

ACME COMMUNICATIONS INC
Form 10-Q
May 10, 2004

**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 March 31, 2004

OR

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

Commission File Number: 000-27105

ACME COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	33-0866283
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

2101 E. Fourth Street, Suite 202 A
Santa Ana, California, 92705
(714) 245-9499

(Address and telephone number of principal executive offices)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of May 7, 2004, ACME Communications, Inc. had 16,750,000 shares of common stock outstanding.

ACME COMMUNICATIONS, INC.

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**ACME Communications, Inc. and Subsidiaries
Consolidated Balance Sheets**

	<u>As of</u>	
	<u>March 31, 2004</u>	<u>December 31, 2003</u>
	(Unaudited)	
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,183	\$ 1,197
Restricted cash	1,828	1,984
Accounts receivable, net	7,494	8,037
Current portion of programming rights	9,726	10,561
Prepaid expenses and other current assets	854	850
	<u>21,085</u>	<u>22,629</u>
Total current assets		
Property and equipment, net	28,894	28,774
Programming rights, net of current portion	15,320	17,243
Intangible assets, net	99,787	99,016
Other assets	3,885	4,250
	<u>168,971</u>	<u>171,912</u>
Total assets		

LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,510	\$ 5,833
Accrued liabilities	3,495	3,281
Current portion of programming rights payable	10,626	10,764
Current portion of obligations under lease	1,851	2,048
Income taxes payable	161	279
	<u> </u>	<u> </u>
Total current liabilities	21,643	22,205
Programming rights payable, net of current portion	13,851	16,545
Obligations under lease, net of current portion	977	988
Other liabilities	67	79
Deferred income taxes	8,065	7,500
Notes payable under revolving credit facility	30,044	26,970
	<u> </u>	<u> </u>
Total liabilities	74,647	74,287
Stockholders equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized, no shares issued and outstanding		
Common stock, \$.01 par value; 50,000,000 shares authorized, 16,772,415 and 16,767,250 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively	168	168
Additional paid-in capital	132,038	131,998
Unearned compensation	(23)	(34)
Accumulated deficit	(37,859)	(34,507)
	<u> </u>	<u> </u>
Total stockholders equity	94,324	97,625
	<u> </u>	<u> </u>
Total liabilities and stockholders equity	\$ 168,971	\$ 171,912
	<u> </u>	<u> </u>

See the notes to the condensed consolidated financial statements.

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ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)
(In thousands, except share and per share data)

	For the Three Months Ended March 31,	
	2004	2003
Net revenues	\$ 11,011	\$ 9,979
Operating expenses:		
Cost of service:		
Programming including program amortization	4,635	4,125
Other costs of service (excluding depreciation and amortization of \$1,289 and \$1,046 for the three months ended March 31, 2004 and March 31, 2003, respectively)	1,733	1,637
Selling, general and administrative expenses	4,702	4,596
Depreciation and amortization	1,302	1,061

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Corporate Expenses	873	974
Operating expenses	13,245	12,393
Operating loss	(2,234)	(2,414)
Other income (expenses):		
Interest income	2	96
Interest expense	(723)	(8,384)
Other	(21)	(37)
Loss from continuing operations before income taxes and minority interest	(2,976)	(10,739)
Income tax expense, continuing operations	(615)	(483)
Loss from continuing operations before minority interest	(3,591)	(11,222)
Minority interest	239	
Loss from continuing operations	(3,352)	(11,222)
Discontinued operations:		
Income from discontinued operations		88,522
Income tax benefit		24,602
Income from discontinued operations		113,124
Net income (loss)	(3,352)	101,902
Income (loss) per share, basic and diluted:		
Continuing operations	\$ (0.20)	\$ (0.67)
Discontinued operations		6.75
Net income (loss) per share	\$ (0.20)	\$ 6.08
Basic and diluted common shares outstanding	16,769,077	16,750,000

See the notes to the condensed consolidated financial statements.

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ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation	Accumulated Deficit	Total Stockholders Equity
Balance at December 31, 2003	16,767	\$ 168	\$ 131,998	\$ (34)	\$ (34,507)	\$ 97,625
Exercise of stock options	5		40			40

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Amortization of deferred compensation				11		11
Net loss					(3,352)	(3,352)
Balance at March 31, 2004 (unaudited)	16,772	\$ 168	\$ 132,038	\$ (23)	\$ (37,859)	\$ 94,324

See the notes to the condensed consolidated financial statements.

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ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	
	2004	2003
	(In thousands)	
Cash flows from operating activities:		
Net loss from continuing operations	\$ (3,352)	\$ (11,222)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts receivable	158	162
Depreciation and amortization	1,302	1,061
Amortization of program rights	2,761	2,533
Amortization of debt issuance costs	165	578
Amortization of discount on 12% senior secured notes		194
Amortization of deferred compensation	11	12
Deferred taxes	565	752
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables, net	364	621
Increase in prepaid expenses and other current assets		(540)
Increase in other assets	(121)	(543)
Increase (decrease) in accounts payable	(323)	(1,783)
Increase (decrease) in accrued liabilities	214	(7,607)
Increase (decrease) in current taxes payable	(118)	2,166
Payments for programming rights payable	(2,714)	(2,642)
Increase (decrease) in other liabilities	(12)	(40)
Net cash used in operating activities	<u>(1,100)</u>	<u>(16,298)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,422)	(984)
Purchases of and deposits for station interests	(281)	(11)
Net cash used in investing activities	<u>(1,703)</u>	<u>(995)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facility	3,074	1,429
Payments on revolving credit facility		(20,218)
Payments of financing costs on credit facility	(294)	
Repurchase of Senior Discount Notes		(6,200)
Cash restricted as collateral under capital lease facilities	156	4
Payments on capital lease obligations	(208)	(933)
Proceeds from the issuance of common stock	40	

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Net cash provided by (used in) financing activities	2,768	(25,918)
Decrease in cash	(35)	(43,211)
Cash from discontinued operations	21	271,791
Net increase (decrease) in cash	(14)	228,580
Cash at beginning of period	1,197	1,860
Cash at end of period	\$ 1,183	\$ 230,440
Cash payments for:		
Interest	\$ 490	\$