

SINCLAIR BROADCAST GROUP INC  
Form 10-K/A  
March 31, 2003

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10 K/A**

**ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

**o 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: 000-26076**

**SINCLAIR BROADCAST GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Maryland**  
(State of incorporation)

**52-1494660**  
(I.R.S. Employer Identification No.)

**10706 Beaver Dam Road**  
**Hunt Valley, MD 21030**  
(Address of principal executive offices)

**(410) 568 1500**  
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12 (b) of the Act: **None**  
Securities registered pursuant to Section 12 (g) of the Act:  
Class A common stock, par value \$.01 per share  
Series D preferred stock, par value \$.01 per share

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this report, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Based on the closing sales price of \$9.83 per share as of February 14, 2003, the aggregate market value of the voting and non-voting common equity of the Registrant held by non-affiliates was approximately \$429.7 million.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Act). Yes ☒ No ☐

Based on the closing price of \$14.56 per share as June 28, 2002, the aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates was \$620.8 million.

As of February 14, 2003, there were 43,887,663 shares of class A common stock, \$.01 par value; 41,705,678 shares of class B common stock \$.01 par value, and 3,450,000 shares of series D preferred stock, \$.01 par value, convertible into 7,561,644 shares of class A common stock at a conversion price of \$22.813 per share, of the registrant issued and outstanding.

In addition, 2,000,000 shares of \$200 million aggregate liquidation value of 11.625% High Yield Trust Offered Preferred Securities of Sinclair Capital, a subsidiary trust of Sinclair Broadcast Group, Inc., are issued and outstanding.

Documents Incorporated by Reference - None

**ITEM 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 have been derived from our audited consolidated financial statements. The consolidated financial statements for the years ended December 31, 2002, 2001 and 2000 are included elsewhere in this report.

The information below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included elsewhere in this report.

**STATEMENT OF OPERATIONS DATA**

(dollars in thousands, except per share data)

	Years Ended December 31,				
	2002	2001	2000	1999	1998
<b>Statement of Operations Data:</b>					
Net broadcast revenues(a)	\$ 670,534	\$ 623,837	\$ 699,422	\$ 643,088	\$ 537,793
Barter revenues	60,911	53,889	54,595	60,052	55,276
Other revenues	4,344	6,925	4,494		
Total revenues	735,789	684,651	758,511	703,140	593,069
Operating costs(b)	309,254	311,494	320,817	276,092	213,192
Expenses from barter arrangements	54,567	48,159	48,543	54,463	49,805
Depreciation and amortization(c)(d)	185,939	260,526	230,889	204,612	158,653
Stock-based compensation	1,399	1,559	1,762	2,467	2,873
Impairment and write down charge of long-lived assets	—	16,075			
Restructuring costs	—	3,700			
Contract termination costs	—	5,135			
Cumulative adjustment for change in assets held for sale	—		619		
Operating income	184,630	38,003	155,881	165,506	168,546
Interest expense(d)	(126,500)	(143,574)	(152,219)	(181,569)	(141,704)
Subsidiary trust minority interest expense(e)	(23,890)	(23,890)	(23,890)	(23,890)	(23,923)
Gain (loss) on sale of broadcast assets	(478)	204		(418)	1,232
Unrealized (loss) gain on derivative instrument	(30,939)	(32,220)	(296)	15,747	(9,050)
Loss related to investments	(1,189)	(7,616)	(16,764)		
Interest and other income	3,585	3,758	2,812	3,082	6,631
Income (loss) before income taxes	5,219	(165,335)	(34,476)	(21,542)	1,732
(Provision) benefit for income taxes	(1,369)	51,875	(3,355)	(23,281)	(30,811)
	3,850	(113,460)	(37,831)	(44,823)	(29,079)

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Income (loss) from continuing operations							
Discontinued Operations:							
Income (loss) from discontinued operations, net of related income taxes	372	(52)	6,932	20,235	16,980		
Gain on sale of broadcast assets, net of related income taxes	7,519		108,264	192,372	6,282		
Extraordinary item:							
Loss on early extinguishment of debt, net of related income taxes	(9,831)	(14,210)			(11,063)		
Cumulative adjustment for change in accounting principle net of related income taxes	(566,404)	—	—	—	—		
Net (loss) income	\$ (564,494)	\$ (127,722)	\$ 77,365	\$ 167,784	\$ (16,880)		
Net (loss) income available to common Shareholders	\$ (574,844)	\$ (138,072)	\$ 67,015	\$ 157,434	\$ (27,230)		

**Other Data:**

Broadcast cash flow(f)(m)	\$ 293,548	\$ 255,519	\$ 329,907	\$ 321,673	\$ 294,581		
Broadcast cash flow margin(g)	43.8%	41.0%	47.2%	50.0%	54.8%		
Adjusted EBITDA(h)(m)	\$ 273,753	\$ 235,769	\$ 307,602	\$ 303,027	\$ 277,988		
Adjusted EBITDA margin(g)	40.8%	37.8%	44.0%	47.1%	51.7%		
After tax cash flow(i)(m)	\$ 143,703	\$ 91,262	\$ 145,469	\$ 137,245	\$ 149,760		
Program contract payments(j)	\$ 99,922	\$ 91,267	\$ 84,131	\$ 69,558	\$ 52,084		
Corporate overhead expense	\$ 19,795	\$ 19,750	\$ 22,305	\$ 18,646	\$ 16,593		
Capital expenditures	\$ 62,909	\$ 29,017	\$ 33,256	\$ 30,861	\$ 19,426		
Cash flows from operating activities	\$ 149,615	\$ 58,888	\$ 69,127	\$ 130,665	\$ 150,480		
Cash flows from (used in) investing activities	\$ 52,822	\$ (33,338)	\$ 209,820	\$ 452,499	\$ (1,812,682)		
Cash flows (used in) from financing activities	\$ (229,173)	\$ 2,422	\$ (291,264)	\$ (570,024)	\$ 1,526,143		

**Per Share Data:**

Basic loss per share from continuing operations	\$ (0.08)	\$ (1.47)	\$ (0.53)	\$ (0.57)	\$ (0.42)		
Basic earnings per share from discontinued operations	\$ 0.09		\$ 1.26	\$ 2.20	\$ 0.25		
Basic loss per share from extraordinary item	\$ (0.12)	\$ (0.17)			\$ (0.12)		
Basic loss per share from cumulative effect of accounting change	\$ (6.64)	—	—	—	—		
Basic net income (loss) per share	\$ (6.74)	\$ (1.64)	\$ 0.73	\$ 1.63	\$ (0.29)		
Diluted loss per share from continuing operations	\$ (0.08)	\$ (1.47)	\$ (0.53)	\$ (0.57)	\$ (0.42)		
Diluted earnings per share from discontinued operations	\$ 0.09		\$ 1.26	\$ 2.20	\$ 0.25		

Diluted loss per share from extraordinary item	\$ (0.12)	\$ (0.17)			\$ (0.12)		
Diluted loss per share from cumulative effect of accounting change	\$ (6.64)	—	—	—	—		
Diluted net income (loss) per share	\$ (6.74)	\$ (1.64)	\$ 0.73	\$ 1.63	\$ (0.29)		

**Balance Sheet Data:**

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Cash and cash equivalents	\$	5,327	\$	32,063	\$	4,091	\$	16,408	\$	3,268
Total assets	\$	2,606,773	\$	3,289,426	\$	3,400,640	\$	3,619,510	\$	3,852,752
Total debt(k)	\$	1,551,970	\$	1,685,630	\$	1,616,426	\$	1,792,339	\$	2,327,221
HYTOPS(l)	\$	200,000	\$	200,000	\$	200,000	\$	200,000	\$	200,000
Total stockholders equity	\$	211,180	\$	771,960	\$	912,530	\$	974,917	\$	816,043

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- (a) Net broadcast revenues are defined as broadcast revenues net of agency commissions.
- (b) Operating costs include program and production expenses and selling, general and administrative expenses.
- (c) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment, and amortization of acquired intangible broadcasting assets, other assets and costs related to excess syndicated programming.
- (d) Depreciation and amortization and interest expense amounts differ from prior presentations for the fiscal years ended December 31, 2000, 1999, and 1998. Previously the amortized costs associated with the issuance of indebtedness had been classified as depreciation and amortization instead of being classified as interest expense. Accordingly, we reclassified \$3,313, \$3,288 and \$2,752 as interest expense for the fiscal years ended December 31, 2000, 1999 and 1998, respectively.
- (e) Subsidiary trust minority interest expense represents the distributions on the HYTOPS and amortization of deferred finance costs. See footnote k.
- (f) Broadcast cash flow (BCF) is defined as operating income plus corporate expenses, selling, general and administrative expenses related to software development and consulting operations, stock-based compensation, depreciation, and amortization (including film amortization, and amortization of deferred compensation), restructuring charges, contract termination costs, impairment and write down of long-lived assets, cumulative adjustment for change in assets held for sale, less other revenue and cash payments for program rights. Cash program payments represent cash payments made for current programs payable and do not necessarily correspond to program usage. We believe these data are comparable to the data provided by the other companies in the industry, but there can be no assurance that it is comparable. BCF does not purport to represent cash provided by operating activities as reflected in our consolidated statements of cash flows and is not a

measure of financial performance under generally accepted accounting principles. In addition, BCF should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of BCF is relevant and useful because 1) it is a measurement utilized by management and lenders to measure our ability to service our debt, 2) it is a measurement utilized by management and industry analysts to determine a private market value of our television stations and 3) it is a measurement management and industry analysts utilize when determining our operating performance.

(g) Broadcast cash flow margin is defined as broadcast cash flow divided by net broadcast revenues. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net broadcast revenues.

(h) Adjusted EBITDA is defined as broadcast cash flow less corporate expenses and is a commonly used measure of performance for broadcast companies. We believe these data are comparable to the data provided by other companies in the industry, but there can be no assurances that it is comparable. Adjusted EBITDA does not purport to represent cash provided by operating activities as reflected in our consolidated statements of cash flows and is not a measure of financial performance under generally accepted accounting principles. In addition, Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of Adjusted EBITDA is relevant and useful because (1) it is a measurement utilized by management and lenders to measure our ability to service our debt, (2) it is a measurement utilized by management and industry analysts to determine a private market value of our television stations and (3) it is a measurement management and industry analysts utilize when determining our operating performance.

(i) After tax cash flow (ATCF) is defined as net income (loss) available to common shareholders, plus extraordinary items (before the effect of related tax benefits) plus depreciation and amortization (excluding film amortization), stock-based compensation, amortization of deferred financing costs, restructuring charges, contract termination costs, impairment and write down of long-lived assets, the cumulative adjustment for change in assets held for sale, the loss of equity investments (or minus the gain), unrealized loss on derivative instruments (or minus the gain), the deferred tax provision related to operations or minus the deferred tax benefit, the cumulative affect of change in accounting principle, the loss on the sale of discontinued operations (or minus the gain) and loss on sale of assets (or minus the gain) and minus deferred NOL carrybacks. We have presented ATCF data, which we believe is comparable to the data provided by other companies in the industry, because such data are commonly used as a measure of performance for broadcast companies; however, there can be no assurances that it is comparable. ATCF is presented here not as a measure of operating results and does not purport to represent cash provided by operating activities. ATCF should not be considered in isolation or as substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of ATCF is relevant and useful because ATCF is a measurement utilized by management and industry analysts to determine a public market value of our television stations and ATCF is a measurement management and analysts utilize when determining our operating performance.

(j) Program contract payments do not include payments related to WTTV-TV, which we sold on July 24, 2002. Program contract payments related to WTTV-TV for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 were \$6,405, \$10,989