CUMULUS MEDIA INC
Form 424B5
May 09, 2002

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer and sale is not permitted.

Filed Pursuant to 424(b)5
Registration No. 333-94323

Subject to Completion, Dated May 9, 2002

Preliminary Prospectus Supplement to Prospectus Dated May 3, 2002

Cumulus Media Inc.

8,600,000 Shares

Class A Common Stock

This is a public offering of Class A Common Stock of Cumulus Media Inc. We are offering 7,769,448 shares of our Class A Common Stock. Selling shareholders are offering an additional 830,552 shares of our Class A Common Stock. We will not receive any of the proceeds from the sale of shares by the selling shareholders. Our Class A Common Stock is traded on the Nasdaq National Market under the symbol CMLS. On May 8, 2002, the last reported sale price of our Class A Common Stock was $19.38 per share.

Investing in our Class A Common Stock involves risk. See Risk Factors beginning on page S-8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the prospectus to which it relates. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Cumulus Media	$	$
Proceeds, before expenses, to the selling shareholders	$	$

We and one of the selling shareholders have granted the underwriters the right to purchase up to 1,290,000 additional shares of Class A Common Stock to cover over-allotments.

Deutsche Bank Securities
Bear, Stearns & Co. Inc.
Banc of America Securities LLC
CIBC World Markets
Morgan Stanley
Robertson Stephens
SunTrust Robinson Humphrey
UBS Warburg
Robert W. Baird & Co.
Jefferies & Company, Inc.

The date of this prospectus supplement is May , 2002.

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[Map of the United States depicting our radio station portfolio

and radio station call letters.]

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the SEC that utilizes a shelf registration process. Under the shelf registration process, we and the selling shareholders may sell up to an aggregate of 20,000,000 shares of our Class A Common Stock, of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of this offering and certain other information. Both this prospectus supplement and the accompanying prospectus include important information about us and the selling shareholders, the Class A Common Stock being offered and other information you should know before investing in our Class A Common Stock.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We are offering to sell securities and seeking offers to buy securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date on their covers, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of the securities. In this prospectus supplement, the terms Company, Cumulus, we, us and our refer to Cumulus Media Inc. and its consolidated subsidiaries. The term Class A Common Stock means our Class A Common Stock, par value $.01 per share. The term selling shareholders refers to the State of Wisconsin Investment Board, referred to as SWIB, and ING Capital LLC, referred to as ING Capital.

You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under the heading Where You Can Find More Information beginning on page S-61 of this prospectus supplement before investing in our Class A Common Stock. This prospectus supplement adds to, updates and changes information contained in the accompanying prospectus and the information incorporated by reference. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus or the information incorporated by reference, the statements made in the accompanying prospectus or the information incorporated by reference are deemed modified or superseded by the statements made in this prospectus supplement.

We have not taken any action to permit a public offering of the shares of securities outside the United States. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about and observe any restrictions relating to the offering of the shares of securities and the distribution of this prospectus supplement outside the United States.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

In various places in this prospectus supplement and the accompanying prospectus and the documents we incorporate by reference, we use statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future plans, objectives, expectations and intentions. Although we believe that, in making any of these statements, our expectations are based on reasonable assumptions, these statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in this document, words such as anticipates, believes, expects, intends, and similar expressions, as they relate to us or our management, are intended to identify these forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including those referred to under Risk Factors and as otherwise described in our periodic filings with the SEC.

Important facts that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control, include:

- the impact of general economic conditions in the United States or in specific markets in which we currently do business;
- industry conditions, including existing competition and future competitive technologies;
- the popularity of radio as a broadcasting and advertising medium;
- our capital expenditure requirements;
- legislative or regulatory requirements;
- risks and uncertainties relating to our leverage;
- interest rates;
- consummation and integration of pending or future acquisitions;
- access to capital markets; and
- fluctuations in exchange rates and currency values.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by the forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required under Federal securities laws. We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this prospectus supplement or, in the case of the accompanying prospectus or any document we incorporate by reference, the date of that document.

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CERTAIN DEFINITIONS AND MARKET AND INDUSTRY DATA

We use the term local marketing agreement, or LMA, in various places in this prospectus supplement, the accompanying prospectus and in documents incorporated by reference. A typical LMA is an agreement under which a Federal Communications Commission, or FCC, licensee of a radio station makes available, for a fee, air time on its station to another party. The other party provides programming to be broadcast during this air time and collects revenues from advertising it sells for broadcast during the programming. In addition to entering into LMAs, from time to time we enter into management or consulting agreements that provide us with the ability, as contractually specified, to assist current owners in the management of radio station assets that we have contractually agreed to purchase, subject to FCC approval. In those arrangements, we generally receive a contractually specified management fee or consulting fee in exchange for the services provided.

Unless otherwise indicated:

- we obtained total industry listener and revenue levels from the Radio Advertising Bureau;
- we derived all audience share data and audience rankings, including ranking by population, except where otherwise stated to the contrary, from surveys of people ages 12 and over, listening Monday through Sunday, 6 a.m. to 12 midnight, based on the Fall 2001 Arbitron Market Report, pertaining to each market; and
- we derived 2001 Cumulus market revenue rank from BIA*fn* s *Media Access Pro* (2002) produced by BIA Financial Network, Inc.

The terms broadcast cash flow and EBITDA are used in various places in this prospectus supplement, the accompanying prospectus and in documents incorporated by reference.

Broadcast cash flow consists of operating income (loss) before depreciation, amortization, LMA fees, corporate general and administrative expenses, non-cash stock compensation expense, and restructuring and impairment charges.

EBITDA consists of operating income (loss) before depreciation, amortization, LMA fees, non-cash stock compensation expense, and restructuring and impairment charges.

Broadcast cash flow and EBITDA, as we define the terms, may not be comparable to similarly titled measures employed by other companies. Although broadcast cash flow and EBITDA are not measures of performance calculated in accordance with accounting principles generally accepted in the United States, or GAAP, we believe that they are useful to an investor in evaluating an investment in our common stock because they are measures widely used in the broadcast industry to evaluate a radio company s operating performance. However, broadcast cash flow and EBITDA should not be considered in isolation or as substitutes for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with GAAP, or as measures of liquidity or profitability.

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SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary may not contain all of the information that you should consider before investing in our Class A Common Stock. You should carefully read the entire prospectus supplement, the accompanying prospectus and the documents we incorporate by reference before making an investment decision.

The Company

We own and operate FM and AM radio station clusters serving mid-size markets throughout the United States. We are the second largest radio broadcasting company in the United States based upon the number of stations owned or operated. As of March 31, 2002, we owned and operated 232 radio stations in 51 mid-sized U.S. media markets. In addition, we owned and operated a multi-market network of five radio stations in the English-speaking Caribbean. Under our LMA s, we provided sales and marketing services for 11 radio stations in four U.S. markets in exchange for a management or consulting fee, pending FCC approval of our acquisitions of these stations.

We believe that the attractive operating characteristics of mid-size markets, together with the relaxation of radio station ownership limits under the Telecommunications Act of 1996, referred to as the Telecom Act, and the FCC s rules, create significant opportunities for growth from the formation of clusters of radio stations within these markets. We believe that mid-size radio markets provide an excellent opportunity to acquire attractive properties at favorable purchase prices due to the size and fragmented nature of ownership in these markets and due to the greater attention historically given to the larger markets by radio station acquirers.

Within each market, our stations are generally diversified in terms of format, target audience and geographic location, enabling us to attract larger and broader listener audiences and thereby a wider range of advertisers. This diversification, coupled with our favorable advertising pricing, also has provided us with the ability to compete successfully for advertising revenue against other radio, print and television media competitors.

Strategy

We are focused on generating internal growth through improvement in cash flows for the portfolio of stations we operate, while enhancing our station portfolio and our business as a whole through the acquisition of individual stations or clusters that satisfy our acquisition criteria.

Operating Strategy

Our operating strategy has the following principal components:

- achieve cost efficiencies associated with common infrastructure and personnel and increase revenue by offering regional coverage of key demographic groups that were previously unavailable to national and regional advertisers;

- develop each station in our portfolio as a unique enterprise, marketed as an individual, local brand with its own identity, programming content, programming personnel, inventory of time slots and sales force;

- use audience research and music testing to refine each station s programming content to match the preferences of the station s target demographic audience, in order to enrich

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our listeners experiences by increasing both the quality and quantity of local programming;

position station clusters to compete with print and television advertising by combining favorable advertising pricing with diverse station formats within each market to draw a larger and broader listening audience to attract a wider range of advertisers; and

employ Internet-based management information systems that enable us to monitor daily sales performance by station and by market, compared to their respective budgets, to quickly identify any under-performing stations, determine the explanation for the under-performance and take corrective action quickly.

Acquisition Strategy

Our acquisition strategy has the following principal components:

assemble leading station clusters in the top 50 to 150 radio markets by taking advantage of the size and fragmented nature of ownership in these markets;

acquire leading stations in terms of signal coverage, revenue or audience share and acquire under-performing stations where there is significant potential to apply our management expertise to improve financial and operating performance; and

reconfigure our existing stations, or acquire new stations, located near large markets, that, based on an engineering analysis of signal specifications and the likelihood of receiving FCC approval, can be redirected, or moved in, to those larger markets.

Recent Developments

On May 7, 2002, we announced our operating results for the first quarter ended March 31, 2002. We had first quarter net revenues of $44.9 million, broadcast cash flow of $11.5 million and EBITDA of $8.0 million. On a pro forma basis giving effect to all acquisitions and dispositions entered into or consummated during the quarter, including the acquisitions of Aurora Communications, LLC and of the broadcasting operations of DBBC, L.L.C. described below, we had first quarter net revenues of $54.2 million, broadcast cash flow of $15.3 million and EBITDA of $11.8 million.

On May 7, 2002, we announced that we had entered into a definitive agreement with Wilks Broadcasting, LLC and its subsidiary, Wilks License Co., LLC, to acquire five radio stations serving the Saginaw, Michigan market (market rank 129), for a purchase price of approximately $55.6 million in cash. We expect the closing of this transaction, which is conditioned on the receipt of all necessary regulatory approvals, to occur prior to the end of 2002.

On March 28, 2002, we announced the completion of the acquisitions of Aurora Communications, LLC and of the broadcasting operations of DBBC, L.L.C. These properties represented opportunities to acquire premiere portfolios of radio stations in very attractive mid-size markets. Aurora Communications owned and operated 18 radio stations in five markets in suburban New York and Connecticut, including Westchester County, New York (market rank 59), Bridgeport, Connecticut (market rank 110), Newburgh-Middletown, New York (market rank 143), Poughkeepsie, New York (market rank 160), and Danbury, Connecticut (market rank 194). DBBC s broadcasting operations consisted of three radio stations in Nashville, Tennessee (market rank 44). Based on the closing sale price of our Class A Common Stock on March 27, 2002 of $18.42, the transactions were valued at approximately $294 million and $119 million, respectively.

Concurrently with the completion of the Aurora Communications and DBBC acquisitions, we entered into a new $400 million credit facility. The new facility, which replaced our outstanding

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credit facility, is comprised of an undrawn $112.5 million revolving commitment, a seven-year, $112.5 million term loan and an eight-year, $175.0 million term loan. The proceeds of the term loans, which were funded on March 28, 2002, were primarily used to repay amounts outstanding under our old credit facility and to fund the cash portions of the purchase price for the acquisitions of Aurora Communications and the broadcasting operations of DBBC.

On January 1, 2002, we adopted SFAS No. 142, *Goodwill and Other Intangible Assets,* which eliminates the annual amortization of goodwill and certain intangible assets with indefinite lives, such as FCC broadcast licenses. SFAS No. 142 also requires us to evaluate for impairment our goodwill and other intangible assets with indefinite lives. As a result, during the quarter ended March 31, 2002, we wrote off the recorded amounts of our FCC broadcast licenses by $41.7 million, net of taxes. Also in connection with the elimination of amortization of the cost of our broadcast licenses for financial reporting purposes upon adoption of SFAS No. 142, we determined it was necessary to establish a valuation allowance against our deferred tax assets and recorded a $57.9 million non-cash charge to income tax expense during the three months ended March 31, 2002. We recorded additional deferred tax expense of $4.5 million to establish a valuation allowance against net operating loss carry-forwards generated during the quarter ended March 31, 2002, resulting from amortization of goodwill and broadcast licenses that is deductible for tax purposes but is no longer amortized in the financial statements.

Our Station Portfolio

The following table sets forth, as of the date of this prospectus supplement, selected information about the markets where we operate and where we expect to operate after giving effect to the consummation of all pending acquisitions and divestitures. You should refer to the Business section of this prospectus supplement for further information about our station portfolio.

	2001 Market Rank		Stations		2001 Market Revenue Rank
Market	Metro Population	Radio Revenue	FM	AM	
Midwest:					
Appleton-Oshkosh, WI	139	126	2	2	3
Bismarck, ND	273	206	3	1	2
Canton, OH	128	160	1		2
Cedar Rapids, IA	204	127	3		2
Dubuque, IA	230	235	4	1	1
Faribault-Owatonna, MN	*	*	2	2	
Flint, MI	124	125	3	1	1
Green Bay, WI	185	133	4	1	1
Kalamazoo, MI	179	148	2	1	1
Monroe, MI	*	*	1		1
Quad Cities, IA-IL	140	121	4	1	2
Rockford, IL	152	139	3	1	1
Saginaw- Bay City- Midland, MI	129	101	4	1	2
Toledo, OH	81	72	5	2	2
Waterloo- Cedar Falls, IA	239	226	3	1	2
Youngstown, OH	108	84	5	3	1
Southeast:					
Albany, GA	261	213	6	2	1
Columbus- Starkville, MS	256	278	4	3	1
Fayetteville, NC	126	96	4	1	2
Florence, SC	206	181	6	3	1
Harrisburg- Lebanon- Carlisle, PA	78	66	3	1	1

Market	2001 Market Rank Metro Population	2001 Market Rank Radio Revenue	Stations FM	Stations AM	2001 Market Revenue Rank
Lexington- Fayette, KY	102	93	4	1	2
Melbourne- Titusville- Cocoa, FL	100	180	2	1	1
Mobile, AL	91	87	3	2	2
Montgomery, AL	147	105	4	3	1
Myrtle Beach, SC	169	161	6	1	2
Nashville, TN	44	38	3		3
Pensacola, FL	125	152	2	1	3
Savannah, GA	159	100	5	2	1
Tallahassee, FL	163	130	4	1	1
Wilmington, NC	177	152	4	1	1
Southwest:					
Abilene, TX	231	240	4		2
Amarillo, TX	191	192	4	2	1
Beaumont- Port Arthur, TX	133	143	4	2	2
Fayetteville, AR	149	157	5	2	2
Fort Smith, AR	171	192	3	1	2
Grand Junction, CO	259	232	4	1	1
Houston- Galveston, TX	9	9	1		
Killeen- Temple, TX	154	219	4	1	2
Lake Charles, LA	215	201	3	1	1
Odessa- Midland, TX	187	188	6	2	1
Shreveport, LA	132	128	4	1	1
Topeka, KS	186	179	4	2	1
Wichita Falls, TX	250	260	4		1
Northeast:					
Bangor, ME	213	198	4	1	2
Bridgeport, CT	110	193	1	1	2
Danbury, CT	194	184	2	2	2
Newburgh- Middletown, NY	143	232	1	1	2
Poughkeepsie, NY	160	104	5	2	1
Westchester County, NY	59	105	2	1	1
Far West:					
Eugene- Springfield, OR	148	151	4	2	1
Oxnard- Ventura, CA	115	163	2	1	1
Santa Barbara, CA	200	172	3		2
All markets			183	67	

* Not rated.

Our principal executive offices are located at 3535 Piedmont Road, Building 14, Fourteenth Floor, Atlanta, Georgia 30305. Our telephone number is (404) 949-0700. Our Internet homepage is located at www.cumulus.com. The information on our homepage is not a part of this prospectus supplement or the accompanying prospectus.

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The Offering

Class A Common Stock offered by us	7,769,448 shares
Class A Common Stock offered by the selling shareholders	830,552 shares
Common stock to be outstanding after this offering	43,830,452 shares of Class A Common Stock 14,058,682 shares of Class B Common Stock 1,529,277 shares of Class C Common Stock 59,418,411 total shares of common stock
Voting rights	Each share of Class A Common Stock is entitled to one vote. We also have Class B Common Stock and Class C Common Stock with different voting rights. The Class A Common Stock and the Class C Common Stock generally vote together as a single class on all matters submitted to a vote of shareholders. Each share of Class C Common Stock is entitled to ten votes. The shares of Class B Common Stock have no voting rights, except with respect to specified fundamental corporate actions.
Dividend policy	We have not declared or paid any dividends on our Class A Common Stock and do not anticipate paying any dividends in the foreseeable future. In addition, our ability to declare dividends is restricted under our credit facility, the indenture governing our notes and the certificate of designations governing our Series A Preferred Stock.
Use of proceeds	We intend to use approximately $55.6 million of the net proceeds for the Wilks Broadcasting acquisition, and to use the balance for general corporate purposes, which could include repayment of indebtedness or to fund potential future acquisitions. We will not receive any proceeds from the sale of shares by the selling shareholders.
Nasdaq National Market symbol	CMLS

The number of shares of our common stock to be outstanding after this offering is based on our number of shares outstanding as of March 31, 2002 and does not include:

- 1,290,000 shares of Class A Common Stock that the underwriters have the option to purchase to cover over-allotments;
- 14,058,682 shares of Class B Common Stock, which are convertible on a one-for-one basis into shares of Class A Common Stock;
- 1,529,277 shares of Class C Common Stock, which are convertible on a one-for-one basis into shares of Class A Common Stock;
- outstanding options to purchase 4,475,117 shares of Class A Common Stock and outstanding options to purchase 2,657,392 shares of Class C Common Stock; and
- outstanding warrants to purchase 376,909 shares of Class A Common Stock and to purchase 706,424 shares of Class A Common Stock or Class B Common Stock.

Risk Factors

You should read the Risk Factors section beginning on page S-8 of this prospectus supplement, as well as the other cautionary statements throughout the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference.

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Summary Consolidated Financial Data

The following table is a summary of our consolidated financial data for the periods presented. You should read the following data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and our consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2001, including the consolidated financial information contained therein, which are incorporated by reference into this prospectus supplement. Historical results are not necessarily indicative of results to be expected for any future period. A description of the pro forma adjustments follows the table.

	Year Ended December 31,			
	1999	2000	2001	Pro Forma 2001