revenue and efficiency initiatives during 2016 to realign and improve our on-going business operations—a decrease of \$1.4 million compared to 2015.

Revenues and expenses “excluding the impact of foreign exchange movements” in this Management’s Discussion & Analysis of Financial Condition and Results of Operations is presented because management believes that viewing certain financial results without the impact of fluctuations in foreign currency rates facilitates period to period comparisons of business performance and provides useful information to investors. Revenues and expenses “excluding the impact of foreign exchange movements” are calculated by converting the current period’s revenues and expenses in local currency to U.S. dollars using average foreign exchange rates for the prior period.

RESULTS OF OPERATIONS**Consolidated Results of Operations**

The comparison of our historical results of operations for the three months ended March 31, 2016 to the three months ended March 31, 2015 is as follows:

<i>(In thousands)</i>	Three Months Ended March 31,		%
	2016	2015	Change
Revenue	\$ 590,721	\$ 615,043	(4%)
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	343,694	362,971	(5%)
Selling, general and administrative expenses (excludes depreciation and amortization)	126,801	127,130	(0%)
Corporate expenses (excludes depreciation and amortization)	28,239	28,753	(2%)
Depreciation and amortization	85,395	94,094	(9%)
Other operating income (expense), net	284,774	(5,444)	
Operating income (loss)	291,366	(3,349)	
Interest expense	93,873	89,416	
Interest income on Due from iHeartCommunications	12,713	15,253	
Equity in earnings (loss) of nonconsolidated affiliates	(415)	522	
Other income (expense), net	(5,803)	19,938	
Loss before income taxes	203,988	(57,052)	
Income tax benefit (expense)	(62,912)	24,099	
Consolidated net loss	141,076	(32,953)	
Less amount attributable to noncontrolling interest	976	565	
Net loss attributable to the Company	\$ 140,100	\$ (33,518)	

Consolidated Revenue

Consolidated revenue decreased \$24.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding a \$15.1 million impact from movements in foreign exchange rates, consolidated revenue decreased \$9.2 million during the three months ended March 31, 2016 compared to the same period of 2015. Primarily due to the \$19.8 million impact of the sale of nine non-strategic U.S. markets in the first quarter of 2016, Americas revenue decreased \$13.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$5.0 million impact from movements in foreign exchange rates, Americas revenue decreased \$8.3 million during the three months ended March 31, 2016 compared to the same period of 2015. International revenue decreased \$11.0 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$10.1 million impact from movements in foreign exchange rates, International revenue decreased \$0.9 million during the three months ended March 31, 2016 compared to the same period of 2015. Revenue growth in certain countries including Australia, China and France was offset by decreases in other countries including the United Kingdom and Switzerland.

Consolidated Direct Operating Expenses

(UNAUDITED)

Consolidated direct operating expenses decreased \$19.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding a \$10.4 million impact from movements in foreign exchange rates, consolidated direct operating expenses decreased \$8.9 million during the three months ended March 31, 2016 compared to the same period of 2015. Americas direct operating expenses decreased \$8.2 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$2.6 million impact from movements in foreign exchange rates, Americas direct operating expenses decreased \$5.6 million during the three months ended March 31, 2016 compared to the same period of 2015 primarily driven by a \$7.7 million decrease in direct expenses resulting from the sale of the nine non-strategic markets at the beginning of the year, partially offset by higher variable site lease expenses related to the increase in revenues from remaining markets. International direct operating expenses decreased \$11.1 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$7.8 million impact from movements in foreign exchange rates, International direct operating expenses decreased \$3.3 million during the three months ended March 31, 2016 compared to the same period of 2015 primarily as a result of lower rent expense due to lower revenue in the United Kingdom, partially offset by higher variable site lease and maintenance expenses in countries experiencing revenue growth.

Consolidated Selling, General and Administrative (“SG&A”) Expenses

Consolidated SG&A expenses decreased \$0.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding a \$3.8 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased \$3.5 million during the three months ended March 31, 2016 compared to the same period of 2015. Americas SG&A expenses decreased \$0.3 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$1.3 million impact from movements in foreign exchange rates, Americas SG&A expenses increased \$1.0 million, net of a \$4.5 million decrease in expenses resulting from the sale of the nine non-strategic markets at the beginning of the year, during the three months ended March 31, 2016 compared to the same period of 2015 primarily due to higher variable compensation expense related to higher revenues, and higher expenses in Latin America. International SG&A expenses were flat during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$2.6 million impact from movements in foreign exchange rates, International SG&A expenses increased \$2.6 million during the three months ended March 31, 2016 compared to the same period of 2015 primarily due to increased expenses in the United Kingdom.

Corporate Expenses

Corporate expenses decreased \$0.5 million during the three months ended March 31, 2016 compared to the same period of 2015. Excluding the \$0.4 million impact from movements in foreign exchange rates, corporate expenses decreased \$0.1 million during the three months ended March 31, 2016 compared to the same period of 2015.

Revenue and Efficiency Initiatives

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$2.3 million incurred in connection with our strategic revenue and efficiency initiatives during the three months ended March 31, 2016. The costs were incurred to improve revenue growth, enhance yield, reduce costs and organize each business to maximize performance and profitability. These costs consist primarily of severance related to workforce initiatives, consolidation of locations and positions, consulting expenses and other costs incurred in connection with streamlining our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized. Of these costs during the first quarter of 2016, \$0.7 million are reported within direct operating expenses, \$1.3 million are reported within SG&A and \$0.3 million are reported within corporate expense. In the first quarter of 2015, such costs totaled \$0.4 million, \$0.8 million and \$2.5 million, respectively.

Depreciation and Amortization

Depreciation and amortization decreased \$8.7 million during the three months ended March 31, 2016 compared to the same period in 2015 primarily due to assets becoming fully depreciated or fully amortized and the sale of the non-strategic outdoor markets, as well as the impact of movements in foreign exchange rates.

Other operating income (loss), net

Other operating income was \$284.8 million for the three months ended March 31, 2016, which primarily related to the sale of nine non-strategic outdoor markets at the beginning of the year. In the first quarter of 2016, Americas outdoor sold nine non-strategic outdoor markets including Cleveland and Columbus, Ohio, Des Moines, Iowa, Ft. Smith, Arkansas, Memphis, Tennessee, Portland, Oregon, Reno, Nevada, Seattle, Washington and Wichita, Kansas for net proceeds of \$596.6 million in cash and certain advertising assets in Florida. The Company recognized a net gain of \$281.7 million. These markets generated revenue of \$2.5 million in the three months ended March 31, 2016 and \$22.3 million in the three months ended March 31, 2015.

Other operating expense was \$5.4 million for the three months ended March 31, 2015, which primarily related to acquisition/disposition transaction costs.

Interest Income on Due from iHeartCommunications

Interest income decreased \$2.5 million during the three months ended March 31, 2016 compared to the same period of 2015 due to a lower average outstanding balance as a result of the \$300.0 million demand and repayment under the Due from iHeartCommunications note in February 2016.

Other income, net

Other income of \$5.8 million for the first quarter of 2016 primarily related to foreign exchange gains on short-term intercompany accounts.

Other income of \$19.9 million for the first quarter of 2015 primarily related to foreign exchange gains on short-term intercompany accounts.

Income tax expense

Our operations are included in a consolidated income tax return filed by iHeartMedia. However, for our financial statements, our provision for income taxes was computed as if we file separate consolidated federal income tax returns with our subsidiaries.

The effective tax rate for the three months ended March 31, 2016 was 30.8%, and was primarily impacted by the reversal of the valuation allowance recorded in 2015 against net operating losses in U.S. federal and state jurisdictions due to taxable gains from the dispositions of nine outdoor markets during the period. In addition, we were unable to record benefits on losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods.

The effective tax rate for the three months ended March 31, 2015 was 42.2%, and was primarily impacted by the valuation allowance recorded against current period net operating losses in U.S. federal, state and certain foreign jurisdiction due to the uncertainty of the ability to utilize those assets in future periods. In addition, the current tax benefit for the three months ended March 31, 2015 was the result of applying the estimated annual effective tax rate for the year to the pre-tax losses incurred during the period.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor operating results were as follows:

<i>(In thousands)</i>	Three Months Ended March 31, 2016	%
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