

Clear Channel Outdoor Holdings, Inc.

Form 10-Q

May 06, 2011

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**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, 2011**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

Commission File Number

1-32663

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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

**86-0812139**  
(I.R.S. Employer Identification No.)

**200 East Basse Road**  
**San Antonio, Texas**  
(Address of principal executive offices)

**78209**  
(Zip Code)

**(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 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.

<b>Class</b>	<b>Outstanding at April 29, 2011</b>
Class A Common Stock, \$.01 par value	40,873,932
Class B Common Stock, \$.01 par value	315,000,000

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

	March 31, 2011 (Unaudited)	December 31, 2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 591,562	\$ 624,018
Accounts receivable, net	710,612	735,115
Other current assets	239,957	191,360
<b>Total Current Assets</b>	<b>1,542,131</b>	<b>1,550,493</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Structures, net	1,996,212	2,007,399
Other property, plant and equipment, net	294,405	290,325
<b>INTANGIBLE ASSETS</b>		
Definite-lived intangibles, net	691,021	705,218
Indefinite-lived intangibles	1,115,429	1,114,413
Goodwill	874,332	862,242
<b>OTHER ASSETS</b>		
Due from Clear Channel Communications	408,867	383,778
Other assets	164,839	162,697
<b>Total Assets</b>	<b>\$ 7,087,236</b>	<b>\$ 7,076,565</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 564,789	\$ 623,585
Deferred income	151,918	100,675
Current portion of long-term debt	40,334	41,676
<b>Total Current Liabilities</b>	<b>757,041</b>	<b>765,936</b>
Long-term debt	2,520,486	2,522,133
Deferred tax liability	809,777	828,568
Other long-term liabilities	261,000	251,873
Commitments and contingent liabilities (Note 6)		
<b>SHAREHOLDERS EQUITY</b>		
Noncontrolling interest	210,365	209,794
Class A common stock	409	408
Class B common stock	3,150	3,150
Additional paid-in capital	6,678,705	6,677,146

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Retained deficit	(3,983,890)	(3,974,349)
Accumulated other comprehensive loss	(169,164)	(207,439)
Cost of shares held in treasury	(643)	(655)
<b>Total Shareholders' Equity</b>	<b>2,738,932</b>	<b>2,708,055</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,087,236</b>	<b>\$ 7,076,565</b>

See notes to consolidated financial statements.

**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands, except per share data)**

	Three Months Ended March 31,	
	2011	2010
Revenue	\$ 650,214	\$ 608,768
Operating expenses:		
Direct operating expenses (excludes depreciation and amortization)	391,380	378,886
Selling, general and administrative expenses (excludes depreciation and amortization)	123,180	111,357
Corporate expenses (excludes depreciation and amortization)	21,983	20,772
Depreciation and amortization	102,330	101,709
Other operating income net	4,802	1,018
Operating income (loss)	16,143	(2,938)
Interest expense	60,983	58,318
Interest income on Due from Clear Channel Communications	9,053	3,413
Equity in loss of nonconsolidated affiliates	(71)	(803)
Other income (expense) net	3,111	(837)
Loss before income taxes	(32,747)	(59,483)
Income tax benefit	22,355	10,704
Consolidated net loss	(10,392)	(48,779)
Less amount attributable to noncontrolling interest	(851)	(997)
Net loss attributable to the Company	\$ (9,541)	\$ (47,782)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	38,019	(39,502)
Foreign currency reclassification adjustment	89	224
Unrealized gain (loss) on marketable securities	2,469	(2,620)
Comprehensive income (loss)	31,036	(89,680)
Less amount attributable to noncontrolling interest	2,302	158
Comprehensive income (loss) attributable to the Company	\$ 28,734	\$ (89,838)
Net loss attributable to the Company:		
Basic	\$ (0.03)	\$ (0.14)
Weighted average common shares outstanding Basic	355,793	355,461
Diluted	\$ (0.03)	\$ (0.14)
Weighted average common shares outstanding Diluted	355,793	355,461

See notes to consolidated financial statements.



**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(In thousands)**

	Three Months Ended March 31,	
	2011	2010
<b>Cash flows from operating activities:</b>		
Consolidated net loss	\$ (10,392)	\$ (48,779)
<b>Reconciling items:</b>		
Depreciation and amortization	102,330	101,709
Deferred taxes	(19,494)	(18,854)
Provision for doubtful accounts	2,304	468
Other reconciling items net	(3,010)	2,926
Changes in operating assets and liabilities:		
Decrease in accounts receivable	40,296	32,123
Increase in deferred income	48,203	41,682
Decrease in accrued expenses	(59,603)	(4,493)
Decrease in accounts payable and other liabilities	(4,926)	(4,402)
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(56,245)	8,724
Net cash provided by operating activities	39,463	111,104
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(46,361)	(49,323)
Purchases of other operating assets	(2,116)	
Change in other net	4,863	(8,651)
Net cash used for investing activities	(43,614)	(57,974)
<b>Cash flows from financing activities:</b>		
Draws on credit facilities		304
Payments on credit facilities	(1,851)	(29,706)
Payments on long-term debt	(2,519)	(4,132)
Net transfers to Clear Channel Communications	(25,090)	(37,165)
Change in other net	(2,830)	233
Net cash used for financing activities	(32,290)	(70,466)
Effect of exchange rate changes on cash	3,985	(3,505)
Net decrease in cash and cash equivalents	(32,456)	(20,841)
Cash and cash equivalents at beginning of period	624,018	609,436
Cash and cash equivalents at end of period	\$ 591,562	\$ 588,595

See notes to consolidated financial statements.



**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****Note 1: BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS****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 are not necessarily 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 2010 Annual Report on Form 10-K.

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, Clear Channel Communications, Inc. (Clear Channel Communications). 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. Investments in companies in which the Company owns 20 percent to 50 percent 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 2011 presentation.

**New Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*. This ASU updates Topic 805, *Business Combinations*, to specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments of this ASU are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company adopted the provisions of ASU 2010-29 on January 1, 2011 without material impact to the Company's disclosures.

**Note 2: PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL****Property, Plant and Equipment**

The Company's property, plant and equipment consisted of the following classes of assets at March 31, 2011 and December 31, 2010, respectively:

<i>(In thousands)</i>	March 31, 2011	December 31, 2010
Land, buildings and improvements	\$ 207,733	\$ 206,355
Structures	2,687,071	2,623,561
Furniture and other equipment	95,394	86,417
Construction in progress	54,885	53,550
	3,045,083	2,969,883

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Less: accumulated depreciation	754,466	672,159
Property, plant and equipment, net	\$ 2,290,617	\$ 2,297,724

**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****Definite-lived Intangible Assets**

The Company has definite-lived intangible assets which consist primarily of 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. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived assets. These assets are recorded at cost.

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at March 31, 2011 and December 31, 2010, respectively:

<i>(In thousands)</i>	March 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other contractual rights	\$ 804,167	\$ 268,878	\$ 789,867	\$ 241,461
Other	174,492	18,760	173,549	16,737
<b>Total</b>	<b>\$ 978,659</b>	<b>\$ 287,638</b>	<b>\$ 963,416</b>	<b>\$ 258,198</b>

Total amortization expense related to definite-lived intangible assets for the three months ended March 31, 2011 and 2010 was \$23.0 million and \$23.6 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.

*(In thousands)*

2012	\$ 79,991
2013	73,983
2014	67,280
2015	54,095
2016	39,314

**Indefinite-lived Intangible Assets**

The Company's indefinite-lived intangibles consist primarily of billboard permits in its Americas segment. 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 assets in the International segment.

**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	Total
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Balance as of December 31, 2009	\$ 585,249	\$ 276,343	\$ 861,592
Foreign currency	285	3,299	3,584
Impairment		(2,142)	(2,142)
Other		(792)	(792)
Balance as of December 31, 2010	585,534	276,708	862,242
Foreign currency	227	11,863	12,090
Balance as of March 31, 2011	\$ 585,761	\$ 288,571	\$ 874,332

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## Note 3: LONG-TERM DEBT

Long-term debt at March 31, 2011 and December 31, 2010 consisted of the following:

<i>(In thousands)</i>	March 31, 2011	December 31, 2010
<b>Clear Channel Worldwide Holdings Senior Notes:</b>		
9.25% Series A Senior Notes Due 2017	\$ 500,000	\$ 500,000
9.25% Series B Senior Notes Due 2017	2,000,000	2,000,000
Other debt	60,820	63,809
<b>Total debt</b>	<b>2,560,820</b>	<b>2,563,809</b>
Less: current portion	40,334	41,676
<b>Total long-term debt</b>	<b>\$ 2,520,486</b>	<b>\$ 2,522,133</b>

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$2.8 billion at March 31, 2011 and December 31, 2010.

**Clear Channel Communications Refinancing Transactions**

During the first quarter of 2011 Clear Channel Communications amended its senior secured credit facilities and its receivables based credit facility (the Amendments) and issued \$1.0 billion aggregate principal amount of 9.0% Priority Guarantee Notes due 2021. Clear Channel Communications used a portion of the proceeds from the Priority Guarantee Notes offering to prepay \$500.0 million of the indebtedness outstanding under its senior secured credit facilities. As a result of the prepayment, the revolving credit commitments under Clear Channel Communications revolving credit facility were permanently reduced from \$2.0 billion to \$1.9 billion and the sub-limit under which certain of the Company's international subsidiaries may borrow (to the extent that Clear Channel Communications has not already borrowed against this capacity) was reduced from \$150.0 million to \$145.0 million. The Amendments, among other things, provide greater flexibility for the Company and its subsidiaries to incur new debt, provided that the net proceeds distributed to Clear Channel Communications from the issuance of such new debt are used to pay down senior secured credit facility indebtedness.

## Note 4: SUPPLEMENTAL DISCLOSURES

**Income tax benefit**

The Company's income tax benefit for the three months ended March 31, 2011 and 2010, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2011	2010
Current tax benefit (expense)	\$ 2,861	\$ (8,150)
Deferred tax benefit	19,494	18,854

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Income tax benefit	\$ 22,355	\$ 10,704
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The effective tax rate is the provision for income taxes as a percent of income before income taxes. The effective tax rate for the three months ended March 31, 2011 was 68.3%. The 2011 effective tax rate was primarily impacted by the Company's settlement of U.S. federal and state tax examinations during the quarter. Pursuant to the settlements, the Company recorded a reduction to income tax expense of approximately \$3.3 million to reflect the net tax benefits of the settlements. In addition, the effective rate was impacted by the Company's ability to benefit from certain tax loss carryforwards in foreign jurisdictions due to taxable income where the losses previously did not provide a benefit.

The Company's effective tax rate for the three months ended March 31, 2010 was 18.0%. The 2010 effective rate was impacted primarily as a result of the Company's inability to benefit from tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

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During the quarters ended March 31, 2011 and 2010, cash paid for interest and income taxes, net of income tax refunds of \$0.2 million and \$1.2 million, respectively, was as follows:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2011	2010
Interest	\$ 58,691	\$ 58,664
Income taxes	\$ 13,055	\$ 7,503

**Note 5: FAIR VALUE MEASUREMENTS**

The Company holds marketable equity securities classified in accordance with the provisions of ASC 320-10. These marketable equity securities are measured at fair value on each reporting date using quoted prices in active markets. Due to the fact that the inputs used to measure the marketable equity securities at fair value are observable, the Company has categorized the fair value measurements of the securities as Level 1. The Company records its investments in these marketable equity securities on the balance sheet as Other Assets.

The cost, unrealized holding gains or losses, and fair value of the Company's investments at March 31, 2011 and December 31, 2010 are as follows:

<i>(In thousands)</i>	March 31, 2011				December 31, 2010			
		Gross Unrealized Losses	Gross Unrealized Gains	Fair Value	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Investments	Cost							
Available-for-sale	\$ 8,016	\$	\$ 2,556	\$ 10,572	\$ 8,016	\$	\$ 82	\$ 8,098

**Note 6: COMMITMENTS AND CONTINGENCIES**

The Company and its subsidiaries are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, the Company has accrued its estimate of the probable costs for 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.

In 2006, two of the Company's operating businesses (L&C Outdoor Ltda. (L&C)) and Publicidad Klimes Sao Paulo Ltda. (Klimes), respectively) in the Sao Paulo, Brazil market received notices of infraction from the state taxing authority, seeking to impose a value added tax (VAT) on such businesses, retroactively for the period from December 31, 2001 through January 31, 2006. The taxing authority contends that the Company's businesses fall within the definition of communication services and as such are subject to the VAT.

The Company has filed separate petitions to challenge the imposition of this tax against each of its businesses. The Company's challenge for L&C was unsuccessful at the first administrative level, but successful at the second administrative level. The state taxing authority filed an appeal to the third and final administrative level, which required consideration by a full panel of 16 administrative law judges. On September 27, 2010, the Company received an unfavorable ruling at this final administrative level concluding that the VAT applied to L&C and intends to appeal this ruling to the judicial level. The Company has filed a petition to have the case remanded to the second administrative level for consideration of the reasonableness of the amount of the penalty assessed against it. The amounts allegedly owed by L&C are approximately

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\$9.6 million in taxes, approximately \$19.2 million in penalties and approximately \$29.4 million in interest (as of March 31, 2011 at an exchange rate of 0.60). Based on management's review of the law in and the outcome of similar cases in other Brazilian states, the Company has not accrued any costs related to these claims and believes the occurrence of loss is not probable.

The Company's challenge for Klimes was unsuccessful at the first administrative level, and denied at the second administrative level on or about September 24, 2009. On January 5, 2011, the administrative law judges at the third administrative level published a ruling that the VAT applies to Klimes but reduced the penalty assessed by the taxing authority. With the penalty reduction, the amounts allegedly owed by Klimes are approximately \$10.9 million in taxes, approximately \$5.4 million in penalties and approximately \$18.2



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**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

million in interest (as of March 31, 2011 at an exchange rate of 0.60). In mid-January 2011, the taxing authority filed an extraordinary appeal to the third administrative level, asking that it reconsider the decision to reduce the penalty assessed against Klimes. The president of the third administrative level rejected that appeal. In late February 2011, the Company filed a writ of mandamus in the 13a lower public treasury court in São Paulo, State of São Paulo, appealing the administrative court's decision that the VAT applies to Klimes. On that same day, Klimes filed a motion for an injunction barring the taxing authority from collecting the tax, penalty and interest while the appeal is pending. The court denied the motion in early April 2011. The Company appealed the decision to the São Paulo State Higher Court, which affirmed in late April 2011. Based on management's review of the law in and the outcome of similar cases in other Brazilian states, the Company has not accrued any costs related to these claims and believes the occurrence of loss is not probable.

As of March 31, 2011, Clear Channel Communications had outstanding commercial standby letters of credit and surety bonds of \$42.1 million and \$43.7 million, respectively, held on behalf of the Company. These letters of credit and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items. As of March 31, 2011, the Company had \$59.1 million in letters of credit outstanding, of which \$56.6 million of letters of credit were cash secured.

**Note 7: RELATED PARTY TRANSACTIONS**

The Company records net amounts due to or from Clear Channel Communications as Due from/to Clear Channel Communications on the condensed consolidated balance sheets. The accounts represent the revolving promissory note issued by the Company to Clear Channel Communications and the revolving promissory note issued by Clear Channel Communications 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.

Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of Clear Channel Communications (after satisfying the funding requirements of the Trustee Account). In return, Clear Channel Communications 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 Clear Channel Communications account. At March 31, 2011 and December 31, 2010, the asset recorded in Due from Clear Channel Communications on the condensed consolidated balance sheets was \$408.9 million and \$383.8 million, respectively. The net interest income for the three months ended March 31, 2011 and 2010 was \$9.1 million and \$3.4 million, respectively. At March 31, 2011 and December 31, 2010, the interest rate on the Due from Clear Channel Communications account was 9.25%, which represents the fixed interest rate on the Clear Channel Worldwide Holdings senior notes.

Clear Channel Communications has a \$1.9 billion multi-currency revolving credit facility with a maturity in July 2014 which includes a \$145.0 million sub-limit that certain of the Company's International subsidiaries may borrow against to the extent Clear Channel Communications has not already borrowed against this capacity and is compliant with its covenants under the revolving credit facility. As of March 31, 2011, the Company had no outstanding borrowings under the \$145.0 million sub-limit facility. Clear Channel Communications has borrowed the entire capacity.

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the three months ended March 31, 2011 and 2010, the Company recorded \$0.9 million and \$1.1 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) 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 Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the three months ended March 31, 2011 and 2010, the Company recorded \$5.7 million and \$8.9 million, respectively, as a component of corporate expenses for these services.

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Pursuant to the Tax Matters Agreement between Clear Channel Communications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by Clear Channel Communications. 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

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subsidiaries. Tax payments are made to Clear Channel Communications 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 bases and tax bases 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 Clear Channel Communications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately \$3.0 million and \$2.6 million for the three months ended March 31, 2011 and 2010, respectively.

**Note 8: EQUITY AND COMPREHENSIVE INCOME (LOSS)**

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 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>	The Company	Noncontrolling Interests	Consolidated
Balances at January 1, 2011	\$ 2,498,261	\$ 209,794	\$ 2,708,055
Net loss	(9,541)	(851)	(10,392)
Foreign currency translation adjustments	35,717	2,302	38,019
Unrealized holding gain on marketable securities	2,469		2,469
Reclassification adjustment	89		89
Other net	1,572	(880)	692
Balances at March 31, 2011	\$ 2,528,567	\$ 210,365	\$ 2,738,932

<i>(In thousands)</i>	The Company	Noncontrolling Interests	Consolidated
Balances at January 1, 2010	\$ 2,567,647	\$ 193,730	\$ 2,761,377
Net loss	(47,782)	(997)	(48,779)
Foreign currency translation adjustments	(39,660)	158	(39,502)
Unrealized holding loss on marketable securities	(2,620)		(2,620)
Reclassification adjustment	224		224
Other net	1,732	814	2,546
Balances at March 31, 2010	\$ 2,479,541	\$ 193,705	\$ 2,673,246



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

## 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 primarily includes operations 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 operating segments, as well as overall executive, administrative and support functions. Share-based payments are recorded by each segment in direct operating and selling, general and administrative expenses.

The following table presents the Company's operating segment results for the three months ended March 31, 2011 and 2010:

*(In thousands)*

	Americas	International	Corporate, and other reconciling items	Consolidated
<b>Three Months Ended March 31, 2011</b>				
Revenue	\$ 289,314	\$ 360,900	\$	\$ 650,214
Direct operating expenses	143,491	247,889		391,380
Selling, general and administrative expenses	54,367	68,813		123,180
Depreciation and amortization	51,086	51,244		102,330
Corporate expenses			21,983	21,983
Other operating income - net			4,802	4,802
Operating income (loss)	\$ 40,370	\$ (7,046)	\$ (17,181)	\$ 16,143
Capital expenditures	\$ 32,401	\$ 13,960	\$	\$ 46,361
Share-based compensation expense	\$ 2,168	\$ 903	\$ 42	\$ 3,113

*(In thousands)*

	Americas	International	Corporate, and other reconciling items	Consolidated
<b>Three Months Ended March 31, 2010</b>				
Revenue	\$ 270,977	\$ 337,791	\$	\$ 608,768
Direct operating expenses	139,308	239,578		378,886
Selling, general and administrative expenses	44,477	66,880		111,357
Depreciation and amortization	49,451	52,258		101,709
Corporate expenses			20,772	20,772
Other operating income - net			1,018	1,018
Operating income (loss)	\$ 37,741	\$ (20,925)	\$ (19,754)	\$ (2,938)
Capital expenditures	\$ 24,705	\$ 24,618	\$	\$ 49,323
Share-based compensation expense	\$ 2,030	\$ 603	\$ 84	\$ 2,717



**Table of Contents****CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(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. (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):

<i>(In thousands)</i>	March 31, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$ 405,636	\$	\$	\$ 209,885	\$ (23,959)	\$ 591,562
Accounts receivable, net			216,822	493,790		710,612
Intercompany receivables		117,542	1,265,203		(1,382,745)	
Other current assets	3,071		82,384	154,502		239,957
<b>Total Current Assets</b>	<b>408,707</b>	<b>117,542</b>	<b>1,564,409</b>	<b>858,177</b>	<b>(1,406,704)</b>	<b>1,542,131</b>
Property, plant and equipment, net			1,484,608	806,009		2,290,617
Definite-lived intangibles, net			394,938	296,083		691,021
Indefinite-lived intangibles			1,099,533	15,896		1,115,429
Goodwill			571,932	302,400		874,332
Due from Clear Channel Communications	408,867					408,867
Intercompany notes receivable	182,026	2,590,955		17,832	(2,790,813)	
Other assets	2,801,835	1,070,070	1,530,946	67,619	(5,305,631)	164,839
<b>Total Assets</b>	<b>\$ 3,801,435</b>	<b>\$ 3,778,567</b>	<b>\$ 6,646,366</b>	<b>\$ 2,364,016</b>	<b>\$ (9,503,148)</b>	<b>\$ 7,087,236</b>
Accounts payable and accrued expenses	\$ 122	\$ 81	\$ 127,480	\$ 461,065	\$ (23,959)	\$ 564,789
Intercompany payable	1,265,030		117,542	173	(1,382,745)	
Deferred income			46,723	105,195		151,918
Current portion of long-term debt				40,334		40,334
<b>Total Current Liabilities</b>	<b>1,265,152</b>	<b>81</b>	<b>291,745</b>	<b>606,767</b>	<b>(1,406,704)</b>	<b>757,041</b>
Long-term debt		2,500,000		20,486		2,520,486
Intercompany notes payable	7,491		2,692,367	90,955	(2,790,813)	
Deferred tax liability	225	52	754,365	55,135		809,777
Other long-term liabilities		1,131	106,054	153,815		261,000
Total shareholders' equity	2,528,567	1,277,303	2,801,835	1,436,858	(5,305,631)	2,738,932
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,801,435</b>	<b>\$ 3,778,567</b>	<b>\$ 6,646,366</b>	<b>\$ 2,364,016</b>	<b>\$ (9,503,148)</b>	<b>\$ 7,087,236</b>

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

<i>(In thousands)</i>	December 31, 2010					Consolidated
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
Cash and cash equivalents	\$ 426,742	\$	\$	\$ 203,789	\$ (6,513)	\$ 624,018
Accounts receivable, net			250,552	484,563		735,115
Intercompany receivables		116,624	1,261,437	5,781	(1,383,842)	
Other current assets	1,537		53,321	136,502		191,360
<b>Total Current Assets</b>	<b>428,279</b>	<b>116,624</b>	<b>1,565,310</b>	<b>830,635</b>	<b>(1,390,355)</b>	<b>1,550,493</b>
Property, plant and equipment, net			1,493,640	804,084		2,297,724
Definite-lived intangibles, net			400,012	305,206		705,218
Indefinite-lived intangibles			1,098,958	15,455		1,114,413
Goodwill			571,932	290,310		862,242
Due from Clear Channel Communications	383,778					383,778
Intercompany notes receivable	182,026	2,590,955	9,243	17,832	(2,800,056)	
Other assets	2,773,305	1,034,182	1,492,337	62,319	(5,199,446)	162,697
<b>Total Assets</b>	<b>\$ 3,767,388</b>	<b>\$ 3,741,761</b>	<b>\$ 6,631,432</b>	<b>\$ 2,325,841</b>	<b>\$ (9,389,857)</b>	<b>\$ 7,076,565</b>
Accounts payable and accrued expenses	\$ (26)	\$ 165	\$ 128,773	\$ 501,186	\$ (6,513)	\$ 623,585
Intercompany payable	1,261,437		122,405		(1,383,842)	
Deferred income			38,264	62,411		100,675
Current portion of long-term debt				41,676		41,676
<b>Total Current Liabilities</b>	<b>1,261,411</b>	<b>165</b>	<b>289,442</b>	<b>605,273</b>	<b>(1,390,355)</b>	<b>765,936</b>
Long-term debt		2,500,000		22,133		2,522,133
Intercompany notes payable	7,491		2,701,610	90,955	(2,800,056)	
Deferred tax liability	225		761,593	66,750		828,568
Other long-term liabilities		1,108	105,482	145,283		251,873
Total shareholders equity	2,498,261	1,240,488	2,773,305	1,395,447	(5,199,446)	2,708,055
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 3,767,388</b>	<b>\$ 3,741,761</b>	<b>\$ 6,631,432</b>	<b>\$ 2,325,841</b>	<b>\$ (9,389,857)</b>	<b>\$ 7,076,565</b>



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

<i>(In thousands)</i>	Three Months Ended March 31, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	\$	\$	\$ 249,369	\$ 400,845	\$	\$ 650,214
Operating expenses:						
Direct operating expenses			121,587	269,793		391,380
Selling, general and administrative expenses			45,211	77,969		123,180
Corporate expenses	2,952		11,517	7,514		21,983
Depreciation and amortization			46,926	55,404		102,330
Other operating income net			4,158	644		4,802
Operating income (loss)	(2,952)		28,286	(9,191)		16,143
Interest expense net	61	57,813	1,833	1,276		60,983
Interest income on debt with Clear Channel Communications			9,053			9,053
Intercompany interest income	3,465	57,942		248	(61,655)	
Intercompany interest expense	126		61,399	130	(61,655)	
Equity in earnings (loss) of nonconsolidated affiliates	(9,745)	2,091	5,518	(72)	2,137	(71)
Other income (expense) net		142	(54)	3,023		3,111
Income (loss) before income taxes	(9,419)	2,362	(20,429)	(7,398)	2,137	(32,747)
Income tax benefit (expense)	(122)	656	10,684	11,137		22,355
Consolidated net income (loss)	(9,541)	3,018	(9,745)	3,739	2,137	(10,392)
Less amount attributable to noncontrolling interest				(851)		(851)
Net income (loss) attributable to the Company	\$ (9,541)	\$ 3,018	\$ (9,745)	\$ 4,590	\$ 2,137	\$ (9,541)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments				38,019		38,019
Foreign currency reclassification Adjustment				89		89
Unrealized gain on marketable securities				2,469		2,469
Equity in subsidiary comprehensive income	38,275	35,919	38,275		(112,469)	
Comprehensive income (loss)	\$ 28,734	\$ 38,937	\$ 28,530	\$ 45,167	\$ (110,332)	\$ 31,036
Less amount attributable to noncontrolling interest				2,302		2,302
Comprehensive income (loss) attributable to the Company	\$ 28,734	\$ 38,937	\$ 28,530	\$ 42,865	\$ (110,332)	\$ 28,734

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

<i>(In thousands)</i>	Three Months Ended March 31, 2010					Consolidated
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
Revenue	\$	\$	\$ 233,526	\$ 375,242	\$	\$ 608,768
Operating expenses:						
Direct operating expenses			119,618	259,268		378,886
Selling, general and administrative expenses			37,102	74,255		111,357
Corporate expenses	3,370		12,469	4,933		20,772
Depreciation and amortization			45,842	55,867		101,709
Other operating income (expense) net			1,497	(479)		1,018
Operating income (loss)	(3,370)		19,992	(19,560)		(2,938)
Interest expense net	108	57,249	(370)	1,331		58,318
Interest income on debt with Clear Channel Communications			3,413			3,413
Intercompany interest income	3,512	57,139		244	(60,895)	
Intercompany interest expense	121		60,186	588	(60,895)	
Equity in earnings (loss) of nonconsolidated affiliates	(47,728)	(25,982)	(22,188)	(637)	95,732	(803)
Other expense net			(88)	(749)		(837)
Income (loss) before income taxes	(47,815)	(26,092)	(58,687)	(22,621)	95,732	(59,483)
Income tax benefit (expense)	33	(305)	10,959	17		10,704
Consolidated net income (loss)	(47,782)	(26,397)	(47,728)	(22,604)	95,732	(48,779)
Less amount attributable to noncontrolling interest				(997)		(997)
Net income (loss) attributable to the Company	\$ (47,782)	\$ (26,397)	\$ (47,728)	\$ (21,607)	\$ 95,732	\$ (47,782)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments		1,991		(41,493)		(39,502)
Foreign currency reclassification adjustment				224		224
Unrealized loss on marketable securities				(2,620)		(2,620)
Equity in subsidiary comprehensive income	(42,056)	(44,101)	(42,056)		128,213	
Comprehensive income (loss)	(89,838)	(68,507)	(89,784)	(65,496)	223,945	(89,680)
Less amount attributable to noncontrolling interest				158		158
Comprehensive income (loss) attributable to the Company	\$ (89,838)	\$ (68,507)	\$ (89,784)	\$ (65,654)	\$ 223,945	\$ (89,838)



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

<i>(In thousands)</i>	Three Months Ended March 31, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Cash flows from operating activities:</b>						
Consolidated net income (loss)	\$ (9,541)	\$ 3,018	\$ (9,745)	\$ 3,739	\$ 2,137	\$ (10,392)
<b>Reconciling items:</b>						
Depreciation and amortization			46,926	55,404		102,330
Deferred taxes		52	(6,858)	(12,688)		(19,494)
Provision for doubtful accounts			441	1,863		2,304
Other reconciling items net	9,745	(2,091)	(4,710)	(3,817)	(2,137)	(3,010)
<b>Changes in operating assets and liabilities:</b>						
Increase in accounts receivable			33,290	7,006		40,296
Increase in deferred income			8,464	39,739		48,203
Decrease in accrued expenses			(19,288)	(40,315)		(59,603)
Increase (decrease) in accounts payable and other liabilities		23	12,860	(363)	(17,446)	(4,926)
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(1,253)	(85)	(25,726)	(29,181)		(56,245)
Net cash provided by (used for) operating activities	(1,049)	917	35,654	21,387	(17,446)	39,463
<b>Cash flows from investing activities:</b>						
Purchases of property, plant and equipment			(30,577)	(15,784)		(46,361)
Equity contributions to subsidiaries			(97)		97	
Purchases of other operating assets			631	(2,747)		(2,116)
Change in other net			3,948	915		4,863
Net cash provided by (used for) investing activities			(26,095)	(17,616)	97	(43,614)
<b>Cash flows from financing activities:</b>						
Payments on credit facilities				(1,851)		(1,851)
Payments on long-term debt				(2,519)		(2,519)
Net transfers to Clear Channel Communications	(25,090)					(25,090)
Intercompany funding	4,529	(917)	(9,559)	5,947		
Equity contributions from parent				97	(97)	
Change in other net	504			(3,334)		(2,830)
Net cash used for financing activities	(20,057)	(917)	(9,559)	(1,660)	(97)	(32,290)
Effect of exchange rate changes on cash				3,985		3,985
Net increase (decrease) in cash and cash equivalents	(21,106)			6,096	(17,446)	(32,456)
Cash and cash equivalents at beginning of period	426,742			203,789	(6,513)	624,018
Cash and cash equivalents at end of period	\$ 405,636	\$	\$	\$ 209,885	\$ (23,959)	\$ 591,562



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

<i>(In thousands)</i>	Three Months Ended March 31, 2010					Consolidated
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
<b>Cash flows from operating activities:</b>						
Consolidated net income (loss)	\$ (47,782)	\$ (26,397)	\$ (47,728)	\$ (22,604)	\$ 95,732	\$ (48,779)
<b>Reconciling items:</b>						
Depreciation and amortization			45,842	55,867		101,709
Deferred taxes	37		(12,072)	(6,819)		(18,854)
Provision for doubtful accounts			349	119		468
Other reconciling items net	47,728	27,973	22,372	585	(95,732)	2,926
Changes in operating assets and liabilities:						
Decrease in accounts receivable			26,920	5,203		32,123
Increase in deferred income			12,415	29,267		41,682
Increase (decrease) in accrued expenses			2,765	(7,258)		(4,493)
Increase (decrease) in accounts payable and other liabilities		18	(3,753)	(8,115)	7,448	(4,402)
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(708)	(1,205)	8,103	2,534		8,724
Net cash provided by (used for) operating activities	(725)	389	55,213	48,779	7,448	111,104
<b>Cash flows from investing activities:</b>						
Purchases of property, plant and equipment			(23,205)	(26,118)		(49,323)
Equity contributions to subsidiaries			(178)		178	
Dividends from subsidiaries			107		(107)	
Change in other net			1,799	(10,450)		(8,651)
Net cash provided by (used for) investing activities			(21,477)	(36,568)	71	(57,974)
<b>Cash flows from financing activities:</b>						
Draws on credit facilities				304		304
Payments on credit facilities			(2)	(29,704)		(29,706)
Payments on long-term debt				(4,132)		(4,132)
Net transfers to Clear Channel Communications	(37,165)					(37,165)
Intercompany funding	34,880	(389)	(33,990)	(501)		
Dividends declared and paid				(107)	107	
Equity contributions from parent				178	(178)	
Change in other net	233					233
Net cash used for financing activities	(2,052)	(389)	(33,992)	(33,962)	(71)	(70,466)
Effect of exchange rate changes on cash			256	(3,761)		(3,505)
Net increase (decrease) in cash and cash equivalents	(2,777)			(25,512)	7,448	(20,841)
Cash and cash equivalents at beginning of period	446,118			178,331	(15,013)	609,436

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Cash and cash equivalents at end of period	\$ 443,341	\$	\$	\$ 152,819	\$ (7,565)	\$ 588,595
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**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Format of Presentation**

Management's discussion and analysis of our results of operations and financial condition ( 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. Our reportable operating segments are Americas outdoor advertising ( Americas ) and International outdoor advertising ( International ).

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income, Interest expense, Equity in loss of nonconsolidated affiliates, Other income (expense) net and Income tax benefit are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

**Executive Summary**

The key developments in our business for the quarter ended March 31, 2011 are summarized below:

Consolidated revenue increased \$41.4 million compared to the first quarter of 2010.

Americas revenue increased \$18.3 million compared to the first quarter of 2010, driven by revenue growth across most of our display types, particularly digital.

International revenue increased \$23.1 million compared to the first quarter of 2010, primarily as a result of increased street furniture sales and an increase from movements in foreign exchange.

**RESULTS OF OPERATIONS****Consolidated Results of Operations**

The comparison of the three months ended March 31, 2011 to the three months ended March 31, 2010 is as follows:

<i>(In thousands)</i>	Three Months Ended		% Change
	2011	March 31, 2010	
Revenue	\$ 650,214	\$ 608,768	7%
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	391,380	378,886	3%
Selling, general and administrative expenses (excludes depreciation and amortization)	123,180	111,357	11%
Corporate expenses (excludes depreciation and amortization)	21,983	20,772	6%
Depreciation and amortization	102,330	101,709	1%
Other operating income - net	4,802	1,018	
Operating income (loss)	16,143	(2,938)	
Interest expense	60,983	58,318	
Interest income on debt with Clear Channel Communications	9,053	3,413	
Equity in loss of nonconsolidated affiliates	(71)	(803)	



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Other income (expense) - net	3,111	(837)
Loss before income taxes	(32,747)	(59,483)
Income tax benefit	22,355	10,704
Consolidated net loss	\$ (10,392)	\$ (48,779)
Less amount attributable to noncontrolling interest	(851)	(997)
Net loss attributable to the Company	\$ (9,541)	\$ (47,782)

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### *Consolidated Revenue*

Our consolidated revenue increased \$41.4 million during the first quarter of 2011 compared to the same period of 2010. Americas revenue increased \$18.3 million driven by increases in revenue across most of our display types, particularly digital. Our International revenue increased \$23.1 million, primarily due to \$8.7 million from street furniture growth across most of our markets and an \$8.0 million increase from movements in foreign exchange.

### *Consolidated Direct Operating Expenses*

Direct operating expenses increased \$12.5 million during the first quarter of 2011 compared to the same period of 2010. Americas direct operating expenses increased \$4.2 million primarily due higher variable costs associated with the increase in revenue. Direct operating expenses in our International segment increased \$8.3 million primarily from a \$5.6 million increase from movements in foreign exchange.

### *Consolidated Selling, General and Administrative ( SG&A ) Expenses*

SG&A expenses increased \$11.8 million during the first quarter of 2011 compared to the same period of 2010. SG&A expenses increased \$9.9 million in our Americas segment, partially as a result of increased commission expenses associated with the increase in revenue during 2011. In addition, 2010 Americas SG&A included a \$3.8 million favorable litigation settlement. Our International SG&A expenses increased \$1.9 million primarily due to a \$2.8 million increase in administrative costs.

### *Corporate Expenses*

Corporate expenses increased \$1.2 million during the first quarter of 2011 compared to the same period of 2010 primarily due to an increase of \$2.5 million related to general corporate infrastructure support services and initiatives, partially offset by a \$1.3 million decrease in expenses associated with our restructuring program.

### *Other Operating Income - Net*

Other income of \$4.8 million in the first quarter of 2011 primarily related to proceeds received from condemnations of bulletins.

### *Other Income - Net*

Other income of \$3.1 million in the first quarter of 2011 primarily related to a \$3.3 million foreign exchange translation gain on short term intercompany accounts.

### *Income Tax Benefit*

Our operations are included in a consolidated income tax return filed by CC Media Holdings, Inc. ( CC Media Holdings ). 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.

Our effective tax rate for the three months ended March 31, 2011 was 68.3%. The effective rate was primarily impacted by our settlement of U.S. federal and state tax examinations during the quarter. Pursuant to the settlements, we recorded a reduction to income tax expense of approximately \$3.3 million to reflect the net tax benefits of the settlements. In addition, the effective rate was impacted by our ability to benefit from certain tax loss carryforwards in foreign jurisdictions as a result of increased taxable income during 2011, where the losses previously did not provide a benefit.

Our effective tax rate for the first quarter of 2010 was 18.0%. The effective rate was impacted primarily by tax losses in certain foreign jurisdictions for which benefits could not be recorded due to the uncertainty of the ability to utilize those losses in future years.

**Table of Contents****Americas Results of Operations**

Our Americas operating results were as follows:

<i>(In thousands)</i>	Three Months Ended		% Change
	March 31,		
	2011	2010	
Revenue	\$ 289,314	\$ 270,977	7%
Direct operating expenses	143,491	139,308	3%
SG&A expenses	54,367	44,477	22%
Depreciation and amortization	51,086	49,451	3%
Operating income	\$ 40,370	\$ 37,741	7%

Our Americas revenue increased \$18.3 million compared to the first quarter of 2010, driven by revenue growth across most of our display types. Bulletin revenues increased primarily due to digital growth driven by the increased number of digital displays. Airport and shelter revenues increased due to higher average rates as a result of improved economic conditions.

Direct operating expenses increased \$4.2 million during the first quarter of 2011 compared to the same period of 2010. The increase was primarily a result of increased site-lease costs driven by the increase in revenue. We also experienced an increase related to structure maintenance and electricity for new digital bulletins as well as existing displays. SG&A expenses increased \$9.9 million in our Americas segment from an increase in commission costs associated with the increase in revenue during 2011 and an increase in other administrative expenses. The first quarter of 2010 included a \$3.8 million favorable litigation settlement.

**International Results of Operations**

Our International operating results were as follows:

<i>(In thousands)</i>	Three Months Ended		% Change
	March 31,		
	2011	2010	
Revenue	\$ 360,900	\$ 337,791	7%
Direct operating expenses	247,889	239,578	3%
SG&A expenses	68,813	66,880	3%
Depreciation and amortization	51,244	52,258	(2%)
Operating loss	\$ (7,046)	\$ (20,925)	(66%)

International revenue increased \$23.1 million compared to the first quarter of 2010, primarily as a result of growth in street furniture across most of our markets, particularly China and Sweden, as a result of improved economic conditions. Revenue growth was partially offset by lower revenues in France. Movements in foreign exchange resulted in an \$8.0 million increase in revenues.

Direct operating expenses increased \$8.3 million primarily attributable to higher direct production costs associated with the increase in revenue, and including a \$5.6 million increase from movements in foreign exchange. SG&A expenses increased \$1.9 million primarily due to increased administrative costs and a \$1.6 million increase from movements in foreign exchange. These SG&A increases were partially offset by a \$2.1 million reduction in restructuring expenses and business tax related to a change in French tax law.

**Table of Contents****Reconciliation of Segment Operating Income (Loss) to Consolidated Operating Income (Loss)**

(In thousands)

	Three Months Ended	
	March 31,	
	2011	2010
Americas	\$ 40,370	\$ 37,741
International	(7,046)	(20,925)
Corporate expenses	(21,983)	(20,772)
Other operating income - net	4,802	1,018
<b>Consolidated operating income (loss)</b>	<b>\$ 16,143</b>	<b>\$ (2,938)</b>

**Share-Based Compensation Expense**

The following table presents amounts related to share-based compensation expense for the three months ended March 31, 2011 and 2010, respectively:

(In thousands)

	Three Months Ended	
	March 31,	
	2011	2010
Americas	\$ 2,168	\$ 2,030
International	903	603
Corporate	42	84
<b>Total share-based compensation expense</b>	<b>\$ 3,113</b>	<b>\$ 2,717</b>

As of March 31, 2011, there was \$25.7 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately three years. As of March 31, 2010, there was \$0.3 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

**LIQUIDITY AND CAPITAL RESOURCES****Clear Channel Communications Merger**

Clear Channel Communications, Inc.'s (Clear Channel Communications) capitalization, liquidity and capital resources substantially changed due to the consummation of its merger on July 30, 2008 with entities formed by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. Upon the closing of the merger, Clear Channel Communications incurred additional debt and became highly leveraged. We are not borrowers or guarantors under Clear Channel Communications' credit agreements other than for direct borrowings by certain of our International subsidiaries under the \$145.0 million sub-limit included in Clear Channel Communications' \$1.9 billion revolving credit facility and we are not a guarantor of Clear Channel Communications' debt. The obligations of these International subsidiaries that are borrowers under the revolving credit facility are guaranteed by certain of our material wholly-owned subsidiaries, and secured by substantially all of the assets of such borrowers and guarantors, subject to permitted liens and other exceptions. As of March 31, 2011, we had no outstanding borrowings under the \$145.0 million sub-limit facility. Clear Channel Communications has borrowed the entire capacity.

Also, so long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications will have the option to limit our ability to incur debt or issue equity securities, among other limitations, which could adversely affect our ability to meet our liquidity needs.



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**Cash Flows**

The following discussion highlights our cash flow activities during the three months ended March 31, 2011 and 2010.

<i>(In thousands)</i>	Three Months Ended March 31,	
	2011	2010
Cash provided by (used for):		
Operating activities	\$ 39,463	\$ 111,104
Investing activities	\$ (43,614)	\$ (57,974)
Financing activities	\$ (32,290)	\$ (70,466)