Clear Channel Outdoor Holdings, Inc.
Form 10-Q
November 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2015

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO ____________

Commission File Number

001 32663

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

86-0812139

(State or other jurisdiction of incorporation or organization)

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

200 East Basse Road, Suite 100

78209

San Antonio, Texas (Zip Code)

(Address of principal executive offices)

(210) 832-3700

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer [ ] Accelerated filer [X] 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 [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 3, 2015
Class A Common Stock, $.01 par value	46,392,713
Class B Common Stock, $.01 par value	315,000,000

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(In thousands)	September 30, 2015 (Unaudited)	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 172,938	$ 186,204
Accounts receivable, net of allowance of $23,988 in 2015 and $24,308 in 2014	692,278	697,811
Prepaid expenses	148,708	134,041
Other current assets	88,416	61,893
Total Current Assets	1,102,340	1,079,949
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,491,781	1,614,199
Other property, plant and equipment, net	264,712	291,452
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles	1,043,727	1,066,748
Other intangibles, net	370,229	412,064
Goodwill	801,042	817,112
OTHER ASSETS		
Due from iHeartCommunications	913,658	947,806
Other assets	145,768	133,081
Total Assets	$ 6,133,257	$ 6,362,411
CURRENT LIABILITIES		
Accounts payable	$ 74,596	$ 75,915
Accrued expenses	481,409	543,818
Deferred income	110,668	94,635
Current portion of long-term debt	2,327	3,461
Total Current Liabilities	669,000	717,829
Long-term debt	4,927,090	4,930,468
Deferred tax liability	599,675	620,255
Other long-term liabilities	235,324	234,800
Commitments and Contingent liabilities (Note 4)		
SHAREHOLDERS' DEFICIT		
Noncontrolling interest	182,883	203,334
Preferred stock, $.01 par value, 150,000,000 shares authorized, no shares issued and outstanding	-	-
Class A common stock, $.01 par value, 750,000,000 shares authorized, 46,619,081 and 45,231,282 shares issued in 2015 and 2014, respectively	466	452
Class B common stock, $.01 par value, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding	3,150	3,150
Additional paid-in capital	4,176,984	4,167,233
Accumulated deficit	(4,227,254)	(4,172,565)
Accumulated other comprehensive loss	(431,986)	(341,353)
Cost of shares (230,343 shares in 2015 and 140,702 shares in 2014) held in treasury	(2,075)	(1,192)
Total Shareholders' Deficit	(297,832)	(140,941)
Total Liabilities and Shareholders' Deficit	$ 6,133,257	$ 6,362,411

See Notes to Consolidated Financial Statements

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See Notes to Consolidated Financial Statements

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

(UNAUDITED)

(In thousands, except per share data)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenue	$ 696,277	$ 742,794	$ 2,034,139	$ 2,159,250
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	372,716	400,834	1,108,029	1,195,491
Selling, general and administrative expenses (excludes depreciation and amortization)	132,559	139,613	392,211	412,834
Corporate expenses (excludes depreciation and amortization)	28,347	33,548	87,254	97,578
Depreciation and amortization	93,040	100,416	280,539	297,883
Impairment charges	21,631	-	21,631	-
Other operating income, net	5,029	4,623	244	7,524
Operating income	53,013	73,006	144,719	162,988
Interest expense	88,088	87,695	266,060	265,168
Interest income on Due from iHeartCommunications	15,630	15,105	45,932	45,005
Equity in earnings (loss) of nonconsolidated affiliates	(812)	4,185	(641)	3,776
Other income (expense), net	(17,742)	2,191	17,472	16,071
Income (loss) before income taxes	(37,999)	6,792	(58,578)	(37,328)
Income tax benefit (expense)	22,797	(5,372)	19,709	2,503
Consolidated net income (loss)	(15,202)	1,420	(38,869)	(34,825)
Less amount attributable to noncontrolling interest	7,379	8,483	15,820	18,071
Net loss attributable to the Company	$ (22,581)	$ (7,063)	$ (54,689)	$ (52,896)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(21,316)	(62,433)	(99,903)	(78,995)
Unrealized holding gain (loss) on marketable securities	(149)	(74)	540	605
Other adjustments to comprehensive loss	-	-	(1,154)	-
Other comprehensive loss	(21,465)	(62,507)	(100,517)	(78,390)
Comprehensive loss	(44,046)	(69,570)	(155,206)	(131,286)
	(7,123)	(2,511)	(9,884)	(5,962)

Less amount attributable to noncontrolling interest								
Comprehensive loss attributable to the Company	$	(36,923)	$	(67,059)	$	(145,322)	$	(125,324)
Net income (loss) attributable to the Company per common share:								
Basic	$	(0.06)	$	(0.02)	$	(0.15)	$	(0.15)
Weighted average common shares outstanding – Basic		359,689		358,653		359,442		358,502
Diluted	$	(0.06)	$	(0.02)	$	(0.15)	$	(0.15)
Weighted average common shares outstanding – Diluted		359,689		358,653		359,442		358,502
Dividends declared per share	$	-	$	0.49	$	-	$	0.49

See Notes to Consolidated Financial Statements

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

(UNAUDITED)

(In thousands)	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Consolidated net loss	$ (38,869)	$ (34,825)
Reconciling items:		
Impairment charges	21,631	-
Depreciation and amortization	280,539	297,883
Deferred taxes	(6,924)	(23,813)
Provision for doubtful accounts	8,686	5,394
Share-based compensation	6,045	5,712
Gain on sale of operating and fixed assets	(7,378)	(7,524)
Amortization of deferred financing charges and note discounts, net	6,520	6,491
Other reconciling items, net	(17,423)	(20,334)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(37,314)	(7,208)
Increase in prepaid expenses and other current assets	(25,917)	(6,921)
Decrease in accrued expenses	(70,802)	(19,617)
Increase (decrease) in accounts payable	2,942	(9,201)
Increase in deferred income	20,528	20,131
Changes in other operating assets and liabilities	(16,018)	(17,313)
Net cash provided by operating activities	$ 126,246	$ 188,855
Cash flows from investing activities:		
Purchases of property, plant and equipment	(138,618)	(135,457)
Proceeds from disposal of assets	8,479	11,825
Purchases of other operating assets	(1,614)	(228)
Proceeds from sale of investment securities	-	15,820
Change in other, net	(2,272)	(2,954)
Net cash used for investing activities	$ (134,025)	$ (110,994)
Cash flows from financing activities:		
Draws on credit facilities	-	820
Payments on credit facilities	(3,304)	(3,032)
Payments on long-term debt	(41)	(35)
Net transfers from iHeartCommunications	34,148	3,151
Payments to purchase noncontrolling interests	(234)	-
Dividends and other payments to noncontrolling interests	(28,088)	(11,549)
Dividends paid	-	(175,022)
Change in other, net	2,912	1,315
Net cash provided by (used for) financing activities	$ 5,393	$ (184,352)
Effect of exchange rate changes on cash	(10,880)	(4,301)
Net decrease in cash and cash equivalents	(13,266)	(110,792)
Cash and cash equivalents at beginning of period	186,204	314,545
Cash and cash equivalents at end of period	$ 172,938	$ 203,753
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	261,516	261,546
Cash paid for income taxes	29,408	27,234

See Notes to Consolidated Financial Statements

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods may not be indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report on Form 10-K. All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to the Company and its consolidated subsidiaries. Our reportable segments are Americas outdoor advertising ("Americas") and International outdoor advertising ("International").

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company's indirect parent entity, iHeartCommunications, Inc. ("iHeartCommunications"). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20% to 50% of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2015 presentation.

During the first quarter of 2015, and in connection with the appointment of a new chief executive officer for the Company and a new chief executive officer for Americas, the Company reevaluated its segment reporting and determined that its Latin American operations should be managed by its Americas leadership team. As a result, the operations of Latin America are no longer reflected within the Company's International segment and are included in the results of its Americas segment. Accordingly, the Company has recast the corresponding segment disclosures for prior periods to include Latin America within the Americas segment.

New Accounting Pronouncements

During the first quarter of 2015, the Company adopted the Financial Accounting Standards Board's ("FASB") ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update provides guidance for the recognition, measurement and disclosure of discontinued operations. The update is effective for annual periods beginning on or after 15 December 2014 and interim periods within those years. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the first quarter of 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis*. This new standard eliminates the deferral of FAS 167, which has allowed entities with interest in certain investment funds to follow the previous consolidation guidance in FIN 46(R), and makes other changes to both the variable interest model and the voting model. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

During the second quarter of 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This update requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that direct debt liability. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

During the third quarter of 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This update provides a one-year deferral of the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is

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effective for the first interim period within annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

During the third quarter of 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This update eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

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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 as of September 30, 2015 and December 31, 2014, respectively.

(In thousands)	September 30, 2015	December 31, 2014
Land, buildings and improvements	$ 195,217	$ 198,280
Structures	2,974,643	2,999,582
Furniture and other equipment	154,261	152,084
Construction in progress	60,223	75,469
	3,384,344	3,425,415
Less: accumulated depreciation	1,627,851	1,519,764
Property, plant and equipment, net	$ 1,756,493	$ 1,905,651

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets 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 intangible assets in the International segment.

Annual Impairment Test to Billboard Permits

Historically, the Company performed its annual impairment test on indefinite-lived intangible assets as of October 1 of each year. Beginning in the third quarter of 2015, the Company began performing its annual impairment test on July 1 of each year.

The impairment tests for indefinite-lived intangible assets consist of a comparison between the fair value of the indefinite-lived intangible asset at the market level with its carrying amount. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the indefinite-lived asset is its new accounting basis. The fair value of the indefinite-lived asset is determined using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the indefinite-lived assets is calculated at the market level as prescribed by ASC 350-30-35. The Company engaged Corporate Valuation Consulting LLC (formerly a Mesirow Financial Consulting Practice), a third-party valuation firm, to assist it in the development of the assumptions and the Company's determination of the fair value of its indefinite-lived intangible assets.

The application of the direct valuation method attempts to isolate the income that is properly attributable to the indefinite-lived intangible asset alone (that is, apart from tangible and identified intangible assets and goodwill). It is based upon modeling a hypothetical "greenfield" build-up to a "normalized" enterprise that, by design, lacks inherent goodwill and whose only other assets have essentially been paid for (or added) as part of the build-up process. The Company forecasts revenue, expenses and cash flows over a ten-year period for each of its markets in its application of the direct valuation method. The Company also calculates a "normalized" residual year which represents the perpetual cash flows of each market. The residual year cash flow was capitalized to arrive at the terminal value of the permits in each market.

Under the direct valuation method, it is assumed that rather than acquiring indefinite-lived intangible assets as part of a going concern business, the buyer hypothetically develops indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flow model which results in value that is directly attributable to the indefinite-lived intangible assets.

The key assumptions using the direct valuation method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount

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rate and terminal values. This data is populated using industry normalized information representing an average billboard permit within a market.

The Company recognized an impairment charge related to its indefinite-lived intangible assets of $21.6 million during the three and nine months ended September 30, 2015 related to billboard permits in one market. The Company did not recognize an impairment charge for the three and nine months ended September 30, 2014.

Other Intangible Assets

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets 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. Permanent easements are indefinite-lived intangible assets which include certain rights to use real property not owned by the Company. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets as of September 30, 2015 and December 31, 2014, respectively:

(In thousands)	September 30, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$ 663,304	$ (465,835)	$ 716,722	$ (476,523)
Permanent easements	171,825	-	171,272	-
Other	3,246	(2,311)	2,912	(2,319)
Total	$ 838,375	$ (468,146)	$ 890,906	$ (478,842)

Total amortization expense related to definite-lived intangible assets for the three months ended September 30, 2015 and 2014 was $11.1 million and $16.7 million, respectively. Total amortization expense related to definite-lived intangible assets for the nine months ended September 30, 2015 and 2014 was $38.3 million and $50.8 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)	
2016	$ 38,652
2017	$ 29,822
2018	$ 24,998
2019	$ 16,369
2020	$ 13,464

Annual Impairment Test to Goodwill

Historically, the Company performed its annual impairment test on goodwill as of October 1 of each year. Beginning in the third quarter of 2015, the Company began performing its annual impairment test on July 1 of each year.

Each of the Company's advertising markets are components. The U.S. advertising markets are aggregated into a single reporting unit for purposes of the goodwill impairment test using the guidance in ASC 350-20-55. The Company also determined that each country within its Americas segment and its International segment constitutes a separate reporting unit.

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The goodwill impairment test is a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If applicable, the second step, used to measure the amount of the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill.

Each of the Company’s reporting units is valued using a discounted cash flow model which requires estimating future cash flows expected to be generated from the reporting unit and discounting such cash flows to their present value using a risk-adjusted discount rate. Terminal values were also estimated and discounted to their present value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management’s judgment in applying these factors.

The Company concluded no goodwill impairment charge was required for the three and nine months ended September 30, 2015 and the three and nine months ended September 30, 2014.

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

(In thousands)	Americas	International	Consolidated
Balance as of December 31, 2013	$ 585,227	$ 264,907	$ 850,134
Foreign currency	(653)	(32,369)	(33,022)
Balance as of December 31, 2014	$ 584,574	$ 232,538	$ 817,112
Foreign currency	(636)	(15,434)	(16,070)
Balance as of September 30, 2015	$ 583,938	$ 217,104	$ 801,042

NOTE 3 – LONG-TERM DEBT

Long-term debt outstanding as of September 30, 2015 and December 31, 2014 consisted of the following:

(In thousands)	September 30, 2015	December 31, 2014
Clear Channel Worldwide Holdings Senior Notes:		
6.5% Series A Senior Notes Due 2022	$ 735,750	$ 735,750
6.5% Series B Senior Notes Due 2022	1,989,250	1,989,250
Clear Channel Worldwide Holdings Senior Subordinated Notes:		

7.625% Series A Senior Subordinated Notes Due 2020		275,000		275,000
7.625% Series B Senior Subordinated Notes Due 2020		1,925,000		1,925,000
Senior revolving credit facility due 2018[1]		-		-
Other debt		10,135		15,107
Original issue discount		(5,718)		(6,178)
Total debt	$	4,929,417	$	4,933,929
Less: current portion		2,327		3,461
Total long-term debt	$	4,927,090	$	4,930,468

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

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately $4.9 billion and $5.1 billion at September 30, 2015 and December 31, 2014, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as Level 1.

Surety Bonds, Letters of Credit and Guarantees

As of September 30, 2015, the Company had $57.2 million and $58.7 million in letters of credit and bank guarantees outstanding, respectively. Bank guarantees of $12.4 million were backed by cash collateral. Additionally, as of September 30, 2015,

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iHeartCommunications had outstanding commercial standby letters of credit and surety bonds of $1.2 million and $58.2 million, respectively, held on behalf of the Company. These letters of credit, bank guarantees and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

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

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

Los Angeles Litigation

In 2008, Summit Media, LLC, one of the Company's competitors, sued the City of Los Angeles (the "City"), Clear Channel Outdoor, Inc. ("CCOI") and OUTFRONT Media Inc. (formerly CBS Outdoor Americas Inc.) in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties and pursuant to which CCOI had taken down existing billboards and converted 83 existing signs from static displays to digital displays. In 2009, the Los Angeles Superior Court ruled that the settlement agreement constituted an ultra vires act of the City, and nullified its existence. After further proceedings, on April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to CCOI (77 of which displays were operating at the time of the ruling) and CCOI was required to turn off the electrical power to all affected digital displays on April 15, 2013. The digital display structures remain intact but digital displays are currently prohibited in the City. CCOI is seeking permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs, and has obtained a number of such permits. CCOI is also pursuing a new ordinance to permit digital signage in the City.

International Outdoor Investigation

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

NOTE 5 — RELATED PARTY TRANSACTIONS

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

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

As of September 30, 2015 and December 31, 2014, the asset recorded in “Due from iHeartCommunications” on the consolidated balance sheet was $913.7 million and $947.8 million, respectively. As of September 30, 2015, the fixed interest rate on the “Due from

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iHeartCommunications" account was 6.5%, which is equal to the fixed interest rate on the CCWH Senior Notes. The net interest income for the three months ended September 30, 2015 and 2014 was $15.6 million and $15.1 million, respectively. The net interest income for the nine months ended September 30, 2015 and 2014 was $45.9 million and $45.0 million, respectively.

The Company provides advertising space on its billboards for radio stations owned by iHeartCommunications. For the three months ended September 30, 2015 and 2014, the Company recorded $0.3 million and $0.7 million, respectively, in revenue for these advertisements. For the nine months ended September 30, 2015 and 2014, the Company recorded $2.5 million and $2.8 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between iHeartCommunications and the Company, iHeartCommunications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) certain executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by iHeartCommunications based on headcount, revenue or other factors on a pro rata basis. For the three months ended September 30, 2015 and 2014, the Company recorded $7.9 million and $7.4 million, respectively, as a component of corporate expenses for these services. For the nine months ended September 30, 2015 and 2014, the Company recorded $23.8 million and $23.6 million, respectively, as a component of corporate expenses for these services.

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

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

Pursuant to the Employee Matters Agreement, the Company's employees participate in iHeartCommunications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. For each of the three month periods ended September 30, 2015 and 2014, the Company recorded $2.7 million and $2.6 million, respectively, as a component of selling, general and administrative expenses for these services. For each of the nine month periods ended September 30, 2015 and 2014, the Company recorded $8.0 million as a component of selling, general and administrative expenses for these services.

Stock Purchases

On August 9, 2010, iHeartCommunications announced that its board of directors approved a stock purchase program under which iHeartCommunications or its subsidiaries may purchase up to an aggregate of $100 million of the Company's Class A common stock and/or the Class A common stock of iHeartMedia, Inc. ("iHeartMedia"). The stock purchase program did not have a fixed expiration date and could be modified, suspended or terminated at any time at iHeartCommunications' discretion. As of December 31, 2014, an aggregate $34.2 million was available under this program. In January 2015, CC Finco, LLC ("CC Finco"), an indirect wholly-owned subsidiary of iHeartCommunications, purchased an additional 2,000,000 shares of the Company's Class A common stock for $20.4 million. On April 2, 2015, CC Finco purchased an additional 2,172,946 shares of the Company's Class A common stock for $22.2 million, increasing iHeartCommunications' collective holdings to represent slightly more than 90% of the outstanding shares of the Company's common stock on a fully-diluted basis, assuming the conversion of all of the Company's Class B common stock into Class A common stock. As a result of this purchase, the stock purchase program concluded. The purchase of shares in excess of the amount available under the stock purchase program was separately approved by the iHeartCommunications' board of directors.

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NOTE 6 – INCOME TAXES

Income Tax Benefit (Expense)

The Company's income tax benefit (expense) for the three and nine months ended September 30, 2015 and 2014, respectively, consisted of the following components:

(In thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Current tax benefit (expense)	$ 9,562	$ (1,462)	$ 12,785	$ (21,310)
Deferred tax benefit (expense)	13,235	(3,910)	6,924	23,813
Income tax benefit (expense)	$ 22,797	$ (5,372)	$ 19,709	$ 2,503

The effective tax rates for the three and nine months ended September 30, 2015 were 60.0% and 33.6%, respectively. The effective rates were primarily impacted by the Company's uncertainty of an ability to recognize the future benefit of certain deferred tax assets that consists of current period net operating losses in U.S. federal, state and certain foreign jurisdictions. The Company has recorded a valuation allowance against these deferred tax assets as the reversing deferred tax liabilities and other sources of taxable income that may be available to realize the deferred tax assets was exceeded by the additional net operating losses in the current period.

The effective tax rates for the three and nine months ended September 30, 2014 were 79.1% and 6.7%, respectively. The effective rates were primarily impacted by the Company's inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. In addition, the effective tax rates were impacted by the timing and mix of earnings in the various jurisdictions in which the Company operates.

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NOTE 7 – SHAREHOLDERS' EQUITY (DEFICIT)

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

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances as of January 1, 2015	$ (344,275)	$ 203,334	$ (140,941)
Net income (loss)	(54,689)	15,820	(38,869)
Dividends and other payments to noncontrolling interests	-	(28,088)	(28,088)
Share-based compensation	6,045	-	6,045
Foreign currency translation adjustments	(90,019)	(9,884)	(99,903)
Unrealized holding gain on marketable securities	540	-	540
Other adjustments to comprehensive loss	(1,154)	-	(1,154)
Other, net	2,837	1,701	4,538
Balances as of September 30, 2015	$ (480,715)	$ 182,883	$ (297,832)
Balances as of January 1, 2014	$ (41,938)	$ 202,046	$ 160,108
Net income (loss)	(52,896)	18,071	(34,825)
Dividends paid	(175,022)	-	(175,022)
Dividends and other payments to noncontrolling interests	-	(11,549)	(11,549)
Share-based compensation	5,712	-	5,712
Foreign currency translation adjustments	(73,033)	(5,962)	(78,995)
Unrealized holding gain on marketable securities	605	-	605
Other, net	1,398	-	1,398
Balances as of September 30, 2014	$ (335,174)	$ 202,606	$ (132,568)

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NOTE 8 — OTHER INFORMATION

Other Comprehensive Income (Loss)

For the three months ended September 30, 2015 and 2014 the total increase (decrease) in deferred income tax liabilities of other comprehensive income (loss) related to pensions were $0.0 million and $0.0 million, respectively. For the nine months ended September 30, 2015 and 2014 the total increase (decrease) in deferred income tax liabilities of other comprehensive income (loss) related to pensions were $(0.6) million and $0.0 million, respectively.

NOTE 9 – SEGMENT DATA

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

During the first quarter of 2015, the Company revised its segment reporting, as discussed in Note 1. The following table presents the Company's reportable segment results for the three months ended September 30, 2015 and 2014:

(In thousands)	Americas Outdoor Advertising	International Outdoor Advertising	Corporate and other reconciling items	Consolidated
Three months ended September 30, 2015				
Revenue	$ 347,336	$ 348,941	$ -	$ 696,277
Direct operating expenses	149,072	223,644	-	372,716
Selling, general and administrative expenses	59,539	73,020	-	132,559
Corporate expenses	-	-	28,347	28,347
Depreciation and amortization	50,121	41,564	1,355	93,040
Impairment charges	-	-	21,631	21,631

Other operating income, net		-		-		5,029		5,029
Operating income (loss)	$	88,604	$	10,713	$	(46,304)	$	53,013
Capital expenditures	$	18,557	$	28,665	$	1,363	$	48,585
Share-based compensation expense	$	-	$	-	$	2,316	$	2,316
Three months ended September 30, 2014								
Revenue	$	350,464	$	392,330	$	-	$	742,794
Direct operating expenses		151,550		249,284		-		400,834
Selling, general and administrative expenses		60,994		78,619		-		139,613
Corporate expenses		-		-		33,548		33,548
Depreciation and amortization		51,303		47,775		1,338		100,416
Other operating income, net		-		-		4,623		4,623
Operating income (loss)	$	86,617	$	16,652	$	(30,263)	$	73,006
Capital expenditures	$	22,392	$	19,448	$	650	$	42,490
Share-based compensation expense	$	-	$	-	$	1,462	$	1,462

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The following table presents the Company's reportable segment results for the nine months ended September 30, 2015 and 2014:

(In thousands)	Americas Outdoor Advertising	International Outdoor Advertising	Corporate and other reconciling items	Consolidated
Nine Months Ended September 30, 2015				
Revenue	$ 984,485	$ 1,049,654	$ -	$ 2,034,139
Direct operating expenses	445,018	663,011	-	1,108,029
Selling, general and administrative expenses	172,522	219,689	-	392,211
Corporate expenses	-	-	87,254	87,254
Depreciation and amortization	151,574	124,961	4,004	280,539
Impairment charges	-	-	21,631	21,631
Other operating loss, net	-	-	244	244
Operating income (loss)	$ 215,371	$ 41,993	$ (112,645)	$ 144,719
Capital expenditures	$ 50,916	$ 85,522	$ 2,180	$ 138,618
Share-based compensation expense	$ -	$ -	$ 6,045	$ 6,045
Nine Months Ended September 30, 2014				
Revenue	$ 985,420	$ 1,173,830	$ -	$ 2,159,250
Direct operating expenses	448,789	746,702	-	1,195,491
Selling, general and administrative expenses	175,811	237,023	-	412,834
Corporate expenses	-	-	97,578	97,578
Depreciation and amortization	150,862	143,995	3,026	297,883
Other operating income, net	-	-	7,524	7,524
Operating income (loss)	$ 209,958	$ 46,110	$ (93,080)	$ 162,988
Capital expenditures	$ 60,519	$ 72,086	$ 2,852	$ 135,457
Share-based compensation expense	$ -	$ -	$ 5,712	$ 5,712

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NOTE 10 – GUARANTOR SUBSIDIARIES

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

(In thousands)	September 30, 2015					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ 905	$ -	$ 17,545	$ 154,488	$ -	$ 172,938
Accounts receivable, net of allowance	-	-	213,969	478,309	-	692,278
Intercompany receivables	-	260,215	1,686,434	11,909	(1,958,558)	-
Prepaid expenses	3,041	-	66,074	79,593	-	148,708
Other current assets	(773)	38	60,819	28,332	-	88,416
Total Current Assets	3,173	260,253	2,044,841	752,631	(1,958,558)	1,102,340
Structures, net	-	-				