

CROWN CASTLE INTERNATIONAL CORP
Form 10-Q
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010
OR

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

For the transition period _____ to _____

Commission File Number 001-16441

CROWN CASTLE INTERNATIONAL
CORP.

(Exact name of registrant as specified in its charter)

Delaware	76-0470458
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)

1220 Augusta Drive, Suite 500, Houston, Texas 77057-2261
(Address of principal executives office) (Zip Code)
(713) 570-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

Number of shares of common stock outstanding at October 31, 2010: 290,756,111

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

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Cautionary Language Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's expectations as of the filing date of this report with the SEC. Statements that are not historical facts are identified as forward-looking statements. Such statements include plans, projections and estimates contained in "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risk" herein. Words such as "estimate," "anticipate," "project," "plan," "intend," "believe," "expect," "likely" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including prevailing market conditions, risk factors described under "Part II—Item 1A. Risk Factors" herein and in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 ("2009 Form 10-K") and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected.

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands of dollars, except share amounts)

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$303,979	\$766,146
Restricted cash	207,055	213,514
Receivables, net of allowance of \$4,987 and \$5,497, respectively	55,201	44,431
Prepaid expenses	69,273	68,551
Deferred income tax assets	92,678	76,089
Deferred site rental receivables and other current assets, net	26,119	27,302
Total current assets	754,305	1,196,033
Property and equipment, net of accumulated depreciation of \$3,343,143 and \$3,040,572, respectively	4,897,340	4,895,983
Goodwill	2,029,139	1,984,804
Other intangible assets, net of accumulated amortization \$595,584 and \$476,895, respectively	2,338,517	2,405,422
Deferred site rental receivables, long-term prepaid rent, deferred financing costs and other assets	633,941	474,364
Total assets	\$10,653,242	\$10,956,606
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$28,100	\$33,053
Accrued interest	54,546	69,476
Deferred revenues	232,940	179,649
Interest rate swaps	234,940	160,121
Other accrued liabilities	97,226	94,610
Short-term debt, current maturities of debt and other obligations	22,039	217,196
Total current liabilities	669,791	754,105
Debt and other long-term obligations	6,594,066	6,361,954
Deferred income tax liabilities	87,889	74,117
Deferred ground lease payable, interest rate swaps and other liabilities	604,150	514,691
Total liabilities	7,955,896	7,704,867
Commitments and contingencies (note 9)		
Redeemable preferred stock, \$0.1 par value; 20,000,000 shares authorized; shares issued and outstanding:		
September 30, 2010 and December 31, 2009—6,361,000; stated net of unamortized issue costs; mandatory redemption and aggregate liquidation value of \$318,050	316,349	315,654
CCIC stockholders' equity:		
Common stock, \$.01 par value; 600,000,000 shares authorized; shares issued and outstanding:		
September 30, 2010—290,917,968 and December 31, 2009—292,729,684	2,909	2,927

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Additional paid-in capital	5,581,479	5,685,874
Accumulated other comprehensive income (loss)	(207,241)	(124,224)
Accumulated deficit	(2,995,753)	(2,628,336)
Total CCIC stockholders' equity	2,381,394	2,936,241
Noncontrolling interest	(397)	(156)
Total equity	2,380,997	2,936,085
Total liabilities and equity	\$ 10,653,242	\$ 10,956,606

See condensed notes to condensed consolidated financial statements.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
 COMPREHENSIVE INCOME (LOSS) (Unaudited)

(In thousands of dollars, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net revenues:				
Site rental	\$437,079	\$396,466	\$1,253,582	\$1,140,577
Network services and other	44,811	32,613	128,762	101,286
Net revenues	481,890	429,079	1,382,344	1,241,863
Operating expenses:				
Costs of operations(a):				
Site rental	116,233	114,899	345,453	337,979
Network services and other	26,767	21,613	82,990	64,683
General and administrative	41,420	39,230	121,449	113,969
Asset write-down charges	4,429	3,073	8,588	14,459
Acquisition and integration costs	867	—	1,139	—
Depreciation, amortization and accretion	136,218	131,463	403,512	396,236
Total operating expenses	325,934	310,278	963,131	927,326
Operating income (loss)	155,956	118,801	419,213	314,537
Interest expense and amortization of deferred financing costs	(123,196)	(111,169)	(364,322)	(327,006)
Gains (losses) on purchases and redemptions of debt	(71,933)	(4,848)	(138,367)	(90,174)
Net gain (loss) on interest rate swaps	(104,421)	(58,327)	(292,295)	(114,060)
Interest and other income (expense)	847	2,569	985	5,572
Income (loss) before income taxes	(142,747)	(52,974)	(374,786)	(211,131)
Benefit (provision) for income taxes	7,597	21,836	22,622	78,276
Net income (loss)	(135,150)	(31,138)	(352,164)	(132,855)
Less: Net income (loss) attributable to the noncontrolling interest	(141)	501	(351)	(375)
Net income (loss) attributable to CCIC stockholders	(135,009)	(31,639)	(351,813)	(132,480)
Dividends on preferred stock	(5,201)	(5,202)	(15,604)	(15,604)
Net income (loss) attributable to CCIC stockholders after deduction of dividends on preferred stock	\$(140,210)	\$(36,841)	\$(367,417)	\$(148,084)
Net income (loss)	\$(135,150)	\$(31,138)	\$(352,164)	\$(132,855)
Other comprehensive income (loss):				
Available-for-sale securities, net of tax of \$0, \$0, \$0 and \$0, respectively:				
Unrealized gains (losses) on available-for-sale securities, net of taxes	(1,265)	15,285	158	24,245
Derivative instruments net of taxes of \$(909), \$19,984, \$(14,124) and \$67,512, respectively:				
Net change in fair value of cash flow hedging instruments, net of taxes	(17,562)	(89,324)	(139,108)	37,342
Amounts reclassified into results of operations, net of taxes	16,266	9,802	38,946	148,611
Foreign currency translation adjustments	26,108	14,717	17,097	36,594
Comprehensive income (loss)	(111,603)	(80,658)	(435,071)	113,937
	(196)	326	(241)	(582)

Less: Comprehensive income (loss) attributable to the
noncontrolling interest

Comprehensive income (loss) attributable to CCIC stockholders	\$(111,407)	\$(80,984)	\$(434,830)	\$114,519
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Net income (loss) attributable to CCIC common stockholders,
after deduction of

dividends on preferred stock, per common share - basic and diluted	\$(0.49)	\$(0.13)	\$(1.28)	\$(0.52)
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Weighted-average common shares outstanding (in thousands) - basic and diluted	286,119	286,707	286,883	286,356
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(a) Exclusive of depreciation, amortization and accretion shown separately.

See condensed notes to condensed consolidated financial statements.

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
 (In thousands of dollars)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$(352,164)	\$(132,855)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, amortization and accretion	403,512	396,236
Gains (losses) on purchases and redemptions of long-term debt	138,367	90,174
Amortization of deferred financing costs and other non-cash interest	59,734	43,549
Stock-based compensation expense	26,185	21,810
Asset write-down charges	8,588	14,459
Deferred income tax benefit (provision)	(34,279)	(83,531)
Income (expense) from forward-starting interest rate swaps	292,295	111,396
Other adjustments	818	179
Changes in assets and liabilities, excluding the effects of acquisitions:		
Increase (decrease) in accrued interest	(14,930)	25,829
Increase (decrease) in accounts payable	(5,309)	(10,257)
Increase (decrease) in deferred revenues, deferred ground lease payables, other accrued liabilities and other liabilities	11,891	(12,367)
Decrease (increase) in receivables	(7,295)	6,043
Decrease (increase) in prepaid expenses, deferred site rental receivables, long-term prepaid rent, restricted cash and other assets	(119,758)	(76,992)
Net cash provided by (used for) operating activities	407,655	393,673
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	2,035	3,374
Capital expenditures	(148,274)	(111,297)
Payments for acquisitions of businesses, net of cash acquired	(126,972)	(2,581)
Payments for investments and other	(25,247)	—
Net cash provided by (used for) investing activities	(298,458)	(110,504)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	3,450,000	2,228,848
Proceeds from issuance of capital stock	16,310	16,742
Principal payments on long-term debt and other long-term obligations	(18,282)	(4,875)
Purchases and redemptions of long-term debt	(3,541,312)	(2,131,910)
Purchases of capital stock	(146,908)	(1,231)
Borrowings under revolving credit agreements	—	50,000
Payments under revolving credit agreements	—	(219,400)
Payments for financing costs	(58,729)	(59,000)
Payments for forward-starting interest rate swap settlements	(266,870)	—
Net (increase) decrease in restricted cash	9,467	(31,061)
Dividends on preferred stock	(14,909)	(14,908)
Net cash provided by (used for) financing activities	(571,233)	(166,795)
Effect of exchange rate changes on cash	(131)	(2,762)
Net increase (decrease) in cash and cash equivalents	(462,167)	